



# Ribbon Communications

Third Quarter 2020 Results

October 29, 2020



Bruce McClelland  
President & CEO



Mick Lopez  
EVP & CFO

# 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 proposed sale of our Kandy Communications business, project financial results for the fourth quarter 2020 and beyond, customer engagement and momentum, plans for future cost reductions, and plans for future product development and manufacturing, are forward-looking statements. Without limiting the foregoing, the words “believes”, “estimates”, “expects”, “expectations”, “intends”, “may”, “plans”, “projects” and other similar language, are intended to identify forward-looking statements.

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

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

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

# 3Q20 Business Overview



Bruce McClelland  
President & CEO



# Business Highlights



## Customers

- Secured eight new packet optical wins with critical Infrastructure and Enterprise customers
- Indian telecom AGR resolution provides certainty over the operating environment in the country and provides path to improved 2021 outlook
- Strong year-to-date growth of 25%+ in high performance Enterprise and Service Provider SBC platform sales
- Large software order from a major US-based multi-national bank to support their migration to Microsoft Teams and to increase call center capacity
- Expanded cloud-native voice session security offers including the certification of intelligent edge SBCs by Zoom Phone Services, and the introduction of our SBC SWe Lite on AWS
- Secured wins with six Tier 1 and Tier 2 Service Providers for our Call Trust™ solution, which mitigates robocalls and fraudulent calls



## Transformation

- **Integration on Track**
- **Cost Management**
- **Kandy Divestiture Progressing**
- **New Leadership**  
Sam Bucci joins Ribbon as EVP & GM Packet Optical Networks from Nokia



## 3Q20 Financials

- \$43M Record Adjusted EBITDA<sup>1</sup>
- 22% Sequential Total Revenue Growth for Packet Optical Networks
- 12% YoY Total Revenue Growth for C&E
- 3% Sequential Product Revenue Growth for Enterprise
- Effectively managing COVID-19 challenges
- Good visibility for a solid finish in 4Q20

# 3Q20 Financial Highlights

## Growing Revenue

\$231M Sales, up \$93M YoY<sup>1</sup>  
(Includes \$78M from Packet Optical Networks)

## Cash Flow and Balance Sheet

\$111M Ending Cash  
\$29M Cash flow from Operations

## Improving Profitability

Record \$43M Adjusted EBITDA<sup>2</sup>,  
up \$20M YoY<sup>1</sup>

## Cloud and Edge<sup>2</sup>



### Growing Software Sales

Revenue from pure software products 69% of total product revenue

Total Revenue grew 12% YoY<sup>1</sup>



### Strong Gross Margin

66% Non-GAAP Gross Margin<sup>2</sup>, up ~200 BPS YoY<sup>1</sup>

## Packet Optical Networks<sup>2</sup>



### Revenue Trend

Up 22% QoQ<sup>3</sup>  
Projected Growth 4Q20<sup>4</sup>



### Customer Success

6 New Customer Wins  
Strong 4Q20 Pipeline



### Profit Improvement

46% Non-GAAP Gross Margin<sup>2</sup>  
\$1M Adjusted EBITDA Achieved

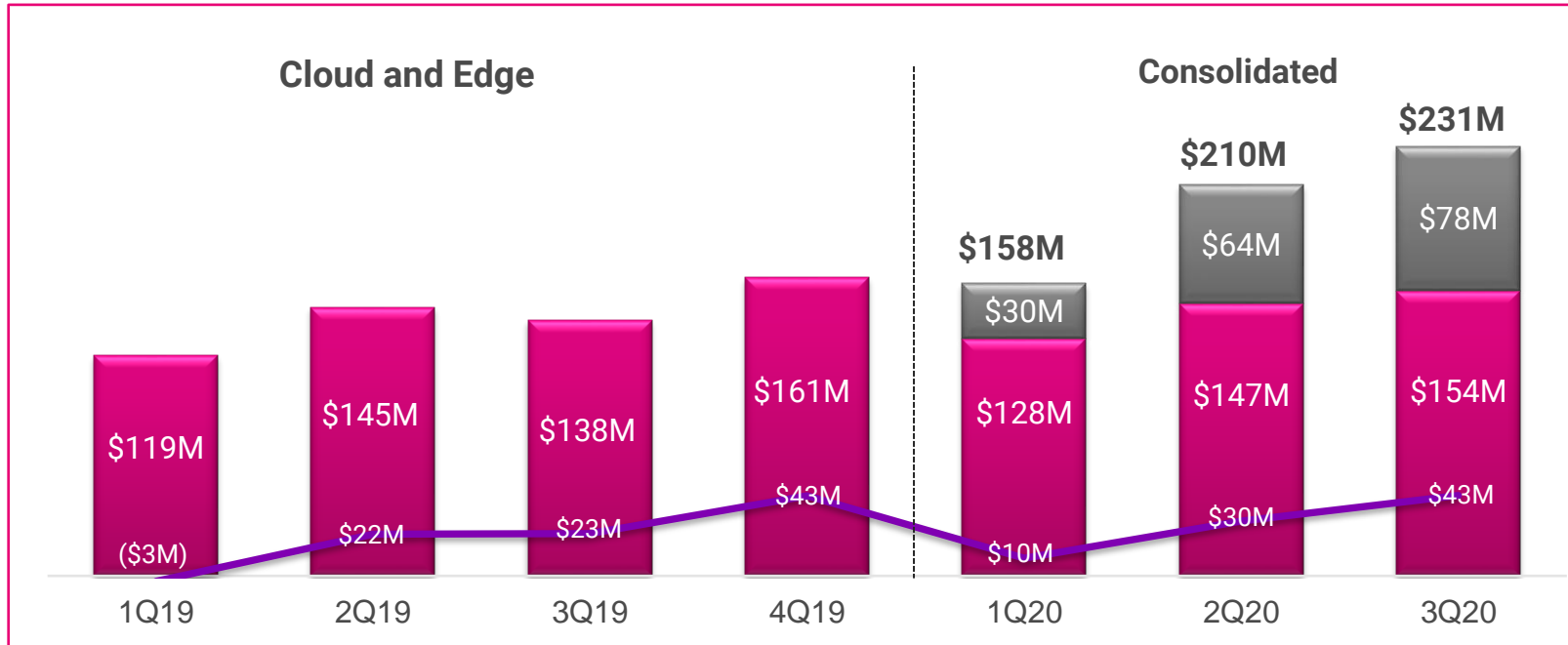
<sup>1</sup>Three months ended September 30, 2020 compared with the corresponding period in 2019.

<sup>2</sup>Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

<sup>3</sup>Calculated as Packet Optical Networks total revenue of \$78M and \$64M for the three months ended September 30, 2020 and June 30, 2020, respectively.

<sup>4</sup>Three months ended December 30, 2020 compared with September 30, 2020.

# Total Revenue and Adjusted EBITDA<sup>1</sup>



■ Cloud and Edge Revenue

■ Packet Optical Networks Revenue

— Adjusted EBITDA

<sup>1</sup>Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

# GAAP Financial Highlights

	3Q19 <sup>1</sup>	2Q20	3Q20
<b>Revenue</b>	\$138M	\$210M	\$231M
<b>Gross Margin</b>	57%	53%	53%
<b>OPEX</b>	\$76M	\$111M	\$111M
<b>Net income (loss)</b>	\$2M	\$(8)M	\$6M
<b>Diluted EPS</b>	\$0.01	\$(0.06)	\$0.04

<sup>1</sup>Please see the basis of presentation in the appendix. For the three months ended September 30, 2020, Ribbon's consolidated results exclude Packet Optical Networks as the merger closed March 3, 2020. For both the three months ended June 30, 2020 and September 30, 2020, Ribbon's consolidated results includes Packet Optical Networks for the full quarter.

# Non-GAAP Financial Highlights 3Q20

	Cloud and Edge 3Q20	Packet Optical Networks (former ECI) 3Q20	Consolidated 3Q20	
Revenue	\$154M +12% YoY <sup>1</sup>	\$78M -19% YoY <sup>3</sup>	\$231M	
Non-GAAP Gross Margin <sup>2</sup>	66% + 2 ppts YoY <sup>1</sup>	46%	59%	
Non-GAAP OPEX <sup>2</sup>	\$63M - 8% YoY <sup>1</sup>	\$35M	\$98M	
Non-GAAP Operating Margin <sup>2</sup>	25% +11 ppts YoY <sup>1</sup>	0%	17%	
Non-GAAP Adjusted EBITDA <sup>2</sup>	\$42M +83% YoY <sup>1</sup>	\$1M	\$43M +89% YoY <sup>1</sup>	Non-GAAP EPS \$0.16

<sup>1</sup>Three months ended September 30, 2020 compared with the corresponding period in 2019.

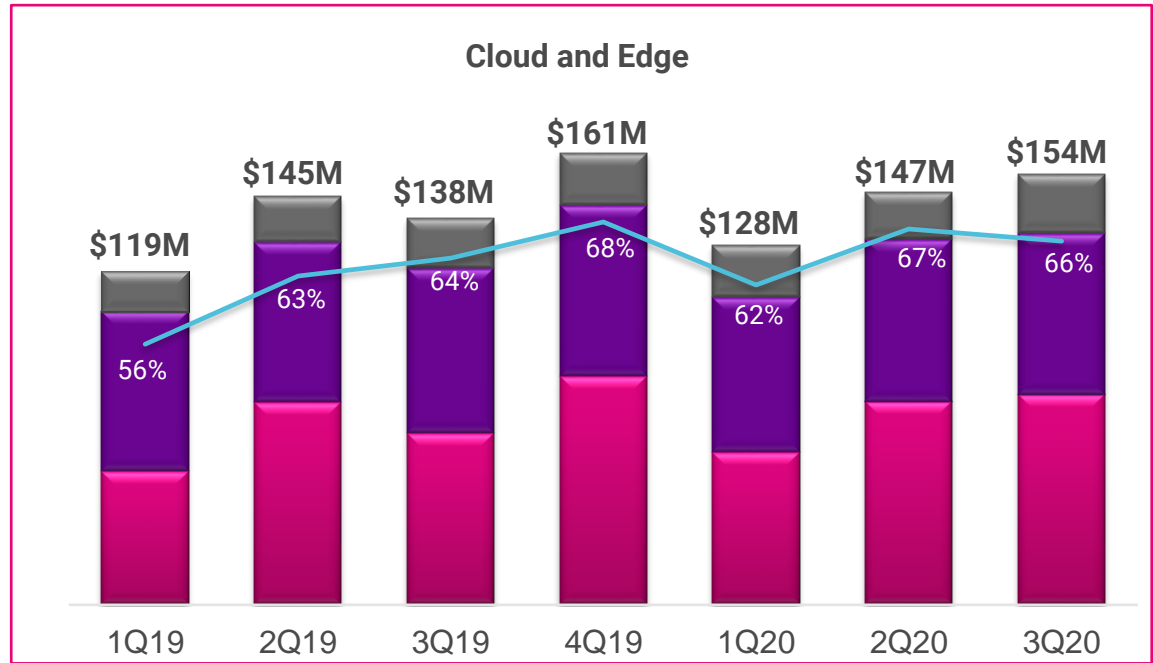
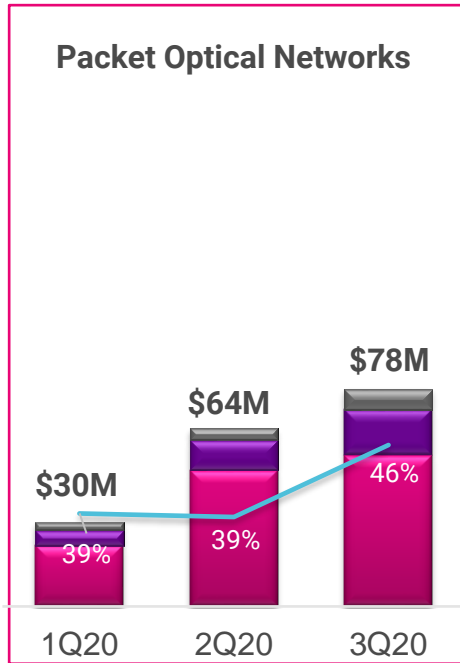
<sup>2</sup>Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

<sup>3</sup>Calculated as Packet Optical Network's total revenue of \$78M and \$95M for the three months ended September 30, 2020 and 2019, respectively. The amount for the three months ended September 30, 2019 is not included in Ribbon's consolidated results as this period was prior to the March 3, 2020 merger date.



# Quarterly Performance

Revenue and Non-GAAP Gross Margins<sup>1</sup>



■ Product   ■ Maintenance   ■ Professional Services   — NON GAAP GM

<sup>1</sup>Please see the basis of presentation and the non-GAAP reconciliation in the appendix.

# Third Quarter 2020 Key Metrics

## Pipeline



**Solid 4Q20 Visibility**  
**Book to Revenue<sup>1</sup> Ratio**  
**of 0.93**

## Revenue Mix



**43% Software Revenue<sup>2</sup>**  
**32% Maintenance Revenue<sup>3</sup>**  
**Top 10 Customers Revenue 49%<sup>3</sup>**  
**Enterprise 29%<sup>2</sup>**  
**Service Provider 71%<sup>2</sup>**  
**Domestic 45%<sup>3</sup>**  
**International 55%<sup>3</sup>**  
**YTD Kandy Revenue \$10M**

## Balance Sheet



**Cash Balance \$111M**  
**Debt \$395M**  
**Assigned \$75M Term Loan A**  
**to Term Loan B**  
**Current Annualized Weighted**  
**Interest Rate 4.35%**  
**Covenant Ratio Metrics<sup>4</sup>:**  
**Leverage 2.6x vs 4x max.**  
**FCCR 3.9x vs 1.25x min.**

## Cash Flow



**\$29M Cash From Operations**  
**\$29M Unlevered Free Cash Flow<sup>5</sup>**  
**\$4M Capex included \$2M of real**  
**estate facility improvements**

<sup>1</sup>Product and Professional Services (excluding maintenance) Bookings divided by Product and Profession Services Revenue (excluding maintenance) for the three months ended September 30, 2020.

<sup>2</sup>As a percentage of total product revenue.

<sup>3</sup>As a percentage of total revenue.

<sup>4</sup>Calculated in accordance with the Amended and Restated Credit Agreement as of 3Q20.

<sup>5</sup>Please see the non-GAAP reconciliation in the appendix.



# Key Trends and Outlook



# Cloud & Edge Portfolio

## Products & Services

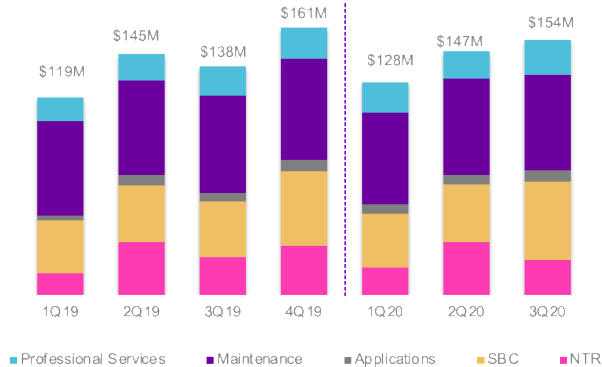
### Core and Edge Solutions

- **Digital Network Transformation (NTR)**
  - Application Server, Call Control, Media GW, Policy & Routing, Signaling
- **Session Management (SBC)**
  - Carrier Session Border Control
  - Enterprise Session Border Control
  - Enterprise Edge uCPE
  - 4G/5G VoLTE Voice Transcoding

### Network Intelligence & Management (Applications)

- **Unified Communications**
- **Analytics, Security & Network Insights**
- **Call Trust & Identity Assurance**

## Cloud and Edge Revenue Mix



## Looking Forward

### Key Trends

- Work-from-home driving continued higher network utilization and need for capacity augmentation
- Digital transformation to modernize networks and reduce costs remains a high priority
- Enterprise adoption of Unified Communications as foundational technology for both advanced collaboration and traditional voice services with security top of mind
- FCC has confirmed deadline for large US service providers to address nuisance calling in IP networks (June '21) and granted smaller carriers a two-year extension.
- Increasingly complex and distributed network architectures are driving interest in advanced analytics and machine learning solutions

### Outlook

- Modest YoY sales growth with improving margins and lower OPEX yielding 20%+ Adjusted EBITDA
- Solid outlook on both products and services for full year 2020
- 7% to 8% YoY Growth in 2020 for overall Session Management revenue driven by both Enterprise and Service Provider demand
- Lower near-term demand for on-premise Enterprise Edge SBC

# Packet Optical Networks Portfolio

## Products & Services



### Apollo

- Optical Transport
- OTN Switching



### Neptune

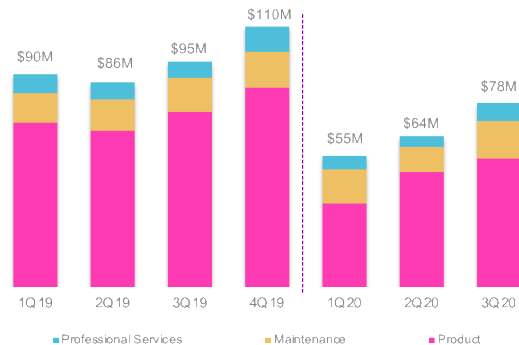
- Multiservice aggregation with advanced IP Networking support
- 5G-enabled with advanced timing and configurable hard/soft network slicing support advanced Private Network



### Muse

- Network lifecycle applications and automation
- 5G network slice management
- SDN and NFV orchestration

## Packet Optical Networks Revenue Mix



**Note:** 1Q19 through 4Q19 was not included in Ribbon's consolidated results as it was prior to the March 3, 2020 merger date. Of the amount for the three months ended March 31, 2020, \$30M was included in Ribbon's consolidated results. All of 2Q20 and 3Q20 was included in Ribbon's consolidated results.

## Looking Forward

### Key Trends

- Work-from-home driving continued higher network utilization and need for capacity augmentation
- Mobile network traffic growing exponentially and will increase 5x by 2025, with 5G traffic accounting for 45% of all mobile data traffic<sup>1</sup>
- Significant influx of investment from Internet companies into Indian economy
- Legacy TDM and SDH/SONET networks reaching end of life and migrating to IP
- Global pressure on China creating level playing field

### Outlook

- Indian telecom AGR resolution provides path to improved 2021 outlook
- Extensive RFP engagements worldwide related to network modernization supporting capacity growth and advanced 5G services
- Gaining momentum in North America leveraging Cloud & Edge market position
- Growing China vendor replacement opportunities
- Optimized cost structure improving profitability and leverage combined scale
- Significant international defense and critical infrastructure opportunities to drive further growth

<sup>1</sup>Ericsson 2020 Mobility Report <https://www.ericsson.com/en/mobility-report/reports/june-2020>

Focused on serving customers and caring for our employees

Revenue growth as Packet Optical Network North America strategy gains momentum

Sustained profitability improvement from favorable software mix, portfolio optimization and operational efficiencies

# 4Q20 Business Outlook

## Cloud and Edge

- Continued strong performance
- Revenues consistent with 3Q20

## Packet Optical Networks

- Projected sequential improvement in demand
- Cross selling strategy gaining momentum
- Stable profitability

### 4Q20 Outlook<sup>1</sup>

- Revenue between \$235 million and \$245 million
- OPEX of ~\$105 million
- Non-GAAP earnings per share of \$0.12 to \$0.14
- Adjusted EBITDA of \$36 million to \$40 million

<sup>1</sup>This outlook excludes any potential effects of the proposed sale of Kandy and assumes existing COVID-19 conditions consistent with 3Q20. Please see non-GAAP reconciliations in the Appendix.

# APPENDIX



# Ribbon Condensed Statements of Operations

USD Millions except percentages and EPS	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20
<b>GAAP FINANCIAL MEASURES</b>								
Product Revenue	47	72	61	81	262	76	121	129
Service Revenue	71	73	77	80	301	82	90	102
<b>Total Revenue</b>	<b>119</b>	<b>145</b>	<b>138</b>	<b>161</b>	<b>563</b>	<b>158</b>	<b>210</b>	<b>231</b>
<b>Gross Profit</b>	<b>57</b>	<b>81</b>	<b>79</b>	<b>101</b>	<b>317</b>	<b>82</b>	<b>112</b>	<b>123</b>
<i>Gross Margin %</i>	48%	55%	57%	63%	56%	52%	53%	53%
Research and development	36	35	34	36	141	42	52	49
Selling, general and administrative	49	41	38	44	172	54	53	58
Impairment of goodwill	-	-	-	164	164	-	-	-
Acquisition, Integration and Restructuring	8	11	4	6	29	14	6	5
<b>Total Operating Expenses</b>	<b>93</b>	<b>88</b>	<b>76</b>	<b>250</b>	<b>507</b>	<b>110</b>	<b>111</b>	<b>111</b>
<b>Income/(Loss) from Operations</b>	<b>(36)</b>	<b>(7)</b>	<b>3</b>	<b>(149)</b>	<b>(189)</b>	<b>(29)</b>	<b>2</b>	<b>12</b>
<i>Operating Margin %</i>	-30%	-5%	2%	-92%	-34%	-18%	1%	5%
<b>Net Income/(Loss)</b>	<b>(31)</b>	<b>49</b>	<b>2</b>	<b>(150)</b>	<b>(130)</b>	<b>(33)</b>	<b>(8)</b>	<b>6</b>
<b>Diluted EPS</b>	<b>(\$0.29)</b>	<b>\$0.45</b>	<b>\$0.01</b>	<b>(\$1.36)</b>	<b>(\$1.19)</b>	<b>(\$0.27)</b>	<b>(\$0.06)</b>	<b>\$0.04</b>
Weighted Average Diluted Shares	108	111	111	110	110	121	144	152
<b>Cash Flow from Operating Activities</b>	<b>20</b>	<b>10</b>	<b>(6)</b>	<b>33</b>	<b>56</b>	<b>40</b>	<b>(3)</b>	<b>29</b>
<b>NON-GAAP FINANCIAL MEASURES</b>								
<b>Adjusted EBITDA</b>	<b>(3)</b>	<b>22</b>	<b>23</b>	<b>43</b>	<b>86</b>	<b>10</b>	<b>30</b>	<b>43</b>
<b>Unlevered Free Cash Flow</b>	<b>17</b>	<b>9</b>	<b>(8)</b>	<b>31</b>	<b>49</b>	<b>35</b>	<b>(6)</b>	<b>29</b>

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



# Ribbon Condensed Balance Sheets

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

<sup>1</sup>Includes cash, cash equivalents, short- and long-term investments and restricted cash

# Ribbon Condensed Statements of Cash Flows

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

<sup>1</sup>Includes cash, cash equivalents, short- and long-term investments and restricted cash.

# Ribbon Key Revenue Statistics

USD Millions except for percentages	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20
<b>GAAP Revenue</b>								
Product	47	72	61	81	262	76	121	129
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<b>% of Total GAAP Revenue:</b>								
<b>GAAP Revenue Mix</b>								
Product	40%	50%	44%	50%	47%	48%	57%	56%
Services	60%	50%	56%	50%	53%	52%	43%	44%
<b>GAAP Revenue by Geography</b>								
Domestic	58%	58%	64%	62%	61%	50%	48%	45%
International	42%	42%	36%	38%	39%	50%	52%	55%
<b>GAAP Revenue by Channel</b>								
Direct	60%	60%	65%	69%	64%	62%	73%	72%
Indirect	40%	40%	35%	31%	36%	38%	27%	28%
<b>GAAP Product Revenue By Market</b>								
Enterprise	31%	21%	29%	29%	27%	36%	30%	29%
Service Providers	69%	79%	71%	71%	73%	64%	70%	71%
<b>10% Total Revenue Customers</b>								
	Verizon AT&T	Verizon	Verizon AT&T	Verizon AT&T	Verizon AT&T	Verizon AT&T	Verizon	Verizon

# Basis of Presentation

Totals may not sum due to rounding.

The terms “Cloud and Edge”, “Ribbon standalone”, “Ribbon’s organic business” and “organic” as used herein refer to the business, continuing operations and/or financial results, as the context dictates, of Ribbon Communications excluding the recently acquired ECI Telecom business, which was completed on March 3, 2020. The term “overall” as used herein refers to Ribbon consolidated results (including the results of ECI post-merger through September 30, 2020) for the metric or period indicated. Periods prior to the first quarter of 2020 represent Ribbon reported results for the respective period.

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

**Packet Optical Networks** relates to the ECI Telecom business.

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

# GAAP to Non-GAAP Reconciliation

\$000's	1Q19	2Q19	3Q19	4Q19	FY19	1Q20	2Q20	3Q20
<b>Adjusted EBITDA</b>								
<b>GAAP Net (loss) income</b>	\$ (30,832)	\$ 49,470	\$ 1,650	\$ (150,363)	\$ (130,075)	\$ (33,170)	\$ (8,251)	\$ 6,252
Interest expense, net	1,364	1,262	726	525	3,877	3,395	5,400	6,854
Income tax provision (benefit)	1,014	5,033	(197)	1,332	7,182	191	2,036	(782)
Depreciation	2,921	2,970	2,933	3,125	11,949	3,474	4,786	4,494
Amortization of intangible assets	11,922	12,647	12,260	12,396	49,225	14,334	14,669	16,349
Stock-based compensation	4,139	1,530	2,485	4,447	12,601	2,976	3,222	3,969
Acquisition-related inventory adjustment	-	-	-	-	-	-	-	2,000
Litigation costs	6,186	1,315	(1,534)	1,767	7,734	3,038	(937)	-
Impairment of goodwill	-	-	-	164,300	164,300	-	-	-
Acquisition- and integration-related expense	3,199	1,965	1,697	6,092	12,953	12,384	857	1,366
Restructuring and related expense	4,932	9,144	2,372	(49)	16,399	2,075	5,361	3,290
Other (income) expense, net	(7,774)	(62,861)	507	(316)	(70,444)	844	2,407	(407)
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ (2,929)</b>	<b>\$ 22,475</b>	<b>\$ 22,899</b>	<b>\$ 43,256</b>	<b>\$ 85,701</b>	<b>\$ 9,541</b>	<b>\$ 29,550</b>	<b>\$ 43,385</b>
<b>Unlevered Free Cash Flow</b>								
<b>GAAP Net cash provided by (used in) operating activities</b>	<b>\$ 19,579</b>	<b>\$ 9,540</b>	<b>\$ (6,488)</b>	<b>\$ 33,054</b>	<b>\$ 55,685</b>	<b>\$ 39,932</b>	<b>\$ (3,220)</b>	<b>\$ 28,536</b>
Interest paid	831	1,814	1,004	423	4,072	668	5,607	4,570
Purchases of property and equipment	(3,766)	(2,387)	(2,441)	(2,230)	(10,824)	(6,017)	(8,874)	(3,794)
<b>Non-GAAP Unlevered free cash flow</b>	<b>\$ 16,644</b>	<b>\$ 8,967</b>	<b>\$ (7,925)</b>	<b>\$ 31,247</b>	<b>\$ 48,933</b>	<b>\$ 34,583</b>	<b>\$ (6,487)</b>	<b>\$ 29,312</b>

# GAAP to Non-GAAP Reconciliation (continued)

\$000's	1Q19	2Q19	3Q19	4Q19	FY19	1Q20			2Q20			3Q20		
						Cloud and Edge	Packet Optical Networks	Consolidated	Cloud and Edge	Packet Optical Networks	Consolidated	Cloud and Edge	Packet Optical Networks	Consolidated
<b>Revenue</b>														
Product	\$ 47,480	\$ 72,059	\$ 61,152	\$ 81,339	\$ 262,030	\$ 54,210	\$ 21,689	\$ 75,899	\$ 72,310	\$ 48,552	\$ 120,862	\$ 74,860	\$ 54,066	\$ 128,926
Service														
Maintenance	56,989	57,141	58,901	61,197	234,228	55,556	5,512	61,068	57,853	10,770	68,623	57,623	16,019	73,642
Professional services	14,459	16,221	17,600	18,573	66,853	18,265	2,750	21,015	16,744	4,264	21,008	21,047	7,503	28,550
Total service	71,448	73,362	76,501	79,770	301,081	73,821	8,262	82,083	74,597	15,034	89,631	78,670	23,522	102,192
<b>Total revenue</b>	<b>\$ 118,928</b>	<b>\$ 145,421</b>	<b>\$ 137,653</b>	<b>\$ 161,109</b>	<b>\$ 563,111</b>	<b>\$ 128,031</b>	<b>\$ 29,951</b>	<b>\$ 157,982</b>	<b>\$ 146,907</b>	<b>\$ 63,586</b>	<b>\$ 210,493</b>	<b>\$ 153,530</b>	<b>\$ 77,588</b>	<b>\$ 231,118</b>
<b>Total gross profit</b>	<b>\$ 56,589</b>	<b>\$ 80,673</b>	<b>\$ 78,877</b>	<b>\$ 100,945</b>	<b>\$ 317,084</b>	<b>\$ 70,919</b>	<b>\$ 10,651</b>	<b>\$ 81,570</b>	<b>\$ 90,706</b>	<b>\$ 21,611</b>	<b>\$ 112,317</b>	<b>\$ 93,664</b>	<b>\$ 29,647</b>	<b>\$ 123,311</b>
<b>GAAP Gross margin - total (Total gross profit/Revenue)</b>	47.6%	55.5%	57.3%	62.7%	56.3%	55.4%	35.6%	51.6%	61.7%	34.0%	53.4%	61.0%	38.2%	53.4%
Stock-based compensation	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	*	0.1%	0.1%	0.1%	0.1%
Amortization of intangible assets	8.1%	6.9%	6.9%	5.1%	6.7%	6.2%	3.6%	5.7%	5.4%	4.8%	5.2%	5.3%	4.6%	5.0%
Acquisition-related inventory adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	0.9%
<b>Non-GAAP Gross margin - total</b>	<b>55.8%</b>	<b>62.5%</b>	<b>64.3%</b>	<b>67.9%</b>	<b>63.1%</b>	<b>61.7%</b>	<b>39.2%</b>	<b>57.4%</b>	<b>67.2%</b>	<b>38.8%</b>	<b>58.7%</b>	<b>66.4%</b>	<b>45.5%</b>	<b>59.4%</b>

\* Less than 0.1% impact on Gross margin.

# GAAP to Non-GAAP Reconciliation (continued)

\$000s	3Q19	3Q20		
		Cloud and Edge	Packet Optical Networks	Consolidated
<b>GAAP Operating expenses</b>	\$ 76,191	\$ 72,226	\$ 39,168	\$ 111,394
Stock-based compensation	(2,335)	(3,201)	(507)	(3,708)
Amortization of intangible assets	(2,738)	(4,466)	(240)	(4,706)
Litigation costs	1,534	-	-	-
Acquisition- and integration-related expense	(1,697)	(1,367)	1	(1,366)
Restructuring and related expense	(2,372)	(213)	(3,077)	(3,290)
<b>Non-GAAP Operating expenses</b>	<b>\$ 68,583</b>	<b>\$ 62,979</b>	<b>\$ 35,345</b>	<b>\$ 98,324</b>

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

<b>GAAP Operating margin</b>	2.0%	14.0%	-12.3%	5.2%
Stock-based compensation	1.8%	2.2%	0.7%	1.7%
Amortization of intangible assets	8.9%	8.2%	4.9%	7.0%
Acquisition-related inventory adjustment	0.0%	0.0%	2.6%	0.9%
Litigation costs	-1.1%	0.0%	0.0%	0.0%
Acquisition- and integration-related expense	1.2%	0.9%	0.0%	0.6%
Restructuring and related expense	1.7%	0.1%	4.0%	1.4%
<b>Non-GAAP Operating margin</b>	<b>14.5%</b>	<b>25.4%</b>	<b>-0.1%</b>	<b>16.8%</b>

# GAAP to Non-GAAP Reconciliation (continued)

(\$000s, except earnings per share)

	3Q19	3Q20
<b>Earnings per share</b>		
<b>GAAP Diluted earnings per share</b>	\$ 0.01	\$ 0.04
Stock-based compensation	0.02	0.03
Amortization of intangible assets	0.11	0.11
Acquisition-related inventory adjustment	-	0.01
Litigation costs	(0.01)	-
Acquisition- and integration-related expense	0.02	0.01
Restructuring and related expense	0.02	0.02
Tax effect of non-GAAP adjustments	(0.04)	(0.06)
<b>Non-GAAP Diluted earnings per share</b>	<u>\$ 0.13</u>	<u>\$ 0.16</u>

**Weighted average shares used to compute diluted earnings per share**

<b>GAAP Shares used to compute diluted earnings per share</b>	110,756	151,680
<b>Non-GAAP Shares used to compute diluted earnings per share</b>	110,756	151,680

	3Q19	3Q20		
		Cloud and Edge	Packet Optical Networks	Consolidated
<b>Adjusted EBITDA</b>				
<b>GAAP Net income</b>	\$ 1,650	\$ 17,404	\$ (11,152)	\$ 6,252
Interest expense, net	726	5,915	939	6,854
Income tax provision	(197)	(1,974)	1,192	(782)
Depreciation	2,933	2,990	1,504	4,494
Amortization of intangible assets	12,260	12,513	3,836	16,349
Acquisition-related inventory adjustment	-	-	2,000	2,000
Stock-based compensation	2,485	3,400	569	3,969
Litigation costs	(1,534)	-	-	-
Acquisition- and integration-related expense	1,697	1,367	(1)	1,366
Restructuring and related expense	2,372	213	3,077	3,290
Other (income) expense, net	507	93	(500)	(407)
<b>Non-GAAP Adjusted EBITDA</b>	<u>\$ 22,899</u>	<u>\$ 41,921</u>	<u>\$ 1,464</u>	<u>\$ 43,385</u>



# GAAP to Non-GAAP Reconciliation (continued)

	Three months ending December 31, 2020	
	Range	
<b>Outlook</b>		
Revenue	\$ 235	\$ 245
<b>Operating expenses</b>		
<b>GAAP outlook</b>	\$ 117.6	\$ 117.6
Stock-based compensation	(3.7)	(3.7)
Amortization of intangible assets	(4.8)	(4.8)
Acquisition- and integration-related expense	(2.1)	(2.1)
Restructuring and related expense	(2.0)	(2.0)
<b>Non-GAAP outlook</b>	\$ 105.0	\$ 105.0
<b>(Loss) earnings per share</b>		
<b>GAAP outlook</b>	\$ (0.01)	\$ 0.02
Stock-based compensation	0.03	0.03
Amortization of intangible assets	0.10	0.10
Acquisition- and integration-related expense	0.01	0.01
Restructuring and related expense	0.01	0.01
Tax effect of non-GAAP adjustments	(0.02)	(0.03)
<b>Non-GAAP outlook</b>	\$ 0.12	\$ 0.14
<b>Weighted average shares used to compute (loss) per share or diluted earnings per share (in thousands)</b>		
<b>GAAP</b> Shares used to compute loss per share or diluted earnings per share	145,300	151,700
<b>Non-GAAP</b> Shares used to compute diluted earnings per share	151,700	151,700
<b>Adjusted EBITDA (in \$ millions)</b>		
<b>GAAP net loss (income) outlook</b>	\$ (2.1)	\$ 1.9
Interest expense, net	6.5	6.5
Income tax provision	2.3	2.3
Depreciation	4.3	4.3
Amortization of intangible assets	15.5	15.5
Stock-based compensation	3.9	3.9
Acquisition- and integration-related expense	2.1	2.1
Restructuring and related expense	2.0	2.0
Other expense, net	1.5	1.5
<b>Non-GAAP outlook</b>	\$ 36.0	\$ 40.0



**Thank You**