



# Ribbon Communications

Third Quarter 2024 Results

October 23, 2024

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

This presentation contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including without limitation, statements regarding the Company’s projected financial results for the fourth quarter of 2024 and beyond; market share growth; increases in shareholder value; plans and objectives for future operations, including cost reductions; the impact of the wars in Israel and Ukraine; customer spending and engagement and momentum; and plans for future product development and manufacturing and the expected benefits therefrom, are forward-looking statements. Without limiting the foregoing, the words “anticipates”, “believes”, “could”, “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 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 unknown and/or difficult to predict and that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Such risks and uncertainties include, but are not limited to, unpredictable fluctuations in quarterly revenue and operating results; the impact of restructuring and cost-containment activities; increases in tariffs, trade restrictions or taxes on the Company’s products; supply chain disruptions resulting from component availability and/or geopolitical instabilities and disputes (including those related to the wars in Israel and Ukraine); the closure, on a temporary basis, of the Company’s offices or those of the Company’s contract manufacturer in Israel as a result of the war and the impact of military call-ups of the Company’s employees in Israel; material litigation; the impact of fluctuations in interest rates; material cybersecurity and data intrusion incidents, including any security breaches resulting in the theft, transfer, or unauthorized disclosure of customer, employee, or Company information; the Company’s ability to comply with applicable domestic and foreign information security and privacy laws, regulations and technology platform rules or other obligations related to data private and security; 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; the ability to adapt to rapid technological and market changes; the ability to generate positive returns on the Company’s research and development; 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; risks related to the terms of the Company’s credit agreement; higher risks in international operations and markets; currency fluctuations; unanticipated adverse changes in legal, regulatory or tax laws; future accounting pronouncements or changes in the Company’s accounting policies; and/or failure or circumvention of the Company’s controls and procedures. We therefore caution you against relying on any of these forward-looking statements.

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, 2023. Any forward-looking statement made by the Company in this release speaks only as of the date on which this release was first issued. The Company undertakes no obligation to update any forward-looking statement publicly or otherwise, whether as a result of new information, future developments or otherwise, except as required by law.

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

Please note that as part of the basis of presentation, totals may not sum due to rounding.

# Third Quarter 2024 Business Overview

Bruce McClelland, President & CEO

John Townsend, Executive Vice President & CFO



# Third Quarter and Year to Date 2024 Highlights | Consolidated

## Cloud & Edge Strength

+11% YoY Growth in Revenue  
+20% YoY Growth in Adj. EBITDA<sup>1</sup>  
Gross Margin at 68%  
U.S. Service Provider Recovery

Gross Margin<sup>1</sup> Expansion to 55%  
Product & Services Book to Revenue 1.2x  
\$6M Reduction in YTD Operating Expenses  
Trailing Twelve Month Adj. EBITDA<sup>1</sup> \$106M

## Operational Improvement

## Customer Highlights

Verizon Modernization Project  
Network Modernization Momentum  
Growth in Federal and Defense  
IP Optical U.S. Rural Growth



**+32%**  
YTD Adjusted  
EBITDA<sup>1</sup> Growth

\$40M Ending Cash Balance  
Accounts Receivable QoQ Increase +\$38M

## Cash & Capital Structure

1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Third Quarter 2024 Business Highlights | Consolidated

## Continued Gross Margin Expansion and Operational Efficiencies

Q3

+3%



### Increase in Q3 Revenue YoY

Cloud & Edge Growth  
U.S. Federal Program  
Total Excluding Eastern Europe +8%

\$30M



### Q3 Adjusted EBITDA<sup>1</sup> up 8% YoY

Trailing Twelve Month Adjusted EBITDA<sup>1</sup> \$106M  
\$15M Improvement Year to Date vs 2023

+52bps



### Gross Margin<sup>1</sup> Improvement YoY to 55%

Cloud and Edge SBC Sales Growth  
Increased Software Mix  
Professional Services Execution

-2%



### Improved Operating Expenses YTD

Full Year Benefit of 2023 Cost Efficiencies  
Continued Cost Containment Initiatives

\$



### Cash Flow

Cash from Operations (\$15M)  
Real Estate Capital Investment (\$7M)  
Capital Equipment Expenditure (\$2M)

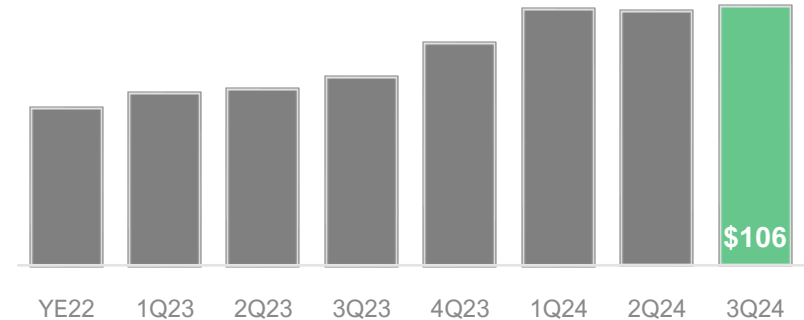
2.9x



### Net Debt Leverage Ratio

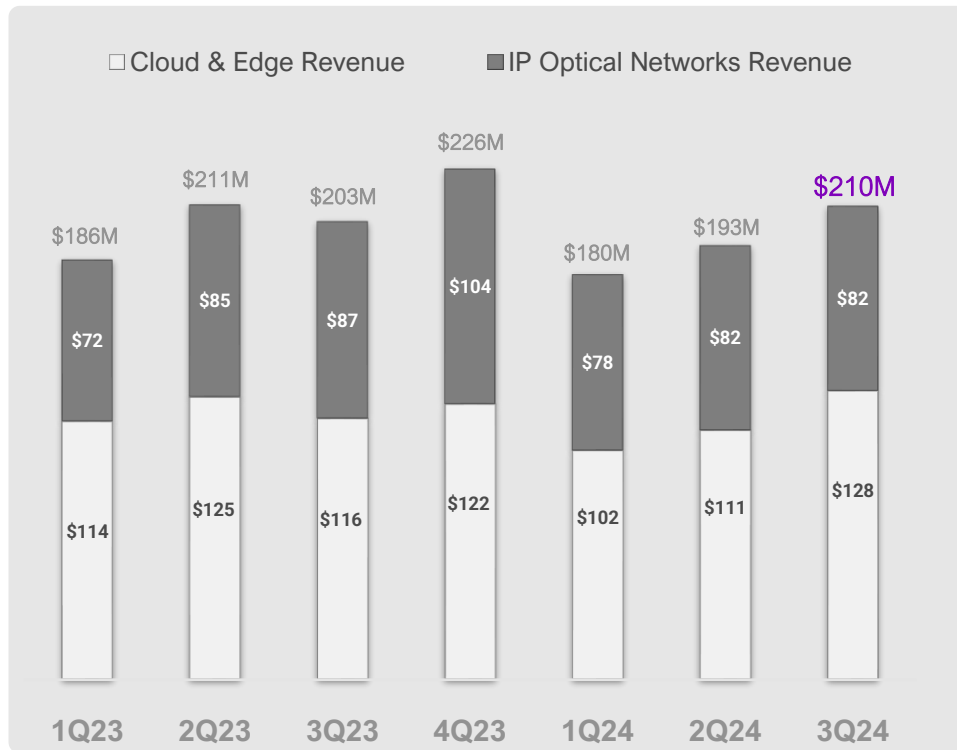
### Trailing Twelve Month Adjusted EBITDA<sup>1</sup> >\$100M

(\$ millions)



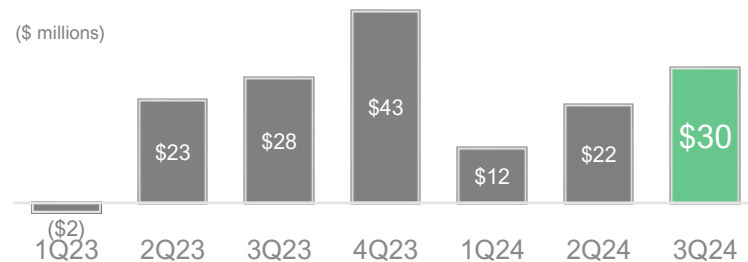
1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Key Financial Trends<sup>1</sup>



## Adjusted EBITDA<sup>1</sup>

(\$ millions)



## Gross Margin<sup>1</sup>



1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Non-GAAP<sup>1</sup> Segment Financial Highlights | Cloud & Edge

Q3

+11%

## YoY Revenue Change

Major DISA Department of Defense Project  
Verizon sales up >40% YoY  
Product & Services Book to Revenue 1.4x

68%

## Strong Gross Margin<sup>1</sup>

Professional Services Execution  
Software Sales ~57% of Total Product Revenue  
Annual re-occurring Maintenance Backlog ~98%

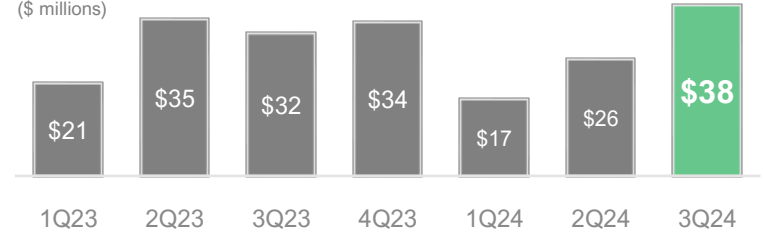
30%

## Adjusted EBITDA<sup>1</sup> Margin

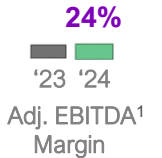
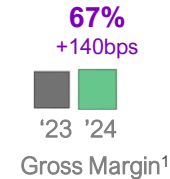
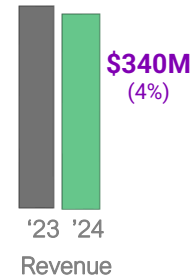
Cost containment despite inflationary pressures  
\$38M Adj. EBITDA<sup>1</sup> Contribution

## Adjusted EBITDA<sup>1</sup>

(\$ millions)



## Year to Date 2024



1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Non-GAAP<sup>1</sup> Segment Financial Highlights | IP Optical Networks

Q3

\$21M



## Improvement in YTD Adj. EBITDA<sup>1</sup> vs 2023

+\$15M Gross Profit Growth / Expanded Margins  
+\$6M Operating Expense Reductions  
Trailing Twelve Months Adjusted EBITDA @ (\$9M)

124%



## YoY Growth in U.S. Revenue in Q3

Expanding programs to support U.S. Rural Broadband fiber deployments to close the digital divide  
Effective Cross Selling Strategies

36%



## Gross Margin<sup>1</sup>

Positively Impacted by U.S. rural expansion  
Reflects changes in geographic mix

-6%

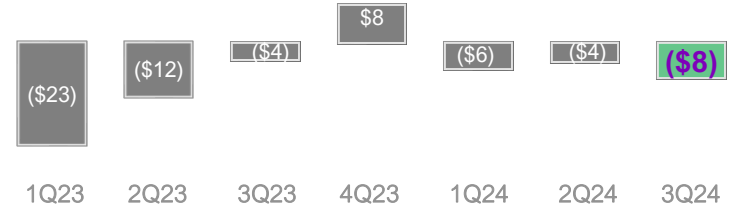


## YoY Revenue Change

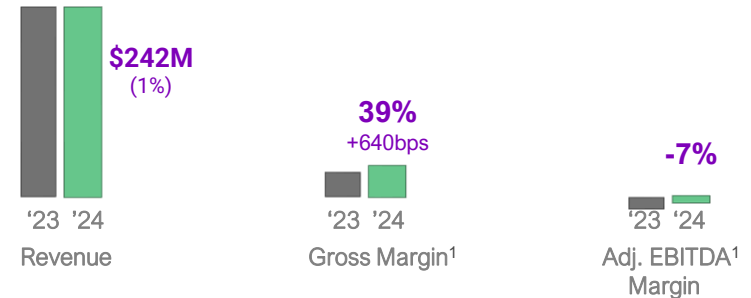
Excluding Eastern Europe: +4% Growth  
Americas and Europe Growth  
Product & Services Book to Revenue 1.0x

## Adjusted EBITDA<sup>1</sup>

(\$ millions)



## Year to Date 2024



1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.



# Third Quarter 2024 Key Metrics | Consolidated

## Revenue Mix



Enterprise 36%<sup>2</sup>  
Service Provider 64%<sup>2</sup>

33% Maintenance Revenue<sup>3</sup>

Top 10 Customers Revenue 46%<sup>3</sup>

Domestic 52%<sup>3</sup>  
International 48%<sup>3</sup>

Book to Revenue 1.2x

## Profitability



55% Gross Margin<sup>1</sup>

Operating Expenses<sup>1</sup> 2% Lower  
Year to Date

\$30M Adjusted EBITDA<sup>1</sup>

Non-GAAP<sup>1</sup> effective tax rate 44%

\$0.05 Non-GAAP EPS<sup>1</sup>

## Balance Sheet



Senior Term Loan Debt<sup>4</sup> \$349M

Outstanding Revolver Loan<sup>4</sup> \$0M

4.9M Warrants Outstanding

## Cash Flow



Cash Position @ \$40M

(\$15M) Cash from Operations

\$38M Accounts Receivable  
Increase QoQ

(\$9M) Capital Expenditures  
(Includes \$7M Real Estate Investment)

### Notes:

1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.
2. As a percentage of total product revenue.
3. As a percentage of total revenue.
4. Principal balance outstanding.

# Third Quarter 2024 Non-GAAP<sup>1</sup> Financial Summary

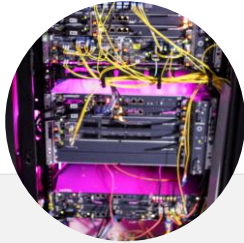
	3Q23	2Q24	3Q24
Revenue	\$203M	\$193M	\$210M
Non-GAAP Gross Margin <sup>1</sup>	55%	54%	55%
Non-GAAP Opex <sup>1</sup>	\$87M	\$86M	\$90M
Non-GAAP Operating Margin <sup>1</sup>	12%	9%	13%
Non-GAAP Adjusted EBITDA <sup>1</sup>	\$28M	\$22M	\$30M
Non-GAAP Diluted EPS <sup>1</sup>	\$0.05	\$0.05	\$0.05

1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Key Trends & Outlook



# Improving 2025 Operating Environment



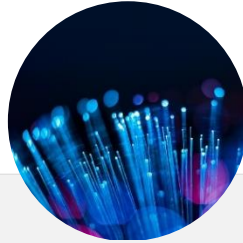
## Network Modernization

- Legacy TDM Voice Switch replacement and copper elimination programs
- Migration of Telco work loads to Cloud-native solutions with ESG benefits



## Federal and Defense Secure Communications

- Major voice modernization projects that require convergence of public cloud with on-premise survivability
- Secure mission-critical transport networks



## Rural Broadband Fiber Investment

- Robust public and private funding to improve internet access including Middle Mile capacity and availability
- \$42B U.S. BEAD federal funding program



## Shifting Competitive Environment

- Industry consolidation is creating new opportunities to increase share
- Continued concern regarding at-risk suppliers
- Increasing trend towards localization



## Innovation

- Cloud Native framework and analytics engine to build world-class automation
- Service aware routing
- 1.2T Optical Transport
- Ribbon “AI Ready” – Automation, Planning, Technical Support

**Expect Continued Profitable Growth in 2025**

# Fourth Quarter and Full Year 2024 Business Outlook

	4Q23 (Actual)	FY23 (Actual)	4Q24 (Outlook)	FY24 (Outlook)
<b>Revenue</b>	\$226M	\$826M	\$235M to \$255M	\$818M to \$838M
<b>Non-GAAP Gross Margin<sup>1</sup></b>	57%	53%	55.5% to 56.0%	55.1% to 55.3%
<b>Non-GAAP Adjusted EBITDA<sup>1</sup></b>	\$43M	\$91M	\$46M to \$52M	\$109M to \$115M

1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.

# Appendix



# Ribbon Key Revenue Statistics

USD Millions except for percentages	1Q23	2Q23	3Q23	4Q23	FY23	1Q24	2Q24	3Q24
<b>Revenue</b>								
Product	93	117	109	126	445	88	99	112
Service	93	93	95	100	381	92	93	98
<b>Total Revenue</b>	<b>186</b>	<b>211</b>	<b>203</b>	<b>226</b>	<b>826</b>	<b>180</b>	<b>193</b>	<b>210</b>
<b>% of Total Revenue:</b>								
<b>Revenue Mix</b>								
Product	50%	56%	53%	56%	54%	49%	51%	53%
Services	50%	44%	47%	44%	46%	51%	49%	47%
<b>Revenue by Geography</b>								
Domestic	44%	47%	42%	34%	42%	40%	42%	52%
International	56%	53%	58%	66%	58%	60%	58%	48%
<b>Product Revenue by Channel</b>								
Direct	62%	68%	65%	63%	65%	52%	68%	66%
Indirect	38%	32%	35%	37%	35%	48%	32%	34%
<b>Product Revenue By Market</b>								
Enterprise	29%	32%	34%	33%	32%	43%	38%	36%
Service Providers	71%	68%	66%	67%	68%	57%	62%	64%
<b>10% Total Revenue Customers</b>	Verizon	Verizon	Verizon		Verizon		Verizon	Verizon

# Quarterly Non-GAAP<sup>1</sup> Segment Trend | Cloud & Edge

CLOUD & EDGE – 2023						2024		
	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q
<b>Revenue</b> <i>vs Prior Year</i>	\$114M +4%	\$125M (9%)	\$116M (7%)	\$122M (11%)	\$478M (6%)	\$102M (11%)	\$111M (12%)	\$128M +11%
<b>Non-GAAP Gross Margin<sup>1</sup></b>	61%	67%	68%	68%	66%	66%	66%	68%
<b>Non-GAAP Adjusted EBITDA<sup>1</sup></b>	\$21M	\$35M	\$32M	\$34M	\$121M	\$17M	\$26M	\$38M
<b>Non-GAAP Adjusted EBITDA Margin<sup>1</sup></b>	18%	28%	27%	28%	25%	17%	23%	30%

1. Please see the discussion of non-GAAP financial measures in the supplemental financial information included on the Ribbon Investor Relations website.



# Quarterly Non-GAAP<sup>1</sup> Segment Trend | IP Optical Networks

IP OPTICAL NETWORKS – 2023						2024		
	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q
<b>Revenue</b> <i>vs Prior Year</i>	\$72M +13%	\$85M +24%	\$87M +6%	\$104M +7%	\$349M +12%	\$78M +9%	\$82M (4%)	\$82M (6%)
<b>Non-GAAP Gross Margin<sup>1</sup></b>	27%	31%	38%	44%	36%	41%	39%	36%
<b>Non-GAAP Adjusted EBITDA<sup>1</sup></b>	(\$23M)	(\$12M)	(\$4M)	\$8M	(\$31M)	(\$6M)	(\$4M)	(\$8M)
<b>Non-GAAP Adjusted EBITDA Margin<sup>1</sup></b>	(32%)	(14%)	(4%)	8%	(9%)	(7%)	(5%)	(10%)

1. Please see the discussion of non-GAAP financial measures in the supplemental schedule financial information on the Ribbon Investor Relations website.

# Third Quarter 2024 GAAP Financial Summary

	3Q23	2Q24	3Q24
Revenue	\$203M	\$193M	\$210M
Gross Margin	51%	51%	52%
OpEx	\$103M	\$100M	\$111M
Income (loss) from operations	\$1M	(\$2M)	(\$1M)
Other (expense) income, net	(\$10M)	(\$13M)	(\$11M)
Net income (loss)	(\$14M)	(\$17M)	(\$13M)
Diluted EPS	(\$0.08)	(\$0.10)	(\$0.08)

Refer to the supplemental schedules  
including financial results, key stats,  
and non-GAAP reconciliations on the  
investor relations website

[investors.ribboncommunications.com](https://investors.ribboncommunications.com)

**Thank You**

