

Ribbon Communications Inc. Reports Third Quarter 2021 Financial Results

IP Optical Networks new customer wins and strong profitability in Cloud & Edge Global supply chain constraints affected in-quarter revenue

October 27, 2021

Conference Call Details

Conference call to discuss the Company's financial results for the third quarter ended September 30, 2021 on October 27, 2021, via the investor section of its website at

http://investors.ribboncommunications.com, where a replay will also be available shortly following the conference call.

Conference Call Details:

Date: October 27, 2021 Time: 4:30 p.m. (ET) Dial-in number (Domestic): 877-407-2991 Dial-in number (Intl): 201-389-0925 Instant Telephone Access: <u>Call me</u>™

Replay information:

A telephone playback of the call will be available following the conference call until November 10, 2021 and can be accessed by calling 877-660-6853 or 201-612-7415 for international callers. The reservation number for the replay is 13723100.

Investor Relations

Tom Berry +1 (978) 614-8050 tom.berry@rbbn.com

North American Press

Dennis Watson +1 (214) 695-2224 dwatson@rbbn.com

APAC, CALA & EMEA Press

Catherine Berthier +1 (646) 741-1974 cberthier@rbbn.com

Analyst Relations Michael Cooper +1 (708) 212-6922 mcooper@rbbn.com **Plano, TX** – <u>Ribbon Communications Inc.</u> (Nasdaq: RBBN), a global provider of real-time communications software and IP optical transport solutions to service providers, enterprises, and critical infrastructure sectors, today announced its financial results for the third quarter of 2021.

For the first nine months of 2021, sales increased by 2%, Adjusted EBITDA increased 14% and Non-GAAP diluted earnings per share increased 29% versus 2020 (GAAP loss per share increased by \$0.29¹). Revenue for the third quarter of 2021 was \$210 million, impacted by approximately \$9.5 million related to supply chain constraints in the quarter.

"We're excited by our recent IP Optical Networks wins and growth prospects as our funnel of opportunities strengthen and benefit from the breadth of existing Ribbon relationships with customers," noted Bruce McClelland, President and Chief Executive Officer of Ribbon Communications. "We believe these customer wins, along with accelerating investments in fiber networks and 5G technology, position Ribbon for strong growth in 2022 and beyond. While revenues this quarter were impacted by supply chain constraints, we believe our IP Optical product book to revenue ratio of 1.17 times demonstrates growing demand."

Financial Highlights^{1,2}

The following table summarizes the consolidated financial highlights for the three and nine months ended September 30, 2021 and 2020 (in millions, except per share amounts).

		Three months ended September 30,		ths ended ber 30,
	2021	2020	2021	2020
GAAP Revenue	\$210	\$231	\$614	\$600
GAAP Net income (loss)	(\$59)	\$6	(\$81)	(\$35)
Non-GAAP Net income	\$16	\$22	\$48	\$34
GAAP Income (loss) per share	(\$0.40)	\$0.04	(\$0.55)	(\$0.26)
Weighted average shares outstanding for GAAP income (loss) per share	148	152	147	137
Non-GAAP diluted earnings per share	\$0.11	\$0.14	\$0.31	\$0.24
Diluted weighted average shares outstanding for Non- GAAP diluted earnings per share	154	152	155	141
Non-GAAP Adjusted EBITDA	\$32	\$43	\$94	\$82

¹ GAAP Net income and GAAP Diluted earnings per share for the three months and nine months ended September 30, 2021 include \$0.9 million and \$3.6 million, respectively, of paid-in-kind interest income earned on the convertible debentures received as consideration from the sale of our Kandy Communications business to American Virtual Cloud Technologies ("AVCT"). The interest income is included in Interest expense, net, and the remeasurement losses and gains are included in Other (expense) income, net. The remeasurement (gains) losses were calculated using valuation methods in accordance with accounting guidance. Fluctuations in AVCT's stock price will impact the future amounts that are recorded in Other (expense) income, net, and the remeasurement for the remeasurement loss of our investment in AVCT.

²Please see the reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures and additional information about non-GAAP measures in the section entitled "Discussion of Non-GAAP Financial Measures" in the attached schedules.

Cash, cash equivalents and restricted cash was \$104 million at September 30, 2021, compared with \$115 million at June 30, 2021, due in part to an increase of \$16 million in accounts receivable. The GAAP Net loss of \$59 million in



the third quarter of 2021 includes a \$56 million non-cash loss associated with the quarterly mark-to-market of our investment in AVCT from the sale of our Kandy Communications business.

"Our Cloud & Edge business continued to generate strong profitability in the quarter, while we expand our investment in our IP Optical Networks portfolio to address the growing tier 1 service provider opportunity pipeline. We believe this investment will generate future returns as we execute on our cross-sell strategy. We remain confident in the Company's direction as we navigate the impact of supply chain constraints," said Mick Lopez, Chief Financial Officer of Ribbon Communications.

Customer and Company Highlights

- Solid performance despite supply chain disruptions
 - o 2% year-to-date YoY revenue growth
 - 14% year-to-date YoY Adj. EBITDA growth
 - Approximately \$9.5 million of shipments delayed to 4Q21 and approximately \$3 million in expedited shipping and cost increases in 3Q21
- Building momentum with new IP Optical Networks wins and 1.17x product book to revenue in the quarter
 - Viaero Wireless and Viaero Fiber Networks (top 10 mobile network operator) have selected Ribbon's IP Optical portfolio to upgrade their network from microwave and leased services to fiber connectivity
 - Dakota Central deployed Apollo and Neptune platform to upgrade their broadband network with increased capacity and 5G backhaul capabilities
 - Megafon (2nd largest mobile operator in Russia) selected Apollo DWDM platform
 - Leading Swiss utility provider selected Ribbon products including Muse platform and network slicing technology
 - o Largest European rail network operator implemented Apollo DWDM based backbone
 - Introduced new version of Muse featuring enhanced traffic optimization capability and zero-touch provisioning
- Cloud & Edge continues to generate strong and steady profitability with 32% Adjusted EBITDA margin
 - Strong demand for Voice over IP Network Transformation solutions growing 25% year-to-date YoY
 - Higher software mix (68% of product revenue) contributed to segment gross margin of 67% in 3Q21

Business Outlook¹

The Company's outlook is based on current indications for its business, which are subject to change. For the fourth quarter of 2021, the Company projects revenue of \$240 million to \$260 million, non-GAAP gross margin of 58%, non-GAAP diluted earnings per share of \$0.13 to \$0.17, and Adjusted EBITDA of \$45 million to \$51 million. The current

outlook assumes no worsening of conditions related to the COVID-19 pandemic or supply chain disruptions. ¹ Please see the reconciliations of non-GAAP financial measures to the most directly comparable GAAP measures and additional information about the non-GAAP measures in the section entitled "Discussion of Non-GAAP Financial Measures" in the attached schedules.

Upcoming Investor Conference Schedule

- November 18, 2021 **Ribbon Spotlight** virtual event series to showcase the latest strategic growth opportunities and technology: "IP Wave" for IP Optical Networks and "Telco Cloud" for Cloud and Edge
- November 15–18, 2021 Needham Virtual Security, Networking & Communications Conference (virtual presentation and one-on-one institutional investor meetings).
- December 7 8, 2021 Barclays Global Technology, Media and Telecommunications Conference (virtual one-on-one institutional investor meetings).
- December 13, 2021 Cowen's 12 Days of Networking Series (virtual one-on-one institutional investor meetings).
- January 10 14, 2022 Needham Growth Conference (virtual presentation and one-on-one institutional investor meetings).

About Ribbon

Ribbon Communications (Nasdaq: RBBN) delivers communications software, IP and optical networking solutions to service providers, enterprises and critical infrastructure sectors globally. We engage deeply with our customers, helping them modernize their networks for improved competitive positioning and business outcomes in today's smart,



always-on and data-hungry world. Our innovative, end-to-end solutions portfolio delivers unparalleled scale, performance, and agility, including core to edge software-centric solutions, cloud-native offers, leading-edge security and analytics tools, along with IP and optical networking solutions for 5G. To learn more about Ribbon visit <u>rbbn.com</u>.

Important Information Regarding Forward-Looking Statements

The information in this release contains "forward-looking" statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to several risks and uncertainties. All statements other than statements of historical facts contained in this release, including without limitation statements regarding, projected financial results for the fourth quarter 2021 and beyond, sales trends, and plans and objectives of management for future operations are forward-looking statements. Without limiting the foregoing, the words "believes", "estimates", "expects", "expectations", "intends", "may", "plans", "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 may differ materially from those contemplated in these forward-looking statements due to various risks, uncertainties and other important factors, including, among others, risks related to supply chain disruptions resulting from component availability and/or geopolitical instabilities and disputes; risks related to the continuing COVID-19 pandemic, including delays in customer deployments as a result of rises in cases; risks that we will not realize estimated cost savings and/or anticipated benefits from the acquisition of ECI; failure to realize anticipated benefits from the sale of our Kandy Communications business ("Kandy") or declines in the value of our ongoing investment in AVCT, the purchaser of the Kandy Communications business; unpredictable fluctuations in quarterly revenue and operating results; risks related to cybersecurity and data intrusion; failure to compete successfully against telecommunications equipment and networking companies; failure to grow our customer base or generate recurring business from our existing customers; credit risks; the timing of customer purchasing decisions and our recognition of revenues; macroeconomic conditions; the impact of restructuring and cost-containment activities; litigation; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights and obtain necessary licenses; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; the potential for defects in our products; risks related to the terms of our credit agreement; higher risks in international operations and markets; increases in tariffs, trade restrictions or taxes on our products; currency fluctuations; and failure or circumvention of our controls and procedures.

These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect our business and results from operations. Additional information regarding these and other factors can be found in our reports filed with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2020. In providing forward-looking statements, the Company expressly disclaims any obligation to update these statements publicly or otherwise, whether as a result of new information, future events or otherwise, except as required by law.

Discussion of Non-GAAP Financial Measures

Our management uses several different financial measures, both GAAP and non-GAAP, in analyzing and assessing the overall performance of our 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 our 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.

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 in connection with our acquired businesses.

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 our 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.

Litigation Costs

We have been involved in litigation with a former GENBAND business partner and have reached settlement with the other party. 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 May 12, 2021, we sold our Qualitech business, which we had acquired as part of the ECI Acquisition, to Hermon Laboratories, Ltd. As consideration, we received \$2.9 million of cash and recorded a gain on the sale of \$2.8 million. We exclude this gain because we believe that such gains are not part of our core business or ongoing operations.

Interest Income on Debentures

We recorded paid-in-kind interest income on the debentures received as consideration from the sale of our Kandy Communications business (the "Debentures"), which increased their fair value. We exclude this interest income because we believe that such a gain is not part of our core business or ongoing operations.

Decrease (Increase) in Fair Value of Investments

We calculate the fair values of the Debentures and the Warrants received as consideration from the sale of our Kandy Communications business (the "Warrants") (prior to September 8, 2021) and the shares of AVCT common stock and Warrants (effective September 8, 2021) at each quarter-end and record any adjustments to their fair values in Other (expense) income, net. We exclude these and any subsequent gains and losses from the change in fair value of this investment because we believe that such gains or losses are not part of our core business or ongoing operations.

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. We are reporting 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 consistent rate throughout the year and allow investors to better understand the impact of income taxes on our results. 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; acquisition-, disposaland 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.



RIBBON COMMUNICATIONS INC.

Condensed Consolidated Statements of Operations

(in thousands, except percentages and per share amounts)

(unaudited)

	Three months ended					
	Sep	otember 30, 2021		June 30, 2021	Sep	tember 30, 2020
Revenue:						
Product	\$	111,726	\$	113,129	\$	128,926
Service		98,672		98,081		102,192
Total revenue		210,398		211,210		231,118
Cost of revenue:						
Product		53,494		46,641		58,545
Service		36,576		36,142		37,619
Total cost of revenue		90,070		82,783		96,164
Gross profit		120,328		128,427		134,954
Gross margin:						
Product		52.1%		58.8%		54.6%
Service		62.9%		63.2%		63.2%
Total gross margin		57.2%		60.8%		58.4%
Operating expenses:						
Research and development		49,132		46,797		49,113
Sales and marketing		36,113		34,881		36,898
General and administrative		12,148		12,734		16,021
Amortization of acquired intangible assets		17,221		17,181		16,349
Acquisition-, disposal- and integration-related expense		1,955		1,052		1,366
Restructuring and related expense		1,767		2,830		3,290
Total operating expenses		118,336		115,475		123,037
Income from operations		1,992		12,952		11,917
Interest expense, net		(2,969)		(3,048)		(6,854)
Other (expense) income, net		(57,702)		17,180		407
(Loss) income before income taxes		(58,679)		27,084		5,470
Income tax (provision) benefit		(752)		(3,843)		782
Net (loss) income	\$	(59,431)	\$	23,241	\$	6,252
(Loss) earnings per share:						
Basic	\$	(0.40)	\$	0.16	\$	0.04
Diluted	\$	(0.40)	\$	0.15	\$	0.04
Weighted average shares used to compute (loss) earnings per share:						
Basic		148,184		147,467		144,948
Diluted		148,184		154,160		151,680



RIBBON COMMUNICATIONS INC.

Condensed Consolidated Statements of Operations (in thousands, except percentages and per share amounts) (unaudited)

	Nine mor	nths ended
	September 30,	September 30,
	2021	2020
Revenue:		
Product	\$ 322,744	\$ 325,687
Service	291,636	273,906
Total revenue	614,380	599,593
Cost of revenue:		
Product	144,580	145,103
Service	110,498	105,745
Total cost of revenue	255,078	250,848
Gross profit	359,302	348,745
Gross margin:		
Product	55.2%	55.4%
Service	62.1%	61.4%
Total gross margin	58.5%	58.2%
Operating expenses:		
Research and development	143,339	143,204
Sales and marketing	108,212	101,767
General and administrative	40,435	48,320
Amortization of acquired intangible assets	50,225	45,352
Acquisition-, disposal- and integration-related expense	4,204	14,607
Restructuring and related expense	10,547	10,726
Total operating expenses	356,962	363,976
Income (loss) from operations	2,340	(15,231)
Interest expense, net	(11,836)	(15,649)
Other expense, net	(65,970)	(2,844)
Loss before income taxes	(75,466)	(33,724)
Income tax provision	(5,411)	(1,445)
Net loss	\$ (80,877)	\$ (35,169)
Loss per share:		
Basic	\$ (0.55)	\$ (0.26)
Diluted	\$ (0.55)	\$ (0.26)
Weighted average shares used to compute loss per share:		
Basic	147,204	136,837
Diluted	147,204	136,837



RIBBON COMMUNICATIONS INC. Condensed Consolidated Balance Sheets (in thousands) (unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:	ф 101 212	¢ 128.428
Cash and cash equivalents	\$ 101,212	\$ 128,428
Restricted cash	2,543	7,269
Accounts receivable, net	235,710	237,738
Inventory	44,789	45,750
Other current assets	34,399	28,461
Total current assets	418,653	447,646
Property and equipment, net	48,557	48,888
Intangible assets, net	367,131	417,356
Goodwill	416,892	416,892
Investments	50,439	115,183
Deferred income taxes	10,673	10,651
Operating lease right-of-use assets	54,446	69,757
Other assets	19,834	20,892
	\$ 1,386,625	\$ 1,547,265
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of term debt	\$ 20,058	\$ 15,531
Accounts payable	63,253	63,387
Accrued expenses and other	94,021	134,865
Operating lease liabilities	17,848	17,023
Deferred revenue	89,553	96,824
Total current liabilities	284,733	327,630
	- ,	- ,
Long-term debt, net of current	354,778	369,035
Operating lease liabilities, net of current	58,609	72,614
Deferred revenue, net of current	21,618	26,010
Deferred income taxes	13,477	16,842
Other long-term liabilities	39,862	48,281
Total liabilities	773,077	860,412
Commitments and contingencies		
Stockholders' equity:		
Common stock	15	15
Additional paid-in capital	1,870,711	1,870,256
Accumulated deficit	(1,259,353)	(1,178,476)
Accumulated other comprehensive income (loss)	2,175	(4,942)
Total stockholders' equity	613,548	686,853
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RIBBON COMMUNICATIONS INC. Condensed Consolidated Statements of Cash Flows (in thousands) (unaudited)

September 30. 2021September 30. 2021Cash flows from operating activities: Net loss\$ (80.877)\$ (35.169Adjustments to reconcile net loss to cash flows provided by operating activities: Depreciation and amortization of property and equipment12.68412.754Amortization of debt issuance costs4.2274.915Stock-based compensation14.41110.107Defered income taxes(3.295)(2.455Gain on sale of business(3.295)(2.455Gain on sale of business(3.295)(2.455Change is in parting assets3.2353.162Changes in operating assets3.2353.162Changes in operating assets1.3033.64.16Accounts receivable1.89242.489Inventory2536.283Other operating assets11.3033.64.16Accounts provided by operating activities:7.89965.245Purchases of property and equipment(14.279)(18.685Deferred revenue(11.665)(14.253)Net cash provided by operating activities:7.89965.245Purchases of property and equipment(14.279)(18.685Deferred revenue(11.665)(12.253)Proceeds from investing activities:2.944-Purchases of property and equipment(14.279)(18.685Descress of property and equipment(14.279)(18.685Descress of property and equipment(14.279)(18.685Descress of property and equipment(14.279)(18.685			Nine mor	ths end	hs ended	
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Stock-based compensation14,41110,167Deferred income taxes(3,295)(2,455)Gain on sale of business(2,772)-Decrease in fair value of investments $64,745$ -Reduction in deferred purchase consideration-(69)Foreign currency exchange losses3,2353,162Changes in operating assets and liabilities:-(69)Accounts receivable1,89242,489Inventory2,536,285Other operating assets11,30336,416Accounts payable2,194(54,489Accounts payable2,194(54,489Account payable(11,665)(14,253)Net cash provided by operating activities7,89965,248Cash flows from investing activities:-(346,852)Purchases of property and equipment(14,279)(18,685)Business acquisitions, net of cash acquired-(346,852)Proceeds from tasel of fixed assets-43,500Net cash used in investing activities:-(6,515)Proceeds from issuance of term debt74,625478,500Principal payments of term debt<	Amortization of intangible assets		50,225		45,352	
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Decrease in fair value of investments64,745Reduction in deferred purchase consideration-Reduction in deferred purchase consideration-(69Foreign currency exchange losses3,2353,162Changes in operating assets and liabilities:Accounts receivable1,892Inventory2536,285Other operating assets11,3033,6416Accounts payable2,194(54,489Accounts payable2,194Accounts payable(11,665)Accounts from investing activities:7,899Purchases of property and equipment(14,279)Purchases of property and equipment(14,279)Proceeds from slae of business2,944Proceeds from slae of business2,944Proceeds from financing activities:-Borrowings under revolving line of credit-Principal payments of rem debt74,625Principal payments of finance leases(736)Proceeds from the exercise of stock options24Payment of dxx withbolding obligations related to net share settlements of restricted stock awards(13,980)Payment of dxx withbolding obliga	Deferred income taxes		(3,295)		(2,455)	
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Changes in operating assets and liabilities:1,89242,489Accounts receivable1,30336,416Accounts receivable2,194(54,489Accounts payable2,194(54,489Accounts payable2,194(54,489Accounts payable(11,665)10,143Deferred revenue(11,665)(14,223)Net cash provided by operating activities:7,89965,248Purchases of property and equipment(14,279)(18,685Business acquisitions, net of cash acquired-(346,852Proceeds from the sale of fixed assets-43,500Net cash used in investing activities:-(11,335)Borrowings under revolving line of credit-615Principal payments on revolving line of credit-(8,615Proceeds from the sale of fixed assets-48,615Proceeds from signed credit-(8,615Principal payments on revolving line of credit-(8,615Principal payments of term debt74,625478,500Principal payments of term debt(736)(971Payment of finance leases(736)(971Payment of debt issuance costs2424Payment of term debt2424Payment of tax withholding obligations related to net share settlements of restricted stock awards(13,980)(1,196Net cash (used in) provided by financing activities2424Payment of tax withholding obligations related to net share settlements of restricted stock awards(13,9	Reduction in deferred purchase consideration		-		(69)	
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Payment of tax withholding obligations related to net share settlements of restricted stock awards (13,980) (1,196) Net cash (used in) provided by financing activities (28,017) 323,018 Effect of exchange rate changes on cash, cash equivalents and restricted cash (489) 24 Net (decrease) increase in cash, cash equivalents and restricted cash (31,942) 66,253 Cash and cash equivalents, beginning of year 135,697 44,643			· /		29	
Net cash (used in) provided by financing activities(28,017)323,018Effect of exchange rate changes on cash, cash equivalents and restricted cash(489)24Net (decrease) increase in cash, cash equivalents and restricted cash(31,942)66,253Cash and cash equivalents, beginning of year135,69744,643			(13.980)			
Net (decrease) increase in cash, cash equivalents and restricted cash(31,942)66,253Cash and cash equivalents, beginning of year135,69744,643					323,018	
Net (decrease) increase in cash, cash equivalents and restricted cash(31,942)66,253Cash and cash equivalents, beginning of year135,69744,643			· · ·			
Cash and cash equivalents, beginning of year135,69744,643	Effect of exchange rate changes on cash, cash equivalents and restricted cash		(489)		24	
	Net (decrease) increase in cash, cash equivalents and restricted cash		(31,942)		66,253	
	Cash and cash equivalents, beginning of year		135,697	_	44,643	
	Cash, cash equivalents and restricted cash, end of period	\$	103,755	\$	110,896	



RIBBON COMMUNICATIONS INC. Supplemental Information (in thousands) (unaudited)

The following tables provide the details of stock-based compensation included as components of other line items in the Company's Condensed Consolidated Statements of Operations and the line items in which these amounts are reported.

	Г	hree m	onths ende	d		Nine months ended				
	ember 30, 2021		ne 30, 2021		ember 30, 2020	Sept	ember 30, 2021		ember 30, 2020	
Stock-based compensation	 									
Cost of revenue - product	\$ 96	\$	93	\$	57	\$	216	\$	123	
Cost of revenue - service	 492		469		204		1,196		493	
Cost of revenue	 588		562		261		1,412		616	
Research and development	1,223		1,160		868		3,010		2,164	
Sales and marketing	1,581		1,752		1,189		5,207		2,952	
General and administrative	1,169		1,316		1,651		4,782		4,435	
Operating expense	 3,973		4,228		3,708		12,999		9,551	
Total stock-based compensation	\$ 4,561	\$	4,790	\$	3,969	\$	14,411	\$	10,167	



RIBBON COMMUNICATIONS INC. Reconciliation of Non-GAAP and GAAP Financial Measures (in thousands, except per share amounts)

(unaudited)

September 30, 2021 June 30, 2021 September 30, 2021 GAAP Total gross margin 57.2% 60.8% 58.4% Non-GAAP Total gross margin 0.7% 0.3% 0.3% 0.3% 0.1% GAAP Net (loss) income \$ (59,431) \$ 23,241 \$ 6,252 Acquisition-related inventory adjustment - - 2,000 GAAP Net (loss) income \$ (59,431) \$ 23,241 \$ 6,252 Acquisition-related inventory adjustment - - 2,000 Acquisition-related inventory adjustment - - 2,000 3,969 Anontization of acquired intangible asets 17,721 17,181 16,349 Acquisition-related inventory adjustments 1,767 2,830 3,290 Gain on ale of business - - 2,772) - Interest income odebentures (901) (1,196) - - Non-GAAP distorents 56,475 \$ 21,817 - 0.01 Non-GAAP adjustments 0.33 0.03 0.03 0.03 0.03 0.03 0.03		Three months ended						
GAAP Total gross margin 57.2% 60.8% 58.4% Acquisition-related inventory adjustment 0.0% 0.0% 0.9% Stock-based compensation 0.3% 0.1% 59.4% GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Total gross margin - - 2.000 Stock-based compensation 4.561 4.790 3.969 Acquisition-file disposal- and integration-related excesse 1.7.67 2.830 3.290 Gain on sale of business - - - - Interest income on debentures (901) (1.196) - - Non-GAAP adjustments (52.24) (6.205) (11.409) - - Non-GAAP adjustments (5.24)4 (6.205) (11.409) - - Non-GAAP adjustments (5.24)4 (6.205) (11.409) - - 0.01 0.01		Sep	tember 30,		June 30,	September 30,		
Acquisition-related inventory adjustment 0.0% 0.0% 0.0% 0.0% Stock-based compensation 0.3% 0.3% 0.1% Non-GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Net (loss) income \$ (59,431) \$ 23.241 \$ 6,252 Acquisition-related inventory adjustment - - 2,000 Stock-based compensation 4,561 4,790 3,969 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290 Gain on sale of business - (2,772) - Interest income on debentures (0010) (1,196) - Non-GAAP Net income \$ 16,353 \$ 26,847 \$ 21,817 (Loss) duited earnings per share S (0,400) \$ 0,015 \$ 0,04 Acquisition-related inventory adjustment - - 0,001 0,01 Stock-based compensation 0.03 0.03 0.03 0.03 0.03 Road (Loss) diluted earnings per share S 0.01 0.01 0.01			2021		2021		2020	
Acquisition-related inventory adjustment 0.0% 0.0% 0.0% 0.0% Stock-based compensation 0.3% 0.3% 0.1% Non-GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Net (loss) income \$ (59,431) \$ 23.241 \$ 6,252 Acquisition-related inventory adjustment - - 2,000 Stock-based compensation 4,561 4,790 3,969 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290 Gain on sale of business - (2,772) - Interest income on debentures (0010) (1,196) - Non-GAAP Net income \$ 16,353 \$ 26,847 \$ 21,817 (Loss) duited earnings per share S (0,400) \$ 0,015 \$ 0,04 Acquisition-related inventory adjustment - - 0,001 0,01 Stock-based compensation 0.03 0.03 0.03 0.03 0.03 Road (Loss) diluted earnings per share S 0.01 0.01 0.01	GAAP Total gross margin		57.2%		60.8%		58.4%	
Stock-based compensation 0.3% 0.3% 0.3% 0.1% Non-GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Net (loss) income\$ (59.431)\$ 23.241\$ 6.252Acquisition-related inventory adjustment2.000Stock-based compensation 4.561 4.790 3.969 Amoritziation of acquired intangible assets 17.221 17.181 16.349 Acquisition-, disposal- and integration-related expense 1.955 1.052 1.362 Restructuring and related expense 1.767 2.830 3.290 Gain on sale of business- (2.772) -Interest income on debentures(901) (1.196) -Decrease (increase) in fair value of investments 56.475 (12.074) -Tax effect of non-GAAP adjustments 56.475 (12.074) -Non-GAAP Net income\$ 10.333 \$ 26.847 \$ 21.817 (Loss) earnings per share 0.01 0.01 0.01 0.01 Stock-based compensation 0.03 0.03 0.03 Amoritzation of acquired intangible assets 0.12 0.11 0.01 0.01 0.01 0.01 0.01 0.01 Stock-based compensation 0.03 0.03 0.03 0.03 0.03 0.03 0.03 0.03 0.04 4.961 0.01 0.01 0.01 0.02 0.02 0.02 0.02 0.02 0.03 0.03 0.03								
Non-GAAP Total gross margin 57.5% 61.1% 59.4% GAAP Net (loss) income \$ (59,431) \$ 23,241 \$ 6,552 Acquisition-related inventory adjustment - - 2,000 Stock-based compensation 4,561 4,790 3,969 Amortization of acquired intangible assets 17,221 17,181 16,549 Acquisition-, disposal - and integration-related expense 1,955 1,552 1,356 Restructuring and related expense 1,975 (1,277) - Interest income on debentures (901) (1,196) - Decrease (increase) in fair value of investments 56,475 (12,074) - Tax effect of non-GAAP adjustments (6,205) \$ 21,817 \$ (Loss) earnings per share S (0,40) \$ 0.15 \$ 0.04 Acquisition-related inventory adjustment - - 0.01 0.02 0.02 - Stock-based compensation 0.03 0.03 0.03 0.03 0.03 0.03 0.03 0.03			0.3%		0.3%		0.1%	
Acquisition-related inventory adjustment - 2,000 Stock-based compensation 4,561 4,790 3,969 Anortization of acquired intangible assets 17,221 17,181 16,549 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290 Gain on sale of business - (2,772) - Interest income on debentures (901) (1,196) - Decrease (increase) in fair value of investments 56,475 (12,074) - Tax effect of non-GAAP adjustments (5,294) (6,205) (11,409) Non-GAAP Net income \$ 16,353 \$ 26,847 \$ 21,817 (Loss) earnings per share \$ (0,40) \$ 0,15 \$ 0,04 Acquisition-related inventory adjustment - - 0,01 Stock-based compensation 0.03 0.03 0.03 0.03 Mortization of acquired intangible assets 0,12 0,11 0,11 1,11 Acquisition-related inventory adjustments 0,001 0,002 0,002 0,02		_			61.1%			
Acquisition-related inventory adjustment - 2,000 Stock-based compensation 4,561 4,790 3,969 Anortization of acquired intangible assets 17,221 17,181 16,549 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290 Gain on sale of business - (2,772) - Interest income on debentures (901) (1,196) - Decrease (increase) in fair value of investments 56,475 (12,074) - Tax effect of non-GAAP adjustments (5,294) (6,205) (11,409) Non-GAAP Net income \$ 16,353 \$ 26,847 \$ 21,817 (Loss) earnings per share \$ (0,40) \$ 0,15 \$ 0,04 Acquisition-related inventory adjustment - - 0,01 Stock-based compensation 0.03 0.03 0.03 0.03 Mortization of acquired intangible assets 0,12 0,11 0,11 1,11 Acquisition-related inventory adjustments 0,001 0,002 0,002 0,02								
Stock-based compensation4,5614,7903,969Anorizization of acquired intagible assets1,7521,718116,349Acquisition, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290Gain on sale of business-(2,772)-Interest income on debentures(901)(1,196)-Decrease (increase) in fair value of investments56,6475(12,074)-Tax effect of non-GAAP adjustments(5,294)(6,205)(11,409)Non-GAAP Net income\$0,040\$0,15\$GAAP (Loss) diluted earnings per share\$(0,040)\$0,15\$0,04Acquisition-related inventory adjustment0,010,010,01Stock-based compensation0.030.030.030.030,030,030,030,03Anorization of acquired intagible assets0.120.110.110,010,010,010,010,010,010,010,010,010,020,02-11,011Acquisition-, disposal- and integration-related expense0,010,010,010,010,010,010,010,010,010,010,010,010,020,02-11,011Acquisition-, disposal- and integration-related expense0,010,010,010,020,02-11,011Acquisition-, disposal- and integration-related expense<	GAAP Net (loss) income	\$	(59,431)	\$	23,241	\$	6,252	
Amortization of acquired intagible assets 17,221 17,181 16,349 Acquisition-, disposal- and integration-related expense 1.955 1.052 1.366 Restructuring and related expense 1.767 2.830 3.290 Gain on sale of business - (2,772) - Interest income on debentures (901) (1,196) - Decrease (increase) in fair value of investments 56,475 (12,074) - Tax effect of non-GAAP adjustments (5,294) (6,205) (11,409) Non-GAAP Net income \$ 16,353 \$ 26,847 \$ 21,817 (Loss) earnings per share (0,40) \$ 0.15 \$ 0.04 Acquisition-related inventory adjustment - - 0.01 0.03 0.03 0.03 Stock-based compensation 0.03 0.03 0.03 0.03 0.02 0.02 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.01 0.01 0.01 Restructuring and related expense 0.01 0.02 - 0.02 - <td< td=""><td>Acquisition-related inventory adjustment</td><td></td><td>-</td><td></td><td>-</td><td></td><td>2,000</td></td<>	Acquisition-related inventory adjustment		-		-		2,000	
Acquisition, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290Gain on sale of business-(2,772)-Interest income on debentures(901)(1,196)-Decrease (increase) in fair value of investments56,475(12,074)-Tax effect of non-GAAP Adjustments $(5,294)$ (6,205)(11,409)Non-GAAP Net income\$16,353\$2,6,847\$Closs) earnings per share\$(0,40)\$0,15\$0,04Acquisition-related inventory adjustment0,010,010,01Stock-based compensation0,030,030,030,030,030,02-Interest income on debentures0,010,010,010,010,010,010,010,01Stock-based compensation0,030,030,030,030,030,02-0,02-Interest income on debentures0,010,010,010,010,010,01-Interest income on debentures0,030,030,030,030,030,03-0,02Interest income on debentures0,010,010,010,020,010,010,020,02 <t< td=""><td>-</td><td></td><td>4,561</td><td></td><td>4,790</td><td></td><td>3,969</td></t<>	-		4,561		4,790		3,969	
Restructuring and related expense1,7672,8303,290Gain on sale of business-(2,772)-Interest income on debentures(901)(1,196)-Decrease (increase) in fair value of investments $56,475$ (12,074)-Tax effect of non-GAAP adjustments $(5,294)$ $(6,205)$ (11,409)Non-GAAP Net income $$ 16,3533$ $$ 26,847$ $$ 21,817$ (Loss) earnings per share $$ (0,40)$ $$ 0,15$ $$ 0,04$ Acquisition-related inventory adjustment0,01Stock-based compensation0.030.030.03Amortization of acquired intangible assets0,120,110,11Acquisition-, flated expense0,010,010,01Restructuring and related expense0,010,0020.02Gain on sale of business-(0,02)-Interest income on debentures(0,01)(0,01)-Decrease (increase) in fair value of investments0.38(0,08)-Non-GAAP adjustments0.38(0,03)(0,04)(0,08)Non-GAAP Diluted earnings per share $$ 0,11$ $$ 0,17$ $$ 0,14$ Weighted average shares used to compute (loss) diluted earnings per share $$ 148,184$ $$ 154,160$ $$ 151,680$ Adjusted EBITDA $$ 1,221$ $$ 1,781$ $$ 16,324$ $$ 32,494$ Advisted EBITDA $$ 1,221$ $$ 1,781$ $$ 16,349$ Stock-based compensation $$ 4,209$ $$ 4,249$ $$ 4,494$ Anortiza			17,221		17,181		16,349	
Gain on sale of business - $(2,772)$ - Interest income on debentures (901) $(1,196)$ - Decrease (increase) in fair value of investments $55,475$ $(12,074)$ - Tax effect of non-GAAP adjustments $(5,294)$ $(6,205)$ $(11,409)$ Non-GAAP Net income \$ $16,353$ \$ $26,847$ \$ $21,817$ (Loss) darnings per share - - 0.01 Stock-based compensation 0.03 0.03 0.03 0.03 Amortization of acquired intangible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.002 0.002 Gain on ale of business - 0.02 0.02 0.02 Carin on ale of business - 0.033 (0.04) (0.04) Non-GAAP Diluted earnings per share At set of one GAAP adjustments 0.33 (0.04) . . Netrest income on debentures Non-GAAP Diluted ear			1,955		1,052		1,366	
Interest income on debentures(901)(1,196)-Decrease (increase) in fair value of investments $56,475$ (12,074)-Tax effect of non-GAAP adjustments $(5,294)$ $(6,205)$ $(11,409)$ Non-GAAP Net income\$ 16,353\$ 26,847\$ 21,817(Loss) earnings per share\$ (0,40)\$ 0,15\$ 0,04GAAP (Loss) diluted earnings per share\$ (0,40)\$ 0,15\$ 0,04Acquisition-related inventory adjustment0,01Stock-based compensation0.030.030.03Acquisition-related expense0.010.010.01Acquisition-related expense0.010.010.01Restructuring and related expense0.010.010.02GAAP Diluted earnings per share $(0,01)$ Interest income on debentures $(0,01)$ 0.010.01Decrease (increase) in fair value of investments0.38(0.08)-Tax effect of non-GAAP adjustments $(0,03)$ $(0,04)$ $(0,08)$ Non-GAAP Diluted earnings per share $148,184$ 154,160151,680Shares used to compute (loss) diluted earnings per share $148,184$ 154,160151,680Adjusted EBITDA $4,209$ $4,249$ $4,444$ Amortization of acquired intangible assets $17,221$ $17,181$ 16,349Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related expense $1,955$ $1,052$ 1,366RAP Income from operations <t< td=""><td>Restructuring and related expense</td><td></td><td>1,767</td><td></td><td>2,830</td><td></td><td>3,290</td></t<>	Restructuring and related expense		1,767		2,830		3,290	
Decrease (increase) in fair value of investments $56,475$ $(12,074)$ $-$ Tax effect of non-GAAP adjustments $(5,294)$ $(6,205)$ $(11,409)$ Non-GAAP Net income\$ 16,353\$ 26,847\$ 21,817(Loss) carnings per share $(0,40)$ \$ 0.15\$ 0.04Acquisition-related inventory adjustment $ -$ 0.01Stock-based compensation 0.03 0.03 0.03 Amortization of acquired intangible assets 0.12 0.11 0.11 Acquisition-disposal- and integration-related expense 0.01 0.01 0.02 Gain on sale of business $ (0.00)$ $-$ Tax effect of non-GAAP adjustments 0.38 (0.08) $-$ Decrease (increase) in fair value of investments 0.38 (0.03) (0.04) Decrease (increase) in fair value of investments 0.38 (0.03) (0.04) Non-GAAP Diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute (loss) diluted earnings per share $154,061$ $154,160$ $151,680$ Shares used to compute GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute four operations\$ 1.992\$ 12,952\$ 11,917Depreciation $4,209$ $4,249$ $4,494$ Adard Integration-related expense $17,221$ $17,181$ $16,349$ Stock-based compute dintangible assets $17,221$ $17,181$ $16,349$ Acquisition-related inventory adjustment $ -$	Gain on sale of business		-		(2,772)		-	
Tax effect of non-GAAP adjustments (5.294) (6.205) $(11,409)$ Non-GAAP Net income $$$ 16,353$ $$$ 26,847$ $$$ 21,817$ (Loss) earnings per share $$$ (0.40)$ $$$ 0.15$ $$$ 0.04$ Acquisition-related inventory adjustment $ 0.01$ Stock-based compensation 0.03 0.03 0.03 Amortization of acquired intagible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.02 Gain sale of business $ (0.02)$ $-$ Interest income on debentures (0.01) (0.01) $-$ Decrease (increase) in fair value of investments 0.38 (0.03) (0.04) Non-GAAP Diluted earnings per share $$$ 0.11$ $$$ 0.14$ Weighted average shares used to compute (loss) diluted earnings per share $$$ 148,184$ $154,160$ $151,680$ Shares used to compute GAAP (loss) diluted earnings per share $$$ 1,992$ $$$ 12,952$ $$$ 11,917$ Depreciation $4,209$ $4,249$ $4,494$ Amortization of acquired intagible assets $17,221$ $17,181$ $16,349$ Stock-based compute dintingible assets $17,221$ $17,181$ $16,349$ Stock-based compute dintingible assets $17,221$ $17,67$ $2,830$ Adjusted EBITDA $ 2,000$ Adjusted EBITDA $ -$ GAAP Income from operations $$$ 1,992$ $$$ 1,2952$ $$$ 11,917$	Interest income on debentures		(901)		(1,196)		-	
Non-GAAP Net income§16,353§26,847§21,817(Loss) carnings per share GAAP (Loss) diluted earnings per share\$ $(0,40)$ \$ 0.15 \$ 0.04 Acquisition-related inventory adjustment0.010.03 0.03 0.03 Arcquisition-related inventory adjustment0.01 0.01 0.01 0.01 Acquisition-related inventory adjustment0.01 0.01 0.01 0.01 Acquisition-related expense 0.01 0.01 0.02 0.02 0.02 Gain on sale of business- (0.02) - (0.02) -Interest income on debentures 0.38 (0.08) - 0.03 (0.04) (0.08) Non-GAAP adjustments 0.033 0.03 0.03 0.03 0.04 (0.08) Non-GAAP Diluted earnings per share\$ 0.11 \$ 0.14 (0.08) Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $142,09$ $4,249$ $4,494$	Decrease (increase) in fair value of investments		56,475		(12,074)		-	
(Loss) carnings per share 2 1.910 2 2.000 (GAAP (Loss) diluted earnings per share\$ 0.04 $ 0.01$ Acquisition-related inventory adjustment $ 0.01$ 0.03 0.03 Amortization of acquired intangible assets 0.12 0.11 0.11 0.01 0.01 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.02 0.02 Gain on sale of business $ (0.02)$ $-$ Interest income on debentures (0.01) (0.01) $-$ Decrease (increase) in fair value of investments 0.38 (0.08) $-$ Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share\$ 0.11 \$ 0.14 Weighted average shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $142,09$ $4,249$ $4,494$ Admortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-, elated inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense	Tax effect of non-GAAP adjustments		(5,294)		(6,205)		(11,409)	
GAAP (Loss) diluted earnings per share\$ (0.40) \$ 0.15 \$ 0.04 Acquisition-related inventory adjustment0.01Stock-based compensation 0.03 0.03 0.03 Amortization of acquired intangible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.01 Restructuring and related expense 0.01 0.01 0.02 0.02 Gain on sale of business- (0.01) (0.01) -Interest income on debentures (0.01) (0.01) Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share\$ 0.11 \$ 0.17 Shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $154,061$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $2,000$ Acquisition-related inventory adjustment $2,000$ <td< td=""><td>Non-GAAP Net income</td><td>\$</td><td>16,353</td><td>\$</td><td>26,847</td><td>\$</td><td>21,817</td></td<>	Non-GAAP Net income	\$	16,353	\$	26,847	\$	21,817	
GAAP (Loss) diluted earnings per share\$ (0.40) \$ 0.15 \$ 0.04 Acquisition-related inventory adjustment0.01Stock-based compensation 0.03 0.03 0.03 Amortization of acquired intangible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.01 Restructuring and related expense 0.01 0.01 0.02 0.02 Gain on sale of business- (0.01) (0.01) -Interest income on debentures (0.01) (0.01) Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share\$ 0.11 \$ 0.17 Shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $154,061$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $2,000$ Acquisition-related inventory adjustment $2,000$ <td< td=""><td>(Loss) earnings per share</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	(Loss) earnings per share							
Acquisition-related inventory adjustment0.01Stock-based compensation0.030.030.03Amortization of acquired intangible assets0.120.110.11Acquisition-, disposal- and integration-related expense0.010.010.02Gain on sale of business-(0.02)-Interest income on debentures(0.01)(0.01)-Decrease (increase) in fair value of investments0.38(0.08)-Tax effect of non-GAAP adjustments(0.03)(0.04)(0.08)Non-GAAP Diluted earnings per share\$0.11\$0.11Weighted average shares used to compute (loss) diluted earnings per share154,061151,680Shares used to compute Mon-GAAP diluted earnings per share148,184154,160151,680Shares used to compute Non-GAAP diluted earnings per share154,061154,160151,680Adjusted EBITDA2,0004,2094,249Amortization of acquired intangible assets17,22117,18116,349Stock-based compensation4,5614,7903,969Acquisition-related inventory adjustment2,000Acquisition-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290		\$	(0.40)	\$	0.15	\$	0.04	
Stock-based compensation 0.03 0.03 0.03 0.03 Amortization of acquired intagible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.02 Restructuring and related expense 0.01 0.02 0.02 Gain on sale of business- (0.02) -Interest income on debentures (0.01) (0.01) (0.01) Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $$ 0.11$ $$ 0.17$ $$ 0.14$ Weighted average shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Adjusted EBITDA2,000Acquisition-related intagible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment2,000Acquisition-related inventory adjustment2,000Acquisition-related expense $1,955$ $1,052$ $1,366$			-		-		0.01	
Amortization of acquired intangible assets 0.12 0.11 0.11 Acquisition-, disposal- and integration-related expense 0.01 0.01 0.01 Restructuring and related expense 0.01 0.02 0.02 Gain on sale of business- (0.02) -Interest income on debentures (0.01) (0.01) -Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $$ 0.11$ $$ 0.17$ $$ 0.14$ Weighted average shares used to compute (loss) diluted earnings per shareShares used to compute GAAP (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Adjusted EBITDA $$ 1.992$ $$ 12,952$ $$ 11,917$ Depreciation $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $2,000$ Acquisition-, disposal- and integration-related expense $1,767$ $2,830$ $3,290$			0.03		0.03		0.03	
Acquisition-, disposal- and integration-related expense 0.01 0.01 0.01 Restructuring and related expense 0.01 0.02 0.02 Gain on sale of business- (0.02) -Interest income on debentures (0.01) (0.01) (0.01) Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments 0.38 (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $$ 0.11$ $$ 0.17$ $$ 0.14$ Weighted average shares used to compute (loss) diluted earnings per shareShares used to compute (loss) diluted earnings per shareShares used to compute (loss) diluted earnings per shareShares used to compute Non-GAAP diluted earningsShares used to compute from operations <td colspan<="" td=""><td>-</td><td></td><td>0.12</td><td></td><td>0.11</td><td></td><td>0.11</td></td>	<td>-</td> <td></td> <td>0.12</td> <td></td> <td>0.11</td> <td></td> <td>0.11</td>	-		0.12		0.11		0.11
Restructuring and related expense 0.01 0.02 0.02 Gain on sale of business- (0.02) -Interest income on debentures (0.01) (0.01) -Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments 0.03 (0.04) (0.08) Non-GAAP Diluted earnings per share $$ 0.11$ $$ 0.17$ $$ 0.14$ Weighted average shares used to compute (loss) diluted earnings per shareShares used to compute (loss) diluted earnings per shareShares used to compute (loss) diluted earnings per shareShares used to compute Non-GAAP diluted earnings per shareShares used to compute INON-GAAP diluted earnings per shareShares used to compute form operationsShares used to compute form operationsShares used to compute form operationA,200A,200A,209 <td c<="" td=""><td></td><td></td><td>0.01</td><td></td><td>0.01</td><td></td><td>0.01</td></td>	<td></td> <td></td> <td>0.01</td> <td></td> <td>0.01</td> <td></td> <td>0.01</td>			0.01		0.01		0.01
Gain on sale of business- (0.02) -Interest income on debentures (0.01) (0.01) -Decrease (increase) in fair value of investments 0.38 (0.08) -Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $1000000000000000000000000000000000000$			0.01		0.02		0.02	
Decrease (increase) in fair value of investments 0.38 (0.08) $-$ Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $\$$ 0.11 $\$$ 0.17 $\$$ Weighted average shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP (iloss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $154,061$ $154,160$ $151,680$ Adjusted EBITDA $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense $1,767$ $2,830$ $3,290$			-		(0.02)		-	
Decrease (increase) in fair value of investments 0.38 (0.08) $-$ Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $\$$ 0.11 $\$$ 0.17 $\$$ Weighted average shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute GAAP (iloss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $154,061$ $154,160$ $151,680$ Adjusted EBITDA $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense $1,767$ $2,830$ $3,290$	Interest income on debentures		(0.01)		. ,		-	
Tax effect of non-GAAP adjustments (0.03) (0.04) (0.08) Non-GAAP Diluted earnings per share $\$$ 0.11 $\$$ 0.17 $\$$ 0.14 Weighted average shares used to compute (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Adjusted EBITDA $\$$ $4,209$ $4,249$ $4,494$ Anortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense $1,955$ $1,052$ $1,366$	Decrease (increase) in fair value of investments				(0.08)		-	
Non-GAAP Diluted earnings per share $\$$ 0.11 $\$$ 0.17 $\$$ 0.14 Weighted average shares used to compute (loss) diluted earnings per shareShares used to compute GAAP (loss) diluted earnings per shareShares used to compute GAAP (loss) diluted earnings per shareShares used to compute Non-GAAP diluted earnings per shareAdjusted EBITDAGAAP Income from operationsS 1,992S 1,992S 1,992S 1,2952S 11,917DepreciationAdjusted EBITDAGAAP Income from operationsS 1,992S 1,992S 1,992S 12,952S 11,917DepreciationA,2094,2494,494Amortization of acquired intangible assets17,22117,18116,349Stock-based compensationAcquisition-related inventory adjustmentAcquisition-, disposal- and integration-related expense1,7672,8303,290			(0.03)		. ,		(0.08)	
Shares used to compute GAAP (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Adjusted EBITDA $\mathbf{GAAP Income from operations}$ $\$$ $1,992$ $\$$ $12,952$ $\$$ $11,917$ Depreciation $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense $1,955$ $1,052$ $1,366$ Restructuring and related expense $1,767$ $2,830$ $3,290$		\$		\$		\$	0.14	
Shares used to compute GAAP (loss) diluted earnings per share $148,184$ $154,160$ $151,680$ Shares used to compute Non-GAAP diluted earnings per share $148,184$ $154,160$ $151,680$ Adjusted EBITDA $\mathbf{GAAP Income from operations}$ $\$$ $1,992$ $\$$ $12,952$ $\$$ $11,917$ Depreciation $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment $ 2,000$ Acquisition-, disposal- and integration-related expense $1,955$ $1,052$ $1,366$ Restructuring and related expense $1,767$ $2,830$ $3,290$	Weighted average shares used to compute (loss) diluted earnings per share							
Shares used to compute Non-GAAP diluted earnings per share $154,061$ $154,160$ $151,680$ Adjusted EBITDA GAAP Income from operations\$ $1,992$ \$ $12,952$ \$ $11,917$ Depreciation $4,209$ $4,249$ $4,494$ Amortization of acquired intangible assets $17,221$ $17,181$ $16,349$ Stock-based compensation $4,561$ $4,790$ $3,969$ Acquisition-related inventory adjustment2,000Acquisition-, disposal- and integration-related expense $1,955$ $1,052$ $1,366$ Restructuring and related expense $1,767$ $2,830$ $3,290$			148,184		154,160		151,680	
GAAP Income from operations \$ 1,992 \$ 12,952 \$ 11,917 Depreciation 4,209 4,249 4,494 Amortization of acquired intangible assets 17,221 17,181 16,349 Stock-based compensation 4,561 4,790 3,969 Acquisition-related inventory adjustment - - 2,000 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290			-				151,680	
GAAP Income from operations \$ 1,992 \$ 12,952 \$ 11,917 Depreciation 4,209 4,249 4,494 Amortization of acquired intangible assets 17,221 17,181 16,349 Stock-based compensation 4,561 4,790 3,969 Acquisition-related inventory adjustment - - 2,000 Acquisition-, disposal- and integration-related expense 1,955 1,052 1,366 Restructuring and related expense 1,767 2,830 3,290	Adjusted EBITDA							
Depreciation4,2094,2494,494Amortization of acquired intangible assets17,22117,18116,349Stock-based compensation4,5614,7903,969Acquisition-related inventory adjustment2,000Acquisition-, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290		\$	1,992	\$	12,952	\$	11,917	
Amortization of acquired intangible assets17,22117,18116,349Stock-based compensation4,5614,7903,969Acquisition-related inventory adjustment2,000Acquisition-, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290	-							
Stock-based compensation4,5614,7903,969Acquisition-related inventory adjustment2,000Acquisition-, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290	-							
Acquisition-related inventory adjustment-2,000Acquisition-, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290								
Acquisition-, disposal- and integration-related expense1,9551,0521,366Restructuring and related expense1,7672,8303,290			-		-			
Restructuring and related expense 1,767 2,830 3,290			1,955		1,052			
		_		_		_		
	Non-GAAP Adjusted EBITDA	\$		\$		\$		



RIBBON COMMUNICATIONS INC. Reconciliation of Non-GAAP and GAAP Financial Measures (in thousands, except per share amounts) (unaudited)

	Nine months ended					
	Sep	tember 30,	September 30,			
		2021		2020		
GAAP Total gross margin		58.5%		58.2%		
Acquisition-related inventory adjustment		0.0%		0.3%		
Stock-based compensation		0.0%		0.3%		
Non-GAAP Total gross margin		58.7%		58.6%		
		56.170		56.070		
GAAP Net loss	\$	(80,877)	\$	(35,169)		
Acquisition-related inventory adjustment	Ψ	-	Ψ	2,000		
Stock-based compensation		14,411		10,167		
Amortization of acquired intangible assets		50,225		45,352		
Litigation costs				2,101		
Acquisition-, disposal- and integration-related expense		4,204		14,607		
Restructuring and related expense		10,547		10,726		
Gain on sale of business		(2,772)				
Interest income on debentures		(3,556)		-		
Decrease in fair value of investments		68,301		-		
Tax effect of non-GAAP adjustments		(12,379)		(15,335)		
Non-GAAP Net income	\$	48,104	\$	34,449		
(Loss) earnings per share						
GAAP Loss per share	\$	(0.55)	\$	(0.26)		
Acquisition-related inventory adjustment		-		0.01		
Stock-based compensation		0.09		0.07		
Amortization of acquired intangible assets		0.33		0.33		
Litigation costs		-		0.01		
Acquisition-, disposal- and integration-related expense		0.03		0.10		
Restructuring and related expense		0.07		0.08		
Gain on sale of business		(0.02)		-		
Interest income on debentures		(0.02)		-		
Decrease in fair value of investments		0.45		-		
Tax effect of non-GAAP adjustments	<u>_</u>	(0.07)		(0.10)		
Non-GAAP Diluted earnings per share	\$	0.31	\$	0.24		
Weighted average shares used to compute (loss) diluted earnings per share						
Shares used to compute GAAP loss per share		147,204		136,837		
Shares used to compute Non-GAAP diluted earnings per share		154,573		141,498		
Adjusted EBITDA						
GAAP Income (loss) from operations	\$	2,340	\$	(15,231)		
Depreciation		12,684		12,754		
Amortization of acquired intangible assets		50,225		45,352		
Acquisition-related inventory adjustment		-		2,000		
Stock-based compensation		14,411		10,167		
Litigation costs		-		2,101		
Acquisition-, disposal- and integration-related expense		4,204		14,607		
Restructuring and related expense		10,547		10,726		
Non-GAAP Adjusted EBITDA	\$	94,411	\$	82,476		



RIBBON COMMUNICATIONS INC. Reconciliation of Non-GAAP and GAAP Financial Measures - Outlook (unaudited)

		Three months ending							
		December 31, 2021							
		Range							
Revenue (\$ millions)	\$	240	\$	260					
Gross margin									
GAAP outlook		57.8%		57.8%					
Stock-based compensation		0.2%		0.2%					
Non-GAAP outlook		58.0%		58.0%					
Earnings per share									
GAAP outlook	\$	0.04	\$	0.08					
Stock-based compensation		0.03		0.03					
Amortization of acquired intangible assets		0.11		0.11					
Acquisition-, disposal- and integration-related expense		0.01		0.01					
Restructuring and related expense		0.01		0.01					
Tax effect of non-GAAP adjustments		(0.07)		(0.07)					
Non-GAAP outlook	\$	0.13	\$	0.17					
Weighted average shares used to compute diluted earnings per share	e								
(GAAP and Non-GAAP) (in thousands)	•	154,000		154,000					
Adjusted EBITDA (\$ millions)									
GAAP income from operations	\$	16.2	\$	22.2					
Depreciation		4.3		4.3					
Amortization of acquired intangible assets		16.3		16.3					
Stock-based compensation		5.0		5.0					
Acquisition-, disposal- and integration-related expense		1.8		1.8					
Restructuring and related expense		1.4		1.4					
Non-GAAP outlook	\$	45.0	\$	51.0					