

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 23, 2023

Applied Optoelectronics, Inc.
(Exact name of Registrant as specified in its charter)

Delaware (State of Incorporation)	001-36083 (Commission File Number)	76-0533927 (I.R.S. Employer Identification No.)
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13139 Jess Pirtle Blvd.
Sugar Land, TX 77478
(address of principal executive offices and zip code)

(281) 295-1800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par value \$0.001	AAOI	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 23, 2023 Applied Optoelectronics, Inc. (the “Company”) issued a press release regarding the Company’s financial results for the fourth quarter ended December 31, 2022. A copy of the Company’s press release is attached as Exhibit 99.1 to this Form 8-K.

The information furnished in this Current Report under this Item 2.02 and the exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated February 23, 2023, issued by Applied Optoelectronics, Inc., filed herewith.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 23, 2023

Applied Optoelectronics, Inc.

By: /s/ STEFAN J. MURRY

Name: STEFAN J. MURRY

Title: Chief Financial Officer



Applied Optoelectronics Reports Fourth Quarter and Full Year 2022 Results

Sugar Land, Texas, February 23, 2023 – **Applied Optoelectronics, Inc. (NASDAQ: AAOI)**, a leading provider of fiber-optic access network products for the cable broadband, internet datacenter, telecom and fiber-to-the-home (FTTH) markets, today announced financial results for its fourth quarter and full year ended December 31, 2022.

“We are pleased to report revenue in line with our expectations and continued improvement in our non-GAAP gross margin, which exceeded our guidance range as our cost reduction efforts and favorable product mix had a greater than expected positive impact on our fourth quarter results,” said Dr. Thompson Lin, Applied Optoelectronics Inc. Founder, President and Chief Executive Officer. “We generated the highest quarterly CATV revenue in the Company’s history this quarter and we continue to see robust demand. With respect to the transaction that we announced in September 2022 that we have entered into an agreement with Yuhan Optoelectronic Technology for the sale of our manufacturing facilities located in the People’s Republic of China and certain assets related to our transceiver business and multi-channel optical sub-assembly products for the internet datacenter, telecom and FTTH markets, we continue to advance work on required regulatory approvals and continue to expect that the transaction will close in 2023.”

Fourth Quarter 2022 Financial Summary

- GAAP revenue was \$61.6 million, compared with \$54.4 million in the fourth quarter of 2021 and \$56.7 million in the third quarter of 2022.
- GAAP gross margin was 10.1%, compared with 14.9% in the fourth quarter of 2021 and 17.2% in the third quarter of 2022. Non-GAAP gross margin was 21.4%, compared with 17.6% in the fourth quarter of 2021 and 18.0% in the third quarter of 2022.
- GAAP net loss was \$20.3 million, or \$0.71 per basic share, compared with net loss of \$14.5 million, or \$0.54 per basic share in the fourth quarter of 2021, and a net loss of \$15.6 million, or \$0.56 per basic share in the third quarter of 2022.
- Non-GAAP net loss was \$5.4 million, or \$0.19 per basic share, compared with non-GAAP net loss of \$5.5 million, or \$0.20 per basic share in the fourth quarter of 2021, and a non-GAAP net loss of \$7.1 million, or \$0.26 per basic share in the third quarter of 2022.

Full Year 2022 Financial Summary

- GAAP revenue was \$222.8 million, compared with \$211.6 million in 2021.
- GAAP gross margin was 15.1%, compared with 17.8% in 2021. Non-GAAP gross margin was 18.5% compared to 21.7% in 2021.
- GAAP net loss was \$66.4 million, or \$2.38 per basic share, compared with net loss of \$54.2 million, or \$2.01 per basic share in 2021.
- Non-GAAP net loss was \$28.0 million, or \$1.01 per basic share, compared with non-GAAP net loss of \$20.4 million, or \$0.76 per basic share in 2021.

A reconciliation between all GAAP and non-GAAP information referenced above is contained in the tables below. Please also refer to “Non-GAAP Financial Measures” below for a description of these non-GAAP financial measures.

First Quarter 2023 Business Outlook ⁽⁺⁾

For the first quarter of 2023, the company currently expects:

- Revenue in the range of \$52 million to \$55 million.
- Non-GAAP gross margin in the range of 23% to 24%.
- Non-GAAP net loss in the range of \$4.4 million to \$5.3 million, and non-GAAP loss per share in the range of \$0.15 to \$0.19 using approximately 28.9 million shares.

⁽⁺⁾ Please refer to the note below on forward-looking statements and the risks involved with such statements as well as the note on non-GAAP financial measures.

Conference Call Information

The company will host a conference call and webcast on February 23, 2023 to discuss its fourth quarter and full year 2022 financial results and outlook for its first quarter 2023 at 4:30 p.m. Eastern time / 3:30 p.m. Central time. The call can be accessed by dialing 844-890-1794 (domestic) or 412-717-9586 (international). A live audio webcast of the conference call along with supplemental financial information will also be accessible on the company's website at investors.ao-inc.com. Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available one hour after the call and will be available until March 2, 2023, at 11:59 p.m. Eastern Time / 10:59 p.m. Central Time and may be accessed by dialing 877-344-7529 (domestic) or 412-317-0088 (international) and entering passcode 5238771.

Forward-Looking Information

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan" "project," "permit" or by other similar expressions that convey uncertainty of future events or outcomes. These statements include management's beliefs and expectations related to our outlook for the first quarter of 2023. Such forward-looking statements reflect the views of management at the time such statements are made. These forward-looking statements involve risks and uncertainties, as well as assumptions and current expectations, which could cause the company's actual results to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include but are not limited to: the impact of the COVID-19 pandemic on our business and financial results; reduction in the size or quantity of customer orders; change in demand for the company's products due to industry conditions; changes in manufacturing operations; volatility in manufacturing costs; delays in shipments of products; disruptions in the supply chain; change in the rate of design wins or the rate of customer acceptance of new products; the company's reliance on a small number of customers for a substantial portion of its revenues; potential pricing pressure; a decline in demand for our customers' products or their rate of deployment of their products; general conditions in the cable television (CATV) broadband, internet datacenter, telecom, or fiber-to-the-home (FTTH) markets; changes in the world economy (particularly in the United States and China); changes in the regulation and taxation of international trade, including the imposition of tariffs; changes in currency exchange rates; the negative effects of seasonality; and other risks and uncertainties described more fully in the company's documents filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022. More information about these and other risks that may impact the company's business are set forth in the "Risk Factors" section of the company's quarterly and annual reports on file with the Securities and Exchange Commission. You should not rely on forward-looking statements as predictions of future events. All forward-looking statements in this press release are based upon information available to us as of the date hereof, and qualified in their entirety by this cautionary statement. Except as required by law, we assume no obligation to update forward-looking statements for any reason after the date of this press release to conform these statements to actual results or to changes in the company's expectations.

Non-GAAP Financial Measures

We provide 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 gross margin, we exclude stock-based compensation expense, expenses associated with discontinued products, and non-recurring (income) 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 loss (gain), losses from the disposal of idle assets, if any, non-GAAP tax benefit (expenses), and expenses associated with discontinued products, from our GAAP net income (loss). Included in our non-recurring expenses in Q4 2022 and Q4 2021, and FY 2022 and FY 2021, are certain non-recurring expenses related to extreme weather and pandemic events and non-recurring tax expenses or benefits (if any), and employee severance expenses (if any). In computing our non-GAAP income tax benefit (expense), 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 diluted net loss per share is calculated by dividing our non-GAAP net loss 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, 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 estimating non-GAAP income taxes allows comparison with prior periods and provides additional information regarding the generation of potential future deferred tax assets;
- 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 2022 and FY 2022 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for Q4 2021 and FY 2021.

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.

About Applied Optoelectronics

Applied Optoelectronics Inc. (AOI) is a leading developer and manufacturer of advanced optical products, including components, modules and equipment. AOI's products are the building blocks for broadband fiber access networks around the world, where they are used in the CATV broadband, internet datacenter, telecom and FTTH markets. AOI supplies optical networking lasers, components and equipment to tier-1 customers in all four of these markets. In addition to its corporate headquarters, wafer fab and advanced engineering and production facilities in Sugar Land, TX, AOI has engineering and manufacturing facilities in Taipei, Taiwan and Ningbo, China. For additional information, visit www.ao-inc.com.

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Investor Relations Contacts:

The Blueshirt Group, Investor Relations
Lindsay Savarese
+1-212-331-8417
ir@ao-inc.com

Cassidy Fuller
+1-415-217-4968
ir@ao-inc.com

Applied Optoelectronics, Inc.
Preliminary Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
CURRENT ASSETS		
Cash, Cash Equivalents and Restricted Cash	\$ 35,587	\$ 41,136
Accounts Receivable, Net	61,175	47,944
Notes receivable	339	8,148
Inventories	79,679	92,516
Prepaid Income Tax	–	1
Prepaid Expenses and Other Current Assets	6,384	4,334
Total Current Assets	183,164	194,079
Property, Plant And Equipment, Net	210,184	243,035
Land Use Rights, Net	5,238	5,856
Operating Right of Use Asset	5,566	7,078
Financing Right of Use Asset	26	57
Intangible Assets, Net	3,699	3,836
Other Assets	386	518
TOTAL ASSETS	\$ 408,263	\$ 454,459
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 47,845	\$ 34,402
Bank Acceptance Payable	12,337	8,198
Accrued Expenses	17,222	15,587
Deferred Revenue	3,000	–
Current Lease Liability-Operating	1,041	1,062
Current Lease Liability-Financing	63	19
Current Portion of Notes Payable and Long Term Debt	57,074	49,689
Total Current Liabilities	138,582	108,957
Notes Payable and Long Term Debt	–	5,000
Convertible Senior Notes	79,506	78,680
Other Long-Term Liabilities	5,505	7,252
TOTAL LIABILITIES	223,593	199,889
STOCKHOLDERS' EQUITY		
TOTAL STOCKHOLDERS' EQUITY	184,670	254,570
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 408,263	\$ 454,459

Applied Optoelectronics, Inc.
Preliminary Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenue				
CATV	\$ 38,216	\$ 25,200	\$ 118,169	\$ 94,538
Datacenter	16,485	24,928	77,094	97,188
Telecom	6,365	3,288	24,727	16,248
FTTH	4	173	129	956
Other	514	819	2,699	2,635
Total Revenue	61,584	54,408	222,818	211,565
Total Cost of Goods Sold	55,359	46,314	189,191	173,850
Total Gross Profit	6,225	8,094	33,627	37,715
Operating Expenses:				
Research and Development	9,224	9,229	36,244	41,220
Sales and Marketing	2,616	2,324	9,723	10,899
General and Administrative	12,749	10,167	46,658	42,362
Total Operating Expenses	24,589	21,720	92,625	94,481
Operating Loss	(18,364)	(13,626)	(58,998)	(56,766)
Other Income (Expense):				
Interest Income	36	21	126	70
Interest Expense	(1,888)	(1,462)	(6,319)	(5,619)
Other Income (Expense), net	(34)	529	(1,205)	8,155
Total Other Income (Expense):	(1,886)	(912)	(7,398)	2,606
Net loss before Income Taxes	(20,250)	(14,538)	(66,396)	(54,160)
Income Tax Expense	(1)	(2)	(1)	(2)
Net loss	\$ (20,251)	\$ (14,540)	\$ (66,397)	\$ (54,162)
Net loss per share attributable to common stockholders				
basic	\$ (0.71)	\$ (0.54)	\$ (2.38)	\$ (2.01)
diluted	\$ (0.71)	\$ (0.54)	\$ (2.38)	\$ (2.01)
Weighted-average shares used to compute net loss per share attributable to common stockholders				
basic	28,460	27,173	27,846	26,912
diluted	28,460	27,173	27,846	26,912

Applied Optoelectronics, Inc.
Reconciliation of Statements of Operations under GAAP and Non-GAAP
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
GAAP revenue	\$ 61,584	\$ 54,408	\$ 222,818	\$ 211,565
Non-recurring customer credit	–	–	–	–
Non-GAAP revenue	<u>\$ 61,584</u>	<u>\$ 54,408</u>	<u>\$ 222,818</u>	<u>\$ 211,565</u>
GAAP total gross profit ^(a)	\$ 6,225	\$ 8,094	\$ 33,627	\$ 37,715
Share-based compensation expense	118	196	489	886
Non-recurring expense	5	32	261	118
Expenses associated with discontinued products	6,802	1,242	6,858	7,212
Non-GAAP total gross profit ^(a)	<u>\$ 13,150</u>	<u>\$ 9,564</u>	<u>\$ 41,235</u>	<u>\$ 45,931</u>
GAAP net loss	\$ (20,251)	\$ (14,540)	\$ (66,397)	\$ (54,162)
Share-based compensation expense	2,357	3,199	9,602	12,123
Expenses associated with discontinued products	6,802	1,242	6,859	7,212
Non-cash expenses associated with discontinued products	1,147	1,173	4,625	4,811
Amortization of intangible assets	157	151	616	600
Non-recurring (income) expense	15	531	233	(5,174)
Unrealized exchange loss (gain)	(434)	(339)	1,809	703
Non-GAAP tax benefit	4,793	3,101	14,638	13,466
Non-GAAP net loss	<u>\$ (5,414)</u>	<u>\$ (5,482)</u>	<u>\$ (28,015)</u>	<u>\$ (20,421)</u>
GAAP diluted net loss per share	\$ (0.71)	\$ (0.54)	\$ (2.38)	\$ (2.01)
Share-based compensation expense	0.08	0.12	0.34	0.45
Expenses associated with discontinued products	0.24	0.05	0.24	0.27
Non-cash expenses associated with discontinued products	0.04	0.04	0.17	0.18
Amortization of intangible assets	0.01	0.01	0.02	0.02
Non-recurring (income) expense	–	0.02	0.01	(0.19)
Unrealized exchange loss (gain)	(0.02)	(0.01)	0.07	0.02
Non-GAAP tax benefit	0.17	0.11	0.52	0.50
Non-GAAP diluted net loss per share	<u>\$ (0.19)</u>	<u>\$ (0.20)</u>	<u>\$ (1.01)</u>	<u>\$ (0.76)</u>
Shares used to compute diluted loss per share	28,460	27,173	27,846	26,912
Shares used to compute diluted earnings per share	28,460	27,173	27,846	26,912

(a) Provided for the purpose of calculating gross profit as a percentage of revenue (gross margin).