



Ribbon Communications

Fourth Quarter and Full Year 2020 Results

February 17, 2021

Note Regarding Forward-Looking Statements and Non-GAAP Financial Measures

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 without limitation statements regarding the projected financial results for the first quarter of 2021 and beyond, customer engagement and momentum, plans for future cost reductions, the proposed refinancing of a portion of our credit facility and plans for future product development and manufacturing, are forward-looking statements. Without limiting the foregoing, the words “believes”, “estimates”, “expects”, “expectations”, “intends”, “may”, “plans”, “projects” and other similar language, are intended to identify forward-looking statements.

Forward-looking statements are based on our current expectations and assumptions and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results or performance expressed or implied by the forward-looking statements including, but not limited to, risks related to the COVID-19 pandemic; risks that the businesses of ECI Telecom Group Ltd. (“ECI”) will not be integrated successfully or that the combined companies will not realize estimated cost savings and/or anticipated benefits of the merger; failure to realize anticipated benefits from the sale of the Kandy Communications business (“Kandy”); supply chain disruptions resulting from geopolitical instabilities and disputes or component availability; unpredictable fluctuations in quarterly revenue and operating results; failure to compete successfully against telecommunications equipment and networking companies; credit risks; the timing of customer purchasing decisions and our recognition of revenues; economic conditions; our ability to recruit and retain key personnel; the impact of restructuring and cost-containment activities; litigation; rapid technological and market change; our ability to protect our intellectual property rights and obtain necessary licenses; risks related to cybersecurity and data intrusion; the potential for defects in our products; risks related to the terms of our credit agreement and our ability to complete any refinancing; higher risks in international operations and markets; increases in tariffs, trade restrictions or taxes on our products; currency fluctuations; failure or circumvention of our controls and procedures and the other risks and uncertainties disclosed in our periodic reports filed with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q.

Any forward-looking statements represent our views only as of the date on which such statement is made and should not be relied upon as representing our views as of any subsequent date. While we may elect to update forward-looking statements at some point, we specifically disclaim any obligation to do so, except as may be required by law.

This presentation also includes certain non-GAAP financial measures in addition to the U.S. GAAP financials. Our management believes that presenting certain non-GAAP financial measures provides meaningful information to investors in understanding our operating results and may enhance investors' ability to analyze financial and business trends including the ability to compare period to period more easily by excluding items that could have a disproportionately negative or positive impact on results in a given financial period. The non-GAAP measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for the most directly comparable financial measures prepared in accordance with U.S. GAAP. We urge you to review the reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures set forth in the Appendix to this presentation, and not to rely on any single financial measure to evaluate our business.

4Q20 and Full Year 2020 Business Overview

Bruce McClelland, President & CEO



2020 Highlights

Customer Focus



Maintained sales effectiveness during COVID-19 pandemic

Product Enhancements



Core SBC growth, transition to software and introducing as a service models

Portfolio Optimization



Completed ECI acquisition and Kandy divestiture

Ribbon Communications is well-positioned for growth in 2021 and beyond

Business Highlights



- In addition to the Company's first IP Optical win in North America with a **Top 4 cable MSO**, Ribbon earned new **IP Optical business with 5 regional telco carriers**
- Closed **significant new orders** with North American Tier-1 service providers as they continue to utilize Ribbon solutions to grow and evolve their networks
- Revenue from customers **outside the United States** increased to **60% of total sales in 4Q20**; **international highlights** include:
 - **New network transformation project** with a Tier-1 carrier in CALA using new **virtualized C20 Call Session Controller**
 - Secured the **first large-scale OTN deployment** for metro access for a defense customer in Europe
 - **Implementing metro optical networks globally with Telecom Italia** and collaborating with them to win new regional public, private, and enterprise IP optical opportunities in Europe
 - Signed **over \$10 million in Cloud and Edge deals in Japan with Tier-1 service providers**
 - **4Q20 India sales** consistent with those in 3Q20 with improvements in several accounts



- **Integration on track**
- **Kandy divestiture complete**
- **Sale of QualiTech regulatory testing business in Israel**
- Ribbon Communications **HQ moving to Plano, TX**
- **New Leadership:** Sean Matthews joins Ribbon as EVP, Corporate Development & Strategy and Steve McCaffrey joins Ribbon as EVP, EMEA & APAC sales
- Issued first **Global Sustainability Report** in February 2021

4Q20 and Full Year 2020 Financial Highlights

Growing Revenue

\$244M Sales in 4Q20, up \$83M YoY¹ ;
\$844M in 2020, up \$281M YoY¹;
(Includes \$261M from IP Optical
Networks in 2020)

Cash Flow and Balance Sheet

\$136M Ending Cash
\$36M Cash Flow from Operations
in 4Q20 and **\$102M** in 2020

Improving Profitability

Record **\$49M** Adjusted EBITDA² in 4Q20
Record **\$131M** Adjusted EBITDA² in 2020,
up 13% and 53% YoY¹, respectively

Cloud and Edge²



Growing Software Sales

Revenue from pure software
products 62% of total product
revenue in FY20, up from 47%
in FY19



Strong Gross Margin

68% Non-GAAP Gross
Margin² in 4Q20, up ~180
BPS QoQ³

IP Optical Networks²



Revenue Trend

Up 15% QoQ³ in
4Q20

N. America region up
105% QoQ³ in 4Q20



Customer Success

20 new customer wins
and increasing North
American presence



Profit Improvement

44% Non-GAAP Gross
Margin² in 4Q20

\$2M Adjusted EBITDA
Achieved in 4Q20

Notes:

1. Three months and twelve months ended December 31, 2020 compared with the corresponding period in 2019.
2. Please see the basis of presentation and the non-GAAP reconciliation in the appendix.
3. Three months ended December 31, 2020 compared the three months ended September 30, 2020.

4Q20 and Full Year 2020 GAAP Financial Summary

	4Q19 ¹	3Q20 ¹	4Q20 ¹	2019 ¹	2020 ¹
Revenue	\$161M	\$231M	\$244M	\$563M	\$844M
Gross Margin	68%	58%	59%	63%	58%
Opex	\$258M	\$123M	\$127M	\$544M	\$491M
Net income (loss)	(\$150M)	\$6M	\$124M	(\$130M)	\$89M
Diluted EPS	(\$1.36)	\$0.04	\$0.81	(\$1.19)	\$0.61

Note:

1. Please see the basis of presentation and the non-GAAP reconciliation in the appendix; note that Kandy sale resulted in Other income of approximately \$114 million in 4Q20.

4Q20 and Full Year 2020 Non-GAAP Financial Summary

	4Q19	3Q20	4Q20	2019	2020
Revenue	\$161M	\$231M	\$244M	\$563M	\$844M
Non-GAAP Gross Margin ¹	68%	59%	59%	63%	59%
Non-GAAP Opex ¹	\$69M	\$98M	\$100M	\$281M	\$382M
Non-GAAP Operating Margin ¹	25%	17%	18%	13%	14%
Non-GAAP Adjusted EBITDA ¹	\$43M	\$43M	\$49M	\$86M	\$131M
Non-GAAP Diluted EPS ¹	\$0.27	\$0.14	\$0.18	\$0.47	\$0.43

Note:

1. Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

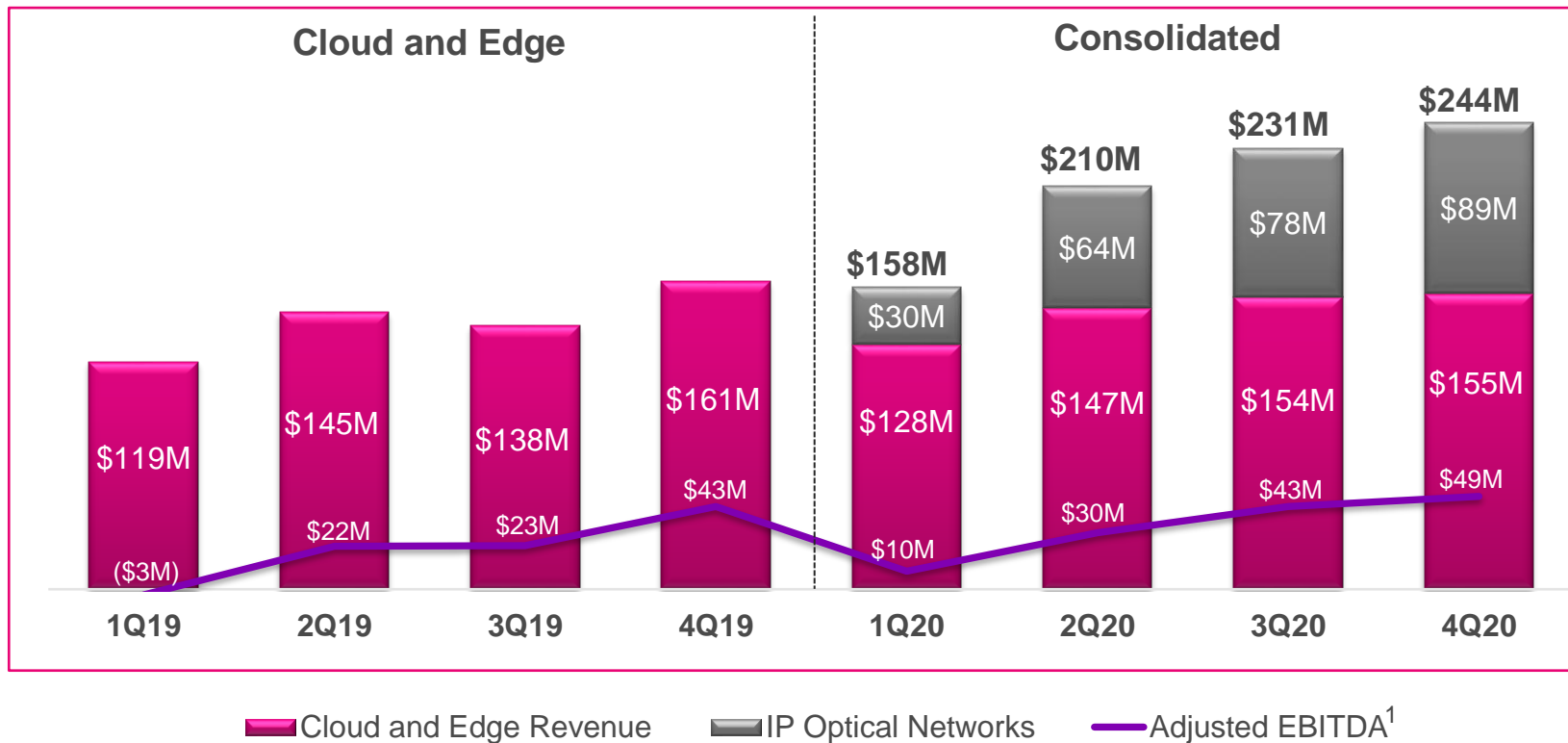
4Q20 and Full Year 2020 Non-GAAP Segment Summary

	4Q20			2020		
	Cloud and Edge	IP Optical Networks	Consolidated	Cloud and Edge	IP Optical Networks	Consolidated
Revenue	\$155M	\$89M	\$244M	\$583M	\$261M	\$844M
Non-GAAP Gross Margin ¹	68%	44%	59%	66%	43%	59%
Non-GAAP Adjusted EBITDA ¹	\$47M	\$2M	\$49M	\$136M	(\$5M)	\$131M

Note:

1. Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

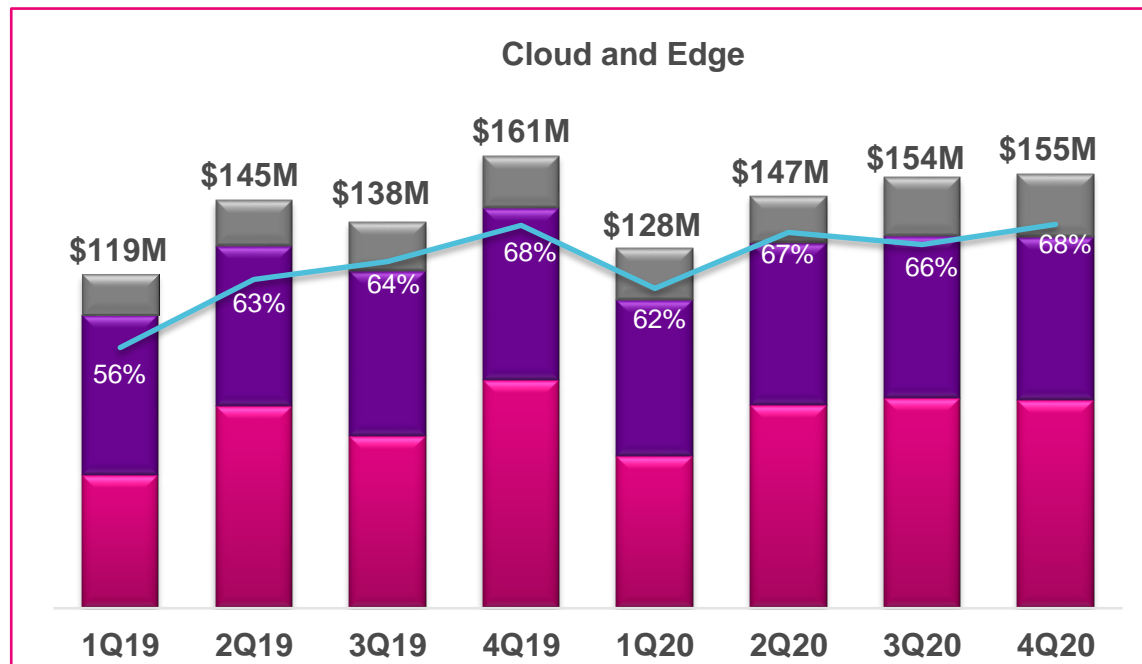
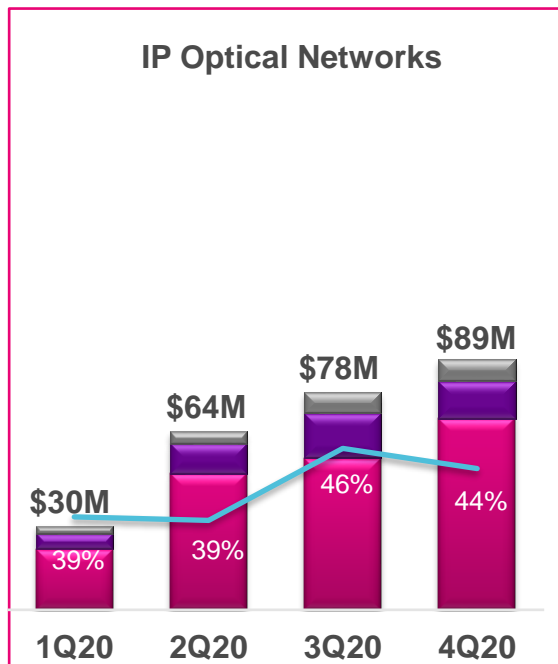
Total Revenue and Adjusted EBITDA¹



Note:

1. Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

Quarterly Performance: Revenue & Non-GAAP Gross Margins¹



Product
 Maintenance
 Professional Services
 Non-GAAP Gross Margins¹

Note:

1. Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

Fourth Quarter 2020 Key Metrics

Pipeline



Full Year 2020 Book to Revenue¹ Ratio of 1.02

Booked nearly 60% of 2021 maintenance renewals by year-end 2020

Revenue Mix



36% Software Revenue²

29% Maintenance Revenue³

Top 10 Customers Revenue 45%³

Enterprise 27%²
Service Provider 73%²

Domestic 40%³
International 60%³

Balance Sheet



Cash Balance \$136M

Debt \$393M

Current Annualized Weighted Interest Rate 4.35%

Covenant Ratio Metrics⁴:
Leverage 2.45x vs 4x max.
FCCR 3.97x vs 1.25x min.

In February 2021, launched process to refinance term loans to decrease future interest expense

Cash Flow



\$36M Cash From Operations

\$33M Unlevered Free Cash Flow⁵

\$8M Capex included \$2M of real estate facility improvements

Notes:

1. Product and Professional Services (excluding maintenance) Bookings divided by Product and Profession Services Revenue (excluding maintenance) for the twelve months ended December 31, 2020.
2. As a percentage of total product revenue.
3. As a percentage of total revenue.
4. Calculated in accordance with the Amended and Restated Credit Agreement.
5. Please see the non-GAAP reconciliation in the appendix.

Key Trends and Outlook



Market Trends & Customer Activity



- ✓ Work-from-home driving continued higher network utilization and need for capacity augmentation



- ✓ Digital transformation to modernize networks remains a priority



- ✓ Mobile network traffic growing exponentially, expected to increase ~4.5x by 2026, with 5G traffic accounting for 54% of all mobile data traffic¹



- ✓ Edge computing expected to grow at 37% CAGR from 2020 to 2025²



- ✓ Increasing Enterprise workloads presenting a large shift in the performance requirements of communications networks



- ✓ Engagement level with customers remains strong as we continue to sell in a virtual environment



- ✓ Increasing regional diversification as we continue to integrate ECI into Ribbon portfolio



- ✓ Significant RFP activity and remote proof-of-concept product demonstrations in place of on-site lab evaluations



- ✓ Effectively managing tightening supply chain environment

Notes:

1. Source: Ericsson Mobility Report, November 2020
2. Source: Grand View Research, March 2020

2021 Operating Environment



Strong secular demand for bandwidth accelerated by COVID-19 with increased federal funding



Legacy network refresh cycle gaining momentum



5G mobile technology upgrade cycle creating demand for front-, mid-, and back-haul capacity expansion with unique networking requirements



Unique competitive environment creating opportunity for new industry leadership



IP/Optical Convergence needed to simplify network management and maximize performance



Growing investor interest and sentiment towards under-valued datacom segment



Significant federal and state IT spend opportunity enhanced by combined presence



India market poised for recovery with significant capital investment

1Q21 and Full Year 2021 Business Outlook

	2020	1Q21	FY21
Revenue	\$844M	\$190M to \$200M	\$925M to \$945M
Non-GAAP Gross Margin¹	59%	55% to 56%	55% to 56%
Non-GAAP Adjusted EBITDA¹	\$131M	\$14M to \$18M	\$145M to \$155M
Non-GAAP Diluted EPS¹	\$0.43	\$0.01 to \$0.03	\$0.49 to \$0.54
Interest & Other Expense²	(\$22M)	~(\$8M)	~(\$26M)
Non-GAAP Income Taxes	32.75%	~27%	~27%
Diluted Share Count (millions)	144.7	~153	~154

Projecting top-line and bottom-line growth in 2021

Notes:

1. Please see non-GAAP reconciliations in the appendix.

2. Interest expense for both 1Q21 and FY21 assumes the successful completion of refinancing a portion of the credit facility in 1Q21 and the related write-off of \$2.5 million of capitalized, previously paid debt issuance costs.

Appendix



Ribbon Condensed Statements of Operations

USD Millions except percentages and EPS	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
GAAP FINANCIAL MEASURES										
Product Revenue	47	72	61	81	262	76	121	129	142	468
Service Revenue	71	73	77	80	301	82	90	102	102	376
Total Revenue	119	145	138	161	563	158	210	231	244	844
Gross Profit	66	91	88	109	355	91	123	135	144	493
<i>Gross Margin %</i>	56%	62%	64%	68%	63%	57%	59%	58%	59%	58%
Research and development	36	35	34	36	141	42	52	49	51	194
Selling, general and administrative	46	39	35	40	160	48	49	53	53	203
Amortization of Intangibles	12	13	12	12	49	14	15	16	16	61
Impairment of goodwill	-	-	-	164	164	-	-	-	-	-
Acquisition, Integration and Restructuring	8	11	4	6	29	14	6	5	8	33
Total Operating Expenses	102	98	86	258	544	119	122	123	127	491
Income/(Loss) from Operations	(36)	(7)	3	(149)	(189)	(29)	2	12	17	2
<i>Operating Margin %</i>	-30%	-5%	2%	-92%	-34%	-18%	1%	5%	7%	0%
Net Income/(Loss)	(31)	49	2	(150)	(130)	(33)	(8)	6	124	89
Diluted EPS	(\$0.29)	\$0.45	\$0.01	(\$1.36)	(\$1.19)	(\$0.27)	(\$0.06)	\$0.04	\$0.81	\$0.61
Weighted Average Diluted Shares	108	111	111	110	110	121	144	152	153	145
Cash Flow from Operating Activities	20	10	(6)	33	56	40	(3)	29	36	102
NON-GAAP FINANCIAL MEASURES										
Adjusted EBITDA	(3)	22	23	43	86	10	30	43	49	131
Unlevered Free Cash Flow	17	9	(8)	31	49	35	(6)	29	33	90

Please see the basis of presentation and the non-GAAP reconciliations in this appendix.

Ribbon Condensed Balance Sheets

USD Millions	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
ASSETS								
Cash and Investments ¹	46	51	40	45	110	94	111	136
Accounts Receivable, Net	135	155	163	193	206	205	208	238
Inventory, Net	19	17	14	15	67	58	51	46
Property Plant Equipment, Net	28	28	27	29	47	48	48	49
Goodwill and Intangibles	640	627	615	438	866	866	850	834
Investment in AVCT	-	-	-	-	-	-	-	115
Other Assets	78	98	98	95	177	157	138	130
Total Assets	946	977	957	815	1,472	1,428	1,406	1,547
LIABILITIES AND EQUITY								
Revolving Credit Facility	57	35	34	8	-	-	-	-
Liabilities	160	153	141	155	384	362	349	352
Deferred Revenue	125	112	102	121	140	130	115	123
Debt ²	25	50	49	48	395	392	387	385
Stockholders' Equity	579	627	631	483	554	545	555	687
Total Liabilities and Equity	946	977	957	815	1,472	1,428	1,406	1,547

Notes:

1. Includes cash, cash equivalents, short- and long-term investments and restricted cash

2. Net of debt issuance costs and associated amortization

Ribbon Condensed Statements of Cash Flows

USD Millions	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
Cash from Operations	20	10	(6)	33	56	40	(3)	29	36	102
Purchases of PP&E	(4)	(2)	(2)	(2)	(11)	(6)	(9)	(4)	(8)	(27)
Stock Repurchase	-	(5)	-	-	(5)	-	-	-	-	0
Business Acquisitions	(22)	-	-	-	(22)	(347)	-	-	-	(347)
Sale of Fixed Assets	-	-	-	-	-	44	-	-	-	44
Borrowings, net	2	3	(2)	(27)	(23)	336	(4)	(7)	(3)	322
Other	(1)	-	-	0	(1)	(1)	0	(1)	0	(2)
Net Change	(5)	5	(11)	4	(6)	65	(16)	17	25	91
Cash¹ Beginning of Period	51	46	51	40	51	45	110	94	111	45
Cash¹ End of Period	46	51	40	45	45	110	94	111	136	136

Note:

1. Includes cash, cash equivalents, short- and long-term investments and restricted cash

Ribbon Key Revenue Statistics

USD Millions except for percentages	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	Q420	FY20
GAAP Revenue										
Product	47	72	61	81	262	76	121	129	142	468
Service	71	73	77	80	301	82	90	102	102	376
Total Revenue	119	145	138	161	563	158	210	231	244	844
% of Total GAAP Revenue:										
GAAP Revenue Mix										
Product	40%	50%	44%	50%	47%	48%	57%	56%	58%	55%
Services	60%	50%	56%	50%	53%	52%	43%	44%	42%	45%
GAAP Revenue by Geography										
Domestic	58%	58%	64%	62%	61%	50%	48%	45%	40%	45%
International	42%	42%	36%	38%	39%	50%	52%	55%	60%	55%
GAAP Revenue by Channel										
Direct	60%	60%	65%	69%	64%	62%	73%	72%	74%	71%
Indirect	40%	40%	35%	31%	36%	38%	27%	28%	26%	29%
GAAP Product Revenue By Market										
Enterprise	31%	21%	29%	29%	27%	36%	30%	29%	27%	30%
Service Providers	69%	79%	71%	71%	73%	64%	70%	71%	73%	70%
10% Total Revenue Customers										
	Verizon AT&T	Verizon	Verizon AT&T	Verizon AT&T	Verizon AT&T	Verizon AT&T	Verizon	Verizon	Verizon	Verizon

Basis of Presentation

Totals may not sum due to rounding.

The terms “Cloud and Edge”, “Ribbon standalone”, “Ribbon’s organic business” and “organic” as used herein refer to the business, continuing operations and/or financial results, as the context dictates, of Ribbon Communications excluding the recently acquired ECI Telecom business, which was completed on March 3, 2020. The term “overall” as used herein refers to Ribbon consolidated results (including the results of ECI post-acquisition through December 31, 2020) for the metric or period indicated. Periods prior to the first quarter of 2020 represent Ribbon reported results for the respective period.

ECI results prior to its acquisition by Ribbon on March 3, 2020 have been combined with the Ribbon standalone results for certain financial metrics, for illustrative purposes only. These combined results are presented for illustrative purposes and are not intended to represent or be indicative of the actual results of the combined company that would have been achieved had the acquisition occurred on January 1, 2019.

On December 1, 2020, Ribbon sold Kandy; the results of the Kandy business are included in all periods through that date.

IP Optical Networks relates to the ECI Telecom business.

Cloud and Edge relates to Ribbon standalone and excludes the ECI Telecom business.

Discussion of Non-GAAP Financial Measures

Ribbon Communications' management uses several different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of its business, making operating decisions, planning and forecasting future periods, and determining payments under compensation programs. We consider the use of non-GAAP financial measures helpful in assessing the core performance of our continuing operations and when planning and forecasting future periods. Our annual financial plan is prepared on a non-GAAP basis and is approved by our board of directors. In addition, budgeting and forecasting for revenue and expenses are conducted on a non-GAAP basis and actual results on a non-GAAP basis are assessed against the annual financial plan. By continuing operations, we mean the ongoing results of the business adjusted for certain expenses and credits, as described below. We believe that providing non-GAAP information to investors will allow investors to view the financial results in the way our management views them and helps investors to better understand our core financial and operating performance and evaluate the efficacy of the methodology and information used by our management to evaluate and measure such performance.

While our management uses non-GAAP financial measures as tools 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. In particular, many of the adjustments to our financial measures reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future.

Discussion of Non-GAAP Financial Measures (continued)

Acquisition-Related Inventory Adjustment

Acquisition-related inventory adjustment amounts are inconsistent in frequency and amount and are significantly impacted by the then-current market prices of such inventory items. We believe that excluding non-cash inventory adjustments arising from acquisitions facilitates the comparison of our financial results to our historical operating results and to other companies in our industry as if the inventory had been acquired by us through our normal channels rather than acquired.

Stock-Based Compensation

The expense related to stock-based awards is generally not controllable in the short-term and can vary significantly based on the timing, size and nature of awards granted. We believe that presenting non-GAAP operating results that exclude stock-based compensation provides investors with visibility and insight into our management's method of analysis and the Company's core operating performance.

Amortization of Acquired Intangible Assets

Amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. We believe that excluding 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.

Impairment of Goodwill

We performed our annual testing for impairment of goodwill in the fourth quarter of 2019, determined as a result of the testing that our goodwill was impaired, and recorded an impairment charge. We believe that such expenses are not part of our core business or ongoing operations. Accordingly, we believe that excluding the goodwill impairment charge 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)

Litigation Costs

We have been involved in litigation with one of our competitors and with a former GENBAND business partner and have reached settlements in both cases. We exclude the costs of such litigation because we believe such costs are not part of our core business or ongoing operations.

Acquisition-, Disposal- and Integration-Related Expense

We consider certain acquisition-, disposal- and integration-related costs to be unrelated to the organic continuing operations of our acquired businesses and the Company, and such costs are generally not relevant to assessing or estimating the long-term performance of the acquired assets. We exclude such acquisition-, disposal- and integration-related costs to allow more accurate comparisons of our financial results to our historical operations and the financial results of less acquisitive peer companies and allows management and investors to consider the ongoing operations of the business both with and without such expenses.

Restructuring and Related Expense

We have recorded restructuring and related expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing our worldwide workforce. We believe that excluding restructuring and related expense 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.

Gain on Sale of Business

On December 1, 2020, we completed the sale of Kandy to AVCT. As consideration, we received units of AVCT securities, comprised of AVCT's Series A-1 convertible debentures ("Debentures") and warrants to purchase shares of AVCT's common stock ("Warrants"), with an aggregate fair value approximating \$84 million on the date of sale. We exclude this gain because we believe that such gain is not part of our core business or ongoing operations.

Discussion of Non-GAAP Financial Measures (continued)

Increase in Fair Value of Investments

We calculate the fair value of the Debentures and Warrants at each quarter-end and record any adjustments to their fair values in Other income (expense), net. We recorded the increase in the aggregate fair value of the Debentures and Warrants as of December 31, 2020 for the period since the sale of Kandy. We exclude this and any subsequent gains and losses from the change in fair value of the Debentures and Warrants because we believe that such gains or losses are not part of our core business or ongoing operations.

Reduction to Deferred Purchase Consideration

We reached an agreement related to the outstanding cash deferred purchase consideration for our acquisition of Edgewater Networks, Inc. in the first quarter of 2019 and recorded the gain on the reduction in Other income (expense), net. We believe that such reductions to the cash deferred purchase consideration are not part of our core business or ongoing operations, as they relate to specific acquisitive transactions and that excluding such reductions facilitates the comparison of our financial results to our historical results and to other companies in our industry.

Gain on Litigation Settlement

We were involved in litigation with one of our competitors with whom we reached a settlement in the second quarter of 2019, which we recorded in Other income (expense), net. We believe that such gains are not part of our core business or ongoing operations and that excluding such gains 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)

Tax Effect of Non-GAAP Adjustments

Non-GAAP income tax expense is presented based on an estimated tax rate applied against forecasted annual non-GAAP income. Non-GAAP income tax expense assumes no available net operating losses or valuation allowances for the U.S. because of reporting significant cumulative non-GAAP income over the past several years. On a go-forward basis, we intend to report our non-GAAP quarterly income taxes by computing an annual rate for the Company and applying that single rate (rather than multiple rates by jurisdiction) to our consolidated quarterly results. We expect that this methodology will provide a more consistent rate throughout the year and allow investors to better understand the impact of income taxes on our results. We have re-cast the 2020 and 2019 historical results using this methodology; this did not change our full year non-GAAP income tax expense. Due to the methodology applied to our estimated annual tax rate, our estimated tax rate on non-GAAP income will differ from our GAAP tax rate and from our actual tax liabilities.

Adjusted EBITDA

We use Adjusted EBITDA as a supplemental measure to review and assess our performance. We calculate Adjusted EBITDA by excluding from Income (loss) from operations: depreciation; amortization of acquired intangible assets; stock-based compensation; acquisition-related inventory adjustments; certain litigation costs; impairment of goodwill; acquisition-, disposal- and integration-related expense; and restructuring and related expense. In general, we exclude the expenses that we consider to be non-cash and/or not part of our ongoing operations. We may exclude other items in the future that have those characteristics. Adjusted EBITDA is a non-GAAP financial measure that is used by our investing community for comparative and valuation purposes. We disclose this metric to support and facilitate our dialogue with research analysts and investors. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

GAAP to Non-GAAP Reconciliation

\$000's	1Q19	2Q19	3Q19	4Q19	FY19	1Q20			2Q20			3Q20			4Q20			FY20			
						Cloud and Edge	IP Optical Networks	Consolidated	Cloud and Edge	IP Optical Networks	Consolidated	Cloud and Edge	IP Optical Networks	Consolidated	Cloud and Edge	IP Optical Networks	Consolidated	Cloud and Edge	IP Optical Networks	Consolidated	
Revenue	\$ 118,928	\$ 145,421	\$ 137,653	\$ 161,109	\$ 563,111	\$ 128,031	\$ 29,951	\$ 157,982	\$ 146,907	\$ 63,586	\$ 210,493	\$ 153,530	\$ 77,588	\$ 231,118	\$ 154,802	\$ 89,400	\$ 244,202	\$ 583,270	\$ 260,525	\$ 843,795	
GAAP Gross profit	\$ 66,234	\$ 90,765	\$ 88,399	\$ 109,259	\$ 354,657	\$ 78,778	\$ 11,746	\$ 90,524	\$ 98,591	\$ 24,676	\$ 123,267	\$ 101,711	\$ 33,243	\$ 134,954	\$ 105,322	\$ 39,040	\$ 144,362	\$ 384,402	\$ 108,705	\$ 493,107	
GAAP Gross margin - total (Total gross profit/Revenue)	55.7%	62.4%	64.2%	67.8%	63.0%	61.5%	39.2%	57.3%	67.1%	38.8%	58.6%	66.2%	42.8%	58.4%	68.0%	43.7%	59.1%	65.9%	41.7%	58.4%	
Stock-based compensation	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.0%	0.1%	0.1%	0.0%	0.1%	0.2%	0.1%	0.1%	0.2%	*	0.1%	0.1%	*	0.1%	
Acquisition-related inventory adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	0.9%	0.0%	0.0%	0.0%	0.0%	0.8%	0.3%	
Non-GAAP Gross margin - total	55.8%	62.5%	64.3%	67.9%	63.1%	61.7%	39.2%	57.4%	67.2%	38.8%	58.7%	66.4%	45.5%	59.4%	68.2%	43.7%	59.2%	66.0%	42.5%	58.8%	
* Less than 0.1% impact on Gross margin																					
Adjusted EBITDA																					
GAAP Income (loss) from operations	\$ (36,228)	\$ (7,096)	\$ 2,686	\$ (148,822)	\$ (189,460)	\$ (13,557)	\$ (15,183)	\$ (28,740)	\$ 16,742	\$ (15,150)	\$ 1,592	\$ 21,955	\$ (10,038)	\$ 11,917	\$ 23,483	\$ (6,583)	\$ 16,900	\$ 48,623	\$ (46,954)	\$ 1,669	
Depreciation	2,921	2,970	2,933	3,125	11,949	2,993	481	3,474	2,984	1,802	4,786	2,990	1,504	4,494	3,144	1,290	4,434	12,111	5,077	17,188	
Amortization of acquired intangible assets	11,922	12,647	12,260	12,396	49,225	12,214	2,120	14,334	11,324	3,345	14,669	12,513	3,836	16,349	11,724	3,834	15,558	47,775	13,135	60,910	
Stock-based compensation	4,139	1,530	2,485	4,447	12,601	2,976	-	2,976	3,138	84	3,222	3,400	569	3,969	3,136	596	3,732	12,650	1,249	13,899	
Acquisition-related inventory adjustment	-	-	-	-	-	-	-	-	-	-	-	-	2,000	2,000	-	-	-	-	-	2,000	
Litigation costs	6,186	1,315	(1,534)	1,767	7,734	3,038	-	3,038	(937)	-	(937)	-	-	-	-	-	-	2,101	-	2,101	
Impairment of goodwill	-	-	-	164,300	164,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition-, disposal- and integration-related expense	3,199	1,965	1,697	6,092	12,953	-	12,384	12,384	-	857	857	850	516	1,366	1,002	1,555	2,557	1,852	15,312	17,164	
Restructuring and related expense	4,932	9,144	2,372	(49)	16,399	2,075	-	2,075	4,246	1,115	5,361	213	3,077	3,290	4,032	1,477	5,509	10,566	5,669	16,235	
Non-GAAP Adjusted EBITDA	\$ (2,929)	\$ 22,475	\$ 22,899	\$ 43,256	\$ 85,701	\$ 9,739	\$ (198)	\$ 9,541	\$ 37,497	\$ (7,947)	\$ 29,550	\$ 41,921	\$ 1,464	\$ 43,385	\$ 46,521	\$ 2,169	\$ 48,690	\$ 135,678	\$ (4,512)	\$ 131,166	

GAAP to Non-GAAP Reconciliation (Continued)

\$000s

	1Q19	Q219	3Q19	4Q19	FY19	1Q20	Q220	Q320	Q420	FY20
GAAP Operating expenses	\$ 102,462	\$ 97,861	\$ 85,713	\$ 258,081	\$ 544,117	\$ 119,264	\$ 121,675	\$ 123,037	\$ 127,462	\$ 491,438
Stock-based compensation	(4,033)	(1,357)	(2,335)	(4,322)	(12,047)	(2,819)	(3,024)	(3,708)	(3,473)	(13,024)
Amortization of acquired intangible assets	(11,922)	(12,647)	(12,260)	(12,396)	(49,225)	(14,334)	(14,669)	(16,349)	(15,558)	(60,910)
Litigation costs	(6,186)	(1,315)	1,534	(1,767)	(7,734)	(3,038)	937	-	-	(2,101)
Impairment of goodwill	-	-	-	(164,300)	(164,300)	-	-	-	-	-
Acquisition-, disposal- and integration-related expense	(3,199)	(1,965)	(1,697)	(6,092)	(12,953)	(12,384)	(857)	(1,366)	(2,557)	(17,164)
Restructuring and related expense	(4,932)	(9,144)	(2,372)	49	(16,399)	(2,075)	(5,361)	(3,290)	(5,509)	(16,235)
Non-GAAP Operating expenses	\$ 72,190	\$ 71,433	\$ 68,583	\$ 69,253	\$ 281,459	\$ 84,614	\$ 98,701	\$ 98,324	\$ 100,365	\$ 382,004

Income (loss) from operations as a percentage of revenue ("Operating margin")

GAAP Operating margin	-30.5%	-4.9%	2.0%	-92.4%	-33.6%	-18.2%	0.8%	5.2%	6.9%	0.2%
Acquisition-related inventory adjustment						0.0%	0.0%	0.9%	0.0%	0.2%
Stock-based compensation	3.5%	1.1%	1.8%	2.8%	2.2%	1.9%	1.5%	1.7%	1.5%	1.6%
Amortization of acquired intangible assets	10.1%	8.6%	8.9%	7.7%	8.7%	9.1%	7.0%	7.0%	6.4%	7.3%
Litigation costs	5.2%	0.9%	-1.1%	1.1%	1.4%	1.9%	-0.4%	0.0%	0.0%	0.2%
Impairment of goodwill	0.0%	0.0%	0.0%	101.9%	29.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Acquisition-, disposal- and integration-related expense	2.7%	1.4%	1.2%	3.8%	2.3%	7.8%	0.4%	0.6%	1.0%	2.0%
Restructuring and related expense	4.1%	6.3%	1.7%	*	2.9%	1.3%	2.5%	1.4%	2.3%	2.0%
Non-GAAP Operating margin	-4.9%	13.4%	14.5%	24.9%	13.1%	3.8%	11.8%	16.8%	18.1%	13.5%

* Less than 0.1% impact on Operating margin

GAAP to Non-GAAP Reconciliation (Continued)

	1Q19	Q219	3Q19	4Q19	FY19	1Q20	2Q20	3Q20	4Q20	FY20
Earnings (loss) per share										
GAAP (Loss) per share or diluted earnings per share	\$ (0.29)	\$ 0.45	\$ 0.01	\$ (1.36)	\$ (1.19)	\$ (0.27)	\$ (0.06)	\$ 0.04	\$ 0.81	\$ 0.61
Acquisition-related inventory adjustment	-	-	-	-	-	-	-	0.01	-	0.01
Stock-based compensation	0.04	0.01	0.02	0.04	0.11	0.02	0.02	0.03	0.02	0.11
Amortization of acquired intangible assets	0.11	0.12	0.12	0.10	0.46	0.12	0.10	0.11	0.10	0.42
Impairment of goodwill	-	-	-	1.49	1.49	-	-	-	-	-
Litigation costs	0.06	0.01	(0.01)	0.02	0.07	0.02	(0.01)	-	-	0.01
Acquisition-, disposal- and integration-related expense	0.03	0.02	0.02	0.06	0.12	0.10	0.01	0.01	0.02	0.12
Restructuring and related expense	0.05	0.08	0.02	*	0.15	0.02	0.04	0.02	0.04	0.11
Gain on sale of business	-	-	-	-	-	-	-	-	(0.54)	(0.58)
Increase in fair value of investments	-	-	-	-	-	-	-	-	(0.20)	(0.21)
Reduction to deferred purchase consideration	(0.08)	-	-	-	(0.07)	-	-	-	-	-
Gain on litigation settlement	-	(0.57)	-	-	(0.57)	-	-	-	-	-
Tax effect of non-GAAP adjustments	0.03	*	(0.05)	(0.08)	(0.10)	*	(0.02)	(0.08)	(0.07)	(0.17)
Non-GAAP Diluted earnings per share	\$ (0.05)	\$ 0.12	\$ 0.13	\$ 0.27	\$ 0.47	\$ 0.01	\$ 0.08	\$ 0.14	\$ 0.18	\$ 0.43
Weighted average shares used to compute (loss) per share or diluted earnings per share (000's)										
GAAP Shares used to compute (loss) per share or diluted earnings per share	108,167	110,698	110,756	110,269	109,734	120,992	144,483	151,680	153,441	144,650
Non-GAAP Shares used to compute (loss) per share or diluted earnings per share	108,167	110,698	110,756	110,491	110,271	121,603	150,512	151,680	153,441	144,650
* Less than \$0.01 impact on (loss) per share or diluted earnings per share										
Unlevered Free Cash Flow (\$000s)										
GAAP Net cash provided by (used in) operating activities	\$ 19,579	\$ 9,540	\$ (6,488)	\$ 33,054	\$ 55,685	\$ 39,932	\$ (3,220)	\$ 28,536	\$ 36,316	\$ 101,564
Interest paid	831	1,814	1,004	423	4,072	688	5,587	4,570	4,701	15,546
Purchases of property and equipment	(3,766)	(2,387)	(2,441)	(2,230)	(10,824)	(6,017)	(8,874)	(3,794)	(8,036)	(26,721)
Non-GAAP Unlevered free cash flow	\$ 16,644	\$ 8,967	\$ (7,925)	\$ 31,247	\$ 48,933	\$ 34,603	\$ (6,507)	\$ 29,312	\$ 32,981	\$ 90,389

GAAP to Non-GAAP Reconciliation (Continued)

Outlook	Three months ending March 31, 2021		Year ending December 31, 2021	
	Range		Range	
Revenue (in \$ millions)	\$ 190	to \$ 200	\$ 925	to \$ 945
Gross margin				
GAAP outlook	54.8%	55.8%	54.9%	55.9%
Stock-based compensation	0.2%	0.2%	0.1%	0.1%
Non-GAAP outlook	55.0%	56.0%	55.0%	56.0%
(Loss) earnings per share				
GAAP outlook **	\$ (0.18)	\$ (0.15)	\$ (0.03)	\$ 0.03
Stock-based compensation	0.03	0.03	0.12	0.12
Amortization of acquired intangible assets	0.10	0.10	0.43	0.43
Acquisition-, disposal- and integration-related expense	0.01	0.01	0.02	0.02
Restructuring and related expense	0.05	0.05	0.07	0.07
Tax effect of non-GAAP adjustments	*	(0.01)	(0.12)	(0.13)
Non-GAAP outlook	\$ 0.01	\$ 0.03	\$ 0.49	\$ 0.54
Weighted average shares used to compute (loss) per share or diluted earnings per share (in thousands)				
GAAP Shares used to compute loss per share or diluted earnings per share	146,000	146,000	147,000	154,000
Non-GAAP Shares used to compute diluted earnings per share	153,000	153,000	154,000	154,000
Adjusted EBITDA (in \$ millions)				
GAAP Operating income (loss)	\$ (19.9)	\$ (15.9)	\$ 27.5	\$ 37.5
Depreciation	4.2	4.2	17.4	17.4
Amortization of acquired intangible assets	15.9	15.9	66.7	66.7
Stock-based compensation	4.4	4.4	19.1	19.1
Acquisition-, disposal- and integration-related expense	1.7	1.7	3.5	3.5
Restructuring and related expense	7.7	7.7	10.8	10.8
Non-GAAP outlook	\$ 14.0	\$ 18.0	\$ 145.0	\$ 155.0

* Less than \$0.01 impact on earnings per share

** Excludes any income (loss) related to the change in fair value of the Debentures and Warrants received as sale consideration

Thank you

