

Non-GAAP Financial Measures

We provide non-GAAP revenue, non-GAAP gross margin, non-GAAP net income (loss), and non-GAAP earnings per share to eliminate the impact of items that we do not consider indicative of our overall operating performance. To arrive at our non-GAAP revenue, we exclude non-recurring adjustments to revenue, if any. To arrive at our non-GAAP gross margin, we exclude stock-based compensation expense, expenses associated with discontinued products, and non-recurring expenses, if any, from our GAAP gross margin. To arrive at our non-GAAP net income (loss), we exclude all amortization of intangible assets, stock-based compensation expense, non-recurring expenses, unrealized foreign exchange gain (loss), losses from the disposal of idle assets, if any, non-recurring tax expenses (benefits), and expenses associated with discontinued products, if any, from our GAAP net income (loss). Included in our non-recurring adjustments to revenue in Q4 2020 and CY2020, but not in 2019, is a non-recurring customer credit. Included in our non-recurring expenses in Q4 2020 and Q4 2019 are certain one-time legal (if any) and consulting fees (if any) and employee severance expenses (if any). Also included in our non-recurring (income) expenses in the year ended December 31, 2020, were a one-time customer reimbursement of certain incurred expenses, and non-recurring government subsidy income in our Taiwan subsidiary due to COVID-19. Such events occurred in 2020 but not in 2019. And included in our non-recurring expenses in the year ended December 31, 2019, but not included in our results in 2020, was the unamortized debt issuance costs associated with the extinguishment of certain debt. Non-cash expenses associated with discontinued products in Q4 2020 and Q4 2019 include depreciation on certain equipment undergoing reconfiguration. Other expenses associated with discontinued products in Q4 2020 and Q4 2019 include inventory obsolescence charges associated with materials used in the manufacture of these discontinued products. In computing our non-GAAP income tax expense (benefit), we have applied an estimate of our annual effective income tax rate and applied it to our net income before income taxes.

Our non-GAAP earnings per share is calculated by dividing our non-GAAP net income by the fully diluted share count (for periods in which non-GAAP net income is positive) or basic share count (for periods in which our non-GAAP net income is negative). We believe that our non-GAAP measures are useful to investors in evaluating our operating performance for the following reasons:

- We believe that elimination of items such as amortization of intangible assets, stock-based compensation expense, non-recurring revenue and expenses, losses from the disposal of idle assets, unrealized foreign exchange gain or loss, unamortized debt issuance costs associated with the extinguishment of debt, and depreciation on certain equipment undergoing reconfiguration is appropriate because treatment of these items may vary for reasons unrelated to our overall operating performance;
- We believe that elimination of expenses associated with discontinued products, including depreciation and inventory obsolescence is appropriate because these expenses are not indicative of our ongoing operations;
- We believe that non-GAAP measures provide better comparability with our past financial performance, period-to-period results and with our peer companies, many of which also use similar non-GAAP financial measures; and
- We anticipate that investors and securities analysts will utilize non-GAAP measures as a supplement to GAAP measures to evaluate our overall operating performance.

A reconciliation of our GAAP net income (loss) and GAAP earnings (loss) per share for Q4 2020 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for the annual period ended December 31, 2020.

Non-GAAP measures should not be considered as an alternative to net income (loss), earnings (loss) per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such other non-GAAP measures in the same manner. We have not reconciled the non-GAAP measures included in our guidance to the appropriate GAAP financial measures because the GAAP measures are not readily determinable on a forward-looking basis. GAAP measures that impact our non-GAAP financial measures may include stock-based compensation expense, non-recurring expenses, amortization of intangible assets, unrealized exchange loss (gain), asset impairment charges, and loss (gain) from disposal of idle assets. These GAAP measures cannot be reasonably predicted and may directly impact our non-GAAP gross margin, our non-GAAP net income and our non-GAAP fully-diluted earnings per share, although changes with respect to certain of these measures may offset other changes. In addition, certain of these measures are out of our control. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

Applied Optoelectronics, Inc.
Consolidated Balance Sheet

(In thousands)

Preliminary Unaudited

	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020	12/31/2020
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	55,646	74,930	81,070	69,994	59,977	55,908	52,181	46,772	43,425
Restricted Cash	2,358	2,529	2,917	2,382	7,051	6,609	6,728	11,296	6,689
Short term Investment	0	0	0	0	0	0	0	0	0
Total Cash, Cash Equivalents and Short Term Investments	58,004	77,459	83,987	72,376	67,028	62,517	58,909	58,068	50,114
Accounts Receivable									
Allowance for doubtful accounts									
Accounts Receivable, Net	30,534	32,123	28,406	29,709	34,655	25,783	50,029	51,453	43,042
Inventories	93,256	84,464	81,475	82,118	85,028	87,109	97,251	111,427	110,397
Notes Receivable	0	79	136	0	0	0	0	0	401
Prepaid Income Tax	1,188	1,423	1,312	759	224	375	210	177	2
Prepaid Expenses and Other Current Assets	11,293	7,726	5,719	5,685	5,869	6,904	6,610	8,805	5,213
Total Current Assets	194,275	203,274	201,035	190,647	192,804	182,688	213,009	229,930	209,169
Cash Restricted for Construction in Progress	0	0	0	0	0	0	0	0	0
Property, Plant And Equipment, Net	234,211	242,623	247,887	245,535	248,444	243,717	244,126	249,740	252,984
Land Use Rights, Net	5,814	5,894	5,743	5,551	5,598	5,481	5,455	5,640	5,854
Right of use asset	0	8,293	7,912	7,738	7,887	7,756	7,656	7,888	7,817
Intangible Assets, Net	3,977	4,001	4,028	4,072	4,081	4,051	4,006	4,031	3,999
Deferred Income Tax Assets	21,714	24,188	27,437	29,362	7,287	9,078	2,136	0	0
Other Assets	6,849	2,932	1,080	973	724	765	1,703	558	982
TOTAL ASSETS	466,840	491,205	495,122	483,878	466,825	453,536	478,091	497,787	480,805
LIABILITIES AND STOCKHOLDERS' EQUITY									
CURRENT LIABILITIES									
Accounts Payable	29,910	28,332	31,526	28,074	32,828	36,236	51,154	56,134	29,482
Accrued Income Taxes	0	0	0	0	0	0	0	0	0
Current Lease Liability		1,053	903	924	982	955	958	1,000	1,030
Accrued Expenses	19,291	12,424	13,986	15,542	17,864	10,678	15,557	17,526	18,511
Bank Acceptance Payable	4,628	5,198	2,532	4,080	6,310	9,550	9,866	13,366	15,860
Current Portion of Notes Payable and Long Term Debt	23,589	18,168	19,180	15,803	33,371	38,096	42,234	44,292	38,265
Total Current Liabilities	77,418	65,175	68,127	64,423	91,355	95,515	119,769	132,318	103,148
Notes Payable and Long Term Debt	60,328	17,535	30,468	32,373	16,552	15,315	15,542	14,564	13,904
Convertible Senior Notes		76,439	76,630	76,835	77,041	77,235	77,439	77,646	77,854
Non-Current Lease Liability		8,438	8,182	7,962	8,083	7,973	7,886	8,093	8,008
Other Long-Term Liabilities	0	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	137,746	167,587	183,407	181,593	193,031	196,038	220,636	232,621	202,914
STOCKHOLDERS' EQUITY									
Common Stock	20	20	20	20	20	20	22	23	25
Additional Paid-in Capital	292,480	295,130	297,922	300,725	303,401	306,305	323,405	335,035	354,685
Cumulative Translation Adjustment	602	2,950	(379)	(3,832)	430	(1,972)	(518)	5,178	11,690
Retained Earnings (Accumulated Deficit)	35,992	25,518	14,152	5,372	(30,057)	(46,855)	(65,454)	(75,070)	(88,509)
TOTAL STOCKHOLDERS' EQUITY	329,094	323,618	311,715	302,285	273,794	257,498	257,455	265,166	277,891
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	466,840	491,205	495,122	483,878	466,825	453,536	478,091	497,787	480,805

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

(In thousands, except percentages and per share data)

	4Q18	CY2018	1Q19	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020
Revenue												
Datacenter	41,659	200,236	38,499	31,806	34,006	39,252	143,563	33,264	52,533	55,336	32,305	173,438
CATV	12,652	51,699	11,962	9,818	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943
Telecom	2,760	13,159	1,738	1,630	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092
FTTH	320	818	94	16	39	41	190	0	1	67	42	110
Other	627	1,553	426	141	374	419	1,360	420	377	693	550	2,040
Total Revenues	58,018	267,465	52,719	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,326	234,623
YOY Growth %	-27.3%	-30.0%	-19.2%	-50.6%	-18.3%	-16.1%	-28.6%	-23.2%	50.2%	76.5%	13.5%	22.9%
Cost of Goods Sold	47,481	179,692	40,368	32,873	34,108	37,322	144,671	34,129	51,486	57,418	41,049	184,082
COGS % of Revenue	81.8%	67.2%	76.6%	75.7%	74.0%	76.7%	75.8%	84.3%	78.9%	75.0%	78.4%	78.5%
Gross Profit	10,537	87,773	12,351	10,538	11,976	11,336	46,201	6,338	13,736	19,190	11,277	50,541
Gross Margin	18.2%	32.8%	23.4%	24.3%	26.0%	23.3%	24.2%	15.7%	21.1%	25.0%	21.6%	21.5%
Operating Expenses:												
Research and Development	11,342	49,903	11,185	11,151	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393
R&D % of Revenue	19.5%	18.7%	21.2%	25.7%	22.7%	21.8%	22.7%	26.1%	16.6%	14.6%	20.7%	18.5%
Sales and Marketing	1,920	9,141	2,595	2,331	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087
S&M % of Revenue	3.3%	3.4%	4.9%	5.4%	5.5%	5.4%	5.3%	7.3%	5.3%	5.9%	6.2%	6.0%
General and Administrative	9,552	39,497	10,440	10,884	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903
G&A % of Revenue	16.5%	14.8%	19.8%	25.1%	21.7%	20.9%	21.7%	26.3%	16.3%	13.4%	19.8%	17.9%
Total Operating Expenses	22,814	98,541	24,220	24,366	22,972	23,390	94,948	24,132	24,844	25,969	24,438	99,383
Operating Expenses % of Revenue	39.3%	36.8%	45.9%	56.1%	49.8%	48.1%	49.7%	59.6%	38.1%	33.9%	46.7%	42.4%
Operating Income (Loss)	(12,277)	(10,768)	(11,869)	(13,828)	(10,996)	(12,054)	(48,747)	(17,794)	(11,108)	(6,779)	(13,161)	(48,842)
Operating Margin	-21.2%	-4.0%	-22.5%	-31.9%	-23.9%	-24.8%	-25.5%	-44.0%	-17.0%	-8.8%	-25.2%	-20.8%
Other Income (Expense):												
Interest Income	59	282	72	310	347	196	925	147	47	26	35	255
Interest Expense	(482)	(1,106)	(996)	(1,490)	(1,517)	(1,402)	(5,405)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)
Other Income (Expense)	629	1,151	78	235	1,124	383	1,820	117	861	1,137	883	2,998
Foreign Exchange Gain (Loss)	(135)	663	(233)	216	322	(286)	19	139	113	(271)	19	0
Total Other Income (Expense):	71	990	(1,079)	(729)	276	(1,109)	(2,641)	(1,052)	(468)	(588)	(274)	(2,382)
Other Income % of Revenue	0.1%	0.4%	-2.0%	-1.7%	0.6%	-2.3%	-1.4%	-2.6%	-0.7%	-0.8%	-0.5%	-1.0%
Net Income (Loss) before Income Taxes	(12,206)	(9,778)	(12,948)	(14,557)	(10,720)	(13,163)	(51,388)	(18,846)	(11,576)	(7,367)	(13,435)	(51,224)
Net Margin	-21.0%	-3.7%	-24.6%	-33.5%	-23.3%	-27.1%	-26.9%	-46.6%	-17.7%	-9.6%	-25.7%	-21.8%
Income Tax Benefit (Expense)	3,638	7,632	2,474	3,191	1,940	(22,267)	(14,662)	2,049	(7,024)	(2,249)	(4)	(7,228)
Net Income (Loss)	(8,568)	(2,146)	(10,474)	(11,366)	(8,780)	(35,430)	(66,050)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)
Net Margin after Taxes	-14.8%	-0.8%	-19.9%	-26.2%	-19.1%	-72.8%	-34.6%	-41.5%	-28.5%	-12.6%	-25.7%	-24.9%
Earnings per share (Basic)	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)
Earnings per share (Diluted)	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)
Shares used to compute GAAP basic earnings per share	19,793	19,647	19,863	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867
Shares used to compute GAAP diluted earnings per share	19,793	19,647	19,863	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867

Applied Optoelectronics, Inc.
Consolidated Statement of Operations

NON GAAP

(In thousands, except percentages and per share data)

Preliminary Unaudited

	4Q18	CY2018	1Q19	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020
Revenue												
Datacenter	42,550	201,127	38,499	31,806	34,006	39,252	143,563	33,264	52,533	55,336	32,754	173,887
CATV	12,652	51,699	11,962	9,818	8,797	6,753	37,330	4,223	6,141	11,642	15,937	37,943
Telecom	2,760	13,159	1,738	1,630	2,868	2,193	8,429	2,560	6,170	8,870	3,492	21,092
FTTH	320	818	94	16	39	41	190	0	1	67	42	110
Other	627	1,553	426	141	374	419	1,360	420	377	693	550	2,040
Total Revenues	58,909	268,356	52,719	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,775	235,072
YOY Growth %	-26.2%	-29.8%	-19.2%	-50.6%	-18.3%	-17.4%	-28.9%	-23.2%	50.2%	66.2%	8.5%	23.2%
QOQ Growth %												
Cost of Goods Sold	44,384	173,080	39,254	31,607	32,794	35,242	138,897	32,559	50,171	55,623	38,239	176,592
COGS % of Revenue	75.3%	64.5%	74.5%	72.8%	71.2%	72.4%	72.8%	80.5%	76.9%	72.6%	72.5%	75.1%
Gross Profit	14,525	95,276	13,465	11,804	13,290	13,416	51,975	7,908	15,051	20,985	14,536	58,480
Gross Margin	24.7%	35.5%	25.5%	27.2%	28.8%	27.6%	27.2%	19.5%	23.1%	27.4%	27.5%	24.9%
Operating Expenses:												
Research and Development	10,512	44,541	10,545	10,494	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369
R&D % of Revenue	17.8%	16.6%	20.0%	24.2%	21.3%	20.5%	21.4%	23.9%	15.5%	13.7%	19.2%	17.2%
Sales and Marketing	1,664	8,216	2,324	2,052	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874
S&M % of Revenue	2.8%	3.1%	4.4%	4.7%	4.9%	4.9%	4.7%	6.5%	4.8%	5.5%	5.5%	5.5%
General and Administrative	6,545	29,631	7,381	6,938	6,309	7,061	27,689	7,158	7,380	7,579	7,567	29,684
G&A % of Revenue	11.1%	11.0%	14.0%	16.0%	13.7%	14.5%	14.5%	17.7%	11.3%	9.9%	14.3%	12.6%
Total Operating Expenses	18,721	82,388	20,250	19,484	18,372	19,413	77,519	19,443	20,612	22,271	20,601	82,927
Operating Expenses % of Revenue	31.8%	30.7%	38.4%	44.9%	39.9%	39.9%	40.6%	48.0%	31.6%	29.1%	39.0%	35.3%
Operating Income (Loss)	(4,196)	12,888	(6,785)	(7,680)	(5,082)	(5,998)	(25,545)	(11,535)	(5,561)	(1,286)	(6,065)	(24,447)
Operating Margin	-7.1%	4.8%	-12.9%	-17.7%	-11.0%	-12.3%	-13.4%	-28.5%	-8.5%	-1.7%	-11.5%	-10.4%
Other Income (Expense):												
Interest Income	59	282	72	310	347	196	925	147	47	26	35	255
Interest Expense	(482)	(1,106)	(823)	(1,490)	(1,517)	(1,402)	(5,232)	(1,455)	(1,489)	(1,480)	(1,211)	(5,635)
Other Income (Expense)	636	1,158	78	235	1,124	383	1,820	117	326	83	778	1,304
Foreign Exchange Gain (Loss)	(127)	63	(460)	272	257	(207)	(138)	(30)	155	(332)	(650)	(857)
Total Other Income (Expense):	86	397	(1,133)	(673)	211	(1,030)	(2,625)	(1,221)	(961)	(1,703)	(1,048)	(4,933)
Other Income % of Revenue	0.1%	0.1%	-2.1%	-1.6%	0.5%	-2.1%	-1.4%	-3.0%	-1.5%	-2.2%	-2.0%	-2.1%
Net Income (Loss) before Income Taxes	(4,110)	13,285	(7,918)	(8,353)	(4,871)	(7,027)	(28,169)	(12,756)	(6,522)	(2,989)	(7,113)	(29,380)
Net Margin	-7.0%	5.0%	-15.0%	-19.2%	-10.6%	-14.4%	-14.8%	-31.5%	-10.0%	-3.9%	-13.5%	-12.5%
Income Tax Benefit (Expense)	3,638	7,470	2,474	3,191	1,940	3,468	11,073	3,964	1,538	1,570	2,272	9,344
Net Income (Loss)	(472)	20,755	(5,444)	(5,162)	(2,931)	(3,559)	(17,096)	(8,792)	(4,984)	(1,419)	(4,841)	(20,036)
Net Margin after Income Tax	-0.8%	7.7%	-10.3%	-11.9%	-6.4%	-7.3%	-9.0%	-21.7%	-7.6%	-1.9%	-9.2%	-8.5%
Depreciation & Amortization	7,891	29,698	5,948	6,017	6,018	6,038	24,021	6,031	6,123	6,196	6,383	24,733
Adjusted EBITDA	2,820	42,046	(2,193)	(2,405)	1,066	(992)	(4,524)	(6,815)	(52)	4,020	(365)	(3,212)
EBITDA Margin	4.8%	15.7%	-4.2%	-5.5%	2.3%	-2.0%	-2.4%	-16.8%	-0.1%	5.2%	-0.7%	-1.4%
Earnings per share (Basic)	\$ (0.02)	\$ 1.06	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)
Earnings per share (Diluted)	\$ (0.02)	\$ 1.04	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)
Shares used to compute Non-GAAP basic earnings per share	19,793	19,647	19,863	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867
Shares used to compute Non-GAAP diluted earnings per share	19,793	20,027	19,863	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	4Q18	CY2018	1Q19	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020
GAAP revenue	58,018	267,465	52,719	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,326	234,623
Non-recurring customer credit	891	891	-	-	-	-	-	-	-	-	449	449
Non-GAAP revenue	58,909	268,356	52,719	43,411	46,084	48,658	190,872	40,467	65,222	76,608	52,775	235,072
GAAP total gross profit	10,537	87,773	12,351	10,538	11,976	11,336	46,201	6,338	13,736	19,190	11,277	50,541
Non-recurring customer credit	891	891	-	-	-	-	-	-	-	-	449	449
Share-based compensation expense	202	795	189	199	197	189	774	246	237	229	224	936
Non-recurring expense	43	50	-	-	-	-	-	970	1	-	-	971
Expenses associated with discontinued products	2,852	5,767	925	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583
Non-GAAP income from gross profit	14,525	95,276	13,465	11,804	13,290	13,416	51,975	7,908	15,051	20,985	14,536	58,481
GAAP research and development expense	11,342	49,903	11,185	11,151	10,466	10,597	43,399	10,558	10,803	11,206	10,826	43,393
Share-based compensation expense	544	2,419	640	657	647	614	2,558	688	704	706	714	2,812
Non-recurring expense	13	56	-	-	-	-	-	212	-	-	-	212
Non-cash expenses associated with discontinued products	273	2,887	-	-	-	-	-	-	-	-	-	-
Non-GAAP research and development expense	10,512	44,541	10,545	10,494	9,819	9,983	40,841	9,658	10,099	10,500	10,112	40,369
GAAP sales and marketing expense	1,920	9,141	2,595	2,331	2,518	2,615	10,059	2,936	3,430	4,491	3,230	14,087
Share-based compensation expense	256	925	271	279	274	245	1,069	291	295	298	307	1,191
Non-recurring expense	-	-	-	-	-	-	-	18	2	1	1	22
Non-GAAP sales and marketing expense	1,664	8,216	2,324	2,052	2,244	2,370	8,990	2,627	3,133	4,192	2,922	12,874
GAAP general and administrative expense	9,552	39,497	10,440	10,884	9,988	10,178	41,490	10,638	10,611	10,272	10,382	41,903
Share-based compensation expense	1,758	6,983	1,843	1,885	1,860	1,816	7,404	2,013	2,066	2,032	1,996	8,107
Amortization expense	128	506	130	133	137	140	540	141	143	146	149	579
Non-recurring expense	1,121	2,377	69	813	568	94	1,544	301	70	20	9	400
Non-cash expenses associated with discontinued products	-	-	1,017	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133
Non-GAAP general and administrative expense	6,545	29,631	7,381	6,938	6,309	7,062	27,690	7,158	7,380	7,579	7,567	29,684
GAAP total operating expense	22,814	98,541	24,220	24,366	22,972	23,390	94,948	24,132	24,844	25,969	24,438	99,383
Share-based compensation expense	2,558	10,327	2,754	2,821	2,781	2,676	11,032	2,992	3,065	3,036	3,017	12,110
Amortization expense	128	506	130	133	137	140	540	141	143	146	149	579
Non-recurring expense	1,134	2,433	69	813	568	94	1,544	531	72	21	10	634
Non-cash expenses associated with discontinued products	273	2,887	1,017	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133
Non-GAAP total operating expense	18,721	82,388	20,250	19,484	18,372	19,414	77,520	19,443	20,612	22,271	20,601	82,927
GAAP operating income (loss)	(12,277)	(10,768)	(11,869)	(13,828)	(10,996)	(12,054)	(48,747)	(17,794)	(11,108)	(6,779)	(13,161)	(48,842)
Non-recurring customer credit	891	891	-	-	0	0	0	-	-	-	449	449
Share-based compensation expense	2,757	11,120	2,943	3,020	2,978	2,864	11,805	3,238	3,302	3,265	3,241	13,046
Amortization expense	128	506	130	133	137	140	540	141	143	146	149	579
Non-recurring expense	1,180	2,485	69	813	568	94	1,544	1,501	73	21	10	1,605
Expenses associated with discontinued products	2,852	5,767	925	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583
Non-cash expenses associated with discontinued products	273	2,887	1,017	1,115	1,114	1,067	4,313	1,025	952	495	661	3,133
Non-GAAP operating income (loss)	(4,196)	12,888	(6,785)	(7,680)	(5,082)	(5,999)	(25,546)	(11,535)	(5,561)	(1,286)	(6,065)	(24,447)
GAAP other income (loss)	71	990	(1,079)	(729)	276	(1,109)	(2,641)	(1,052)	(468)	(588)	(274)	(2,382)
Loss (gain) from disposal of idle assets	8	8	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	7	(601)	(227)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)
Non-recurring expense	0	0	173	-	-	-	173	-	(536)	(1,054)	(105)	(1,695)
Non-GAAP other income (loss)	86	397	(1,133)	(673)	211	(1,030)	(2,625)	(1,221)	(961)	(1,703)	(1,048)	(4,933)

Applied Optoelectronics, Inc.
GAAP to Non-GAAP Reconciliation

(In thousands)

Preliminary Unaudited

	4Q18	CY2018	1Q19	2Q19	3Q19	4Q19	CY2019	1Q20	2Q20	3Q20	4Q20	CY2020
GAAP net income (loss)	(8,568)	(2,146)	(10,474)	(11,366)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)
Non-recurring customer credit	891	891	-	-	-	-	-	-	-	-	449	449
Amortization of intangible assets	128	506	130	133	137	140	540	141	143	146	149	579
Share-based compensation expense	2,757	11,120	2,943	3,020	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046
Non Recurring charges	1,180	2,485	242	812	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)
Expenses associated with discontinued products	2,852	5,767	925	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583
Non-cash expenses associated with discontinued products	273	2,887	1,017	1,116	1,114	1,067	4,314	1,025	952	495	661	3,133
Loss (gain) from disposal of idle assets	8	8	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	7	(601)	(227)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)
Non-GAAP Tax Benefit	-	(162)	-	-	-	25,736	25,736	1,915	8,562	3,819	2,276	16,572
Non-GAAP net income (loss)	(472)	20,755	(5,444)	(5,162)	(2,931)	(3,559)	(17,096)	(8,792)	(4,984)	(1,419)	(4,841)	(20,036)
GAAP net income (loss)	(8,568)	(2,146)	(10,474)	(11,366)	(8,780)	(35,430)	(66,049)	(16,797)	(18,600)	(9,616)	(13,439)	(58,452)
Non-recurring customer credit	891	891	-	-	-	-	-	-	-	-	449	449
Amortization of intangible assets	128	506	130	133	137	140	540	141	143	146	149	579
Share-based compensation expense	2,757	11,120	2,943	3,020	2,978	2,864	11,804	3,238	3,302	3,265	3,241	13,046
Depreciation expense	7,762	29,192	5,817	5,883	5,872	5,887	23,459	5,657	5,980	6,050	6,234	23,921
Non-recurring charges	1,180	2,485	242	812	568	94	1,716	1,501	(463)	(1,033)	(95)	(90)
Expenses associated with discontinued products	1,603	4,518	925	1,067	1,117	1,891	5,000	354	1,077	1,566	2,586	5,583
Loss (gain) from disposal of idle assets	8	8	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	7	(601)	(227)	56	(65)	79	(157)	(169)	43	(61)	(669)	(856)
Interest (income) expense, net	423	824	752	1,181	1,170	1,206	4,309	1,308	1,441	1,454	1,175	5,378
Tax (benefit) expense related to the above	(3,638)	(7,632)	(2,474)	(3,191)	(1,940)	22,267	14,662	(2,048)	7,025	2,249	4	7,230
Adjusted EBITDA	\$2,553	\$39,165	(2,366)	(2,405)	\$1,057	(1,003)	(4,717)	(6,815)	(52)	\$4,020	(365)	(3,212)
GAAP diluted net income (loss) per share	\$ (0.43)	\$ (0.11)	\$ (0.53)	\$ (0.57)	\$ (0.44)	\$ (1.76)	\$ (3.31)	\$ (0.83)	\$ (0.89)	\$ (0.42)	\$ (0.57)	\$ (2.67)
Non-recurring customer credit	0.05	0.04	-	-	-	-	-	-	-	-	0.02	0.02
Amortization of intangible assets	0.01	0.03	0.01	0.01	0.01	0.01	0.03	0.01	0.01	0.01	0.01	0.03
Share-based compensation expense	0.15	0.56	0.15	0.15	0.15	0.14	0.59	0.16	0.16	0.14	0.14	0.60
Non Recurring charges	0.06	0.12	0.01	0.04	0.03	0.00	0.09	0.07	(0.02)	(0.05)	(0.01)	(0.01)
Expenses associated with discontinued products	0.14	0.29	0.05	0.05	0.06	0.09	0.25	0.02	0.05	0.07	0.11	0.26
Non-cash expenses associated with discontinued products	0.01	0.14	0.05	0.06	0.05	0.05	0.22	0.05	0.05	0.02	0.03	0.13
Loss (gain) from disposal of idle assets	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Unrealized exchange loss (gain)	(0.01)	(0.03)	(0.01)	0.00	(0.01)	0.00	(0.01)	(0.01)	0.00	(0.00)	(0.03)	(0.04)
Non-GAAP Tax Benefit	0.01	(0.00)	-	-	-	1.29	1.30	0.09	0.41	0.17	0.10	0.76
Non-GAAP diluted net income (loss) per share	\$ (0.02)	\$ 1.04	\$ (0.27)	\$ (0.26)	\$ (0.15)	\$ (0.18)	\$ (0.86)	\$ (0.44)	\$ (0.24)	\$ (0.06)	\$ (0.20)	\$ (0.92)
Shares used to compute diluted earnings per share	19,793	20,027	19,863	19,932	20,023	20,109	19,982	20,208	20,858	22,744	23,626	21,867