

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 4, 2021

**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.)

**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:**

| <b>Title of each class</b>      | <b>Trading Symbol(s)</b> | <b>Name of each exchange on which registered</b> |
|---------------------------------|--------------------------|--------------------------------------------------|
| 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 4, 2021 Applied Optoelectronics, Inc. (the “Company”) issued a press release regarding the Company’s financial results for the third quarter ended September 30, 2021. 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

| <b><u>Exhibit Number</u></b> | <b><u>Description</u></b>                                                                                      |
|------------------------------|----------------------------------------------------------------------------------------------------------------|
| 99.1                         | <a href="#">Press release dated November 4, 2021, issued by Applied Optoelectronics, Inc., filed herewith.</a> |
| 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 4, 2021



## Applied Optoelectronics Reports Third Quarter 2021 Results

**Sugar Land, Texas, November 4, 2021** – **Applied Optoelectronics, Inc. (NASDAQ: AAOI)**, a leading provider of fiber-optic access network products for the internet datacenter, cable broadband, telecom and fiber-to-the-home (FTTH) markets, today announced financial results for its third quarter 2021 ended September 30, 2021.

“Demand trends played out largely as we expected in the third quarter,” said Dr. Thompson Lin, Applied Optoelectronics Inc. Founder, President and Chief Executive Officer. “We are encouraged by the continued strength we are seeing in our CATV business and the sequential uptick in datacom, as well as nine design wins across our business in the quarter. As expected, some component shortages impacted our business in the third quarter, and this is expected to continue to be a factor in the fourth quarter, but we believe the demand drivers remain favorable for us and anticipate easing of these supply constraints in the future.”

### Third Quarter 2021 Financial Summary

- Total revenue was \$53.3 million, compared with \$76.6 million in the third quarter of 2020 and \$54.2 million in the second quarter of 2021.
- GAAP gross margin was 15.3%, compared with 25.0% in the third quarter of 2020 and 19.9% in the second quarter of 2021. Non-GAAP gross margin was 19.9%, compared with 27.4% in the third quarter of 2020 and 25.0% in the second quarter of 2021.
- GAAP net loss was \$15.8 million, or \$0.58 per basic share, compared with net loss of \$9.6 million, or \$0.42 per basic share, in the third quarter of 2020, and a net loss of \$8.2 million, or \$0.31 per basic share, in the second quarter of 2021.
- Non-GAAP net loss was \$5.3 million, or \$0.20 per basic share, compared with non-GAAP net loss of \$1.4 million, or \$0.06 per basic share in the third quarter of 2020, and a non-GAAP net loss of \$4.1 million, or \$0.15 per basic share in the second quarter of 2021.

A reconciliation between all GAAP and non-GAAP information referenced above for the third quarters of 2021 and 2020 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 2021 Business Outlook (+)

For the fourth quarter of 2021, the company currently expects:

- Revenue in the range of \$51 million to \$55 million.
- Non-GAAP gross margin in the range of 18.5% to 20.0%.
- Non-GAAP net loss in the range of \$5.5 million to \$6.6 million, and non-GAAP loss per share in the range of \$0.20 to \$0.24 using approximately 27.4 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 4, 2021 to discuss its third quarter 2021 results and outlook for its fourth quarter 2021 at 4:30 p.m. Eastern time / 3:30 p.m. Central time. Open to the public, 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 10160446.

## 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 2021. 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, 2020 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021. 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 gain (loss), losses from the disposal of idle assets, if any, non-GAAP tax expenses (benefits), and expenses associated with discontinued products, if any, from our GAAP net income (loss). Included in our non-recurring expenses in Q3 2021 and Q3 2020 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 Q3 2020, but not in 2021, were a one-time customer reimbursement of certain incurred expenses, and non-recurring government subsidy income in our Taiwan subsidiary due to COVID-19. 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 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 the quarter ended September 30, 2021 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for the quarter period ended September 30, 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.

## **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 internet datacenter, CATV broadband, 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](http://www.ao-inc.com).

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

|                                                     | <u>September 30, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------------------------|---------------------------|--------------------------|
| <b>ASSETS</b>                                       |                           |                          |
| <b>CURRENT ASSETS</b>                               |                           |                          |
| Cash, Cash Equivalents and Restricted Cash          | \$ 48,897                 | \$ 50,114                |
| Accounts Receivable, Net                            | 43,942                    | 43,042                   |
| Notes receivable                                    | 8,505                     | 401                      |
| Inventories                                         | 94,507                    | 110,397                  |
| Prepaid Income Tax                                  | 2                         | 2                        |
| Prepaid Expenses and Other Current Assets           | 4,717                     | 5,213                    |
| <b>Total Current Assets</b>                         | <b>200,570</b>            | <b>209,169</b>           |
| Property, Plant And Equipment, Net                  | 242,452                   | 252,984                  |
| Land Use Rights, Net                                | 5,790                     | 5,854                    |
| Right of Use Asset                                  | 7,342                     | 7,817                    |
| Intangible Assets, Net                              | 3,877                     | 3,999                    |
| Other Assets                                        | 2,493                     | 982                      |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 462,524</b>         | <b>\$ 480,805</b>        |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>         |                           |                          |
| <b>CURRENT LIABILITIES</b>                          |                           |                          |
| Accounts Payable                                    | \$ 28,333                 | \$ 29,482                |
| Accrued Expenses                                    | 16,204                    | 18,511                   |
| Current Lease Liability                             | 1,063                     | 1,030                    |
| Bank Acceptance Payable                             | 6,481                     | 15,860                   |
| Current Portion of Notes Payable and Long Term Debt | 41,254                    | 38,265                   |
| <b>Total Current Liabilities</b>                    | <b>93,335</b>             | <b>103,148</b>           |
| Notes Payable and Long Term Debt                    | 19,271                    | 13,904                   |
| Convertible Senior Notes                            | 78,472                    | 77,854                   |
| Other Long-Term Liabilities                         | 7,478                     | 8,008                    |
| <b>TOTAL LIABILITIES</b>                            | <b>198,556</b>            | <b>202,914</b>           |
| <b>STOCKHOLDERS' EQUITY</b>                         |                           |                          |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                   | <b>263,968</b>            | <b>277,891</b>           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 462,524</b>         | <b>\$ 480,805</b>        |



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

|                                                                                                       | Three Months Ended<br>September 30, |                          | Nine Months Ended<br>September 30, |                           |
|-------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------|------------------------------------|---------------------------|
|                                                                                                       | 2021                                | 2020                     | 2021                               | 2020                      |
| Revenue                                                                                               |                                     |                          |                                    |                           |
| Datacenter                                                                                            | \$ 23,929                           | \$ 55,336                | \$ 72,259                          | \$ 141,133                |
| CATV                                                                                                  | 23,101                              | 11,642                   | 69,339                             | 22,007                    |
| Telecom                                                                                               | 5,148                               | 8,870                    | 12,959                             | 17,600                    |
| FTTH                                                                                                  | 62                                  | 67                       | 784                                | 69                        |
| Other                                                                                                 | 1,027                               | 693                      | 1,816                              | 1,489                     |
| Total Revenue                                                                                         | <u>53,267</u>                       | <u>76,608</u>            | <u>157,157</u>                     | <u>182,298</u>            |
| Total Cost of Goods Sold                                                                              | 45,143                              | 57,418                   | 127,537                            | 143,034                   |
| Total Gross Profit                                                                                    | 8,124                               | 19,190                   | 29,620                             | 39,264                    |
| Operating Expenses:                                                                                   |                                     |                          |                                    |                           |
| Research and Development                                                                              | 10,149                              | 11,206                   | 31,990                             | 32,567                    |
| Sales and Marketing                                                                                   | 2,783                               | 4,491                    | 8,576                              | 10,858                    |
| General and Administrative                                                                            | 10,645                              | 10,272                   | 32,195                             | 31,520                    |
| Total Operating Expenses                                                                              | <u>23,577</u>                       | <u>25,969</u>            | <u>72,761</u>                      | <u>74,945</u>             |
| <b>Operating Loss</b>                                                                                 | <b>(15,453)</b>                     | <b>(6,779)</b>           | <b>(43,141)</b>                    | <b>(35,681)</b>           |
| Other Income (Expense):                                                                               |                                     |                          |                                    |                           |
| Interest Income                                                                                       | 17                                  | 26                       | 49                                 | 220                       |
| Interest Expense                                                                                      | (1,359)                             | (1,480)                  | (4,158)                            | (4,424)                   |
| Other Income                                                                                          | 999                                 | 1,137                    | 7,411                              | 2,078                     |
| Foreign Exchange Gain (Loss)                                                                          | (1)                                 | (271)                    | 217                                | 18                        |
| Total Other Expense:                                                                                  | <u>(344)</u>                        | <u>(588)</u>             | <u>3,519</u>                       | <u>(2,108)</u>            |
| <b>Net loss before Income Taxes</b>                                                                   | <b><u>(15,797)</u></b>              | <b><u>(7,367)</u></b>    | <b><u>(39,622)</u></b>             | <b><u>(37,789)</u></b>    |
| <b>Income Tax Expense</b>                                                                             | –                                   | (2,249)                  | –                                  | (7,224)                   |
| <b>Net loss</b>                                                                                       | <b><u>\$ (15,797)</u></b>           | <b><u>\$ (9,616)</u></b> | <b><u>\$ (39,622)</u></b>          | <b><u>\$ (45,013)</u></b> |
| <b>Net loss per share attributable to common stockholders</b>                                         |                                     |                          |                                    |                           |
| <b>basic</b>                                                                                          | <b><u>\$ (0.58)</u></b>             | <b><u>\$ (0.42)</u></b>  | <b><u>\$ (1.48)</u></b>            | <b><u>\$ (2.12)</u></b>   |
| <b>diluted</b>                                                                                        | <b><u>\$ (0.58)</u></b>             | <b><u>\$ (0.42)</u></b>  | <b><u>\$ (1.48)</u></b>            | <b><u>\$ (2.12)</u></b>   |
| <b>Weighted-average shares used to compute net loss per share attributable to common stockholders</b> |                                     |                          |                                    |                           |
| <b>basic</b>                                                                                          | <u>27,097</u>                       | <u>22,744</u>            | <u>26,791</u>                      | <u>21,276</u>             |
| <b>diluted</b>                                                                                        | <u>27,097</u>                       | <u>22,744</u>            | <u>26,791</u>                      | <u>21,276</u>             |

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

|                                                         | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|---------------------------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
|                                                         | 2021                                | 2020             | 2021                               | 2020             |
| GAAP total gross profit <sup>(a)</sup>                  | \$ 8,124                            | \$ 19,190        | \$ 29,620                          | \$ 39,264        |
| Share-based compensation expense                        | 222                                 | 229              | 689                                | 712              |
| Non-recurring expense                                   | 52                                  | –                | 88                                 | 972              |
| Expenses associated with discontinued products          | 2,220                               | 1,566            | 5,970                              | 2,997            |
| Non-GAAP total gross profit <sup>(a)</sup>              | <u>10,618</u>                       | <u>20,985</u>    | <u>36,367</u>                      | <u>43,945</u>    |
| GAAP net loss                                           | (15,797)                            | (9,616)          | (39,622)                           | (45,013)         |
| Amortization of intangible assets                       | 146                                 | 146              | 449                                | 431              |
| Share-based compensation expense                        | 3,130                               | 3,265            | 8,922                              | 9,804            |
| Non-recurring (income) expense                          | 17                                  | (1,033)          | (5,727)                            | (227)            |
| Expenses associated with discontinued products          | 2,220                               | 1,566            | 5,971                              | 2,997            |
| Non-cash expenses associated with discontinued products | 1,235                               | 495              | 3,662                              | 2,704            |
| Unrealized exchange loss (gain)                         | 331                                 | (61)             | 1,041                              | (188)            |
| Non-GAAP tax benefit                                    | 3,427                               | 3,819            | 10,365                             | 14,297           |
| Non-GAAP net loss                                       | <u>(5,291)</u>                      | <u>(1,419)</u>   | <u>(14,939)</u>                    | <u>(15,195)</u>  |
| GAAP diluted net loss per share                         | \$ (0.58)                           | \$ (0.42)        | \$ (1.48)                          | \$ (2.12)        |
| Amortization of intangible assets                       | 0.01                                | 0.01             | 0.02                               | 0.02             |
| Share-based compensation expense                        | 0.11                                | 0.14             | 0.33                               | 0.46             |
| Non-recurring (income) expense                          | 0.00                                | (0.05)           | (0.22)                             | (0.01)           |
| Expenses associated with discontinued products          | 0.08                                | 0.07             | 0.22                               | 0.14             |
| Non-cash expenses associated with discontinued products | 0.04                                | 0.02             | 0.14                               | 0.13             |
| Unrealized exchange loss (gain)                         | 0.01                                | (0.00)           | 0.04                               | 0.00             |
| Non-GAAP tax benefit                                    | 0.13                                | 0.17             | 0.39                               | 0.67             |
| Non-GAAP diluted net loss per share                     | <u>\$ (0.20)</u>                    | <u>\$ (0.06)</u> | <u>\$ (0.56)</u>                   | <u>\$ (0.71)</u> |
| Shares used to compute diluted loss per share           | 27,097                              | 22,744           | 26,791                             | 21,276           |
| Shares used to compute diluted earnings per share       | 27,097                              | 22,744           | 26,791                             | 21,276           |

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