



## Ribbon Communications Signs Agreement to Acquire Edgewater Networks, Inc.

*Immediately accretive acquisition elevates Ribbon to market leadership position in Enterprise Session Border Controller and Network Edge Orchestration*

**FOR IMMEDIATE RELEASE – June 25, 2018**

**WESTFORD, Mass. – [Ribbon Communications Inc.](#)** (Nasdaq: RBBN), a global leader in secure and intelligent cloud communications, today announced that it has signed an agreement to acquire Edgewater Networks, a market leader in Network Edge Orchestration for the small and medium enterprise (SME) and Unified Communications (UC) market. The acquisition is projected to result in Ribbon becoming the market share leader for enterprise Session Border Controllers (SBCs) and Network Edge Orchestration. This acquisition will allow Ribbon to offer its global customer base a complete core-to-edge product portfolio, unrivaled end-to-end service assurance and analytics solutions, and a fully integrated SD-WAN service.

The acquisition expands and enhances Ribbon’s solution offerings to its customers. The combined portfolio is expected to further strengthen the new Ribbon Protect UC security offering with voice and data intelligence from the enterprise edge and customer premises. With the ability to serve the core to the edge of the network, Ribbon will be equipped to provide an end-to-end connection to the enterprise and deliver unparalleled service assurance, security and monitoring capabilities. Upon completion of the transaction, the Kandy Unified Communications as a Service (UCaaS) offering will also be enhanced with the ability to provide analytics and service assurance capabilities across the enterprise network edge. In addition, Ribbon’s Microsoft Skype for Business and Teams offerings will be expanded by Edgewater Networks Intelligent Edge solutions.

“With Edgewater Networks strong, sustained growth in recent years and their complementary solutions set, this acquisition makes sense on a number of fronts for Ribbon, allowing them to strengthen their position in enterprise SBCs,” said Diane Myers, senior research director for IHS Markit. “This is a high synergy, low overlap combination that gives Ribbon a broad product line that serves customers of all sizes and can be offered and distributed through multiple channels.”

“This transaction demonstrates how we are delivering on our strategic objectives and extending our market reach,” said Fritz Hobbs, President and Chief Executive Officer of Ribbon Communications. “The combination of Ribbon Communications and Edgewater Networks creates a best-in-breed, complete platform that extends our leadership position in the SBC, cloud UC, security and analytics markets.”

“The customer footprint of our combined organization is unmatched in the marketplace,” said David Norman, Chief Executive Officer of Edgewater Networks. “The combination of Ribbon and Edgewater Networks will allow us to better serve customers globally and accelerate our pace of innovation in the UC and SD-WAN markets.”

Kevin Riley, Chief Technology Officer and Executive Vice President of Advanced R&D for Ribbon Communications commented, “Together, Ribbon and Edgewater Networks’ solutions address the entire enterprise market. Communications Service Providers, Managed Service Providers and Systems Integrators will have a comprehensive product line and support organization to deliver services to the rapidly expanding Unified Communications market.”

## Overview of Edgewater Networks

- Edgewater Networks is a private company, founded in 2002.
- Edgewater Networks has more than 635,000 actively deployed edge devices and more than 20 million connected endpoints.
- Edgewater Networks has approximately 80 employees and is headquartered in San Jose, California.

## Transaction Details

- At the closing of the merger agreement, Ribbon will pay Edgewater Networks shareholders an aggregate of \$110 million, subject to customary post-closing net working capital and debt adjustments, comprised of:
  - \$50 million of cash (subject to customary net working capital adjustments) to be paid at the time of closing and to be funded through Ribbon's existing credit facility.
  - \$30 million of deferred cash payments, to be funded through existing operating cash flows and completed within 18 months from the closing date.
  - \$30 million of Ribbon common stock to be issued at the time of closing, not to exceed 5.2 million shares.
- The transaction is expected to close in the third quarter of 2018 and is subject to customary closing conditions and regulatory approvals.

## Edgewater Networks Financial Highlights

- Edgewater Networks revenue was \$64 million in 2017 and \$50 million in 2016, primarily derived from sales within the U.S. Over the past four years, Edgewater Networks has recorded annual double-digit sequential revenue growth.
- Adjusted EBITDA<sup>1</sup> was \$4 million in 2017, a 98% increase compared to \$2 million in 2016.
- The transaction is expected to be immediately accretive to Ribbon's Adjusted EBITDA and Non-GAAP EPS post-closing.

1) Please see the reconciliation of non-GAAP and GAAP financial measures in the press release appendix.

## Key Takeaways

- The combination is expected to make Ribbon a market leader in enterprise SBCs from SMEs all the way up to large enterprises.
- The acquisition of Edgewater Networks differentiates and extends Ribbon's leadership position in the SBC, cloud, security and analytics markets by offering the only portfolio of edge-to-core solutions to service providers and enterprises of all sizes.
- The acquisition allows Ribbon to take Edgewater Networks solutions to market globally with a much larger distribution channel.
- The Edgewater Networks portfolio enhances multiple Ribbon offerings and strategic initiatives, including Kandy UCaaS, Ribbon Protect and Microsoft Skype for Business and Teams solutions.
- Edgewater Networks' SD-WAN service provides Ribbon customers with a complete solution for the SME market.

## Advisors

TAP Advisors LLC served as Ribbon's financial advisor, Latham & Watkins LLP served as Ribbon's legal advisor and Ernst & Young LLP served as Ribbon's advisor for financial diligence and related matters. AGC Partners served as Edgewater Networks' financial advisor and Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP served as Edgewater Networks' legal advisor.

## About Ribbon Communications

Ribbon Communications Inc. (Nasdaq: RBBN) is a company with two decades of market leadership experience in providing secure real-time communications solutions to the top service providers and enterprises around the globe. Built on world-class technology and intellectual property, Ribbon delivers highly reliable, unified and embedded real-time communications capabilities to customers in more than 25 countries and on 6 continents. The Company transforms fixed, mobile and enterprise networks from

legacy environments to all IP and fully virtualized, secure, cloud-based architectures, enabling highly productive communications for consumers and businesses. Ribbon's market-leading communications security solutions are based on a big data behavioral analytics platform and offer customers enhanced network intelligence and security. The Company's Kandy Communications Platform-as-a-Service (CPaaS) enables rapid service creation and digital transformation by delivering customers a comprehensive set of advanced embedded and unified communications capabilities. To learn more, visit [ribboncommunications.com](http://ribboncommunications.com).

### **About Edgewater Networks**

Founded in 2002, Edgewater Networks is a market leader in enabling IP-based voice, video and data services. Service providers and enterprises of all sizes use Edgewater Networks solutions to simplify customer premise configurations for quick and smooth installations, reduce time to market and deliver rapid return on invested capital. Edgewater Networks helps customers deliver intelligence at the network edge with its Network Edge Orchestration platform that includes the EdgeView Service Control Center, EdgeMarc Intelligent Edges, and the QuickConnect Interoperability Lab. To learn more, please visit [www.edgewaternetworks.com](http://www.edgewaternetworks.com) or follow us on Twitter at @ewn\_inc.

### **Important Information Regarding Forward-Looking Statements**

The information in this release contains forward-looking statements which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are regarding future events that involve risks and uncertainties, including statements regarding delivering value to customers. All statements other than statements of historical facts contained in this release are forward-looking statements, including statements regarding the acquisition of Edgewater Networks, the time frame in which this will occur, satisfaction of closing conditions, the expected benefits to Ribbon Communications, including benefits to customers, introduction of new solutions, and statements regarding expected future financial performance. Actual results may differ materially from those contained in the forward-looking statements in this press release.

Additionally, various risks and uncertainties could affect Ribbon Communications' actual results and cause such results to differ materially from those contemplated by the forward-looking statements, including, without limitation, Ribbon's ability to complete the transaction in the time frame expected or at all; Ribbon's success integrating the businesses of Edgewater Networks; Ribbon's ability to realize the anticipated benefits from the transaction; and the effects of disruption from the transaction, making it more difficult to maintain relationships with employees, customers, business partners or government entities. For further information regarding risks and uncertainties associated with Ribbon Communications' business, please refer to the "Risk Factors" section of Ribbon Communications' most recent annual report on Form 10-K filed with the SEC. Any forward-looking statements represent Ribbon Communications' views only as of the date on which such statements are made and should not be relied upon as representing Ribbon Communications' views as of any subsequent date. While Ribbon Communications may elect to update forward-looking statements at some point, Ribbon Communications specifically disclaims any obligation to do so.

### **Discussion of Non-GAAP Financial Measures**

This press release contains the Adjusted EBITDA of Edgewater Networks, which is considered a non-GAAP financial measure under the rules and regulations of the Securities and Exchange Commission. The reconciliation of Adjusted EBITDA of Edgewater Networks to net income is included elsewhere in this release. Adjusted EBITDA is a non-GAAP financial measure 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. While our management uses Adjusted EBITDA as a tool to enhance their understanding of certain aspects of Edgewater Networks' financial performance, management does not consider this measure to be a substitute for, or superior to, GAAP measures. Adjusted EBITDA should not be considered an alternative 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 Adjusted EBITDA as an analytical tool. In particular, many

of the adjustments reflect the exclusion of items that are recurring and will be reflected in our financial results for the foreseeable future. We believe that providing Adjusted EBITDA 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 the core financial and operating performance of Edgewater Networks and evaluate the efficacy of the methodology and information used by our management to evaluate and measure performance.

**Investor Relations**

Sara Leggat  
+1 (978) 614-8841  
[sleggat@rbbn.com](mailto:sleggat@rbbn.com)

**Analyst Relations**

Michael Cooper  
+1 (708) 383-3387  
[mcooper@rbbn.com](mailto:mcooper@rbbn.com)

**US Press**

Dennis Watson  
+1 (214) 695-2224  
[dwatson@rbbn.com](mailto:dwatson@rbbn.com)

**International Press**

Catherine Berthier  
+1 (646) 741-1974  
[cberthier@rbbn.com](mailto:cberthier@rbbn.com)

EDGEWATER NETWORKS, INC.  
Reconciliation of Non-GAAP and GAAP Financial Measures  
(in millions)  
(unaudited)

	Year ended	
	December 31, 2017	December 31, 2016
<b>Adjusted EBITDA:</b>		
<b>GAAP net income (loss) (audited)</b>	\$ 1.4	\$ *
Interest (income) expense, net	0.9	0.9
Income tax provision	0.2	*
Depreciation and amortization	0.8	0.8
<b>EBITDA</b>	<u>3.3</u>	<u>1.7</u>
Preferred stock warrant expense	0.3	0.3
Severance	0.3	-
Stock-based compensation	0.2	0.1
<b>Non-GAAP Adjusted EBITDA</b>	<u>\$ 4.1</u>	<u>\$ 2.1</u>

\* Amount rounds to less than \$0.1 million