

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 26, 2023

Date of Report (Date of earliest event reported)

RIBBON COMMUNICATIONS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38267
(Commission File Number)

82-1669692
(IRS Employer
Identification No.)

6500 Chase Oaks Blvd., Suite 100, Plano, TX 75023
(Address of Principal Executive Offices) (Zip Code)

(978) 614-8100
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	RBBN	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

The information in this Item 2.02 of this Current Report on Form 8-K (the "Current Report"), including Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), otherwise subject to the liabilities of that Section or incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On July 26, 2023, Ribbon Communications Inc. (the "Company") issued a press release reporting financial information for the quarter ended June 30, 2023, a copy of which is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

[99.1](#) [Press Release of Ribbon Communications Inc., dated July 26, 2023.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 26, 2023

RIBBON COMMUNICATIONS INC.

By: /s/ Patrick Macken

Name: Patrick W. Macken

Title: Executive Vice President, Chief Legal Officer and Secretary



**Ribbon Communications Inc. Reports
Second Quarter 2023 Financial Results**

IP Optical Networks Sales up 24% and Enterprise up 65% Year Over Year

July 26, 2023

Conference Call Details

Conference call to discuss the Company's financial results for the second quarter ended June 30, 2023 on July 26, 2023, via the investor section of its website at investors.ribboncommunications.com, where a replay will also be available shortly following the conference call.

Conference Call Details:

Date: July 26, 2023
Time: 4:30 p.m. (ET)
Dial-in number (USA): 877-407-2991
Dial-in number (Intl): 201-389-0925
Instant Telephone Access: [Call me™](#)

Replay information:

A telephone playback of the call will be available following the conference call until August 9, 2023 and can be accessed by calling 877-660-6853 or 201-612-7415 for international callers. The reservation number for the replay is 13739535.

Investor Relations

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Plano, TX – Ribbon Communications Inc. (Nasdaq: RBBN), a global provider of real time communications technology and IP optical networking solutions to many of the world's largest service providers, enterprises, and critical infrastructure operators to modernize and protect their networks, today announced its financial results for the second quarter of 2023.

Revenue for the second quarter of 2023 was \$211 million, compared to \$206 million for the second quarter of 2022 and \$186 million for the first quarter of 2023.

“Ribbon delivered solid results in the second quarter with sequential and year-over-year growth in both revenue and earnings. IP Optical Networks continued to build momentum with sales increasing 24% versus the same period in 2022, extending the trend of double-digit growth for the fourth consecutive quarter. Shipments to India continued to grow, and our cross-sell strategy resulted in strong growth in North America and Japan. Sales of our Cloud & Edge communications products to Enterprise customers grew 94% year over year, including a new strategic U.S. Federal agency win supporting modernization of critical voice communications,” stated Bruce McClelland, President and Chief Executive Officer of Ribbon Communications. “We continue to anticipate a stronger second half and are maintaining our full year guidance range for 2023, but, due to the overall projected mix, Adjusted EBITDA is expected to be towards the lower half of our \$95-110M range, a significant 50% improvement vs. 2022.”

Financial Highlights¹

<i>In millions, except per share amounts</i>	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
GAAP Revenue	\$ 211	\$ 206	\$ 397	\$ 379
GAAP Net income (loss)	\$ (21)	\$ (30)	\$ (60)	\$ (100)
Non-GAAP Net income (loss)	\$ 8	\$ 10	\$ 5	\$ (2)
Non-GAAP Adjusted EBITDA	\$ 23	\$ 21	\$ 20	\$ 12
GAAP diluted earnings (loss) per share	\$ (0.13)	\$ (0.20)	\$ (0.35)	\$ (0.67)
Non-GAAP diluted earnings (loss) per share	\$ 0.04	\$ 0.06	\$ 0.03	\$ (0.01)
Weighted average shares outstanding basic	170	150	169	150
Weighted average shares outstanding diluted	175	154	175	154

¹ Please 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 and cash equivalents totaled \$35 million at June 30, 2023.

“Favorable mix and execution on our strategy to improve efficiency and reduce operating expenses contributed to earnings at the high end of our guidance range for the second quarter. This sets the stage for a strong second half as we expect margins to benefit from higher sales and to exceed our targeted expense reductions for the year,” said Mick Lopez, Chief Financial Officer of Ribbon Communications.



Business Outlook¹

For the third quarter of 2023, the Company projects revenue of \$215 million to \$225 million, Non-GAAP gross margin is projected in a range of 51.5% to 52.5%, and Adjusted EBITDA is projected in a range of \$26 million to \$32 million. The current outlook assumes no worsening of geopolitical conditions (and related sanctions activities) in regions that we operate in, including the ongoing war in Ukraine or civil unrest in Israel.

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 Conference Schedule

- § August 29-30, 2023: **Jefferies Semiconductors, IT Hardware & Communications Infrastructure Summit**
- § September 19, 2023: **Northland Capital Markets Institutional Investor Conference**
- § November 14, 2023: **17th Annual Needham Virtual Security, Networking, & Communications Conference**

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. We maintain a keen focus on our commitments to Environmental, Social and Governance (ESG) matters, offering an annual Sustainability Report to our stakeholders. To learn more about Ribbon visit [rbbn.com](https://www.ribbon.com).

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 a number of risks and uncertainties. All statements other than statements of historical facts contained in this release, including without limitation statements regarding the Company’s projected financial results for the third quarter of 2023 and beyond; customer engagement and momentum; plans and objectives for future operations, including cost reductions; capital structure changes and plans for future product development and manufacturing and the expected benefits therefrom, 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 the Company’s current expectations and assumptions regarding its 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. 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, the effects of geopolitical instabilities and disputes, including between Russia and Ukraine (and the impact of sanctions and trade restrictions imposed as a result thereof) and civil unrest in Israel; the potential impact of litigation; risks related to supply chain disruptions, including as a result of component availability; risks that the Company will not realize the estimated cost savings and/or anticipated benefits from its strategic restructuring efforts; the impact of restructuring and cost-containment activities; unpredictable fluctuations in quarterly revenue and operating results; risks related to the terms of the Company’s credit agreement including compliance with the financial covenants; risks resulting from rising interests rates and inflationary pressures; risks related to cybersecurity and data intrusion; failure to compete successfully against telecommunications equipment and networking companies; failure to grow the Company’s customer base or generate recurring business from existing customers; credit risks; the timing of customer purchasing decisions and the Company’s recognition of revenues; macroeconomic conditions, including inflation; market acceptance of the Company’s products and services; rapid technological and market change; the ability to protect Company intellectual property rights and obtain necessary licenses; the ability to maintain partner, reseller, distribution and vendor support and supply relationships; the potential for defects in the Company’s products; increases in tariffs, trade restrictions or taxes on the Company’s products; and currency fluctuations.



These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the Company's business and results from operations. Additional information regarding these and other factors can be found in the Company's reports filed with the Securities and Exchange Commission, including, without limitation, its Form 10-K for the year ended December 31, 2022. 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

The Company's 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. The Company considers the use of non-GAAP financial measures helpful in assessing the core performance of its continuing operations and when planning and forecasting future periods. The Company's annual financial plan is prepared on a non-GAAP basis and is approved by its 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. The Company defines continuing operations as the ongoing results of its business adjusted for certain expenses and credits, as described below. The Company believes that providing non-GAAP information to investors will allow investors to view the financial results in the way its management views them and helps investors to better understand the Company's core financial and operating performance and evaluate the efficacy of the methodology and information used by its management to evaluate and measure such performance.

While the Company's management uses non-GAAP financial measures as tools to enhance its understanding of certain aspects of the Company's financial performance, its management does not consider these measures to be a substitute for, or superior to, GAAP measures. In addition, the Company's 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 the Company's financial measures reflect the exclusion of items that are recurring and will be reflected in its financial results for the foreseeable future.

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. The Company believes that presenting non-GAAP operating results that exclude stock-based compensation provides investors with visibility and insight into its management's method of analysis and its core operating performance.

Amortization of Acquired Technology (including software licenses); Amortization of Acquired Intangible Assets

Amortization amounts are inconsistent in frequency and amount and are significantly impacted by the timing and size of acquisitions. Amortization of acquired technology is reported separately within Cost of revenue and Amortization of acquired intangible assets is reported separately within Operating expenses. These items are reported collectively as Amortization of acquired intangible assets in the accompanying reconciliations of non-GAAP and GAAP financial measures. The Company believes that excluding non-cash amortization of these intangible assets facilitates the comparison of its financial results to its historical operating results and to other companies in its industry as if the acquired intangible assets had been developed internally rather than acquired.

Litigation Costs

In connection with a certain ongoing contract litigation where Ribbon is defendant (as described in Note 25 to the Company's Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 31, 2022), the Company has incurred litigation costs beginning in the first quarter of 2023. These costs are included as a component of general and administrative expense. The Company believes that such costs are not part of its core business or ongoing operations, are unplanned and generally not within its control. Accordingly, the Company believes that excluding the litigation costs related to this specific legal matter facilitates the comparison of the Company's financial results to its historical operating results and to other companies in its industry.

Acquisition-, Disposal- and Integration-Related

The Company considers certain acquisition-, disposal- and integration-related costs to be unrelated to the organic continuing operations of its acquired businesses and the Company. Such costs are generally not relevant to assessing or estimating the long-term performance of the acquired assets. The Company excludes such acquisition-, disposal- and integration-related costs to allow more accurate comparisons of its financial results to its 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

The Company has recorded restructuring and related expense to streamline operations and reduce operating costs by closing and consolidating certain facilities and reducing its worldwide workforce. The Company believes that excluding restructuring and related expense facilitates the comparison of its financial results to its historical operating results and to other companies in its industry, as there are no future revenue streams or other benefits associated with these costs.

Decrease in Fair Value of Investments

The Company calculated the fair values of the debentures (the “Debentures”) and the warrants to purchase shares of AVCT common stock (the “AVCT Warrants”) it received as consideration in connection with the Kandy Sale (prior to September 8, 2021) and the 13,700,421 shares of AVCT common stock received upon the conversion of the Debentures and AVCT Warrants (effective September 8, 2021) and at each quarter-end until their disposal on August 29, 2022 when they were used as partial consideration in connection with the Company’s acquisition of perpetual software licenses from AVCT. The Company recorded any adjustments to their fair values in Other (expense) income, net. The Company excluded these gains and losses from the change in fair value of this investment because it believes that such gains or losses were not part of its core business or ongoing operations.

Preferred Stock and Warrant Liability Mark-to-Market Adjustment

The Company recorded adjustments to the fair value of its Series A Preferred Stock and warrants in Other (expense) income, net. Both instruments issued in March 2023 are classified as liabilities and marked to market each reporting period. The Company excluded these gains and losses from the change in the fair value of these liabilities because it believes that such gains or losses were not part of its core business or ongoing operations.

Preferred Stock and Warrant Liability Issuance Costs

The Company incurred \$3.5 million of investment banking, advisory and legal fees in its March 2023 Private Placement of Series A Preferred Stock and warrants to purchase shares of the Company’s common stock, both of which are classified by the Company as liabilities that are marked to market each reporting period. The Company excludes these issuance costs to allow more accurate comparisons of its financial results to its historical operations and the financial results of other companies in its industry, and it allows management and investors to consider the ongoing operations of the business both with and without such expenses.

Tax Effect of Non-GAAP Adjustments

The Non-GAAP income tax provision is presented based on an estimated tax rate applied against forecasted annual non-GAAP income. The Non-GAAP income tax provision 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. The Company is reporting its 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 its consolidated quarterly results. The Company expects that this methodology will provide a consistent rate throughout the year and allow investors to better understand the impact of income taxes on its results. Due to the methodology applied to its estimated annual tax rate, the Company’s estimated tax rate on non-GAAP income will differ from its GAAP tax rate and from its actual tax liabilities.

Adjusted EBITDA

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



RIBBON COMMUNICATIONS INC.
Consolidated Statements of Operations
(in thousands, except percentages and per share amounts)
(unaudited)

	Three months ended		
	June 30, 2023	March 31, 2023	June 30, 2022
Revenue:			
Product	\$ 117,347	\$ 93,318	\$ 112,667
Service	93,271	92,841	93,129
Total revenue	<u>210,618</u>	<u>186,159</u>	<u>205,796</u>
Cost of revenue:			
Product	67,927	62,063	58,151
Service	33,782	35,305	35,207
Amortization of acquired technology	7,439	7,389	7,888
Total cost of revenue	<u>109,148</u>	<u>104,757</u>	<u>101,246</u>
Gross profit	<u>101,470</u>	<u>81,402</u>	<u>104,550</u>
Gross margin	48.2%	43.7%	50.8%
Operating expenses:			
Research and development	47,776	51,304	51,103
Sales and marketing	33,905	35,399	35,843
General and administrative	14,346	14,045	12,901
Amortization of acquired intangible assets	7,260	7,264	7,513
Acquisition-, disposal- and integration-related	498	1,642	1,535
Restructuring and related	4,307	6,937	2,894
Total operating expenses	<u>108,092</u>	<u>116,591</u>	<u>111,789</u>
Loss from operations	(6,622)	(35,189)	(7,239)
Interest expense, net	(6,766)	(6,422)	(4,602)
Other (expense) income, net	<u>(2,688)</u>	<u>4,772</u>	<u>(10,228)</u>
Loss before income taxes	(16,076)	(36,839)	(22,069)
Income tax provision	<u>(5,403)</u>	<u>(1,466)</u>	<u>(8,111)</u>
Net loss	<u>\$ (21,479)</u>	<u>\$ (38,305)</u>	<u>\$ (30,180)</u>
Loss per share:			
Basic	\$ (0.13)	\$ (0.23)	\$ (0.20)
Diluted	\$ (0.13)	\$ (0.23)	\$ (0.20)
Weighted average shares used to compute loss per share:			
Basic	170,103	168,541	150,190
Diluted	170,103	168,541	150,190



RIBBON COMMUNICATIONS INC.
 Consolidated Statements of Operations
 (in thousands, except percentages and per share amounts)
 (unaudited)

	Six months ended	
	June 30, 2023	June 30, 2022
Revenue:		
Product	\$ 210,665	\$ 194,657
Service	186,112	184,337
Total revenue	<u>396,777</u>	<u>378,994</u>
Cost of revenue:		
Product	129,990	109,360
Service	69,087	70,874
Amortization of acquired technology	14,828	16,155
Total cost of revenue	<u>213,905</u>	<u>196,389</u>
Gross profit	<u>182,872</u>	<u>182,605</u>
Gross margin	46.1%	48.2%
Operating expenses:		
Research and development	99,080	103,793
Sales and marketing	69,304	73,462
General and administrative	28,391	25,763
Amortization of acquired intangible assets	14,524	14,788
Acquisition-, disposal- and integration-related	2,140	3,384
Restructuring and related	11,244	7,708
Total operating expenses	<u>224,683</u>	<u>228,898</u>
Loss from operations	(41,811)	(46,293)
Interest expense, net	(13,188)	(8,603)
Other income (expense), net	2,084	(39,028)
Loss before income taxes	(52,915)	(93,924)
Income tax provision	(6,869)	(6,231)
Net loss	<u>\$ (59,784)</u>	<u>\$ (100,155)</u>
Loss per share		
Basic	\$ (0.35)	\$ (0.67)
Diluted	\$ (0.35)	\$ (0.67)
Weighted average shares used to compute loss per share:		
Basic	169,326	149,681
Diluted	169,326	149,681



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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,646	\$ 67,262
Accounts receivable, net	253,045	267,244
Inventory	74,382	75,423
Other current assets	58,869	68,057
Total current assets	420,942	477,986
Property and equipment, net	42,418	44,832
Intangible assets, net	265,376	294,728
Goodwill	300,892	300,892
Deferred income taxes	66,829	53,649
Operating lease right-of-use assets	42,390	44,888
Other assets	28,349	38,589
	\$ 1,167,196	\$ 1,255,564
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of term debt	\$ 25,073	\$ 20,058
Accounts payable	93,640	95,810
Accrued expenses and other	97,620	85,270
Operating lease liabilities	15,340	15,416
Deferred revenue	113,915	113,939
Total current liabilities	345,588	330,493
Long-term debt, net of current	216,332	306,270
Warrant liability	4,178	-
Preferred stock liability	50,582	-
Operating lease liabilities, net of current	41,827	46,183
Deferred revenue, net of current	20,045	19,254
Deferred income taxes	3,756	3,750
Other long-term liabilities	30,641	31,187
Total liabilities	712,949	737,137
Commitments and contingencies		
Stockholders' equity:		
Common stock	17	17
Additional paid-in capital	1,950,079	1,941,569
Accumulated deficit	(1,513,528)	(1,453,744)
Accumulated other comprehensive income	17,679	30,585
Total stockholders' equity	454,247	518,427
	\$ 1,167,196	\$ 1,255,564



RIBBON COMMUNICATIONS INC.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six months ended	
	June 30, 2023	June 30, 2022
Cash flows from operating activities:		
Net loss	\$ (59,784)	\$ (100,155)
Adjustments to reconcile net loss to cash flows provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	7,059	7,773
Amortization of intangible assets	29,352	30,943
Amortization of debt issuance costs	1,793	1,078
Amortization of accumulated other comprehensive gain related to interest rate swap	(2,062)	-
Stock-based compensation	11,964	8,654
Deferred income taxes	(6,946)	(9,900)
Realized gain on swap sale	(7,301)	-
Decrease in fair value of investments	-	39,411
Change in fair value of warrant liability	(1,318)	-
Change in fair value of preferred stock liability	1,456	-
Dividends accrued on preferred stock liability	1,272	-
Foreign currency exchange gains	(1,080)	(1,048)
Changes in operating assets and liabilities:		
Accounts receivable	21,534	24,017
Inventory	(2,221)	(17,043)
Other operating assets	13,486	(319)
Accounts payable	(1,740)	4,090
Accrued expenses and other long-term liabilities	2,343	(8,196)
Deferred revenue	767	(3,692)
Net cash provided by (used in) operating activities	<u>8,574</u>	<u>(24,387)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,091)	(6,515)
Net cash used in investing activities	<u>(4,091)</u>	<u>(6,515)</u>
Cash flows from financing activities:		
Borrowings under revolving line of credit	30,000	20,000
Principal payments on revolving line of credit	(30,000)	(20,000)
Principal payments of term debt	(85,029)	(35,029)
Principal payments of finance leases	-	(341)
Payment of debt issuance costs	(1,572)	(1,046)
Proceeds from issuance of preferred stock and warrant liabilities	53,350	-
Proceeds from the exercise of stock options	2	-
Payment of tax withholding obligations related to net share settlements of restricted stock awards	(3,456)	(1,946)
Net cash used in by financing activities	<u>(36,705)</u>	<u>(38,362)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(394)</u>	<u>1,043</u>
Net decrease in cash and cash equivalents	(32,616)	(68,221)
Cash and cash equivalents, beginning of year	67,262	106,485
Cash and cash equivalents, end of period	<u>\$ 34,646</u>	<u>\$ 38,264</u>



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 Consolidated Statements of Operations and the line items in which these amounts are reported.

	Three months ended			Six months ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Stock-based compensation					
Cost of revenue - product	\$ 115	\$ 149	\$ 107	\$ 264	\$ 206
Cost of revenue - service	526	535	494	1,061	975
Cost of revenue	641	684	601	1,325	1,181
Research and development	1,300	1,262	1,240	2,562	2,446
Sales and marketing	2,142	2,129	1,480	4,271	2,851
General and administrative	2,033	1,773	1,078	3,806	2,176
Operating expense	5,475	5,164	3,798	10,639	7,473
Total stock-based compensation	\$ 6,116	\$ 5,848	\$ 4,399	\$ 11,964	\$ 8,654



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

	Three months ended		
	June 30, 2023	March 31, 2023	June 30, 2022
GAAP Gross margin	48.2%	43.7%	50.8%
Stock-based compensation	0.3%	0.4%	0.3%
Amortization of acquired technology	3.5%	4.0%	3.8%
Non-GAAP Gross margin	<u>52.0%</u>	<u>48.1%</u>	<u>54.9%</u>
GAAP Net loss	\$ (21,479)	\$ (38,305)	\$ (30,180)
Stock-based compensation	6,116	5,848	4,399
Amortization of acquired intangible assets	14,699	14,653	15,401
Litigation costs	114	177	-
Acquisition-, disposal- and integration-related	498	1,642	1,535
Restructuring and related	4,307	6,937	2,894
Decrease in fair value of investments	-	-	12,384
Preferred stock and warrant liability mark-to-market adjustment	1,410	-	-
Preferred stock and warrant liability issuance costs	-	3,545	-
Tax effect of non-GAAP adjustments	2,083	2,676	3,425
Non-GAAP Net income (loss)	<u>\$ 7,748</u>	<u>\$ (2,827)</u>	<u>\$ 9,858</u>
GAAP Diluted loss per share	\$ (0.13)	\$ (0.23)	\$ (0.20)
Stock-based compensation	0.03	0.04	0.03
Amortization of acquired intangible assets	0.09	0.08	0.10
Acquisition-, disposal- and integration-related	0.01	0.01	0.01
Restructuring and related	0.02	0.04	0.02
Decrease in fair value of investments	-	-	0.08
Preferred stock and warrant liability mark-to-market adjustment	0.01	-	-
Preferred stock and warrant liability issuance costs	-	0.02	-
Tax effect of non-GAAP adjustments	0.01	0.02	0.02
Non-GAAP Diluted earnings (loss) per share	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.06</u>
Weighted average shares used to compute diluted earnings per share			
Shares used to compute GAAP diluted loss per share	170,103	168,541	150,190
Shares used to compute Non-GAAP diluted earnings per share	175,220	168,541	154,035
GAAP Loss from operations	\$ (6,622)	\$ (35,189)	\$ (7,239)
Depreciation	3,549	3,510	3,888
Stock-based compensation	6,116	5,848	4,399
Amortization of acquired intangible assets	14,699	14,653	15,401
Litigation costs	114	177	-
Acquisition-, disposal- and integration-related	498	1,642	1,535
Restructuring and related	4,307	6,937	2,894
Non-GAAP Adjusted EBITDA	<u>\$ 22,661</u>	<u>\$ (2,422)</u>	<u>\$ 20,878</u>



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

	Six months ended	
	June 30, 2023	June 30, 2022
GAAP Gross Margin	46.1%	48.2%
Stock-based compensation	0.3%	0.3%
Amortization of acquired technology	3.8%	4.3%
Non-GAAP Gross Margin	<u>50.2%</u>	<u>52.8%</u>
GAAP Net loss	\$ (59,784)	\$ (100,155)
Stock-based compensation	11,964	8,654
Amortization of acquired intangible assets	29,352	30,943
Litigation costs	291	-
Acquisition-, disposal- and integration-related	2,140	3,384
Restructuring and related	11,244	7,708
Decrease in fair value of investments	-	39,411
Preferred stock and warrant liability mark-to-market adjustment	1,410	-
Preferred stock and warrant liability issuance costs	3,545	-
Tax effect of non-GAAP adjustments	4,759	7,956
Non-GAAP Net income (loss)	<u>\$ 4,921</u>	<u>\$ (2,099)</u>
GAAP Diluted loss per share	\$ (0.35)	\$ (0.67)
Stock-based compensation	0.07	0.06
Amortization of acquired intangible assets	0.18	0.21
Acquisition-, disposal- and integration-related	0.01	0.02
Restructuring and related	0.06	0.05
Decrease in fair value of investments	-	0.26
Preferred stock and warrant liability mark-to-market adjustment	0.01	-
Preferred stock and warrant liability issuance costs	0.02	-
Tax effect of non-GAAP adjustments	0.03	0.06
Non-GAAP Diluted earnings (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.01)</u>
Weighted average shares used to compute diluted earnings per share		
Shares used to compute GAAP diluted loss per share	169,326	149,681
Shares used to compute Non-GAAP diluted earnings per share	175,359	149,681
GAAP Loss from operations	\$ (41,811)	\$ (46,293)
Depreciation	7,059	7,773
Stock-based compensation	11,964	8,654
Amortization of acquired intangible assets	29,352	30,943
Litigation costs	291	-
Acquisition-, disposal- and integration-related	2,140	3,384
Restructuring and related	11,244	7,708
Non-GAAP Adjusted EBITDA	<u>\$ 20,239</u>	<u>\$ 12,169</u>



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

	Three months ending September 30, 2023		Year ending December 31, 2023	
	Range		Range	
Revenue (\$ millions)	\$ 215	\$ 225	\$ 840	\$ 870
Gross margin:				
GAAP outlook	47.8%	49.0%	49.3%	50.4%
Stock-based compensation	0.3%	0.3%	0.3%	0.3%
Amortization of acquired technology	3.4%	3.2%	3.4%	3.3%
Non-GAAP outlook	<u>51.5%</u>	<u>52.5%</u>	<u>53.0%</u>	<u>54.0%</u>
Adjusted EBITDA (\$ millions):				
GAAP (loss) income from operations	\$ (2.6)	\$ 3.4	\$ (31.3)	\$ (16.3)
Depreciation	4.0	4.0	15.4	15.4
Stock-based compensation	6.3	6.3	25.0	25.0
Amortization of acquired intangible assets	14.4	14.4	56.9	56.9
Other Income	1.3	1.3	7.6	7.6
Acquisition-, disposal- and integration-related	0.2	0.2	2.5	2.5
Restructuring and related	2.4	2.4	18.9	18.9
Non-GAAP outlook	<u>\$ 26.0</u>	<u>\$ 32.0</u>	<u>\$ 95.0</u>	<u>\$ 110.0</u>