

**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): November 9, 2023

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

Delaware
(State or other jurisdiction of incorporation)

001-36083
(Commission File Number)

76-0533927
(IRS Employer Identification No.)

13139 Jess Pirtle Blvd.
Sugar Land, Texas 77478
(Address of principal executive offices) (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 (see General Instruction A.2. below):

- 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)	Trading 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 November 9, 2023, Applied Optoelectronics, Inc. (the “Company”) issued a press release regarding the Company’s financial results for the third quarter ended September 30, 2023. 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 No.</u>	<u>Description</u>
99.1	Press 99.1 release dated November 9, 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.

Applied Optoelectronics, Inc.

By: /s/ STEFAN J. MURRY

STEFAN J. MURRY
Chief Financial Officer

Date: November 9, 2023



Applied Optoelectronics Reports Third Quarter 2023 Results

Sugar Land, Texas, November 9, 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 third quarter 2023 ended September 30, 2023.

“We’re pleased by the continued progress we have made on improving our gross margin, which exceeded our expectations during the third quarter, driven primarily by our favorable product mix,” said Dr. Thompson Lin, Applied Optoelectronics Inc. Founder, President and Chief Executive Officer. “We saw increased demand for both our 100G and 400G products in our datacenter business during the quarter, and we expect this trend to continue as datacenter operators transition their networks. We also shipped our first samples of 800G datacenter products to two different customers this quarter. We’re encouraged by the sequential growth we saw in our CATV business, and believe that our market-leading amplifier products and experienced team position us well as the MSOs transition to next generation architecture.”

Third Quarter 2023 Financial Summary

- GAAP revenue was \$62.5 million, compared \$56.7 million in the third quarter of 2022 and \$41.6 million in the second quarter of 2023.
- GAAP gross margin was 32.3%, compared with 17.2% in the third quarter of 2022 and 19.0% in the second quarter of 2023. Non-GAAP gross margin was 32.5%, compared with 18.0% in the third quarter of 2022 and 24.8% in the second quarter of 2023.
- GAAP net loss was \$9.0 million, or \$0.27 per basic share, compared with net loss of \$15.6 million, or \$0.56 per basic share in the third quarter of 2022, and a net loss of \$16.9 million, or \$0.57 per basic share in the second quarter of 2023.
- Non-GAAP net loss was \$1.7 million, or \$0.05 per basic share, compared with non-GAAP net loss of \$7.1 million, or \$0.26 per basic share in the third quarter of 2022, and a non-GAAP net loss of \$6.1 million, or \$0.21 per basic share in the second quarter of 2023.

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.

Fourth Quarter 2023 Business Outlook ⁽⁺⁾

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

- Revenue in the range of \$63 million to \$67 million.
- Non-GAAP gross margin in the range of 34.5% to 36%.
- Non-GAAP net profit in the range of a loss of \$0.9 million to profit of \$1.2 million, and non-GAAP earnings per share in the range of a loss of \$0.02 to earnings of \$0.04 using approximately 35.1 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 for analysts and investors on November 9, 2023 to discuss its third quarter 2023 results and outlook for its fourth quarter of 2023 at 4:30 p.m. Eastern time / 3:30 p.m. Central time. This call will be open to the public, and investors may access the call 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 run for five business days and may be accessed by dialing 877-344-7529 (domestic) or 412-317-0088 (international) and entering passcode 9074673.

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 fourth 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 internet datacenter, cable television (CATV) broadband, 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, 2022 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023. 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), adjusted EBITDA, 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 Q3 2023, Q3 2022 and Q2 2023 are certain non-recurring expenses related to extreme weather and pandemic events, non-recurring tax expenses or benefits (if any), and employee severance expenses (if any). Also included in our non-recurring expenses in Q3 2023, but not in Q3 2022 or Q2 2023 are certain non-recurring legal expenses associated with litigation and certain legal and advisory expenses associated with the termination of the purchase agreement with Yuhan Optoelectronic Technology (Shanghai) Co., Ltd. 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 adjusted EBITDA is calculated by excluding depreciation expense, non-GAAP tax benefit (expense), and interest (income) expense from our non-GAAP net income (loss). 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 Q3 2023 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for Q3 2022. A reconciliation of our GAAP net income (loss) and GAAP earnings (loss) per share for Q2 2023 to our non-GAAP net income (loss) and earnings (loss) per share was provided in our Q2 2023 earnings release.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
ASSETS		
CURRENT ASSETS		
Cash, Cash Equivalents and Restricted Cash	\$ 31,241	\$ 35,587
Accounts Receivable, Net	60,751	61,175
Notes receivable	–	339
Inventories	67,533	79,679
Prepaid Income Tax	2	–
Prepaid Expenses and Other Current Assets	4,871	6,384
Total Current Assets	164,398	183,164
Property, Plant And Equipment, Net	193,828	210,184
Land Use Rights, Net	4,992	5,238
Operating Right of Use Asset	4,992	5,566
Financing Right of Use Asset	3	26
Intangible Assets, Net	3,626	3,699
Other Assets	1,953	386
TOTAL ASSETS	\$ 373,792	\$ 408,263
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,854	\$ 47,845
Bank Acceptance Payable	14,383	12,337
Accrued Expenses	16,383	17,222
Deferred Revenue	10,073	3,000
Current Lease Liability-Operating	1,059	1,041
Current Lease Liability-Financing	49	63
Current Portion of Notes Payable and Long Term Debt	31,323	57,074
Current Portion of Convertible Debt	80,124	–
Total Current Liabilities	188,248	138,582
Deferred Revenue, net of current portion	2,424	–
Convertible Senior Notes	–	79,506
Other Long-Term Liabilities	4,767	5,505
TOTAL LIABILITIES	195,439	223,593
STOCKHOLDERS' EQUITY		
Total Preferred Stock		
Common Stock	34	29
Additional Paid-in Capital	431,766	391,526
Cumulative Translation Adjustment	(2,188)	2,183
Retained Earnings	(251,259)	(209,068)
TOTAL STOCKHOLDERS' EQUITY	178,353	184,670
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 373,792	\$ 408,263

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
CATV	\$ 10,268	\$ 31,260	\$ 47,391	\$ 79,953
Datacenter	48,807	17,697	96,731	60,608
Telecom	3,074	6,821	11,013	18,362
FTTH	—	—	57	124
Other	398	915	2,001	2,186
Total Revenue	62,547	56,693	157,193	161,233
Total Cost of Goods Sold	42,373	46,944	119,876	133,832
Total Gross Profit	20,174	9,749	37,317	27,401
Operating Expenses:				
Research and Development	9,457	9,206	26,633	27,021
Sales and Marketing	3,035	2,385	7,631	7,107
General and Administrative	14,368	11,654	39,870	33,908
Total Operating Expenses	26,860	23,245	74,134	68,036
Operating Loss	(6,686)	(13,496)	(36,817)	(40,635)
Other Income (Expense):				
Interest Income	65	31	133	90
Interest Expense	(1,989)	(1,621)	(6,301)	(4,431)
Other Income (Expense), net	(343)	(541)	803	(1,171)
Total Other Income (Expense):	(2,267)	(2,131)	(5,365)	(5,512)
Net loss before Income Taxes	(8,953)	(15,627)	(42,182)	(46,147)
Income Tax Expense	—	—	(8)	—
Net loss	\$ (8,953)	\$ (15,627)	\$ (42,190)	\$ (46,147)
Net loss per share attributable to common stockholders				
basic	\$ (0.27)	\$ (0.56)	\$ (1.39)	\$ (1.67)
diluted	\$ (0.27)	\$ (0.56)	\$ (1.39)	\$ (1.67)
Weighted-average shares used to compute net loss per share attributable to common stockholders				
basic	32,774	27,839	30,392	27,640
diluted	32,774	27,839	30,392	27,640

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
GAAP revenue	\$ 62,547	\$ 56,693	\$ 157,193	\$ 161,233
Non-recurring customer credit	-	-	-	-
Non-GAAP revenue	<u>\$ 62,547</u>	<u>\$ 56,693</u>	<u>\$ 157,193</u>	<u>\$ 161,233</u>
GAAP total gross profit ^(a)	\$ 20,174	\$ 9,749	\$ 37,317	\$ 27,401
Share-based compensation expense	124	121	393	371
Non-recurring expense	-	256	-	256
Expenses associated with discontinued products	29	56	5,245	57
Non-GAAP total gross profit ^(a)	<u>\$ 20,327</u>	<u>\$ 10,182</u>	<u>\$ 42,955</u>	<u>\$ 28,085</u>
GAAP net loss	\$ (8,953)	\$ (15,627)	\$ (42,190)	\$ (46,147)
Share-based compensation expense	3,235	2,627	8,587	7,243
Expenses associated with discontinued products	29	57	5,245	57
Non-cash expenses associated with discontinued products	864	1,209	3,175	3,478
Amortization of intangible assets	167	154	489	458
Non-recurring (income) expense	1,344	185	2,303	219
Unrealized exchange loss (gain)	423	963	(752)	2,243
Non-GAAP tax benefit	1,200	3,300	8,237	9,845
Loss from disposal of idle assets	-	-	-	-
Non-GAAP net loss	<u>\$ (1,691)</u>	<u>\$ (7,132)</u>	<u>\$ (14,906)</u>	<u>\$ (22,604)</u>
GAAP net loss	\$ (8,953)	\$ (15,627)	\$ (42,190)	\$ (46,147)
Share-based compensation expense	3,235	2,627	8,587	7,243
Expenses associated with discontinued products	29	57	5,245	57
Non-cash expenses associated with discontinued products	864	1,209	3,175	3,478
Amortization of intangible assets	167	154	489	458
Non-recurring expense (income)	1,344	185	2,303	219
Unrealized exchange loss (gain)	423	963	(752)	2,243
Tax (benefit) expense related to the above	-	-	8	-
Depreciation expense	3,946	4,339	11,836	13,763
Interest (income) expense, net	1,925	1,590	6,167	4,341
Adjusted EBITDA	<u>\$ 2,980</u>	<u>\$ (4,503)</u>	<u>\$ (5,132)</u>	<u>\$ (14,345)</u>
GAAP diluted net loss per share	\$ (0.27)	\$ (0.56)	\$ (1.39)	\$ (1.67)
Share-based compensation expense	0.10	0.09	0.28	0.26
Expenses associated with discontinued products	-	-	0.17	0.00
Non-cash expenses associated with discontinued products	0.03	0.04	0.10	0.13
Amortization of intangible assets	0.01	0.01	0.02	0.02
Non-recurring (income) expense	0.04	0.01	0.08	0.01
Unrealized exchange loss (gain)	0.01	0.03	(0.02)	0.08
Non-GAAP tax benefit	0.03	0.12	0.27	0.35
Non-GAAP diluted net loss per share	<u>\$ (0.05)</u>	<u>\$ (0.26)</u>	<u>\$ (0.49)</u>	<u>\$ (0.82)</u>
Shares used to compute diluted loss per share	32,774	27,839	30,392	27,640
Shares used to compute diluted earnings per share	32,774	27,839	30,392	27,640

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