

**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**

**April 26, 2018**

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.)

**4 TECHNOLOGY PARK DRIVE, WESTFORD, MASSACHUSETTS 01886**  
(Address of Principal Executive Offices) (Zip Code)

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

(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))

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 7.01 Regulation FD Disclosure.**

Ribbon Communications Inc. (the "Company") from time to time presents and/or distributes to the investment community at various conferences or meetings slide presentations to provide business updates. A copy of the Company's current corporate slide presentation is attached to this Current Report on Form 8-K as Exhibit 99.1.

The information in Item 7.01 of this Form 8-K, 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") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

The following exhibit relating to Item 7.01 shall be deemed furnished, and not filed:

99.1 [Ribbon Communications Inc. Corporate Presentation, dated as of April 26, 2018.](#)

**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: April 26, 2018

**RIBBON COMMUNICATIONS INC.**

By: /s/ Daryl E. Raiford  
Daryl E. Raiford  
Executive Vice President and Chief Financial Officer



# Ribbon Communications

April 26, 2018

## Legal Disclaimers

This presentation contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to a number of risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding our financial guidance and outlook for fiscal year 2018, integration efforts and opportunities, business strategy, strategic position, plans and objectives of management for future operations and plans for future product development and manufacturing are forward-looking statements. Without limiting the foregoing, the words "anticipates", "believes", "could", "estimates", "expects", "expectations", "intends", "may", "plans", "seeks", "projects" and other similar language, whether in the negative or affirmative, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including, but not limited to, our success integrating the respective businesses of Sonus Networks, Inc. ("Sonus") and GENBAND Holdings Company ("GENBAND"); achievement of the anticipated synergies of the transaction between Sonus and GENBAND (the "Transaction"); our ability to realize the benefits from the Transaction; the effects of disruption from the Transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities; the timing of customer purchasing decisions and our recognition of revenues; economic conditions; our ability to recruit and retain key personnel; difficulties supporting our strategic focus on channel sales; difficulties retaining and expanding our customer base; difficulties leveraging market opportunities; the impact of restructuring and cost-containment activities; litigation; actions taken by significant stockholders; difficulties providing solutions that meet the needs of customers; market acceptance of our products and services; rapid technological and market change; our ability to protect our intellectual property rights; our ability to maintain partner, reseller, distribution and vendor support and supply relationships; higher risks in international operations and markets; the impact of increased competition; currency fluctuations; changes in the market price of our common stock; and/or failure or circumvention of our controls and procedures.

Our forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We caution you against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from these forward-looking statements are discussed in Part I, Item 1A "Risk Factors", Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in Ribbon Communications' most recent Annual Report on Form 10-K filed with the SEC. Any forward-looking statement made by us in this presentation speaks only as of the date of this presentation. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

This presentation is being made exclusively to qualified institutional buyers ("QIBs") as defined in Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The securities described herein have not been and will not be registered under the Securities Act and may not be offered or sold in the United States except to QIBs in reliance on Rule 144A or pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act. This document does not constitute an offer to sell, or a solicitation of an offer to purchase any securities in any jurisdiction where such offer or sale is not permitted. Any purchaser of such securities will be deemed to have made certain representations and acknowledgments, including, without limitation, that the purchaser is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

In addition to the U.S. GAAP financials, this presentation includes certain non-GAAP financial measures. 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. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. Ribbon urges you to review the reconciliation of Ribbon's non-GAAP financial measures to the most directly comparable GAAP financial measures set forth in the Appendix, and not to rely on any single financial measure to evaluate Ribbon's business.

# Ribbon Overview



## About Ribbon

Ribbon is a **global leader in secure real-time communications** providing software, cloud and network infrastructure solutions to communications service providers and enterprises



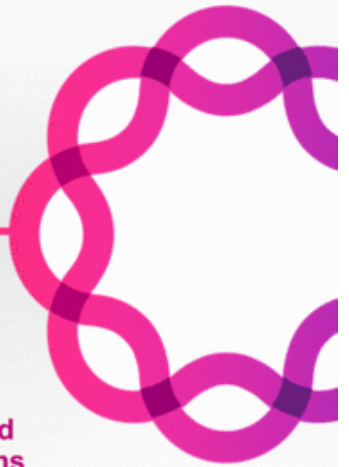
**Transforming  
Communications Networks**



**Securing  
Communications**



**Enabling Cloud  
Communications**



# Ribbon Communications - Scope and Scale



Four Decades of Combined Leadership Experience in Real Time Communications  
 ~2,300 Employees in 27 Countries  
 1,000+ Service Provider and Enterprise Customers Globally  
 600+ Patents Worldwide  
 Publicly Traded Company on Nasdaq



## Executive Team



**Fritz W. Hobbs**  
 President & Chief Executive Officer



**John McCreedy**  
 EVP, Chief Strategy Officer



**David Walsh**  
 Founder, Kandy



**Daryl Raiford**  
 EVP, Chief Financial Officer



**Steven Bruny**  
 EVP, Global Operations



**Justin Ferguson**  
 EVP, General Counsel and Corporate Secretary



**Patrick Joggerst**  
 CMO & EVP, Business Development



**Tony Scarfo**  
 EVP, Products and R&D



**Mike Swade**  
 EVP, Global Sales



**Susan Villare**  
 SVP, FP&A and Treasurer



**Kevin Riley**  
 EVP, CTO and Advanced R&D





# Investment Highlights

**Transformational merger** creates market leader financial scale to benefit from further consolidation potential

**Accelerating EBITDA growth** from cost synergies, product streamlining and shift to higher margin businesses

**Technology embedded in largest service providers worldwide** positions us well to capture share in network modernization

**Investment in innovations ahead of the market** is a key competitive advantage to take share in shift to NFV and cloud

**Strong management team** made up of industry veterans with deep domain expertise representing a balanced mix of the best of both companies



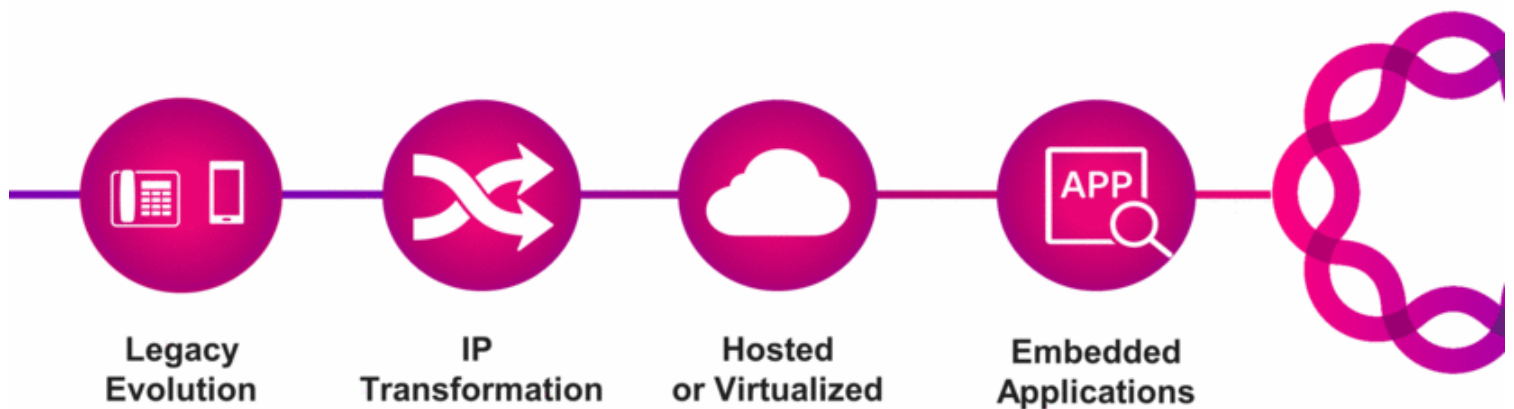
# Our Strategy: To Enable Communications Transformation



# Market, Position and Differentiation

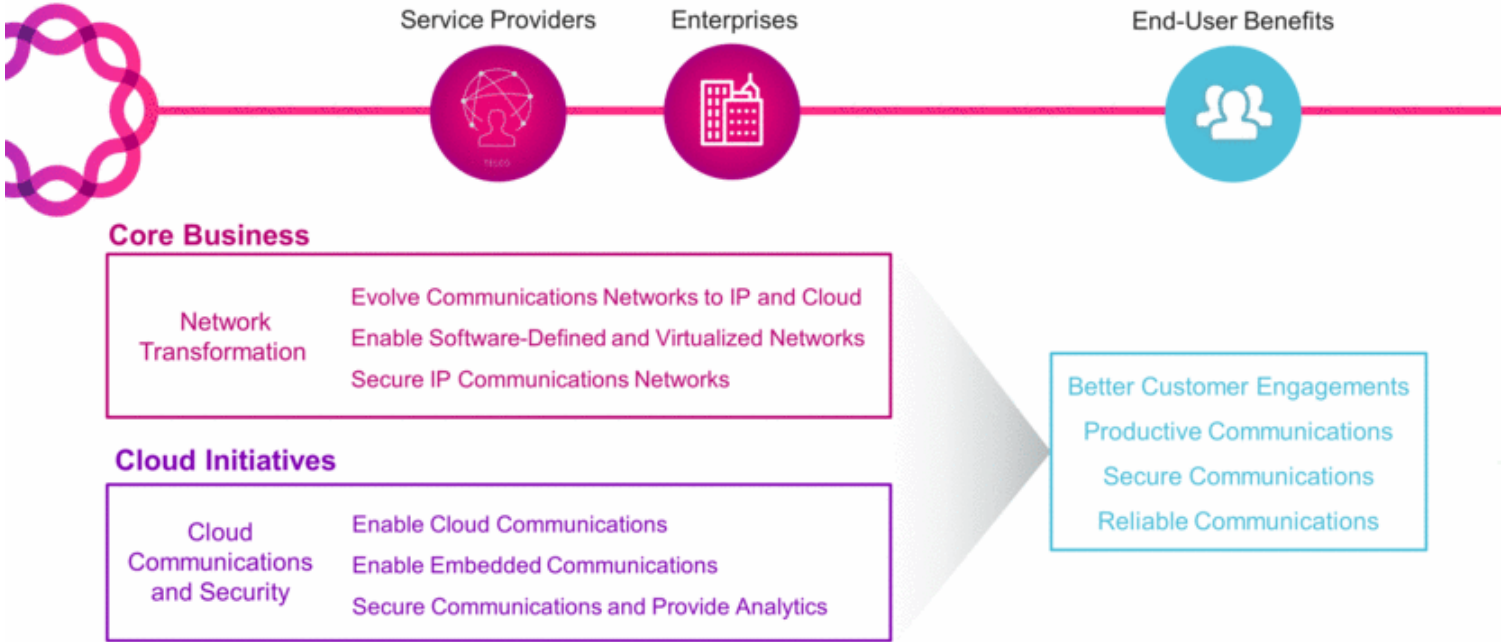


## Support for All Stages of Transformation

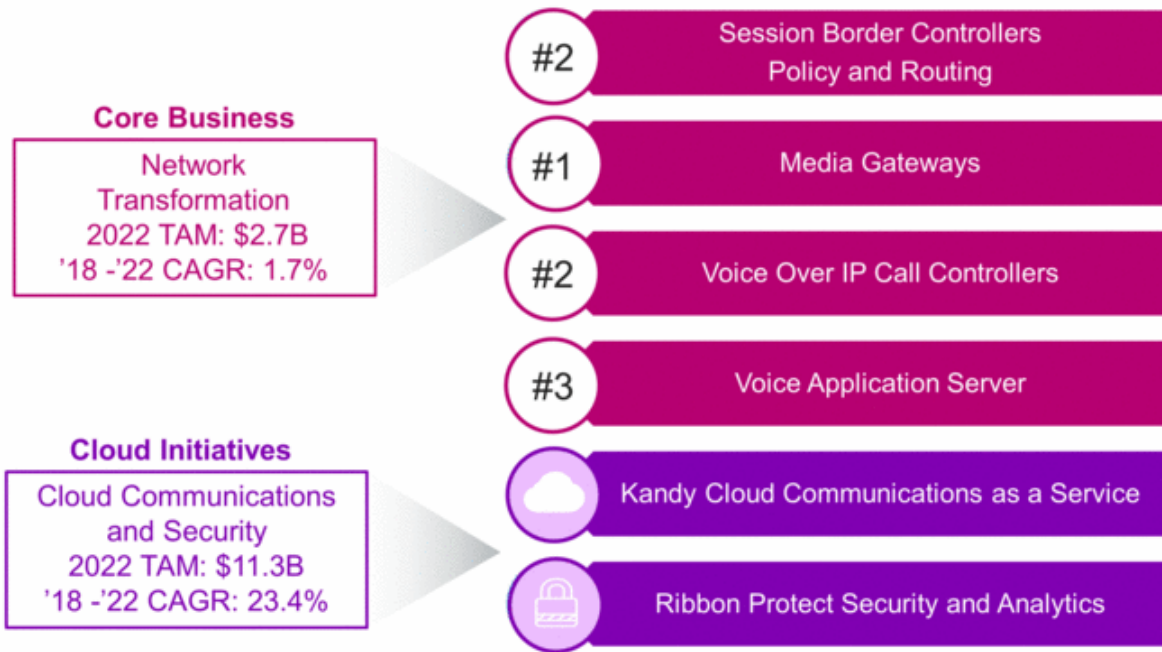


*Investing in Core and Accelerating Cloud Initiatives*

# What We Do For Our Customers



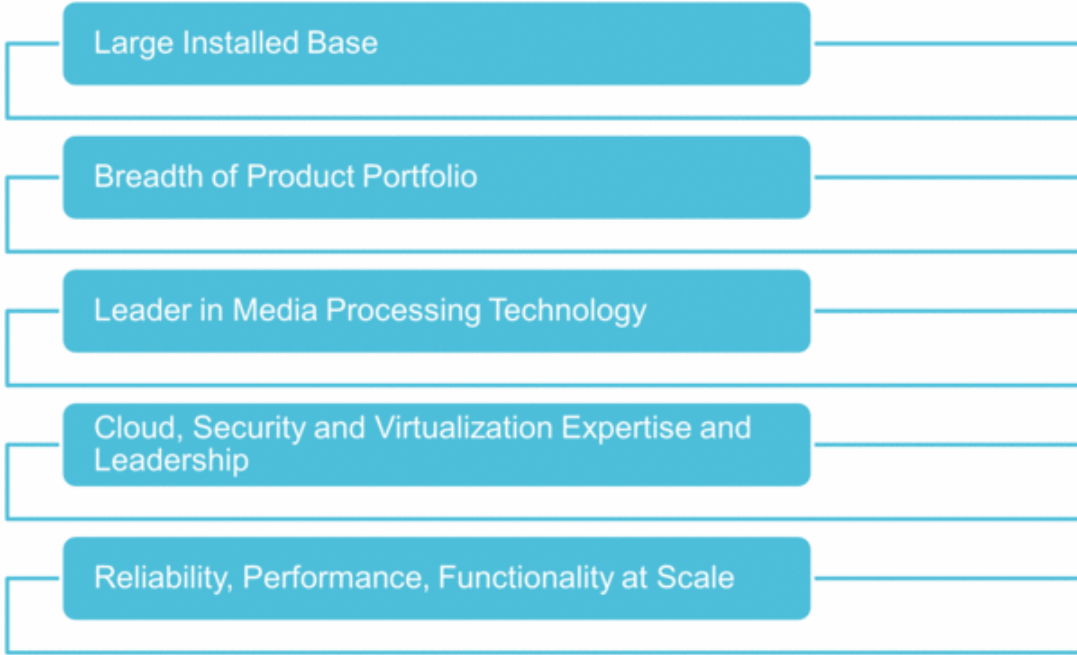
# Ribbon's Leadership Position and Market Opportunity



Leadership Ranking Source: IHS Research 4Q-2017 Market share data

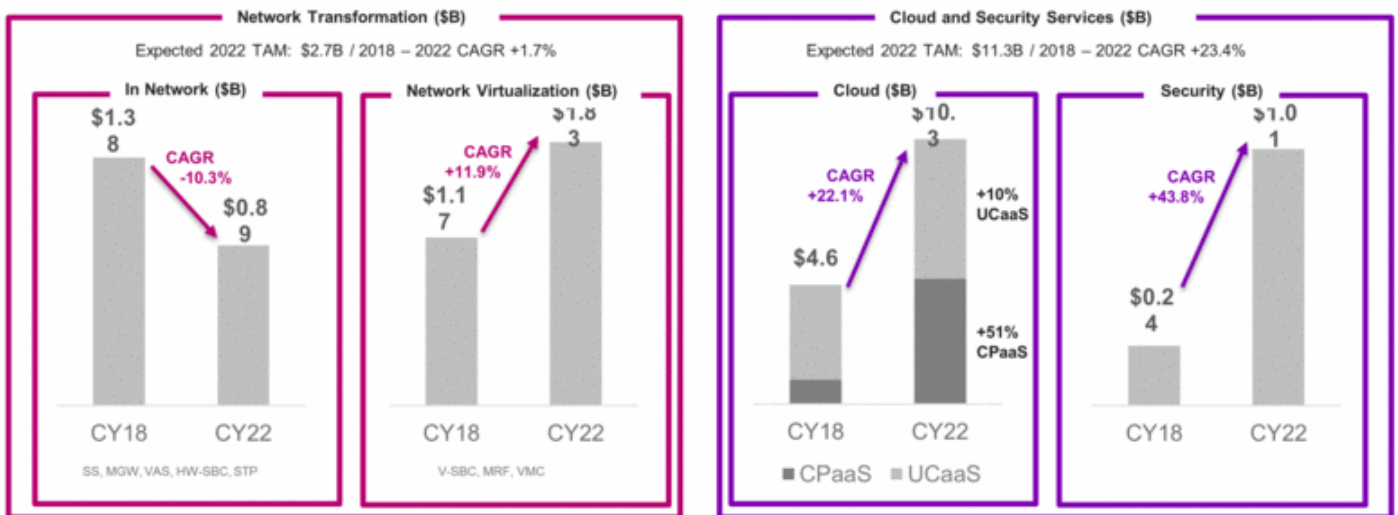


# Competitive and Technology Differentiation



## Addressable Markets

Anticipate 2022 Ribbon Communications Addressable Market \$14B  
Estimated 2018-2022 CAGR +17.3%



Source: IHS Markit<sup>1,2,3</sup>, Exact Ventures<sup>4</sup>, IDC Research<sup>5</sup>, Gartner<sup>6,7</sup>, Juniper<sup>8</sup>, Statista<sup>9</sup>, Ribbon Modeling

# Long-Tail Network Transformation Opportunity

## Network Transformation



PSTN Transformation: 514M TDM lines globally; 58M TDM lines in U.S. Our strength: DNA embedded in ~29M NA lines.



Federal vertical: Early stages of SIP / UC transformation with 3M TDM lines. Our strength: JTIC certified SBC and TAS



Shift to IP and Virtualization: SIP trunking penetration only ~20%; VoLTE adoption only at 13%; Smart homes on-ramp



Japan market for Interconnects: Japanese carriers to upgrade to SIP by 2025. Our strength: large incumbent base.



Enterprise migration to SIP / UC: UCaaS adoption continues to grow (~20% penetration); Microsoft Teams partnership

## Cloud Initiatives

### Cloud Communications

1

Communications software platform and applications offered “as a Service” that enable service providers and enterprises to deploy embedded and unified communications

Kandy



### Communications Security

2






Communications security, fraud management and network intelligence solution that helps service providers and enterprises secure customer and employee communications environments

Ribbon Protect



- Embedded communications – Embedding of real-time communications into software applications and business workflows
- Unified communications – Communications solutions for businesses that enable productive employee and customer communications

# End-to-End Solutions is Key Differentiator

	Service Provider Market			Enterprise Market				
Brand/Product		ORACLE	 broadsoft	metaswitch		ORACLE	 CISCO	 AudioCodes
Session Border Controllers	✓	✓		✓	✓		✓	✓
Application Server & WebRTC	✓		✓	✓	✓	✓	✓	
Call Controllers	✓			✓	✓			
Media Gateways	✓			✓	✓			✓
Network Functions Virtualization	✓	✓		✓	✓	✓	✓	✓
Signaling, Policy & Routing	✓	✓			✓			
Security Solution	✓	✓			✓	✓		

## Proof Points



*Network Edge Services – First customer, a large U.S. City, is deploying*

## Go virtual and drive application delivery improvements around the globe.

Virtual Network Services - SBCaaS with Ribbon



## Government Solutions

**Ultra Secure, Scalable and Reliable Solutions**  
Supporting large number of civilian and secure users



**Joint Interoperability Test Command (JITC) Certified**

- Application Server
- Session Border Controller
- Government computer security standard (FIPS 140-2) compliant SBC





## LOS ANGELES PUBLIC LIBRARY



Enhancing the library's employee and customer communications across 73 libraries and providing emergency messaging broadcast capabilities.

## Large Car Rental Company



Migrating communications at airport, car sales sites and neighborhood locations to the cloud. Eleven locations migrated to Kandy and 70 more planned in the near term.

## APAC Tier 1 Service Provider Deploys Ribbon Protect



## Communications Security and Analytics





# Financials and Summary



## Ribbon Non-GAAP<sup>1</sup> Statements of Operations<sup>2</sup>

USD Millions except percentages and EPS	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Product Revenue	35	35	39	38	146	25	29	44	86	184	60
Service Revenue	24	26	26	30	106	28	27	31	83	169	76
<b>Total Non-GAAP Revenue</b>	<b>59</b>	<b>61</b>	<b>65</b>	<b>68</b>	<b>253</b>	<b>53</b>	<b>56</b>	<b>75</b>	<b>169</b>	<b>353</b>	<b>135</b>
Gross Margin	40	42	45	47	175	36	38	56	104	235	77
Gross Margin %	68%	69%	70%	70%	69%	67%	69%	76%	61%	66%	57%
Operating Expense	38	38	39	42	157	40	39	43	80	202	79
Income/(Loss) from Operations	2	4	6	5	18	(5)	(1)	13	25	32	(2)
Net Income/(Loss)	2	4	6	5	17	(4)	(1)	13	23	31	(4)
Diluted EPS	\$0.03	\$0.08	\$0.12	\$0.09	\$0.33	(\$0.09)	(\$0.02)	\$0.26	\$0.27	\$0.51	(\$0.04)
Diluted Shares	50	50	50	50	50	49	50	50	87	60	102
<b>Adjusted EBITDA</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>26</b>	<b>(3)</b>	<b>1</b>	<b>15</b>	<b>28</b>	<b>41</b>	<b>1</b>
Adjusted EBITDA %	8%	10%	13%	10%	10%	-5%	1%	20%	16%	12%	1%

1) Please see non-GAAP reconciliations in presentation appendix.

2) Results for the period January 1, 2016 through September 30, 2017 are those of Sonus. Results in the quarter ended December 31, 2017 represent three months of Sonus and include the results of GENBAND for the period October 27, 2017 through December 31, 2017.

Note: Totals may not sum due to rounding.

## Ribbon Condensed Balance Sheets

USD Millions	Q116	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118
<b>ASSETS</b>									
Cash and Investments <sup>1</sup>	142	143	121	126	129	126	132	83	85
Accounts Receivable, Net	34	37	44	54	40	43	52	165	126
Inventory, Net	22	21	21	18	18	17	16	21	21
Property Plant Equipment, Net	13	12	13	12	11	11	10	25	24
Goodwill and Intangibles	64	63	91	80	78	76	73	580	568
Other Assets	21	21	20	18	19	21	20	36	38
<b>Total Assets</b>	<b>298</b>	<b>296</b>	<b>310</b>	<b>308</b>	<b>294</b>	<b>292</b>	<b>302</b>	<b>911</b>	<b>861</b>
<b>LIABILITIES AND EQUITY</b>									
Revolving Credit Facility	0	0	0	0	0	0	0	20	20
Liabilities	28	31	43	38	28	31	37	138	116
Deferred Revenue	48	45	46	51	55	59	55	115	117
Long-term Debt	0	0	0	0	0	0	0	23	23
Stockholders' Equity	222	220	221	219	212	203	211	615	585
<b>Total Liabilities and Equity</b>	<b>298</b>	<b>296</b>	<b>310</b>	<b>308</b>	<b>294</b>	<b>292</b>	<b>302</b>	<b>911</b>	<b>861</b>
<b>DSO</b>	<b>52</b>	<b>54</b>	<b>61</b>	<b>74</b>	<b>67</b>	<b>69</b>	<b>62</b>	<b>88</b>	<b>83</b>

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

Note: Totals may not sum due to rounding.

## Ribbon Condensed Statements of Cash Flows

USD Millions	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
Cash from Operations	3	6	1	9	19	4	(1)	6	(1)	8	3
Purchases of PP&E	(1)	(2)	(1)	(1)	(5)	(1)	(2)	(1)	(1)	(4)	(2)
Stock Repurchase	(1)	(4)	(2)	(2)	(10)	0	0	0	0	0	0
Business Acquisitions	(1)	0	(20)	0	(21)	0	0	0	(43)	(43)	0
Other	(0)	(0)	1	(1)	(0)	0	(1)	0	(4)	(4)	0
<b>Net Change</b>	<b>0</b>	<b>0</b>	<b>(22)</b>	<b>5</b>	<b>(16)</b>	<b>3</b>	<b>(3)</b>	<b>6</b>	<b>(48)</b>	<b>(43)</b>	<b>2</b>
<b>Cash<sup>1</sup> Beginning of Period</b>	<b>142</b>	<b>142</b>	<b>143</b>	<b>121</b>	<b>142</b>	<b>126</b>	<b>129</b>	<b>126</b>	<b>132</b>	<b>126</b>	<b>83</b>
<b>Cash<sup>1</sup> End of Period</b>	<b>142</b>	<b>143</b>	<b>121</b>	<b>126</b>	<b>126</b>	<b>129</b>	<b>126</b>	<b>132</b>	<b>83</b>	<b>83</b>	<b>85</b>

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

Note: Totals may not sum due to rounding.

# 2018 Full Year Guidance and Outlook

## Full year adjusted EBITDA guidance remains unchanged

- *Adjusted EBITDA<sup>2</sup> expected to increase to \$75 million*
  - *FY17 pro forma<sup>1</sup> Adjusted EBITDA was \$45 million*

## Full year revenue Outlook remains unchanged

- *2018 Non GAAP Revenue expected to decline approximately 10% versus pro forma FY17*
  - *FY17 pro forma<sup>1</sup> non-GAAP revenue was \$643 million*

- 1) Sonus/GENBAND merger closed on 10/27/2017. Pro forma results were calculated as if Sonus and GENBAND were combined at the beginning of all periods presented. Prepared on a non-GAAP basis and does not include the impact of purchase accounting reductions affecting GENBAND revenue.
- 2) Ribbon is unable to project without unreasonable efforts the comparable GAAP net loss figure, which includes interest expense, net; income tax provision; depreciation; amortization of intangible assets; acquisition-related revenue and related cost of revenue adjustments; adjustment for the impact of the new revenue standard; stock-based compensation; litigation costs; acquisition- and integration-related expense; restructuring; and other income (expense), net.

## Summary

<b>Strong Financial Profile</b>	<ul style="list-style-type: none"> <li>▪ Significantly higher revenue base, gross profit, earnings and cash flow from operations; Guidance of \$75 million of Adjusted EBITDA expected in 2018</li> </ul>
<b>Scale and Synergy Platform</b>	<ul style="list-style-type: none"> <li>▪ Scalable cost structure to benefit from further consolidation potential</li> </ul>
<b>Strong Installed-Base</b>	<ul style="list-style-type: none"> <li>▪ Large Nortel installed base should drive strong Network Transformation revenue opportunity</li> </ul>
<b>Virtualization Key to Gain Share</b>	<ul style="list-style-type: none"> <li>▪ Heavily invested in virtualizing product portfolio ahead of competition</li> </ul>
<b>Cloud Initiatives</b>	<ul style="list-style-type: none"> <li>▪ Strong growth platforms powered by Kandy cloud and new security behavioral analytics and control platform</li> </ul>
<b>Experienced Executive Team</b>	<ul style="list-style-type: none"> <li>▪ Bringing best-of-breed management teams together</li> </ul>

# Appendix



## TAM and Market Share References

1. TAM & Market Share (SS, MGW, VAS, SP-SBC ): IHS Markit, Service Provider VoIP and IMS Equipment and Subscribers, Published March 06, 2018, Edition: Q1 2018 (for the quarter ended 31 December 2017) (Quarterly)
2. TAM & Market Share (E-SBC): IHS Markit, Enterprise SBCs and VoIP Gateways, Published March 7, 2018, Edition: Q1 2018 (for the quarter ended 31 December 2017) (Quarterly)
3. TAM & Market Share (UCaaS): IHS Markit, VoIP and Unified Communication Services and Subscribers, Published April 10, 2017, Edition: 2017 (for the year ended 31 December 2016) (Annually)
4. TAM (STP): Exact Ventures, STP Signaling Forecast Edition November 2017
5. TAM (CPaaS): IDC, Worldwide Voice and Text Messaging Communications Platform-as-a-Service Forecast, 2017–2021, Published March 2017, (#US42326117)
6. TAM (Security): Gartner, Forecast: Enterprise Application Software, Worldwide, 2016-2022, 1Q18 Update, Published March 28, 2018, (G00353888),
7. TAM (Security): Gartner, Forecast: Information Security, Worldwide, 2015-2021, 4Q17 Update, Published March 28, 2018, (G00350860)
8. TAM (VMC-Client): Juniper Research, MOBILE VOICE Market Sizing & Forecasts 2017-2021, Published March 2017
9. TAM (VMC-Client): Statista, Global smartphone shipments forecast from 2010 to 2021 (in million units), Online query October 20, 2017



# Product Definitions

## Call Controllers

Call Controllers are communications network elements that connect voice calls between subscribers within a network and route voice calls between networks. Call controllers are essential elements in service provider networks utilized to provide regulated and un-regulated business and consumer voice services. In combined voice over internet protocol (VoIP) and circuit-based networks, call controllers are the intelligence in the network that connect and route calls, and media gateways carry and transmit the voice conversation.

## Media Gateways

Media Gateways are communications network elements that bridge and interwork the voice conversation between circuit-based networks and packet-based internet protocol (IP) networks on instruction from a call controller. Media Gateways are essential elements in service provider networks utilized to provide regulated and un-regulated business and consumer voice services and interconnect services.

## Session Border Controllers (SBCs)

Session Border Controllers are essential communication network elements in voice over internet protocol (VoIP) that secure, route and interwork voice calls or sessions across internet protocol (IP) network borders. SBCs are the voice firewalls in internet protocol communication networks and are required at service provider access or interconnect network borders for deploying business and consumer voice services. SBCs are also essential elements within enterprise networks for securing internet protocol based unified business communications within and across business locations. SBCs can be deployed in network or consumed from the cloud as a Service. As networks migrate to virtualization and the cloud, and traffic on voice over internet protocol networks grows, so does the demand for SBCs.

# Product Definitions

## Application Servers

Application servers are the elements in internet protocol (IP) communication networks that enable a variety of unified business communications capabilities like voice calling, messaging and collaboration across different devices. Application servers are essential elements needed by service providers to offer unified communications as a service to businesses from their network or their cloud. Application servers are also deployed by businesses on their premises or in their data center to provide unified communications for their employees and to engage with their customers.

## Cloud Communications as a Service - Kandy

Kandy is a cloud communications platform that enables service providers and enterprises to provide embedded communications and unified communications under their own brand and consume them as a service from the platform. These services are referred to as communications platform as a service (CPaaS) and unified communications as a service (UCaaS) respectively. Embedded communications is the embedding of real-time communications into software applications and business workflows. Unified communications are business communications capabilities like voice calling, messaging and collaboration supported across communications devices and the web. Both CPaaS and UCaaS enable highly productive customer and employee communications. CPaaS and UCaaS are fast growing markets as service providers and enterprises increasingly shift their communication services to the cloud.

## Communications Security and Analytics – Ribbon Protect

In a "zero trust" security paradigm, no application including real time communications can be trusted and must be secured to prevent intrusion and fraud. Moreover, the attack vector surface area is increased as real time communications applications migrate to the cloud. Ribbon Protect is a real-time communications security, fraud management and intelligence solution that empowers service providers and enterprises to respond to attacks and fraud by performing network-wide data analytics, machine learning and policy enforcement. The solution also provides network operations with a centralized and single view of the end to end communications network. The communications security market is a fast-growing market as service providers and enterprises mobilize to protect their environments and address these security challenges.



# Ribbon GAAP Revenue Key Stats

Millions except for percentages	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
<b>GAAP Revenue</b>											
Product	35	35	39	38	146	25	29	44	83	181	52
Services	24	26	26	30	106	28	27	31	63	149	70
<b>Total GAAP Revenue</b>	<b>59</b>	<b>61</b>	<b>65</b>	<b>68</b>	<b>253</b>	<b>53</b>	<b>56</b>	<b>75</b>	<b>146</b>	<b>330</b>	<b>121</b>
<b>% of Total GAAP Revenue:</b>											
<b>GAAP Revenue Mix</b>											
Product	59%	58%	59%	56%	58%	48%	52%	59%	57%	55%	43%
Services	41%	42%	41%	44%	42%	52%	48%	41%	43%	45%	57%
<b>GAAP Revenue by Geography</b>											
Domestic	68%	70%	70%	68%	69%	67%	69%	75%	60%	66%	47%
International	32%	30%	30%	32%	31%	33%	31%	25%	40%	34%	53%
<b>GAAP Revenue by Channel</b>											
Direct	79%	75%	68%	75%	74%	66%	70%	76%	82%	76%	84%
Indirect	21%	25%	32%	25%	26%	34%	30%	24%	18%	24%	16%
<b>10% Customers</b>	Level 3 AT&T	AT&T Verizon	AT&T	CenturyLink	AT&T	Verizon	Verizon AT&T	Verizon AT&T	Verizon	Verizon	Verizon
Enterprise as % of GAAP Product Revenue	18%	20%	21%	18%	19%	28%	25%	22%	14%	20%	14%
Service Providers as % of GAAP Product Revenue	82%	80%	79%	82%	81%	72%	75%	78%	86%	80%	86%

Actual results are for all periods as it relates to Sonus and post-close (10/27/2017 to 12/31/2017) for GENBAND. Information is prepared on a GAAP basis.

## Discussion of Non-GAAP Financial Measures

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

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

## Discussion of Non-GAAP Financial Measures (continued)

### *Acquisition-Related Revenue and Cost of Revenue; Impact of New Revenue Standard*

We provide the supplementary non-GAAP financial measures, non-GAAP Product revenue, non-GAAP Service revenue and non-GAAP Total revenue, which include revenue related to the acquisition of GENBAND that we would have recognized but for the purchase accounting treatment of these transactions and eliminated revenue as a result of our adoption in 2018 of the new revenue recognition standard. Because GAAP accounting requires the elimination of this revenue, as well as the impact on future revenue of our adoption in 2018 of the new revenue standard, GAAP results alone do not fully capture all of our economic activities. These non-GAAP adjustments are intended to reflect the full amounts of such revenue and the related cost of revenue. We include these adjustments to allow for more complete comparisons to the financial results of our historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business. These adjustments do not accelerate revenue, but instead include revenue (and the related cost of revenue) that would have been recognized in our 2017 results, and included in our 2018 guidance and results, but for the purchase accounting and new revenue standard adjustments required by GAAP.

## Discussion of Non-GAAP Financial Measures (continued)

### *Amortization of Intangible Assets*

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

### *Impairment of Intangible Assets*

In the fourth quarter of 2017, we discontinued our ongoing development of certain intangible assets that we had previously acquired, as we had determined that there were no alternative uses of the technology within either our existing or future product lines. As a result, we recorded an impairment charge of \$5.5 million to write down the carrying value of the assets to zero. Had we developed those intangible assets internally and made the decision to discontinue their ongoing development, we would have ceased work on such development projects and eliminated the related future costs. Because we do not capitalize these costs, there would have been no asset to write off. As a result, we believe that excluding non-cash impairment charges from our non-GAAP operating results as if these impaired intangible assets had been developed internally rather than acquired facilitates a comparison to our historical operating results and to other companies in our industry.

## Discussion of Non-GAAP Financial Measures (continued)

### *Settlement Expense*

In March 2018, we recorded \$1.7 million of expense related to settlements, comprised of \$1.4 million for the settlement of litigation in connection with our acquisition of Taqua LLC and \$0.3 million of patent litigation settlement expense. In September 2017, we recorded \$1.6 million of expense related to potential fines in connection with an ongoing SEC investigation and an additional \$0.3 million of expense in connection with this matter in December 2017. In June 2016, we recorded \$0.6 million for patent litigation settlement costs. These amounts are included as components of general and administrative expense. We believe that such settlement costs are not part of our core business or ongoing operations, are unplanned and generally not within our control. Accordingly, we believe that excluding costs such as the SEC potential fines and patent litigation settlement expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

### *Litigation Costs*

In connection with certain ongoing litigation between GENBAND, as plaintiff, and one of its competitors, we incurred litigation costs in the fourth quarter of 2017. In March 2018, we filed litigation on behalf of Sonus against the same competitor asserting additional intellectual property infringement and recorded \$0.7 million of expense in connection with this litigation. We expect to incur significant future litigation costs related to these matters. These costs are included as a component of general and administrative expense. We believe that such costs are not part of our core business or ongoing operations, are unplanned and generally not within our control. Accordingly, we believe that excluding the litigation costs related to this specific legal matter facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

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## Discussion of Non-GAAP Financial Measures (continued)

### *Acquisition-Related Facilities Adjustments*

GAAP accounting requires that the deferred rent liability of an acquired company be written off as part of purchase accounting and that the combined company's rent expense on a straight-line basis begin as of the acquisition date. As a result, we recorded more rent expense than would have been recognized but for the purchase accounting treatment of GENBAND's assumed deferred rent liability. We include this adjustment, which relates to the acquisition of GENBAND, to allow for more complete comparisons to the financial results of our historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments provide an indication of the rent expense that would have been recognized, but for the purchase accounting in connection with the acquisition of GENBAND.

### *Depreciation Expense Related to Abandoned Facilities*

During the second quarter of 2015, we reached an agreement with the landlord of one of our previously restructured facilities to vacate the facility without penalty or future payments. As a result, we were able to vacate the facility earlier than originally planned. In connection with this settlement, we recorded incremental depreciation expense to account for the change in estimated life of the fixed assets related to this facility. This incremental non-cash depreciation expense is not related to our ongoing operations or our core business activities, as it is no longer associated with any revenue-generating activities. As a result, we believe that excluding this incremental depreciation expense facilitates the comparison of our financial results to our historical operating results and to other companies in our industry. Future facility consolidation activities could result in additional incremental depreciation expense related to abandoned facilities.



## Discussion of Non-GAAP Financial Measures (continued)

### *Acquisition- and Integration-Related Costs*

We consider certain acquisition- and integration-related costs to be unrelated to the organic continuing operations of our acquired businesses and the Company and they are generally not relevant to assessing or estimating the long-term performance of the acquired assets. In addition, the size, complexity and/or volume of an acquisition, which often drives the magnitude of acquisition- and integration-related costs, may not be indicative of future acquisition- and integration-related costs. By excluding these acquisition- and integration-related costs from our non-GAAP measures, management is better able to evaluate our ability to utilize our existing assets and estimate the long-term value that acquired assets will generate for us. We exclude certain acquisition- and integration-related costs to allow more accurate comparisons of our financial results to our historical operations, forward-looking guidance and the financial results of less acquisitive peer companies. In addition, we believe that providing supplemental non-GAAP measures that exclude these items allows management and investors to consider the ongoing operations of the business both with and without such expenses.

### *Restructuring*

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

## Discussion of Non-GAAP Financial Measures (continued)

### *Gain on Sales of Intangible Assets*

In 2017 and 2016, we sold intangible assets that we had acquired in connection with two previous acquisitions. These amounts, aggregating \$0.6 million in 2017 and \$1.3 million in 2016, are included as components of other income, net. We believe that such gains are not part of our core business or ongoing operations, as we had not used the intangible assets in connection with revenue-producing activities and would not have used them as such in the future. Accordingly, we believe that excluding the gains arising from these sales from our results facilitates the comparison of our financial results to our historical results and to other companies in our industry.

### *Tax Benefits Arising from Purchase Accounting and Tax Reform*

In the fourth quarter of 2017, we assessed our ability to use our tax benefits and determined that it was more likely than not that some of these benefits will be recognized. As a result, we reduced our deferred tax asset valuation allowance resulting in an income tax benefit of \$16.4 million. In addition, we recognized an income tax benefit of \$4.8 million related to the Tax Cut and Jobs Act of 2017. We believe that such benefits are not part of our core business or ongoing operations, as they are either the result of acquisitions or new tax legislation, neither of which relates to our revenue-producing activities. Accordingly, we believe that excluding the benefits arising from these adjustments to our income tax provision facilitates the comparison of our financial results to our historical results and to other companies in our industry.

# Discussion of Non-GAAP Financial Measures (continued)

## Adjusted EBITDA

We use Adjusted EBITDA as a supplemental measure to review and assess our performance. We calculate Adjusted EBITDA by excluding from net income (loss): interest income (expense), net; income tax benefit (provision); depreciation; and amortization and impairment of intangible assets. In addition, we exclude from net income (loss): adjustments to revenue and cost of revenue related to revenue reductions resulting from purchase accounting and adoption of the new revenue standard; stock-based compensation expense; settlement expense; certain litigation costs; acquisition-related facilities adjustments; acquisition- and integration-related expense; restructuring; and other income, net. In general, we add back the expenses that we consider to be non-cash and/or not part of our ongoing operations. 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.

We believe that providing non-GAAP information to investors, in addition to the GAAP presentation, will allow investors to view the financial results in the way management views them. We further believe that providing this information 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.

## Annual and Quarterly GAAP to Non-GAAP Reconciliation

\$000's	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
<b>GAAP Product revenue</b>	\$ 34,769	\$ 35,349	\$ 38,601	\$ 37,662	\$ 146,381	\$ 25,395	\$ 28,790	\$ 44,120	\$ 82,814	\$ 181,119	\$ 51,531
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	3,230	3,230	5,499
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	2,540
<b>Non-GAAP Product revenue</b>	\$ 34,769	\$ 35,349	\$ 38,601	\$ 37,662	\$ 146,381	\$ 25,395	\$ 28,790	\$ 44,120	\$ 86,044	\$ 184,349	\$ 59,570
<b>GAAP Service revenue</b>	\$ 24,382	\$ 25,508	\$ 26,410	\$ 29,910	\$ 106,210	\$ 27,973	\$ 26,943	\$ 30,509	\$ 63,398	\$ 148,823	\$ 69,649
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	20,050	20,050	5,619
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	475
<b>Non-GAAP Service revenue</b>	\$ 24,382	\$ 25,508	\$ 26,410	\$ 29,910	\$ 106,210	\$ 27,973	\$ 26,943	\$ 30,509	\$ 83,448	\$ 168,873	\$ 75,743
<b>GAAP Total revenue</b>	\$ 59,151	\$ 60,857	\$ 65,011	\$ 67,572	\$ 252,591	\$ 53,368	\$ 55,733	\$ 74,629	\$ 146,212	\$ 329,942	\$ 121,180
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015
<b>Non-GAAP Total revenue</b>	\$ 59,151	\$ 60,857	\$ 65,011	\$ 67,572	\$ 252,591	\$ 53,368	\$ 55,733	\$ 74,629	\$ 169,492	\$ 353,222	\$ 135,313
<b>GAAP Gross profit - total</b>	\$ 38,403	\$ 40,228	\$ 43,586	\$ 45,394	\$ 167,611	\$ 33,748	\$ 36,402	\$ 54,547	\$ 76,799	\$ 201,496	\$ 55,273
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)
Stock-based compensation	403	415	426	429	1,673	416	348	274	924	1,962	183
Amortization of intangible assets	1,627	1,455	1,455	1,501	6,038	1,566	1,601	1,601	8,119	12,887	9,592
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	68
<b>Non-GAAP gross profit</b>	\$ 40,433	\$ 42,098	\$ 45,467	\$ 47,324	\$ 175,322	\$ 35,730	\$ 38,351	\$ 56,422	\$ 104,229	\$ 234,732	\$ 77,162
<b>GAAP Gross margin - total</b>	64.9%	66.1%	67.0%	67.2%	66.4%	63.2%	65.3%	73.1%	52.5%	61.1%	45.6%
Acquisition-related revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.6%	2.6%	3.9%
Acquisition-related cost of revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.1%	-2.9%	-1.6%
Adjustment for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Adjustment to cost of revenue for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
Stock-based compensation	0.7%	0.7%	0.7%	0.6%	0.7%	0.8%	0.6%	0.4%	0.5%	0.6%	0.2%
Amortization of intangible assets	2.8%	2.4%	2.2%	2.2%	2.3%	3.0%	2.9%	2.1%	4.8%	3.6%	7.9%
Impairment of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	1.5%	0.0%
Acquisition-related facilities adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>Non-GAAP Gross margin - total</b>	68.4%	69.2%	69.9%	70.0%	69.4%	67.0%	68.8%	75.6%	61.5%	66.5%	57.0%



## Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

5000s	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
<b>GAAP Operating expenses</b>	\$ 42,284	\$ 42,936	\$ 47,902	\$ 48,098	\$ 181,220	\$ 44,530	\$ 49,105	\$ 50,628	\$ 112,462	\$ 256,725	\$ 97,956
Stock-based compensation	(4,012)	(4,226)	(5,982)	(3,875)	(18,095)	(2,847)	(3,889)	(3,613)	(13,346)	(23,695)	(2,641)
Amortization of intangible assets	(319)	(318)	(319)	(506)	(1,462)	(693)	(692)	(692)	(2,148)	(4,225)	(2,717)
Merger integration expense	-	-	-	-	-	-	-	(178)	178	-	-
Settlement expense	-	(605)	-	-	(605)	-	-	(1,600)	(300)	(1,900)	(1,730)
Litigation costs	-	-	-	-	-	-	-	-	(373)	(373)	(673)
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	(143)
Acquisition- and integration-related expense	-	-	(951)	(201)	(1,152)	(56)	(4,679)	(1,543)	(8,485)	(14,763)	(4,412)
Restructuring	-	-	(1,620)	(1,120)	(2,740)	(570)	(501)	-	(8,365)	(9,436)	(6,668)
<b>Non-GAAP Operating expenses</b>	\$ 37,953	\$ 37,787	\$ 39,030	\$ 42,396	\$ 157,166	\$ 40,364	\$ 39,344	\$ 43,002	\$ 79,623	\$ 202,333	\$ 78,972
<b>GAAP Income (loss) from operations</b>	\$ (3,881)	\$ (2,708)	\$ (4,316)	\$ (2,704)	\$ (13,609)	\$ (10,782)	\$ (12,703)	\$ 3,919	\$ (35,663)	\$ (55,229)	\$ (42,383)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730
Litigation costs	-	-	-	-	-	-	-	-	373	373	673
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668
<b>Non-GAAP Income (loss) from operations</b>	\$ 2,480	\$ 4,311	\$ 6,437	\$ 4,928	\$ 18,156	\$ (4,634)	\$ (993)	\$ 13,420	\$ 24,606	\$ 32,399	\$ (1,510)

## Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

5000s, except per share amounts	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
<b>GAAP Net income (loss)</b>	\$ (4,654)	\$ (2,916)	\$ (3,731)	\$ (2,631)	\$ (13,932)	\$ (10,646)	\$ (12,345)	\$ 3,453	\$ (15,714)	\$ (35,252)	\$ (44,904)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730
Litigation costs	-	-	-	-	-	-	-	-	373	373	673
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668
Gain on sales of intangible assets	-	-	(800)	(498)	(1,298)	-	(576)	-	-	(576)	-
Tax benefits arising from purchase accounting and tax reform	-	-	-	-	-	-	-	-	(21,155)	(21,155)	-
<b>Non-GAAP Net income (loss)</b>	\$ 1,707	\$ 4,103	\$ 6,222	\$ 4,503	\$ 16,535	\$ (4,498)	\$ (1,211)	\$ 12,954	\$ 23,400	\$ 30,645	\$ (4,031)
<b>GAAP Diluted earnings per share or (loss) per share</b>	\$ (0.09)	\$ (0.06)	\$ (0.08)	\$ (0.05)	\$ (0.28)	\$ (0.22)	\$ (0.25)	\$ 0.07	\$ (0.18)	\$ (0.60)	\$ (0.44)
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	0.27	0.38	0.11
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(0.12)	(0.17)	(0.02)
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	0.03
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	*
Stock-based compensation	0.08	0.09	0.13	0.09	0.40	0.07	0.09	0.08	0.16	0.43	0.03
Amortization of intangible assets	0.04	0.04	0.04	0.04	0.15	0.05	0.05	0.05	0.12	0.29	0.11
Impairment of intangible assets	-	-	-	-	-	-	-	-	0.06	0.09	-
Merger integration expense	-	-	-	-	-	-	-	*	*	-	-
Settlement expense	-	0.01	-	-	0.01	-	-	0.03	*	0.03	0.02
Litigation costs	-	-	-	-	-	-	-	-	*	0.01	0.01
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	*
Acquisition- and integration-related expense	-	-	0.02	*	0.02	*	0.09	0.03	0.10	0.25	0.04
Restructuring	-	-	0.03	0.02	0.06	0.01	0.01	-	0.10	0.16	0.07
Gain on sales of intangible assets	-	-	(0.02)	(0.01)	(0.03)	-	(0.01)	-	-	(0.01)	-
Tax benefits arising from purchase accounting and tax reform	-	-	-	-	-	-	-	-	(0.24)	(0.35)	-
<b>Non-GAAP Diluted earnings per share or (loss) per share</b>	\$ 0.03	\$ 0.08	\$ 0.12	\$ 0.09	\$ 0.33	\$ (0.09)	\$ (0.02)	\$ 0.26	\$ 0.27	\$ 0.51	\$ (0.04)

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

# Annual and Quarterly GAAP to Non-GAAP Reconciliation (continued)

\$000's	Q116	Q216	Q316	Q416	FY16	Q117	Q217	Q317	Q417	FY17	Q118
<b>Adjusted EBITDA</b>											
<b>GAAP Net income (loss)</b>	\$ (4,654)	\$ (2,916)	\$ (3,731)	\$ (2,631)	\$ (13,932)	\$ (10,646)	\$ (12,345)	\$ 3,453	\$ (15,714)	\$ (35,252)	\$ (44,904)
Interest (income) expense	(164)	(217)	(209)	(179)	(769)	(258)	(254)	(260)	509	(263)	599
Income tax (benefit) provision	1,040	435	427	614	2,516	123	471	727	(19,761)	(18,440)	2,170
Depreciation	1,981	1,989	1,944	2,056	7,970	1,823	1,772	1,660	3,231	8,486	2,507
Amortization of intangible assets	1,946	1,773	1,774	2,007	7,500	2,259	2,293	2,293	10,267	17,112	12,309
Impairment of intangible assets	-	-	-	-	-	-	-	-	5,471	5,471	-
Acquisition-related revenue adjustment	-	-	-	-	-	-	-	-	23,280	23,280	11,118
Acquisition-related cost of revenue adjustment	-	-	-	-	-	-	-	-	(10,364)	(10,364)	(1,977)
Adjustment for new revenue standard	-	-	-	-	-	-	-	-	-	-	3,015
Adjustment to cost of revenue for new revenue standard	-	-	-	-	-	-	-	-	-	-	(110)
Stock-based compensation	4,415	4,641	6,408	4,304	19,768	3,263	4,237	3,887	14,270	25,657	2,824
Merger integration expense	-	-	-	-	-	-	-	178	(178)	-	-
Settlement expense	-	605	-	-	605	-	-	1,600	300	1,900	1,730
Litigation costs	-	-	-	-	-	-	-	-	373	373	673
Acquisition-related facilities adjustment	-	-	-	-	-	-	-	-	-	-	211
Acquisition- and integration-related expense	-	-	951	201	1,152	56	4,679	1,543	8,485	14,763	4,412
Restructuring	-	-	1,620	1,120	2,740	570	501	-	8,365	9,436	6,668
Other (income) expense, net	(103)	(10)	(803)	(508)	(1,424)	(1)	(575)	(1)	(697)	(1,274)	(248)
<b>Non-GAAP Adjusted EBITDA</b>	\$ 4,461	\$ 6,300	\$ 8,381	\$ 6,984	\$ 26,126	\$ (2,811)	\$ 779	\$ 15,080	\$ 27,837	\$ 40,885	\$ 997
<b>Adjusted EBITDA as a percentage of revenue</b>											
<b>GAAP net income (loss)</b>	-7.9%	-4.8%	-5.7%	-3.9%	-5.5%	-19.9%	-22.2%	4.6%	-10.7%	-10.7%	-37.1%
Interest (income) expense, net	-0.3%	-0.4%	-0.3%	-0.3%	-0.3%	-0.5%	-0.5%	-0.3%	0.3%	-0.1%	0.4%
Income tax (benefit) provision	1.8%	0.7%	0.7%	0.9%	1.0%	0.2%	0.8%	1.0%	-11.7%	-5.2%	1.6%
Depreciation	3.3%	3.3%	3.0%	3.0%	3.2%	3.4%	3.2%	2.2%	1.9%	2.4%	1.9%
Amortization of intangible assets	3.3%	2.9%	2.7%	3.0%	3.0%	4.2%	4.1%	3.1%	6.1%	4.8%	9.1%
Impairment of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	1.5%	0.0%
Acquisition-related revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.2%	7.4%	12.1%
Acquisition-related cost of revenue adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.1%	-2.9%	-1.5%
Adjustment for new revenue standard	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%
Stock-based compensation	7.5%	7.2%	9.7%	6.4%	7.7%	6.1%	7.7%	5.2%	8.4%	7.3%	2.1%
Merger integration expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.1%	0.0%	0.0%
Settlement expense	0.0%	1.0%	0.0%	0.0%	0.2%	0.0%	0.0%	2.1%	0.2%	0.5%	1.3%
Litigation costs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.1%	0.5%
Acquisition-related facilities adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Acquisition- and integration-related expense	0.0%	0.0%	1.5%	0.3%	0.5%	0.1%	8.4%	2.1%	5.0%	4.2%	3.3%
Restructuring	0.0%	0.0%	2.5%	1.7%	1.1%	1.1%	0.9%	0.0%	4.9%	2.7%	4.9%
Other (income) expense, net	-0.2%	*	-1.2%	-0.8%	-0.6%	*	-1.0%	*	-0.4%	-0.4%	-0.2%
<b>Non-GAAP Adjusted EBITDA as a percentage of revenue</b>	7.5%	10.4%	12.9%	10.3%	10.3%	-5.3%	1.4%	20.2%	16.4%	11.6%	0.7%

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

## Outlook GAAP to Non-GAAP Reconciliation

\$ millions

**Non-GAAP Revenue**

Less acquisition-related adjustments and impact of new revenue standard

**GAAP Revenue**

Year  
ending  
December 31,  
2018

\$ 580.0  
(31.5)  
\$ 548.5

Adjusted EBITDA: Ribbon has not provided a reconciliation of Adjusted EBITDA for the year ending December 31, 2018, as it is unable to project without unreasonable efforts the comparable GAAP net loss figure, which includes interest expense, net; income tax provision; depreciation; amortization of intangible assets; acquisition-related revenue and related cost of revenue adjustments; adjustments for the impact of the new revenue standard; stock-based compensation; settlement expense; certain litigation costs; acquisition-related facilities adjustments; acquisition- and integration-related expense; restructuring and other income (expense), net.

Thank You

