



EXFO Reports Second-Quarter Results for Fiscal 2016

- **Sales increase 5.1% year-over-year to US\$53.6 million**
- **Bookings improve 9.2% year-over-year to US\$59.7 million, book-to-bill ratio of 1.11**
- **Gross margin reaches 64.7%, highest level in four years**
- **Adjusted EBITDA totals US\$5.3 million, 9.9% of sales**

QUEBEC CITY, CANADA, March 29, 2016 — EXFO Inc. (NASDAQ: EXFO; TSX: EXF) reported today financial results for the second quarter ended February 29, 2016.

Sales reached US\$53.6 million in the second quarter of fiscal 2016 compared to US\$51.0 million in the second quarter of 2015 and US\$55.2 million in the first quarter of 2016. At the halfway mark of fiscal 2016, sales increased 1.0% year-over-year to US\$108.8 million.

Bookings attained US\$59.7 million in the second quarter of fiscal 2016 compared to US\$54.7 million in the same period last year and US\$58.5 million in the first quarter of 2016. The company's book-to-bill ratio was 1.11 in the second quarter of 2016 and 1.09 at the halfway mark of 2016, leading to year-over-year bookings growth of 8.5% after two quarters.

Gross margin before depreciation and amortization* amounted to 64.7% of sales in the second quarter of fiscal 2016 compared to 61.7% in the second quarter of 2015 and 63.5% in the first quarter of 2016. After six months into fiscal 2016, gross margin accounted for 64.1% of sales compared to 62.1% for the same period in 2015.

IFRS net earnings in the second quarter of fiscal 2016 totaled US\$4.0 million, or US\$0.07 per diluted share, compared to US\$0.9 million, or US\$0.02 per diluted share, in the same period last year and US\$1.8 million, or US\$0.03 per diluted share, in the first quarter of 2016. IFRS net earnings in the second quarter of 2016 included US\$0.3 million in after-tax amortization of intangible assets, US\$0.3 million in stock-based compensation costs and a foreign exchange gain of US\$1.1 million. IFRS net earnings totaled US\$5.7 million in the first half of fiscal 2016 compared to US\$2.4 million in the first half of 2015.

Adjusted EBITDA* totaled US\$5.3 million, or 9.9% of sales, in the second quarter of fiscal 2016 compared to US\$1.2 million, or 2.3% of sales, in the second quarter of 2015 and US\$5.3 million, or 9.6% of sales, in the first quarter of 2016. At the halfway point of fiscal 2016, adjusted EBITDA totaled US\$10.6 million, or 9.7% of sales, compared to US\$4.4 million, or 4.0% of sales, in the same period in 2015.

EXFO's cash and short-term investments amounted to US\$44.4 million at the end of the second quarter of fiscal 2016, compared to US\$29.4 million in the previous quarter, mainly due to US\$15.3 million in cash flows from operating activities.

"EXFO's first half of fiscal 2016 provides clear evidence that key transformations implemented last year are delivering robust results as reflected by strong bookings growth and book-to-bill ratio, along with significant improvements to our gross margin and adjusted EBITDA," said Germain Lamonde, EXFO's Chairman, President and CEO. "Our growth engine, with significant earnings leverage, is back in place for both our Physical and Protocol product groups which are demonstrating strong market traction. We should also continue to benefit from our leadership in fiber-optic and 100G network testing, driven by surging demand for high-speed optical networking in core, metro, Web 2.0 and data center networks. Considering our solid book-to bill ratio in the first half of 2016 and the fact our second half is typically stronger, we are well positioned to surpass our US\$20 million adjusted EBITDA target for the full fiscal year."

Selected Financial Information
(In thousands of US dollars)

	Q2 2016	Q1 2016	Q2 2015
Physical-layer sales	\$ 32,582	\$ 37,477	\$ 33,059
Protocol-layer sales	21,990	18,629	18,531
Foreign exchange losses on forward exchange contracts	(975)	(874)	(600)
Total sales	\$ 53,597	\$ 55,232	\$ 50,990
Physical-layer bookings	\$ 34,873	\$ 38,878	\$ 33,223
Protocol-layer bookings	25,805	20,469	22,027
Foreign exchange losses on forward exchange contracts	(975)	(874)	(600)
Total bookings	\$ 59,703	\$ 58,473	\$ 54,650
Book-to-bill ratio	1.11	1.06	1.07
Gross margin*	\$ 34,693 64.7%	\$ 35,095 63.5%	\$ 31,444 61.7%
Other selected information:			
IFRS net earnings	\$ 3,963	\$ 1,766	\$ 931
Amortization of intangible assets	\$ 286	\$ 300	\$ 1,019
Stock-based compensation costs	\$ 314	\$ 376	\$ 388
Net income tax effect of the above items	\$ (30)	\$ (28)	\$ (53)
Foreign exchange gain	\$ 1,101	\$ 310	\$ 2,987
Adjusted EBITDA*	\$ 5,280	\$ 5,286	\$ 1,158

Operating Expenses

Selling and administrative expenses totaled US\$19.6 million, or 36.5% of sales in the second quarter of fiscal 2016 compared to US\$20.2 million, or 39.6% of sales, in the same period last year and US\$20.3 million, or 36.7% of sales, in the first quarter of 2016.

Net R&D expenses totaled US\$10.2 million, or 19.0% of sales, in the second quarter of fiscal 2016 compared to US\$10.5 million, or 20.6% of sales, in the second quarter of 2015 and US\$9.9 million, or 18.0% of sales, in the first quarter of 2016.

Second-Quarter Highlights

- Bookings and Sales.** Bookings increased 9.2% year-over-year (or approximately 12% on a constant currency basis*) to US\$59.7 million in the second quarter of 2016, while sales increased 5.1% (or approximately 8% on a constant currency basis) to US\$53.6 million. EXFO's book-to bill ratio reached 1.11 in the second quarter and 1.09 in the first half of fiscal 2016. Bookings were particularly robust within the company's Protocol product line, including 100G optical transport solutions and analytics software. From a geographic standpoint, 49% of sales originated from the Americas, 29% from EMEA and 22% from Asia-Pacific. EXFO's top customer accounted for 6.8% of sales, while the top three represented 13.3%.
- Profitability.** Adjusted EBITDA increased more than 350% year-over-year to US\$5.3 million in the second quarter of 2016. At the halfway mark of fiscal 2016, EXFO delivered US\$10.6 million in adjusted EBITDA, up 143% year-over-year, placing the company in a good position with regard to its US\$20 million annual target. EXFO generated US\$15.3 million in cash flows from operating activities in the second quarter of 2016 and US\$18.6 million in the first half of the fiscal year.

- **Innovation.** EXFO launched five new solutions during the second quarter of 2016 including TestFlow, a revolutionary, cloud-based field test automation solution that allows network operators to automate complex, labor-intensive activities like fiber-to-the antenna (FTTA), distributed antenna system (DAS) and small cell deployments. The company also introduced a whole new family of optical time domain reflectometers (OTDRs), a segment in which it owns 48% of global market share, establishing new industry standards for specifications and time savings in characterizing optical networks. Other new product introductions consist of solutions for data center and enterprise network testing; an industry-first, high-resolution, wavelength-tunable OTDR for single-ended network troubleshooting; and the telecom industry's first G.fast handheld test set for the roll out of ultra-broadband services on copper links. Following the quarter-end, EXFO unveiled its new test strategy and platform for the lab market at the Optical Fiber Conference (OFC) in Anaheim.

Business Outlook

EXFO forecasts sales between US\$59.0 million and US\$64.0 million for the third quarter of fiscal 2016, while IFRS net earnings are expected to range between US\$0.03 and US\$0.07 per diluted share. IFRS net earnings include US\$0.01 per diluted share in after-tax amortization of intangible assets and stock-based compensation costs as well as US\$0.01 per diluted share for foreign exchange losses based on current exchange rates.

This guidance was established by management based on existing backlog as of the date of this press release, seasonality, expected bookings for the remaining of the quarter, as well as exchange rates as of the day of this press release.

Conference Call and Webcast

EXFO will host a conference call today at 5 p.m. (Eastern time) to review second-quarter results for fiscal 2016. To listen to the conference call and participate in the question period via telephone, dial 1-704-288-0432. Please take note the following conference ID number will be required: 58439462. Germain Lamonde, Chairman, President and CEO, and Pierre Plamondon, CPA, CA, Vice-President of Finance and Chief Financial Officer, will participate in the call. An audio replay of the conference call will be available two hours after the event until 11:59 p.m. on April 5, 2016. The replay number is 1-855-859-2056 and the conference ID number is 58439462. The audio Webcast and replay of the conference call will also be available on EXFO's Website at www.EXFO.com, under the Investors section.

About EXFO

EXFO provides communications service providers (CSPs) with test orchestration and performance intelligence solutions to ensure the smooth deployment, maintenance and management of next-generation, physical, virtual, fixed and mobile networks. The company has also forged strong relationships with network solution vendors (NSVs) to develop deep expertise that migrates from the lab to the field and beyond. EXFO's key differentiation comes from combining intelligent, automated and cloud-based test and monitoring solutions with real-time analytics to deliver unmatched end-to-end visibility and assurance—from a network, services and end-user level. EXFO is no. 1 in portable optical testing and boasts the largest active service assurance deployment worldwide. For more information, visit www.EXFO.com and follow us on the [EXFO Blog](#).

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, expect, believe, plan, anticipate, intend, could, estimate, continue, or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statement that refers to expectations, projections or other characterizations of future events and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including, but not limited to, macroeconomic uncertainty as well as capital spending and network deployment levels in the telecommunications industry (including our ability to quickly adapt cost structures with anticipated levels of business and our ability to manage inventory levels with market demand); future economic, competitive, financial and market conditions; consolidation in the global telecommunications test and service assurance industry and increased competition among vendors; capacity to adapt our future product offering to future technological changes; limited visibility with regards to timing and nature of customer orders; longer sales cycles for complex systems involving customers' acceptances delaying revenue recognition; fluctuating exchange rates; concentration of sales; timely release and market acceptance of our new products and other upcoming products; our ability to successfully expand international operations; our ability to successfully integrate businesses that we acquire; and the retention of key technical and management personnel. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently available to us, but we cannot assure that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this document. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.

***NON-IFRS MEASURES**

EXFO provides non-IFRS measures (constant currency data, gross margin before depreciation and amortization, and adjusted EBITDA) as supplemental information regarding its operational performance. The company uses these measures for the purpose of evaluating historical and prospective financial performance, as well as its performance relative to competitors. These measures also help the company to plan and forecast for future periods as well as to make operational and strategic decisions. EXFO believes that providing this information, in addition to IFRS measures, allows investors to see the company's results through the eyes of management, and to better understand its historical and future financial performance.

The presentation of this additional information is not prepared in accordance with IFRS. Therefore, the information may not necessarily be comparable to that of other companies and should be considered as a supplement to, not a substitute for, the corresponding measures calculated in accordance with IFRS.

Constant currency data represents data before foreign currency impact. Data for the current period is translated using foreign exchange rates of the corresponding period from the preceding year.

Gross margin before depreciation and amortization represents sales less cost of sales, excluding depreciation and amortization.

Adjusted EBITDA represents net earnings before interest, income taxes, depreciation and amortization, stock-based compensation costs and foreign exchange gain.

The following table summarizes the reconciliation of adjusted EBITDA to IFRS net earnings, in thousands of US dollars:

Adjusted EBITDA (unaudited)

	<u>Q2 2016</u>	<u>Q1 2016</u>	<u>Q2 2015</u>
IFRS net earnings for the period	\$ 3,963	\$ 1,766	\$ 931
Add (deduct):			
Depreciation of property, plant and equipment	924	975	1,256
Amortization of intangible assets	286	300	1,019
Interest and other (income) expenses	(470)	63	(35)
Income taxes	1,364	2,116	586
Stock-based compensation costs	314	376	388
Foreign exchange gain	(1,101)	(310)	(2,987)
Adjusted EBITDA for the period	<u>\$ 5,280</u>	<u>\$ 5,286</u>	<u>\$ 1,158</u>
Adjusted EBITDA in percentage of sales	<u>9.9%</u>	<u>9.6%</u>	<u>2.3%</u>

For more information

Vance Oliver
 Director, Investor Relations
 (418) 683-0913, Ext. 23733
vance.oliver@exfo.com