Second Quarter 2017 Results

August 3, 2017

Sonus

Cautionary Note Regarding Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements in the section “Q317 and FY17 Guidance”, and statements regarding our future results of operations and financial position, business strategy, strategic position, plans and objectives of management for future operations and plans for future product development and manufacturing are forward-looking statements. Without limiting the foregoing, the words “anticipates”, “believes”, “could”, “estimates”, “expects”, “expectations”, “intends”, “may”, “plans”, “seeks”, “projects” and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, the timing of customer purchasing decisions and our recognition of revenues; economic conditions; our ability to recruit and retain key personnel; difficulties supporting our strategic focus on channel sales; difficulties retaining and expanding our customer base; difficulties leveraging market opportunities; the impact of restructuring and cost-containment activities; the timing and impact of our proposed transaction with GENBAND; our ability to realize benefits from the acquisitions that we have completed; the effects of disruption from the acquisitions that we have completed, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the success implementing the integration strategies with respect to acquisitions; litigation; actions taken by significant stockholders; difficulties providing solutions that meet the needs of customers; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; higher risks in international operations and markets; the impact of increased competition; currency fluctuations; changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

We therefore caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in these forward-looking statements are discussed in Part II, Item 1A “Risk Factors”, Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part I, Item 3 “Quantitative and Qualitative Disclosures About Market Risk” in the Company’s most recent Quarterly Report on Form 10-Q filed with the SEC. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Q217 Results

	Q217 Results	Q217 Guidance[2]
Total Revenue	$55.7M	$54M
Non-GAAP Gross Margin[1]	68.8%	Not provided
Non-GAAP Opex[1]	$39.3M	Not provided
GAAP loss per share	$(0.25)	$(0.25)
Non-GAAP loss per share[1]	$(0.02)	$(0.10)
Shares	49.5M	Not provided
Cash and Investments	$125.9M	Not provided

1) Non-GAAP financial measures; please see reconciliation in presentation appendix.
2) Guidance as provided on 04/26/17.

Condensed Non-GAAP Statements of Operations[1]

Condensed non-GAAP P&L Millions (except per share amounts & GM%)	Actual Q2'17	Actual Q1'17	Actual FY'16	Actual Q4'16	Actual Q3'16	Actual Q2'16	Actual Q1'16	Actual FY'15	Actual Q4'15	Actual Q3'15	Actual Q2'15	Actual Q1'15
Product Revenue	$ 28.8	$ 25.4	$ 146.4	$ 37.7	$ 38.6	$ 35.3	$ 34.8	$ 141.9	$ 47.8	$ 42.2	$ 27.0	$ 24.9
Service Revenue	26.9	28.0	106.2	29.9	26.4	25.5	24.4	107.1	28.5	25.6	27.7	25.3
Total Revenue	**55.7**	**53.4**	**252.6**	**67.6**	**65.0**	**60.9**	**59.2**	**249.0**	**76.3**	**67.9**	**54.7**	**50.1**
Gross Margin	38.4	35.7	175.3	47.3	45.5	42.1	40.4	168.9	54.5	47.5	36.1	30.9
Gross Margin %	*68.8%*	*67.0%*	*69.4%*	*70.0%*	*69.9%*	*69.2%*	*68.4%*	*67.8%*	*71.4%*	*70.0%*	*65.9%*	*61.5%*
OPEX	**39.3**	**40.4**	**157.2**	**42.4**	**39.0**	**37.8**	**38.0**	**168.4**	**42.6**	**41.4**	**40.9**	**43.5**
Income/(Loss) from Operations	**(1.0)**	**(4.6)**	**18.2**	**4.9**	**6.4**	**4.3**	**2.5**	**0.5**	**11.8**	**6.1**	**(4.8)**	**(12.6)**
Net Income/(Loss)	**$ (1.2)**	**$ (4.5)**	**$ 16.5**	**$ 4.5**	**$ 6.2**	**$ 4.1**	**$ 1.7**	**$ (1.1)**	**$ 11.6**	**$ 5.6**	**$ (5.1)**	**$ (13.1)**
Diluted EPS	**$ (0.02)**	**$ (0.09)**	**$ 0.33**	**$ 0.09**	**$ 0.12**	**$ 0.08**	**$ 0.03**	**$ (0.02)**	**$ 0.23**	**$ 0.11**	**$ (0.10)**	**$ (0.27)**
Diluted Shares	**49.5**	**49.1**	**49.7**	**49.5**	**49.9**	**50.0**	**49.7**	**49.6**	**49.9**	**49.7**	**49.5**	**49.4**
Adjusted EBITDA	0.8	(2.8)	26.1	7.0	8.4	6.3	4.5	11.8	14.1	8.6	(0.8)	(10.1)
Adjusted EBITDA %	*1.4%*	*-5.3%*	*10.3%*	*10.3%*	*12.9%*	*10.4%*	*7.5%*	*4.7%*	*18.5%*	*12.6%*	*-1.5%*	*-20.1%*

1) Please see reconciliations in presentation appendix.

Condensed Balance Sheets

Condensed Balance Sheet $M	Actual Q2'17	Actual Q1'17	Actual Q4'16	Actual Q3'16	Actual Q2'16	Actual Q1'16	Actual Q4'15	Actual Q3'15	Actual Q2'15	Actual Q1'15
ASSETS										
Cash & Investments[1]	$ 125.9	$ 128.8	$ 126.1	$ 121.0	$ 142.7	$ 142.4	$ 142.2	$ 126.9	$ 113.5	$ 112.8
Accounts Receivable, Net	42.7	39.6	53.9	44.2	36.9	34.4	51.5	51.3	48.7	55.6
Inventory, Net	16.8	17.7	18.3	20.8	20.7	22.5	23.1	24.2	25.7	25.1
Property Plant Equipment, Net	10.7	11.0	11.7	13.1	12.4	12.7	13.6	14.8	15.5	18.3
Goodwill & Intangibles	75.5	77.8	79.6	90.9	62.7	64.5	66.4	68.5	70.3	71.9
Other Assets	20.8	19.5	18.5	19.9	20.7	21.4	16.1	19.5	21.7	20.3
Total Assets	**$ 292.4**	**$ 294.4**	**$ 308.1**	**$ 309.9**	**$ 296.1**	**$ 297.9**	**$ 312.9**	**$ 305.2**	**$ 295.4**	**$ 304.0**
LIABILITIES & EQUITY										
Liabilities	$ 30.6	$ 27.8	$ 38.3	$ 42.8	$ 30.6	$ 28.0	$ 43.8	$ 41.4	$ 33.4	$ 34.2
Deferred Revenues	58.8	54.6	50.7	46.4	45.4	48.3	46.1	48.3	49.5	48.6
Stockholders Equity	203.0	212.0	219.1	220.7	220.1	221.6	223.0	215.5	212.5	221.2
Total Liabilities and Equity	**$ 292.4**	**$ 294.4**	**$ 308.1**	**$ 309.9**	**$ 296.1**	**$ 297.9**	**$ 312.9**	**$ 305.2**	**$ 295.4**	**$ 304.0**
DSO	69	67	74	61	54	52	61	68	80	100

1) Includes cash, cash equivalents and short & long term investments.

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Condensed Statements of Cash Flow

Condensed Cash Flow $M	Actual Q2'17	Actual Q1'17	Actual FY'16	Actual Q4'16	Actual Q3'16	Actual Q2'16	Actual Q1'16	Actual FY'15	Actual Q4'15	Actual Q3'15	Actual Q2'15	Actual Q1'15
Cash from Operations	$ (0.8)	$ 3.6	$ 19.2	$ 9.1	$ 0.8	$ 5.9	$ 3.3	$ 19.9	$ 18.2	$ 16.0	$ 3.2	$ (17.5)
Purchases of PP&E	(1.6)	(1.0)	(4.6)	(1.0)	(1.0)	(1.7)	(1.0)	(7.8)	(1.4)	(1.9)	(2.0)	(2.5)
Stock Buyback	-	-	(9.5)	(2.4)	(2.2)	(3.5)	(1.5)	(7.9)	(1.8)	0.0	-	(6.1)
Business Acquisitions	-	-	(20.7)	-	(19.9)	-	(0.8)	(10.9)	-	(0.8)	-	(10.1)
Other	(0.5)	0.1	(0.5)	(0.6)	0.5	(0.4)	(0.0)	1.0	0.4	0.1	(0.5)	1.1
Net Change	**$ (2.9)**	**$ 2.7**	**$ (16.1)**	**$ 5.1**	**$ (21.7)**	**$ 0.3**	**$ 0.1**	**$ (5.8)**	**$ 15.3**	**$ 13.4**	**$ 0.7**	**$ (35.2)**
Cash[1] Beg of Period	**$ 128.8**	**$ 126.1**	**$ 142.2**	**$ 121.0**	**$ 142.7**	**$ 142.4**	**$ 142.2**	**$ 148.0**	**$ 126.9**	**$ 113.5**	**$ 112.8**	**$ 148.0**
Cash[1] End of Period	**$ 125.9**	**$ 128.8**	**$ 126.1**	**$ 126.1**	**$ 121.0**	**$ 142.7**	**$ 142.4**	**$ 142.2**	**$ 142.2**	**$ 126.9**	**$ 113.5**	**$ 112.8**

1) Includes cash, cash equivalents and short & long term investments.

Key Stats

($000's)	Q217	Q117	FY16	Q416	Q316	Q216	Q116	FY15	Q415	Q315	Q215	Q115
Revenue												
Product	28,790	25,395	146,381	37,662	38,601	35,349	34,769	141,913	47,776	42,230	27,042	24,865
Services	26,943	27,973	106,210	29,910	26,410	25,508	24,382	107,121	28,550	25,632	27,659	25,280
Total Revenue	**55,733**	**53,368**	**252,591**	**67,572**	**65,011**	**60,857**	**59,151**	**249,034**	**76,326**	**67,862**	**54,701**	**50,145**
% of Total Revenue	**Q217**	**Q117**	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
Revenue												
Product	52%	48%	58%	56%	59%	58%	59%	57%	63%	62%	49%	50%
Services	48%	52%	42%	44%	41%	42%	41%	43%	37%	38%	51%	50%
Revenue by Geography												
Domestic	69%	67%	69%	68%	70%	70%	68%	71%	70%	77%	71%	62%
International	31%	33%	31%	32%	30%	30%	32%	29%	30%	23%	29%	38%
% of Total Revenue	**Q217**	**Q117**	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
Revenue by Channel												
Direct	71%	66%	76%	75%	68%	75%	79%	76%	75%	78%	74%	76%
Indirect	29%	34%	24%	25%	32%	25%	21%	24%	25%	22%	26%	24%
Operating Statistics	**Q217**	**Q117**	**FY16**	**Q416**	**Q316**	**Q216**	**Q116**	**FY15**	**Q415**	**Q315**	**Q215**	**Q115**
10% Customers												
Number of 10% customers	2	1	1	1	1	2	2	1	0	3	1	2
Name of 10% customers	Verizon AT&T	Verizon	AT&T	CenturyLink	AT&T	AT&T Verizon	Level 3 AT&T	AT&T	<None>	AT&T Inteliquent CenturyLink	AT&T	Verizon Softbank
5K/7K												
5K/7K Product Revenue	11,233	12,875	54,409	12,506	14,194	13,588	14,121	49,700	17,554	13,524	9,457	9,165
5K/7K as % of Product Revenue	39%	51%	37%	33%	37%	38%	41%	35%	37%	32%	35%	37%
Top 5 Customers as % of Revenue	41%	44%	37%	39%	41%	46%	46%	37%	33%	50%	40%	43%
Enterprise as % of Product Revenue	25%	28%	19%	18%	21%	20%	18%	19%	19%	20%	22%	15%
Number of Total Customers**	805	822	*	773	698	691	640	*	698	664	624	695
Number of New Customers**	169	160	583	156	145	151	131	623	155	150	150	168

* Not historically provided.

**Customer count reflects end customer and excludes customers with maintenance only revenue of less than $5k on a quarterly basis.

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Q317 and FY17 Guidance

	Q317 Guidance	FY17 Guidance
Total Revenue	$70M to $72M	Year-over-year flat to low single-digit percentage decline
GAAP diluted earnings (loss) per share	$0.05 to $0.08	$(0.46)
Non-GAAP Diluted earnings per share[1]	$0.17 to $0.20	$0.26
Basic Shares	49.8M	49.5M
Diluted Shares	50.2M	50M

1) Non-GAAP financial measures; please see reconciliation in presentation appendix

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Appendix

Discussion of Non-GAAP Financial Measures

Sonus management uses several different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of the business, making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. Our annual financial plan is prepared both on a GAAP and non-GAAP basis, and the non-GAAP annual financial plan is approved by our board of directors. Continuous budgeting and forecasting for revenue and expenses are conducted on a non-GAAP basis (in addition to GAAP) and actual results on a non-GAAP basis are assessed against the annual financial plan. We consider the use of non-GAAP financial measures helpful in assessing the core performance of our continuing operations and liquidity, and when planning and forecasting future periods. By continuing operations, we mean the ongoing results of the business excluding certain expenses and credits, including, but not limited to: stock-based compensation, amortization of intangible assets, patent litigation settlement expense, depreciation expense for an abandoned facility, acquisition-related expense, restructuring, certain gains included in other income (expense) and deferred income tax adjustments. We consider the use of non-GAAP earnings (loss) per share helpful in assessing the performance of the continuing operations of our business. While our management uses non-GAAP financial measures as a tool to enhance their understanding of certain aspects of our financial performance, our management does not consider these measures to be a substitute for, or superior to, GAAP measures. In addition, our presentations of these measures may not be comparable to similarly titled measures used by other companies. These non-GAAP financial measures should not be considered alternatives for, or in isolation from, the financial information prepared and presented in accordance with GAAP.

Investors are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to Sonus' financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to us is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time. We believe that excluding non-cash stock-based compensation expense from our operating results facilitates the comparison of our financial statements to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

We exclude the amortization of acquired intangible assets from non-GAAP expense and income measures. These amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we believe that it is important for investors to understand that intangible assets contribute to revenue generation. We believe that excluding the non-cash amortization of intangible assets facilitates the comparison of our financial results to our historical operating results and to other companies in our industry as if the acquired intangible assets had been developed internally rather than acquired.

In June 2016, we recorded $0.6 million of patent litigation settlement costs. This amount is included as a component of General and administrative expense; however, we believe that such patent litigation settlement costs are not part of our core business or ongoing operations. Accordingly, we believe that excluding this patent litigation settlement expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

During the second quarter of 2015, we reached an agreement with the landlord of one of our previously restructured facilities to vacate the facility without penalty or future payments. As a result, we were able to vacate the facility earlier than originally planned. In connection with this settlement, we recorded incremental depreciation expense to account for the change in estimated life of the fixed assets related to this facility. We believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as such incremental depreciation expense is not related to our ongoing operations or our core business activities.

We consider certain transition, integration and other acquisition-related costs to be unpredictable and dependent on a significant number of factors that may be outside of our control. We do not consider these acquisition-related costs to be related to the continuing operations of the acquired business or the Company. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. We believe that excluding acquisition-related costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

We have recorded restructuring expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We review our restructuring accruals regularly and record adjustments (both expense and credits) to these estimates as required. We believe that excluding restructuring expense and credits facilitates the comparison of our financial results to our historical operating results and to other companies in our industry, as there are no future revenue streams or other benefits associated with these costs.

In May 2017, we sold a block of IP addresses that we had acquired in connection with our acquisition of Network Equipment Technologies, Inc. ("NET") and recognized a gain, net of commission and fees, of $0.6 million. In July 2016, we sold the NET domain name to a third party and recognized a gain, net of commission and fees, of $0.8 million, and in December 2016, we sold a block of IP addresses which we had acquired in connection with our acquisition of PT and recognized a gain, net of commission and fees, of $0.5 million. In October 2015, we sold the PT domain name and recognized a gain, net of commission and fees, of $0.9 million. These amounts are included as components of Other Income, net, in the respective fiscal years. We believe that such gains are not part of our core business or ongoing operations. Accordingly, we believe that excluding the other income arising from these sales facilitates the comparison of our financial results to our historical results and to other companies in our industry.

We anticipate that we will reverse $0.7 million of deferred tax assets related to net operating loss carryforwards for our subsidiary in Canada based on positive earnings evidence in the subsidiary over a consecutive three-year period. This adjustment will result in an income tax credit and reduce our provision in the reversal period. We believe that such adjustments are not part of our core business or ongoing operations. Accordingly, we believe that excluding the income tax credit arising from the reversal of the deferred tax assets facilitates the comparison of our financial results to our historical results and to other companies in our industry.

Discussion of Non-GAAP Financial Measures (continued)

We use Adjusted EBITDA as a supplemental measure to review and assess our performance. We calculate Adjusted EBITDA by excluding from net income (loss): interest income (expense), net; income tax provision; depreciation and amortization. In addition, we exclude from net income (loss): other income (expense), net; stock-based compensation expense; patent litigation expense; acquisition-related expense and restructuring. In general, we add back the expenses that we consider to be non-cash and/or not part of our continuing operations, as described above. Adjusted EBITDA is a non-GAAP financial measure that is used by our investing community for comparative and valuation purposes. We disclose this metric in order to support and facilitate the dialogue with research analysts and investors. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We believe that providing non-GAAP information to investors, in addition to the GAAP presentation, will allow investors to view the financial results in the way management views the operating results. We further believe that providing this information helps investors to better understand our financial performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.

Quarterly GAAP to Non-GAAP Reconciliation

	Q217	Q117	FY16	Q416	Q316	Q216	Q116	FY15	Q415	Q315	Q215	Q115
GAAP total gross profit	$ 36,402	$ 33,748	$ 167,611	$ 45,394	$ 43,586	$ 40,228	$ 38,403	$ 161,657	$ 52,301	$ 45,712	$ 34,414	$ 29,230
Stock-based compensation expense	348	416	1,673	429	426	415	403	1,841	448	459	480	454
Amortization of intangible assets	1,601	1,566	6,038	1,501	1,455	1,455	1,627	5,384	1,717	1,323	1,176	1,168
Non-GAAP total gross profit	$ 38,351	$ 35,730	$ 175,322	$ 47,324	$ 45,467	$ 42,098	$ 40,433	$ 168,882	$ 54,466	$ 47,494	$ 36,070	$ 30,852
GAAP total gross margin	65.3%	63.2%	66.4%	67.2%	67.0%	66.1%	64.9%	64.9%	68.5%	67.4%	62.9%	58.3%
Stock-based compensation expense	0.6%	0.8%	0.7%	0.6%	0.7%	0.7%	0.7%	0.7%	0.6%	0.7%	0.9%	0.9%
Amortization of intangible assets	2.9%	3.0%	2.3%	2.2%	2.2%	2.4%	2.8%	2.2%	2.3%	1.9%	2.1%	2.3%
Non-GAAP total gross margin	68.8%	67.0%	69.4%	70.0%	69.9%	69.2%	68.4%	67.8%	71.4%	70.0%	65.9%	61.5%
GAAP operating expenses	$ 49,105	$ 44,530	$ 181,220	$ 48,098	$ 47,902	$ 42,936	$ 42,284	$ 192,874	$ 48,241	$ 47,074	$ 49,463	$ 48,096
Stock-based compensation expense	(3,889)	(2,847)	(18,095)	(3,875)	(5,982)	(4,226)	(4,012)	(19,858)	(4,349)	(4,814)	(6,329)	(4,366)
Amortization of intangible assets	(692)	(693)	(1,462)	(506)	(319)	(318)	(319)	(1,723)	(415)	(414)	(415)	(479)
Patent litigation settlement expense	-	-	(605)	-	-	(605)	-	-	-	-	-	-
Depreciation expense for abandoned facility	-	-	-	-	-	-	-	(646)	-	(322)	(324)	-
Acquisition-related expense	(4,679)	(56)	(1,152)	(201)	(951)	-	-	(131)	-	-	(24)	(107)
Restructuring	(501)	(570)	(2,740)	(1,120)	(1,620)	-	-	(2,148)	(842)	(158)	(1,487)	339
Non-GAAP operating expenses	$ 39,344	$ 40,364	$ 157,166	$ 42,396	$ 39,030	$ 37,787	$ 37,953	$ 168,368	$ 42,635	$ 41,366	$ 40,884	$ 43,483
GAAP income (loss) from operations as a percentage of revenue (operating margin)	-22.8%	-20.2%	-5.4%	-4.0%	-6.6%	-4.4%	-6.6%	-12.5%	5.3%	-2.0%	-27.5%	-37.6%
Stock-based compensation expense	7.6%	6.1%	7.8%	6.3%	9.8%	7.6%	7.5%	8.5%	6.3%	7.7%	12.5%	9.6%
Amortization of intangible assets	4.1%	4.2%	3.0%	3.0%	2.7%	2.9%	3.3%	2.9%	2.8%	2.6%	2.9%	3.3%
Patent litigation settlement expense	0.0%	0.0%	0.2%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation expense for abandoned facility	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%	0.5%	0.6%	0.0%
Acquisition-related expense	8.4%	0.1%	0.5%	0.3%	1.5%	0.0%	0.0%	0.1%	0.0%	0.0%	*	0.2%
Restructuring	0.9%	1.1%	1.1%	1.7%	2.5%	0.0%	0.0%	0.9%	1.1%	0.2%	2.7%	-0.7%
Non-GAAP income (loss) from operations as a percentage of revenue (operating margin)	-1.8%	-8.7%	7.2%	7.3%	9.9%	7.1%	4.2%	0.2%	15.5%	9.0%	-8.8%	-25.2%

* Less than 0.1% impact on income (loss) from operations as a percentage of revenue

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Quarterly GAAP to Non-GAAP Reconciliation (continued)

	Q217	Q117	FY16	Q416	Q316	Q216	Q116	FY15	Q415	Q315	Q215	Q115
GAAP income (loss) from operations	$ (12,703)	$ (10,782)	$ (13,609)	$ (2,704)	$ (4,316)	$ (2,708)	$ (3,881)	$ (31,217)	$ 4,060	$ (1,362)	$ (15,049)	$ (18,866)
Stock-based compensation expense	4,237	3,263	19,768	4,304	6,408	4,641	4,415	21,699	4,797	5,273	6,809	4,820
Amortization of intangible assets	2,293	2,259	7,500	2,007	1,774	1,773	1,946	7,107	2,132	1,737	1,591	1,647
Patent litigation settlement expense	-	-	605	-	-	605	-	-	-	-	-	-
Depreciation expense for abandoned facility	-	-	-	-	-	-	-	646	-	322	324	-
Acquisition-related expense	4,679	56	1,152	201	951	-	-	131	-	-	24	107
Restructuring	501	570	2,740	1,120	1,620	-	-	2,148	842	158	1,487	(339)
Non-GAAP income (loss) from operations	$ (993)	$ (4,634)	$ 18,156	$ 4,928	$ 6,437	$ 4,311	$ 2,480	$ 514	$ 11,831	$ 6,128	$ (4,814)	$ (12,631)
GAAP net income (loss)	$ (12,345)	$ (10,646)	$ (13,932)	$ (2,631)	$ (3,731)	$ (2,916)	$ (4,654)	$ (31,895)	$ 4,703	$ (1,896)	$ (15,343)	$ (19,359)
Stock-based compensation expense	4,237	3,263	19,768	4,304	6,408	4,641	4,415	21,699	4,797	5,273	6,809	4,820
Amortization of intangible assets	2,293	2,259	7,500	2,007	1,774	1,773	1,946	7,107	2,132	1,737	1,591	1,647
Patent litigation settlement expense	-	-	605	-	-	605	-	-	-	-	-	-
Depreciation expense for abandoned facility	-	-	-	-	-	-	-	646	-	322	324	-
Acquisition-related expense	4,679	56	1,152	201	951	-	-	131	-	-	24	107
Restructuring	501	570	2,740	1,120	1,620	-	-	2,148	842	158	1,487	(339)
Gains on sales of domain names and IP address blocks	(576)	-	(1,298)	(498)	(800)	-	-	(896)	(896)	-	-	-
Non-GAAP net income (loss)	$ (1,211)	$ (4,498)	$ 16,535	$ 4,503	$ 6,222	$ 4,103	$ 1,707	$ (1,060)	$ 11,578	$ 5,594	$ (5,108)	$ (13,124)
GAAP diluted earnings (loss) per share	$ (0.25)	$ (0.22)	$ (0.28)	$ (0.05)	$ (0.08)	$ (0.06)	$ (0.09)	$ (0.64)	$ 0.09	$ (0.04)	$ (0.31)	$ (0.39)
Stock-based compensation expense	0.09	0.07	0.40	0.09	0.13	0.09	0.08	0.45	0.10	0.11	0.14	0.10
Amortization of intangible assets	0.05	0.05	0.15	0.04	0.04	0.04	0.04	0.14	0.04	0.03	0.03	0.03
Patent litigation settlement expense	-	-	0.01	-	-	0.01	-	-	-	-	-	-
Depreciation expense for abandoned facility	-	-	-	-	-	-	-	0.01	-	0.01	0.01	-
Acquisition-related expense	0.09	*	0.02	*	0.02	-	-	*	-	-	*	*
Restructuring	0.01	0.01	0.06	0.02	0.03	-	-	0.04	0.02	*	0.03	(0.01)
Gains on sales of domain names and IP address blocks	(0.01)	-	(0.03)	(0.01)	(0.02)	-	-	(0.02)	(0.02)	-	-	-
Non-GAAP diluted earnings (loss) per share	$ (0.02)	$ (0.09)	$ 0.33	$ 0.09	$ 0.12	$ 0.08	$ 0.03	$ (0.02)	$ 0.23	$ 0.11	$ (0.10)	$ (0.27)

* Less than $0.01 impact on income (loss) per share

Quarterly GAAP to Non-GAAP Reconciliation (continued)

	Q217	Q117	FY16	Q416	Q316	Q216	Q116	FY15	Q415	Q315	Q215	Q115
Adjusted EBITDA												
GAAP net income (loss)	$ (12,345)	$ (10,646)	$ (13,932)	$ (2,631)	$ (3,731)	$ (2,916)	$ (4,654)	$ (31,895)	$ 4,703	$ (1,896)	$ (15,343)	$ (19,359)
Interest income/expense	(254)	(258)	(769)	(179)	(209)	(217)	(164)	(207)	(117)	(82)	20	(28)
Income tax provision	471	123	2,516	614	427	435	1,040	2,007	413	749	279	566
Depreciation	1,772	1,823	7,970	2,056	1,944	1,989	1,981	11,961	2,315	2,744	4,327	2,575
Amortization of intangible asses	2,293	2,259	7,500	2,007	1,774	1,773	1,946	7,107	2,132	1,737	1,591	1,647
Other income/expense, net	(575)	(1)	(1,424)	(508)	(803)	(10)	(103)	(1,122)	(939)	(133)	(5)	(45)
Stock-based compensation expense	4,237	3,263	19,768	4,304	6,408	4,641	4,415	21,699	4,797	5,273	6,809	4,820
Patent litigation settlement	-	-	605	-	-	605	-	-	-	-	-	-
Acquisition-related expense	4,679	56	1,152	201	951	-	-	131	-	-	24	107
Restructuring	501	570	2,740	1,120	1,620	-	-	2,148	842	158	1,487	(339)
Adjusted EBITDA (non-GAAP)	$ 779	$ (2,811)	$ 26,126	$ 6,984	$ 8,381	$ 6,300	$ 4,461	$ 11,829	$ 14,146	$ 8,550	$ (811)	$ (10,056)
Adjusted EBITDA as a percentage of revenue												
GAAP net income (loss)	-22.2%	-19.9%	-5.5%	-3.9%	-5.7%	-4.8%	-7.9%	-12.8%	6.2%	-2.8%	-28.0%	-38.6%
Interest income/expense, net	-0.5%	-0.5%	-0.3%	-0.3%	-0.3%	-0.4%	-0.3%	-0.1%	-0.2%	-0.1%	*	-0.1%
Income tax provision	0.8%	0.2%	1.0%	0.9%	0.7%	0.7%	1.8%	0.8%	0.5%	1.1%	0.5%	1.1%
Depreciation	3.2%	3.4%	3.2%	3.0%	3.0%	3.3%	3.3%	4.8%	3.0%	4.0%	7.9%	5.1%
Amortization of intangible assets	4.1%	4.2%	3.0%	3.0%	2.7%	2.9%	3.3%	2.9%	2.8%	2.6%	2.9%	3.3%
Other income/expense, net	-1.0%	*	-0.6%	-0.8%	-1.2%	*	-0.2%	-0.5%	-1.2%	-0.2%	*	-0.1%
Stock-based compensation expense	7.7%	6.1%	7.7%	6.4%	9.7%	7.7%	7.5%	8.6%	6.3%	7.8%	12.5%	9.7%
Patent litigation expense	0.0%	0.0%	0.2%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-related expense	8.4%	0.1%	0.5%	0.3%	1.5%	0.0%	0.0%	0.1%	0.0%	0.0%	*	0.2%
Restructuring	0.9%	1.1%	1.1%	1.7%	2.5%	0.0%	0.0%	0.9%	1.1%	0.2%	2.7%	-0.7%
Adjusted EBITDA as a percentage of revenue (non-GAAP)	1.4%	-5.3%	10.3%	10.3%	12.9%	10.4%	7.5%	4.7%	18.5%	12.6%	-1.5%	-20.1%

* Less than 0.1% impact on Adjusted EBITDA as a percentage of revenue

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Q217, Q317 and FY17 Outlook : GAAP to Non-GAAP Reconciliation

	Three months ended June 30, 2017 (A)	Three months ending September 30, 2017 (B)			Year ending December 31, 2017 (B)
Diluted earnings per share/(loss) per share					
GAAP outlook	$ (0.25)	$ 0.05	to	$ 0.08	$ (0.46)
Stock-based compensation expense	0.08	0.07		0.07	0.30
Amortization of intangible assets	0.05	0.05		0.05	0.19
Acquisition-related expense	-	0.01		0.01	0.23
Restructuring	0.03	-		-	0.02
Sale of IP address blocks	(0.01)	-		-	(0.01)
Deferred tax asset adjustment	-	(0.01)		(0.01)	(0.01)
Non-GAAP outlook	$ (0.10)	$ 0.17		$ 0.20	$ 0.26

(A) As provided by the Company on April 26, 2017
(B) As provided by the Company on August 3, 2017

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