

Ribbon Communications Inc. (Nasdaq: RBBN)

Rating: Buy

Price Target: \$6.50

Share Price: \$4.01

Greg Mesniaeff
gmesniaeff@kingswoodus.com
July 1, 2025
Company Data

Average Daily Volume (M)	544.49
52-Week Range	2.75-5.38
Shares Outstanding (M)	176.54
Market Cap (M)	697.35
Enterprise Value (M)	1,034.21
Total Cash (M), mrq	71.24
Total Debt (M)	408.10
Total Debt to Cap	51.66%

Estimates

		2025E	2026E
EPS	Q1	(\$0.03)A	
	Q2	\$0.07	
	Q3	\$0.09	
	Q4	\$0.15	
	FY	\$0.28	\$0.37
P/E		14.1x	10.7x
	Q1	\$181.28A	
	Q2	\$213.75	
	Q3	\$225.38	
	Q4	\$258.32	
Rev (M)	FY	\$878.73	\$927.35
EV/Sales		1.2x	1.1x

One-Year Performance Chart


As of June 27, 2025. Source: E-Trade.

Riding the Wave of Cloud Connectivity Growth in the U.S. and Europe

Initiating coverage with a Buy rating and \$6.50 price target

Summary

We are initiating coverage of Ribbon Communications Inc. with a Buy rating and a \$6.50 12-month price target. The North American networking infrastructure market is growing rapidly, propelled by 5G, Internet of Things (IoT), next-generation Optical IP, and bandwidth demands across cloud, edge, and backbone networks. Ribbon is driving significant growth through modernizing voice communications for Tier One service providers like Verizon, expanding into diversified segments including enterprise, Federal defense, and rural broadband, and boosted by programs like Broadband Equity Access and Deployment (BEAD). The company enhances revenue by cross-selling integrated Cloud & Edge and IP Optical solutions, leveraging its broad customer base and strategic partnerships.

- 5G, IoT, and Low Latency Driving North American Cloud and Edge Growth.** The North American digital infrastructure market is poised for significant expansion, with the cloud computing market alone valued at \$293 billion in 2024 and expected to reach \$875 billion by 2030, according to industry researcher Grand View Research. This growth is mirrored in the North American Cloud and Edge market, driven by increased demand for cloud communications (projected 10-15% CAGR) and particularly rapid growth in edge computing (projected 20-30% CAGR). Growth is fueled by the need for low-latency processing for IoT, 5G deployments, and smart cities, with key

adoption in IT, telecom, healthcare, banking, financial services, and insurance (BFSI), and gaming, alongside the emerging trend of micro data centers. Complementing this, the North American Optical Networks market, valued at \$9.0 billion in 2025 and expected to grow at a 5-8% CAGR, is essential for 5G backhaul and data center interconnects, propelled by rising bandwidth demands from video streaming, cloud computing, and data-intensive applications, alongside fiber densification, government subsidies, globalization, and technological advancements.

- **Modernization of voice communication remains a significant contributor to growth.** Ribbon Communication's engagement with U.S. Tier One Service Providers, particularly focused on network modernization, remains a significant growth engine. Exemplified by the Verizon Voice Network Modernization Project, these initiatives led to a 21% quarter-over-quarter network modernization sales growth for Ribbon in Q4 2024. The Verizon relationship is a major revenue driver, accounting for 17% of Ribbon's Q4 2024 revenue and seeing an impressive 80% sales growth in the second half of 2024, with the project alone expected to generate over \$300 million over three years by replacing legacy Time Division Multiplexing (TDM) systems with next-gen cloud-based voice platforms. This growth vector is characterized by ongoing, multi-year projects. Importantly, Ribbon is expanding its network modernization sales beyond Verizon to other U.S. service providers, diversifying its revenue streams while leveraging its expertise in voice infrastructure transformation and cloud-native solutions. These actions position it well for future opportunities as more carriers undertake similar transitions.
- **Ribbon fuels growth through enterprise, government, and rural broadband.** Beyond its core U.S. Tier One Service Provider business, Ribbon is executing a diversified growth strategy targeting federal defense agencies, enterprise customers, and rural broadband initiatives, alongside contributions from Europe and India. Enterprise is a significant segment, accounting for 41% of revenue with recent wins in financial services, while U.S. federal defense agencies have become a primary revenue driver due to Ribbon's strategic focus on secure communications for critical infrastructure. Rural broadband, boosted by the \$42.45 billion BEAD program, presents substantial opportunities for Ribbon's IP optical and integrated solutions to support fiber-to-the-home deployments in underserved areas, building on its existing presence and contributing to North American IP Optical revenue. This multi-faceted approach, coupled with a 5% year-over-year sales rise and a 1.1x book-to-bill ratio at the end of 2024, positions Ribbon for continued expansion.
- **Integrated Solutions and Strategic Partnerships fuel Ribbon's cross-selling initiatives.** Ribbon effectively leverages its extensive global customer base of over 1,000 service providers, enterprises, and government agencies to drive growth through cross-selling its Cloud & Edge and IP Optical Networks portfolios. For service providers, this involves integrating IP routing with voice transformation products to encourage broader portfolio adoption, while for enterprises, it means bundling hardware and software solutions

including unified communications and secure real-time communications to maximize revenue per account and reduce acquisition costs.

- **RBBN shares remain undervalued, we believe.** Shares are currently trading at 11-12x our FY26 non-GAAP EPS estimate of \$0.37, versus the peer average of ~23x (see Table on page 15). Our \$6.50 price target assumes a full valuation P/E multiple of ~17-18x our FY26 estimate, which is still below the current peer group average forward P/E multiple.

Company Overview

Ribbon Communications Inc. (Nasdaq: RBBN) is a global provider of secure cloud communications and IP and optical networking solutions. The company plays a crucial role in helping service providers, enterprises, and critical infrastructure sectors modernize their networks to meet the increasing demands of data-intensive and mission-critical communications infrastructure. Ribbon's market focus is heavily centered on network transformation, driven by key trends: the proliferation of 5G and IoT devices, the critical need for low-latency data processing, and the ever-growing demand for bandwidth. These drivers are particularly evident in the North American market, where significant expansion is occurring across cloud computing, edge computing, and IP optical networks. Ribbon's solutions are designed to enable this evolution, supporting everything from modern cloud-based voice services to high-capacity optical transport for 5G backhaul and data center interconnects. Ribbon serves a diverse global customer base exceeding 1,000, including major Tier One service providers, federal defense agencies, enterprise customers, and participants in rural broadband initiatives. A core part of Ribbon's strategy is leveraging these relationships to cross-sell solutions across its portfolio. This involves integrating offerings, such as combining IP routing with voice transformation products for service providers or bundling hardware and software for enterprise secure communications. Strategic partnerships, like the significant voice network modernization project with Verizon, and participation in government-backed programs, including the U.S. BEAD program for rural broadband, are key drivers for both revenue growth and cross-selling opportunities. By providing integrated solutions and capitalizing on network modernization trends across various sectors, Ribbon is strategically positioned for continued growth and expansion.

Ribbon's Products and Services

The Company operates primarily through two business segments: Cloud & Edge and IP Optical Networks. The Cloud & Edge segment provides secure and highly reliable software and hardware products for real-time communications, including Voice over IP (VoIP) and unified communication solutions for both service providers and enterprises. The IP Optical Networks segment offers IP networking and optical transport solutions that provide high-bandwidth connectivity and intelligent transport services.

Cloud and Edge segment

Ribbon's Cloud and Edge segment focuses on providing Voice over IP (VoIP) and Unified Communications & Collaboration (UC&C) solutions to service providers, enterprises, and critical infrastructure operators. This segment has emerged as a key growth driver for the company, with revenue reaching \$165 million

in Q4 2024, representing growth of 35% year-over-year and 29% quarter-over-quarter. The segment's growth is driven by several factors: increased demand for secure communications solutions in enterprise environments and the ongoing modernization of voice infrastructure by major telecommunications providers. Ribbon has successfully positioned itself as a trusted provider in this space, securing important contracts with major clients including voice modernization programs with Verizon and other carriers. The company's ability to provide comprehensive, secure solutions for real-time communications make it well-positioned to enable enterprise customers to modernize their communication networks. The Cloud and Edge segment offers secure and reliable software and hardware products, solutions, and services primarily focused on VoIP, Voice over LTE (VoLTE), Voice over New Radio (VoNR), and Unified Communications & Collaboration (UC&C) for both service providers and enterprises. These offerings are increasingly software-centric and cloud-native, supporting deployment across various infrastructures including private, public, and hybrid clouds, data centers, and on-premises.

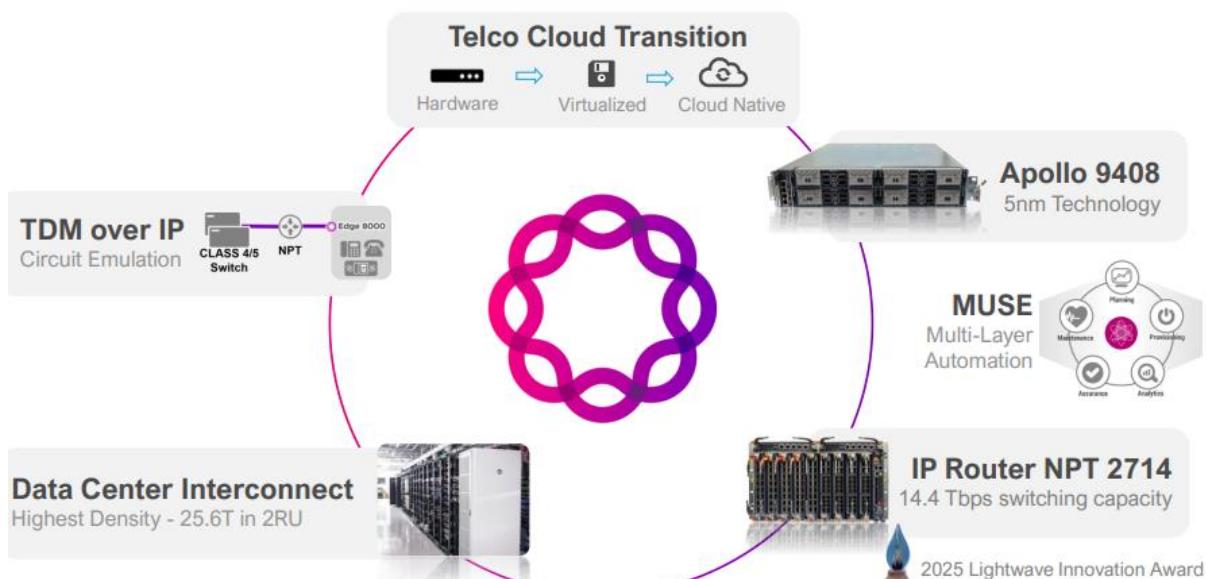
The portfolio provides solutions for:

- Securing and ensuring resilient connectivity for cloud-based UC&C applications like Microsoft Teams and Zoom
- Securing contact center applications and service provider-hosted UC services
- Securing network interconnects for communication services
- Transforming legacy fixed voice networks to VoIP and virtualized environments
- Implementing IP Multimedia Subsystem (IMS) networks for mobile VoLTE and 5G voice services
- Modernizing and securing enterprise UC environments
- Securing voice sessions, VoIP infrastructure, and related components
- Providing identity assurance to mitigate robocalls and prevent fraud through caller identity, intent, and reputation analysis, leveraging standards like Secure Telephone Identity Revisited (STIR)/Signature-based Handling of Asserted information using toKENs (SHAKEN)
- Offering analytics for network visibility, security, service assurance, and fraud mitigation

The Cloud and Edge segment's product portfolio is mainly comprised of two categories:

- **Session Border Controller (SBC) products:** These include a range of deployment platforms such as carrier-grade hardware, virtualized and cloud-native software for public/private clouds (AWS, Azure, GCP), fully cloud-native as-a-Service (aaS) offerings, and on-premises appliances. The SBC portfolio includes: (i) Core network SBCs for managing and securing voice traffic within and between networks, along with Policy and Routing products, (ii) Enterprise Session Border Controllers and Edge products for enabling and securing cloud-based UC&C deployments, cloud contact centers, and providing service assurance. This includes the EdgeMarc multi-service gateway portfolio and the Ribbon Connect for Microsoft Teams Direct Routing aaaS platform, (iii) Ribbon Call Trust, an aaaS offering for identity assurance to combat robocalls and fraud and (iv) a cloud-native Analytics Platform for gathering intelligence from network elements to enhance performance, security, and service assurance.

- **Network Transformation products:** Deployed in demanding environments, these products enable the modernization of fixed, mobile, and enterprise voice networks to support IP-based services and Telco Cloud deployments. This category includes: (i) Signaling products for network signaling, (ii) Call Controllers for call processing, (iii) Media Gateways for interworking and translating media between different network protocols using codecs and digital signal processors and (iv) a multi-tenant Application Server for deploying VoIP and UC&C services.



Source: Ribbon Communications

IP Optical Networks Segment

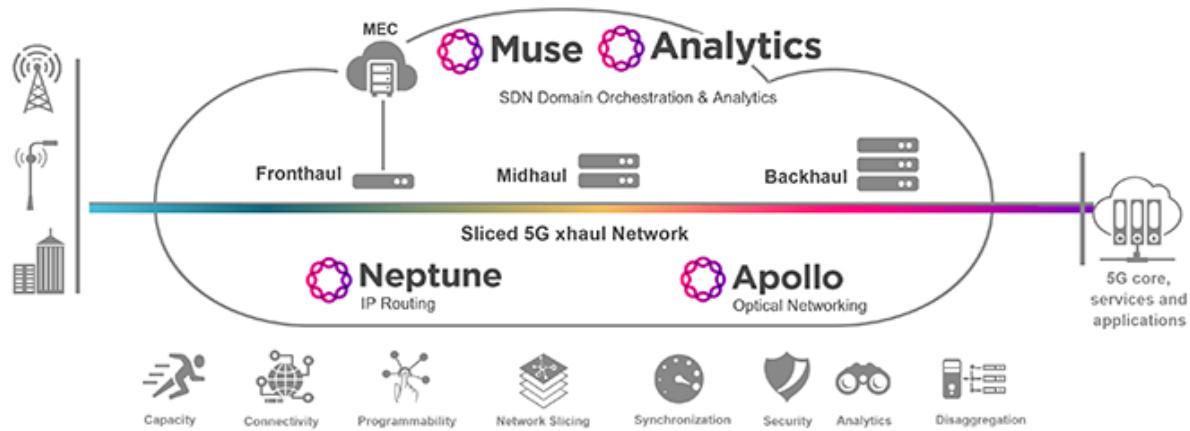
Ribbon's IP Optical Networks segment provides networking solutions for bandwidth-intensive applications. While this segment experienced a 6% revenue decline in Q1 2025 compared to the same period in 2024, it remains strategically important for Ribbon's long-term positioning in the evolving telecommunications infrastructure market. The segment benefits from several market trends, including the growing demand for high-capacity networks, the expansion of 5G infrastructure requiring robust optical backhaul, and increasing investments in network modernization across various regions. Ribbon's capabilities in this area are evidenced by technological achievements, including 1.2 Tbps interoperability with Cisco at OFC 2024 (Optical Fiber and Communication Conference and Exhibition) and achieving interoperable 2x400GbE transport via a single 800G wavelength over a brownfield 1,650 km Amsterdam-Geneva link. Opportunities for growth in this segment focus on expanding deployments in rural broadband initiatives, particularly in the United States, continued network modernization by tier-one service providers, and international market expansion. (The Company is already reporting solid contributions from European and Indian markets).

The industry's exponential growth in telecommunications traffic, driven by technologies like 5G and distributed cloud computing, relies heavily on IP and Optical networks for ultra-low cost-per-bit transport

and multi-service flexibility. The IP Optical Networks segment provides high-performance, secure, and reliable hardware and software products for IP networking, switching, routing, and optical transport to service providers, enterprises, and critical infrastructure verticals (including utilities, government, defense, transportation, education, and research). The portfolio offers solutions spanning access, metro, regional, and long-haul networks using various topologies. It supports diverse networking services via protocols like multiprotocol label switching (MPLS) and provides 5G-native solutions for mobile backhaul, metro/edge aggregation, core networking, data center interconnect, multi-service access, and wholesale carrier transport, emphasizing high availability and security for mission-critical services. The multi-layer product portfolio includes:

- **Apollo:** This product line provides programmable and open Optical Transport Network (OTN) capabilities over Dense Wavelength Division Multiplexing (DWDM). Apollo maps services into OTN for transparent transmission and routes wavelengths via DWDM to increase fiber capacity and efficiency. It offers reconfigurable, low-latency optical transport with optimizations for capacity-reach (up to 1.2 Tbps) and power-cost (400 Gbps for metro). Apollo supports flexible DWDM/OTN transport with integrated packet switching, a modular architecture, software-configurable optical routing, dynamic reconfiguration for service availability, and is Software Defined Network (SDN)-ready. A key security feature is Layer 1 Optical Encryption (AES-256) with support for various key exchange mechanisms, including Post Quantum Computing and Quantum Key Distribution.
- **Neptune:** These high-performance switching and routing solutions are optimized for converged, service-aware aggregation between users and applications. Neptune supports multiple services over various access technologies, including Ethernet (GbE to 100GbE), Passive Optical Network (PON) (XGS-PON, EPON), and TDM circuit emulation. It aggregates access traffic and connects it to services while meeting specific service level agreements (SLAs) using protocols like IP/MPLS, MPLS-Transport Profile (TP), and Segment Routing Traffic Engineering (SR-TE). Neptune can dynamically route connectivity for distributed services and supports 400G ZR+ pluggables for single-layer IP over DWDM or multi-layer IPoOTN/DWDM. It is suitable for residential broadband backhaul, business services, multiple system operators (MSOs), private enterprise networks, and 5G deployments due to features like Flexible Ethernet, enhanced timing, high-density platforms, and form factors for various deployment environments.
- **Muse:** This SDN multi-layer Domain Orchestrator and cognitive software is a suite of cloud-native applications for orchestrating underlying Neptune IP and Apollo Optical networks. Muse provides complete lifecycle management and automation to speed up time to revenue, reduce total cost of ownership (TCO), and facilitate integration. It enables the programmatic configuration of network slices for 5G services and customer sub-networks, offering tools for designing, provisioning, and assuring services on top of these slices. Muse empowers service providers with advanced service and network control applications for service creation, proactive assurance,

optimization, and automation through intuitive graphical user interfaces (GUIs) or industry-standard application programming interfaces (APIs).



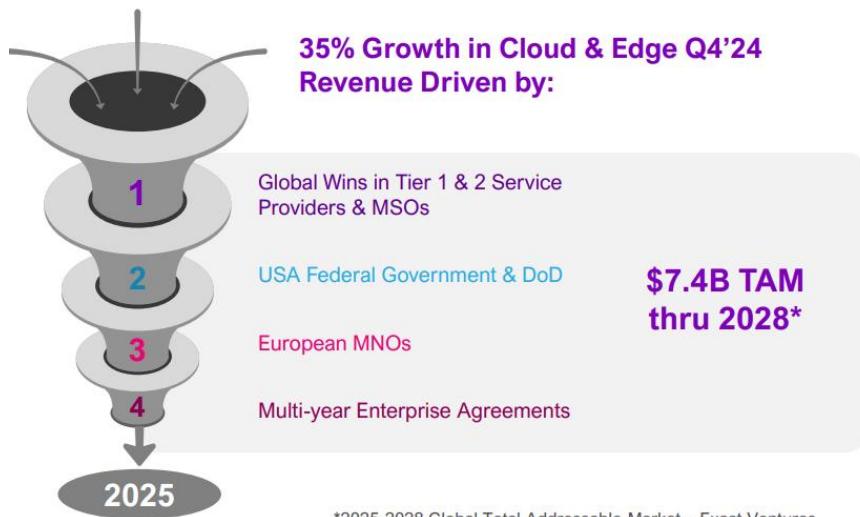
Source: Ribbon Communications

We believe that Ribbon Communications has established several competitive advantages that support its long-term growth potential. The company has developed a diverse and high-quality customer base spanning major telecommunications providers, government agencies and enterprises. This includes U.S. Tier One Service Providers, U.S. Federal Defense agencies and enterprise customers in multiple industry verticals.

Key Investment Considerations

5G, IoT, and Low Latency Driving North American Cloud and Edge Growth. The North American cloud computing market was valued at \$293 billion in 2024 and is expected to reach \$875 billion by 2030, according to market researcher Grand View Research. The North American Cloud and Edge market is experiencing significant growth, driven by the increasing demand for cloud-based communication services, 5G deployments, and edge computing. Market research indicates that the cloud communications market is projected to grow at a CAGR of approximately 10-15% over the next five years. The edge computing market is expected to witness even faster growth, with a CAGR of 20-30% as enterprises and service providers deploy edge infrastructure to support low-latency applications. The increasing demand for low-latency data processing has become critical as applications require real-time responsiveness. The proliferation of Internet of Things (IoT) devices continues to generate vast amounts of data requiring local processing capabilities. Additionally, the advent and widespread adoption of 5G technology is creating new possibilities for edge deployments, while rising smart city initiatives further fuel the need for distributed computing resources. These converging trends create a favorable environment for companies offering edge computing solutions. Industry adoption patterns show strength in sectors requiring immediate data processing capabilities. The IT and telecom industries naturally lead in edge data center adoption, followed by healthcare, banking and financial services (BFSI), and gaming.

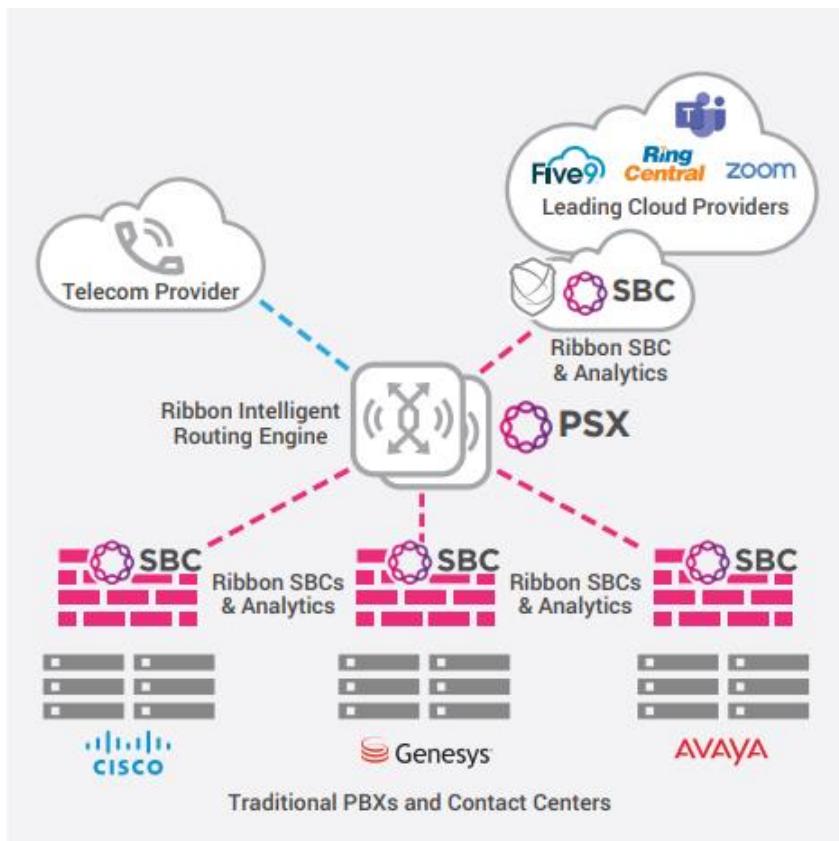
sectors, all of which benefit significantly from reduced latency and localized processing power. The emergence of micro data centers represents another noteworthy trend, as these compact solutions provide localized data processing capabilities in remote or underserved areas, supporting applications like smart city infrastructure and industrial IoT deployments that require computing power closer to data generation points.



Source: Ribbon Communications

5G, Cloud, and Bandwidth Demand Drive North American IP Optical Networks Growth. The North American IP Optical Networks market is driven by the increasing demand for bandwidth from video streaming, cloud computing, and data-intensive applications. The global market is estimated at \$27 billion in 2025 (with North America accounting for 35%, at \$9.4 billion) and is projected to reach \$40 billion by 2030, according to Mordor Intelligence. Market research indicates that the optical networking market is projected to grow at a CAGR of 5-8% over the next five years driven by fiber densification and government broadband subsidies (e.g., the U.S. BEAD Program). The expansion of optical networking is supported by several fundamental market drivers. The need for seamless connectivity across geographical boundaries continues to increase as digital transformation accelerates across industries. Intensifying globalization demands reliable, high-capacity networks connecting international operations. The surge in cloud services adoption requires robust optical backbone networks to support data transfers between dispersed data centers. Additionally, the growing demand for high-speed data transmission capabilities is becoming essential for businesses and consumers alike, while supportive regulatory policies and government initiatives create favorable conditions for network expansion and modernization. Ongoing deregulation in communications sectors is opening new opportunities for competition and innovation. Technological advancements in fiber optic technology continue to enhance capacity and performance capabilities. The rise of cloud computing creates new deployment patterns requiring flexible optical networks. The introduction and expansion of 5G wireless networks demands powerful optical backhaul infrastructure, while the growing influence of big data analytics necessitates networks capable of handling massive data volumes efficiently.

Modernization of voice communication is a major contributor to growth. Ribbon's engagement with U.S. Tier One Service Providers is heavily centered around network modernization initiatives, which are providing substantial growth opportunities. The Verizon Voice Network Modernization Project exemplifies this trend, with the Company reporting overall network modernization sales growth of 21% quarter-over-quarter in Q424. This growth vector is particularly important as it represents ongoing, multi-year projects rather than one-time sales. The partnership between Ribbon Communications and Verizon has been a key revenue driver for the company in recent periods. Verizon alone accounted for 17% of Ribbon's overall company revenue in the fourth quarter of 2024, with sales to this customer growing by 80% in the second half of the year. The ongoing modernization of voice communications infrastructure by major carriers presents substantial opportunities for the Cloud & Edge segment, as evidenced by Ribbon's selected role in providing advanced voice network platforms and services for Verizon. The Verizon relationship centers on a comprehensive voice network modernization project that is driving substantial revenue for Ribbon. Through this partnership, Ribbon is helping Verizon retire legacy TDM switching platforms and replace their functions with cloud-based architectures. Ribbon expects to generate over \$300 million in revenue over three years from the Verizon project alone, with potential for follow-on programs to continue supporting the Tier One carrier.



Source: *Ribbon Communications*

Importantly, Ribbon is seeing similar network modernization initiatives with several other U.S. service providers beyond Verizon. Ribbon's other network transformation deals included an IMS Mobile Core win and a cloud migration project with a European Tier One service provider, highlighting the technology

leadership the company possesses in leveraging a cloud-native operational and software delivery model. The company's strategic positioning in network modernization, particularly in voice infrastructure, positions it to capture additional opportunities with other Tier One providers facing similar legacy technology challenges. As more service providers undertake the transition to cloud-based communications infrastructure, Ribbon's track record with major customers like Verizon could serve as compelling references for new business development.

Ribbon Fuels Growth through Enterprise, Government, and Rural Broadband. While U.S. Tier One Service Providers represent a critical growth driver, Ribbon is pursuing a diversified strategy that also encompasses federal defense agencies, enterprise customers and rural broadband initiatives. The company reported solid contributions from U.S. Rural Broadband, Europe and India alongside its Tier One service provider growth. While Ribbon has long been a supplier to the service provider community, the company is seeing continual growth in both the enterprise and the public sector segments. Enterprise currently accounts for 41% of Ribbon's revenue. Last year, Ribbon secured new deals with key financial services companies, including JPMorgan Chase, Bank of America, Citibank, and others. Several growth vectors support Ribbon's future expansion potential. The company is also successfully penetrating the government and defense sectors, executing new contracts with U.S. Federal Defense agencies that leverage its secure communications expertise. Rural broadband expansion initiatives, particularly in the United States, provide another avenue for growth as these deployments require both traditional communications and optical networking solutions. Ribbon has reported solid contributions from this market segment, suggesting successful positioning to capture these opportunities. Another potential growth area for Ribbon will be with over 200 Metaswitch customers. Microsoft sold its Metaswitch assets last fall to Alianza, which has positioned itself as a cloud communications platform for service providers.

Ribbon's Success with the U.S. Federal sector. The U.S. Federal sector has become a cornerstone of Ribbon Communications' revenue generation strategy, consistently appearing as one of three primary revenue drivers. The importance of U.S. Federal Defense agencies to Ribbon's business strategy did not materialize suddenly but rather represents the culmination of a deliberate strategic focus. Ribbon's success with these agencies appears to align with its overall strategic positioning in secure communications technology. The company has consistently emphasized its role in "modernizing and protecting" networks for "critical infrastructure operators", a value proposition that resonates strongly with defense and security-focused government agencies. Looking ahead, Ribbon appears positioned to continue leveraging its federal relationships for future growth. The company ended 2024 with a book-to-bill ratio of 1.1x, indicating momentum heading into 2025.

BEAD Program Presents Major Opportunity for Ribbon in U.S. Rural Broadband. The Broadband Equity, Access, and Deployment (BEAD) program presents significant opportunities for Ribbon Communications to expand its presence in the U.S. market, particularly in rural broadband initiatives. The BEAD program allocates \$42.45 billion to expand high-speed internet access in underserved and unserved areas across the United States. This substantial funding creates a large market opportunity for Ribbon to provide its IP optical solutions to rural broadband providers, enabling them to build out their networks efficiently. Ribbon has already identified rural broadband as a strategic market segment, with sales in this area contributing significantly to its North American IP Optical revenue. The BEAD program will further

increase funding for rural broadband initiatives, allowing Ribbon to capitalize on its existing presence and expertise in this market. The BEAD program's focus on expanding broadband infrastructure creates opportunities for Ribbon to cross-sell its portfolio of solutions to new and existing customers. By integrating its IP routing and optical transport capabilities, Ribbon can offer a unified solution that supports the complex network needs of rural broadband providers. As more states receive funding allocations from the BEAD program, Ribbon sees an opportunity to provide network equipment, particularly to support rural providers deploying fiber-to-the-home (FTTH). Sales have risen 5% year-over-year.

Integrated Solutions and Strategic Partnerships Fuel Ribbon's Cross-Selling Initiatives. Ribbon's customer base includes over 1,000 service providers, enterprises, and government agencies globally. The company has utilized its relationships with these customers to cross-sell its Cloud & Edge and IP Optical Networks solutions. For example: (i) Service Providers: Ribbon integrates its IP routing solutions with voice transformation products, enabling service providers to modernize their networks while adopting Ribbon's broader portfolio and (ii) Enterprise Customers: The company targets enterprises with bundled hardware and software solutions, such as unified communications (UC) and secure real-time communications. This approach allows Ribbon to maximize revenue from existing customers while reducing customer acquisition costs. Ribbon's ability to offer integrated hardware and software solutions has been a cornerstone of its cross-selling strategy. For instance, customers purchasing Ribbon's optical networking platforms (e.g., Apollo) are often encouraged to adopt complementary software tools like Muse Orchestration for network management. By bundling hardware with software offerings, Ribbon creates a more comprehensive solution for customers while increasing revenue per account. This integration has been particularly effective in the federal defense sector, where secure communications and reliable infrastructure are critical.

Ribbon has leveraged partnerships with major telecom operators like Verizon to drive cross-selling opportunities. In its partnership with Verizon, Ribbon delivers voice network modernization services while also providing IP routing and optical transport solutions. Ribbon's participation in U.S. rural broadband initiatives has created a platform for cross selling its complete portfolio of IP Optical and Cloud & Edge solutions. Projects like the Texas Lone Star Network (TLSN) have enabled Ribbon to deploy optical networking platforms while upselling orchestration software and maintenance services. The company's technological capabilities are evidenced by innovative achievements such as the demonstration of 1.2 Tbps interoperability with Cisco and successful implementation of 800G wavelength transmission over existing fiber infrastructure. These accomplishments position Ribbon favorably in the evolving optical networking landscape, where capacity and performance are increasingly critical differentiators.

Acquisitions, 5G, and Middle Mile Focus. Ribbon Communications has made several strategic investments in its IP Optical business to drive growth and enhance competitiveness. These investments are focused on expanding its portfolio, improving operational efficiency, and capitalizing on emerging market opportunities. Ribbon has significantly expanded its IP Optical portfolio through strategic acquisitions, notably the merger with ECI Telecom Group in 2020. This acquisition transformed Ribbon into a comprehensive data networking company, complemented by a unique voice communications practice. The integration of ECI's optical packet networking technology with Ribbon's existing solutions

opened new opportunities in network modernization projects and enhanced its competitive positioning in the IP Optical market. The merger allowed Ribbon to enter the 5G xHaul transport market, providing a full stack of solutions that include optical transport, IP routing, and advanced analytics. This integrated approach is particularly appealing to large service providers seeking to modernize their networks for 5G deployments. Ribbon is focusing on penetrating the largest service providers worldwide by leveraging its global salesforce to cross-sell ECI's products in key geographies like North America and Japan.

Post the acquisition, Ribbon increased its R&D investments in IP Optical products to address opportunities tied to 5G mobile network deployments. These investments focus on providing metro, backhaul and long-haul transport solutions for service providers, industrial verticals and critical infrastructure. Additionally, Ribbon is supporting the needs of emerging applications such as IoT and AI, which require robust optical networking capabilities. Ribbon has strategically focused on the middle mile market segment, where its combined IP and optical portfolio offers a good fit. This segment involves the integration of optical transport and IP routing, allowing Ribbon to capitalize on the blurring lines between these technologies. The company's investments in this area have improved its competitive advantage and expanded its addressable market. Ribbon has introduced new platforms like the Apollo 9400, which uses the latest generation optical front-end technology to significantly increase network capacity. This platform supports the migration from 400-gig to 800-gig infrastructure, offering a competitive edge in data center-centric applications and AI-driven hyper-scale environments.

Ribbon's ability to integrate IP routing and optical transport into a unified architecture, such as its IP Wave platform, offers customers superior operational efficiency, scalability and cost-effectiveness. This integration allows service providers to consolidate their networks, reducing complexity and improving performance. Ribbon has developed cutting-edge solutions tailored for 5G deployments, including support for network slicing, virtualization, and high-capacity optical transport. Its Apollo optical networking platform now supports 800G and 1.2 Tbps per channel, enabling hyperscale applications critical for 5G and AI-driven environments. Rogers Communications in North America selected Ribbon's IP Optical solutions to upgrade its transport network to support multiple 400G connections, future-proofing its infrastructure for 5G.

1Q25 Results and 2025 Outlook

Ribbon Communications' First Quarter 2025 saw revenue of \$181 million, a slight increase from \$180 million in the prior year's quarter. However, GAAP and Non-GAAP gross margins, along with Non-GAAP Adjusted EBITDA (\$6 million vs. \$12 million), decreased compared to Q1 2024, and GAAP operating loss widened to (\$20) million. Management expects a strong first half of 2025 with projected sales increasing 5-8% year-over-year, overcoming the revenue reduction from Eastern Europe. Service Provider sales increased over 10% year-over-year in Q1, driven by network modernization. Overall Q1 sales were lower than anticipated due to the timing of two key Federal and Enterprise deals, which are now being fulfilled and are included in the second quarter outlook. Management described bookings as "very solid," and the backlog increased 35% year-over-year. Management also indicated that gross margins are expected to return to prior levels in the second quarter and throughout the rest of the year, anticipating improvement from an improved product and geographic revenue mix.

Outlook and guidance: For 2025, the Company anticipates profitable growth across both operating segments, driven by ongoing network modernization efforts with Service Providers, Enterprise, and Federal and Defense customers. Management expects a typical seasonal pattern, with business momentum increasing as the year progresses. For the full year 2025, revenue is projected to be between \$870 million and \$890 million, with a non-GAAP gross margin in the range of 54% to 55%, and Adjusted EBITDA projected between \$130 million and \$140 million. For the second quarter of 2025, the Company projects revenue between \$210 million and \$220 million. Non-GAAP gross margin is expected to be in the range of 53% to 53.5%, and Adjusted EBITDA is projected between \$28 million and \$32 million.

On June 3, the company announced that its Board of Directors has authorized a program to repurchase up to \$50 million of the Company's common stock, commencing June 5, 2025 and continuing through December 31, 2027. The company may purchase shares at management's discretion in the open market, in privately negotiated transactions, in transactions structured through investment banking institutions, or a combination of the foregoing. The Company may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of its shares under this authorization.

Management Overview

Bruce McClelland, CEO and President. Bruce is a technical business leader with a proven history of developing and growing sustainable, profitable businesses through technology and business cycles. Before joining Ribbon, Bruce was CEO at ARRIS and led its sale to CommScope, where he served as COO. During his tenure at ARRIS, Bruce held multiple leadership positions and had a key role in the successful acquisition and integration of multiple companies including Ruckus, Pace, and the Motorola Home Business. Bruce began his career at Bell Northern Research and held several leadership roles at Nortel. He has served on the boards of ARRIS and Benu Networks, and actively supports the Georgia Cystic Fibrosis chapter. Bruce holds a BS in Electrical Engineering from the University of Saskatchewan, Saskatoon, Canada.

Sam Bucci, Executive Vice President and Chief Operating Officer. Sam is responsible for managing all research and development, product management and customer support teams for the company's portfolio of IP Optical Networking and Secure Cloud Communications solutions. Prior to Ribbon, Sam led the multi-billion-dollar optical networking business unit for Nokia and Alcatel-Lucent. Nokia acquired Alcatel-Lucent's packet optical business in 2016. While at Nokia and Alcatel-Lucent he was responsible for the P&L of the entire optical networking business unit and oversaw various functions including engineering, product management, portfolio management, business strategy, supply chain, RBC (regional business centers), support and professional services, marketing communications, and product marketing. Prior to his tenure at Nokia and Alcatel-Lucent, Sam spent several years at Nortel Networks' optical business unit in various senior product management, sales, and business development roles. He received a Bachelor of Engineering degree from McGill University in Canada.

John Townsend, Executive Vice President and Chief Financial Officer. John is responsible for all finance, information technology and investor activities. Previously, he served from 2022 to 2023 as the Group CFO of the Digicel Group, a leading telecommunications carrier in the Caribbean covering 26 markets

with wireless and fixed technologies. From 2013 to 2022 John was with global telecommunications company Verizon, where he held a number of CFO positions including at Verizon Wireline, Verizon Wireless, Verizon Consumer, and Verizon Business where he was also responsible for Business Transformation and Carrier Relations. Prior to Verizon, John spent almost 20 years with the Vodafone Group where his roles included CFO for its Swedish, Australian and Pacific and UK operations. He spent six years as CFO for Verizon Wireless which was then a partnership between Vodafone and Verizon and was Regional CFO for Vodafone's 14 European businesses. Before joining Vodafone, John spent nine years with KPMG in the UK and Hong Kong. John holds a bachelor's degree in Economics and Business Finance from Manchester University in the UK and is a Chartered Accountant.

Valuation

The North American digital infrastructure market continues to grow rapidly, propelled by 5G, IoT, low latency, and bandwidth demands across cloud, edge, and optical networks. Ribbon is driving significant growth through modernizing voice communications for Tier One service providers like Verizon and expanding into diversified segments including enterprise, federal defense, and rural broadband, boosted by programs like BEAD. The company enhances revenue by cross-selling integrated Cloud & Edge and IP Optical solutions, leveraging its broad customer base and strategic partnerships.

Competitively, we believe that Ribbon Communications is currently the leading “second-tier” carrier-grade switching and optical transport systems supplier, with deep telecom industry relationships, a strong engineering culture, and a broadening worldwide customer base. We believe that Ribbon’s competitive standing will continue to rise as some of its larger “tier one” peers (Nokia, LM Ericsson) are likely to remain challenged. The Company’s own competitive challenges going forward are likely to come from a dwindling set of direct competitors (Ciena, Adtran/Adva). The currently emerging competitive landscape, we believe, will likely continue to benefit Ribbon, as the Company tightens its competitive focus while maintaining its broad customer and geographic market diversity.

We believe that RBBN shares are currently undervalued at 11-12x our FY'26 P/E estimate versus the peer group average of ~23x, and an EV/FY'26 revenue multiple of 1.1x compared to the peer group average of 2.1x. Assuming a reasonable peer-group adjusted P/E multiple of 17-18x our FY26 non-GAAP EPS estimate, we arrive at a target price of \$6.50.

Network Communication Technology Enablers

(\$ in Millions, except per share)	6/30/2025	Price	Mkt. Cap.	EV (M)	Revenue (M)		EPS (non-GAAP)		Forward P/E		EV / Revenue		Price / Book	ROE (TTM)
			(M)		2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E		
Ciena Corporation	CIEN	\$ 81.33	\$11,498	\$11,838	\$4,580	\$5,030	\$2.26	\$3.32	36.0x	24.5x	2.6x	2.4x	4.2	3.70%
ADTRAN Holdings	ADTN	\$ 8.97	\$718	\$833	\$1,040	\$1,150	\$0.16	\$0.43	56x	20.9x	0.8x	0.7x	5.2	-19.19%
Cisco Systems	CSCO	\$ 69.38	\$274,745	\$289,095	\$56,620	\$59,600	\$3.79	\$4.02	18.3x	17.3x	5.1x	4.9x	6.0	21.36%
Nokia Oyj	NOK	\$ 5.18	\$27,920	\$26,260	\$20,400	\$21,170	\$0.33	\$0.40	15.7x	13.0x	1.3x	1.2x	1.3	5.71%
Telefonaktiebolaget LM Ericsson	ERIC	\$ 8.48	\$26,034	\$18,714	\$25,372	\$25,686	\$0.57	\$0.57	14.9x	14.9x	0.7x	0.7x	0.3	2.06%
Juniper Networks	JNPR	\$ 39.93	\$13,348	\$13,748	\$5,430	\$5,610	\$2.04	\$2.17	19.6x	18.4x	2.5x	2.5x	2.8	7.58%
IPG Photonics Corporation	IPGP	\$ 68.65	\$2,920	\$2,009	\$949	\$1,010	\$0.68	\$1.54	101.0x	44.6x	2.1x	2.0x	1.4	-9.17%
Lumentum Holdings	LITE	\$ 95.06	\$6,578	\$7,646	\$1,610	\$2,071	(\$0.14)	\$2.10	NM	45.3x	4.7x	3.7x	7.5	-48.63%
Ribbon Communications	RBBN	\$ 4.01	\$708	\$1,045	\$879	\$927	\$0.28	\$0.37	14.1x	11.0x	1.2x	1.1x	1.8	-12.43%
AVERAGE									34.4x	23.3x	2.3x	2.1x	3.4	-5.45%

Source: Factset, CapitalIQ, Kingswood Capital Partners Estimates

**Ribbon Communications Inc.
(RBBN-NASDAQ)**

	Dec'22	Mar'23	Jun'23	Sep'23	Dec'23	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Dec'24	Mar'25	Jun'25 E	Sep'25 E	Dec'25 E	Dec'25 E	Dec'26 E	
	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FYE	FYE	
Revenue:																		
Product	442.68	93.32	117.35	108.50	125.98	445.15	87.61	99.13	112.15	148.34	447.23	81.99	109.05	123.37	154.27	468.67	496.79	
Service	377.08	92.84	93.27	94.66	100.42	381.19	92.05	93.49	98.09	103.02	386.65	99.29	104.71	102.01	104.05	410.06	430.56	
Total Revenue	819.76	186.16	210.62	203.16	226.40	826.34	179.66	192.62	210.24	251.36	833.88	181.28	213.75	225.38	258.32	878.73	927.35	
Revenue Growth (%):																		
Year/Year						1%	-3%	-9%	3%	11%	1%	1%	11%	7%	3%	5%	5.5%	
Quarter/Quarter						NA	-21%	7%	9%	20%	NA	-27.9%	17.9%	5.4%	14.6%	NA	NA	
Cost of Revenue:																		
Product	245.15	62.06	67.93	59.44	61.18	250.61	45.79	54.85	59.41	68.48	228.53	57.89	34.89	39.48	47.82	180.09	154.01	
Service	142.14	35.31	33.78	33.07	37.21	139.36	35.36	33.38	34.89	37.32	140.95	35.63	62.82	61.21	61.39	221.05	262.64	
Amortization of acquired technology	31.54	7.39	7.44	7.16	6.31	28.29	6.55	6.53	6.32	5.49	24.89	5.39	5.39	5.39	5.39	21.55	21.55	
Total cost of revenue	418.82	104.76	109.15	99.66	104.69	418.26	87.71	94.75	100.62	111.29	394.37	98.91	103.11	106.07	114.60	422.69	438.20	
Gross profit	400.94	81.40	101.47	103.50	121.71	408.08	91.96	97.87	109.62	140.07	439.51	82.37	110.6457	119.3051	143.7194	456.04	489.15	
Gross Margin (%):																		
Operating expenses:																		
Research and development	203.68	51.30	47.78	46.23	45.35	190.66	45.76	43.49	45.65	45.04	179.94	43.57	51.37	54.17	60.71	209.81	222.56	
Sales and marketing	147.77	35.40	33.91	32.80	35.36	137.46	34.72	32.98	33.06	37.07	137.83	31.79	37.48	39.52	45.30	154.09	166.92	
General and administrative	51.05	14.05	14.35	12.89	13.69	54.96	15.19	14.90	21.59	17.06	68.74	15.13	17.84	18.81	21.56	73.33	74.19	
Amortization of acquired intangible assets	29.65	7.26	7.26	7.22	6.86	28.60	6.71	6.51	6.46	6.30	25.97	6.16	6.16	6.16	6.16	24.62	24.62	
Acquisition-, disposal- and integration-related	6.29	1.64	0.50	0.84	1.49	4.48					-	-	-	-	-	-	-	
Restructuring and related	10.83	6.94	4.31	2.68	2.29	16.21	3.07	1.92	3.79	1.38	10.16	5.34	5.34	5.34	5.34	21.36	21.36	
Total operating expenses	449.26	116.59	108.09	102.65	105.04	432.37	105.44	99.80	110.54	106.85	422.64	101.98	118.19	123.99	139.06	483.22	509.66	
EBIT (Operating Income)	(48.32)	(35.19)	(6.62)	0.86	16.67	(24.29)	(13.49)	(1.93)	(0.93)	33.22	16.87	(19.61)	(7.54)	(4.69)	4.66	(27.18)	(20.51)	
Interest expense, net	(19.78)	(6.42)	(6.77)	(7.14)	(6.99)	(27.32)	(5.99)	(3.88)	(11.95)	(12.00)	(33.82)	(10.50)	-	-	-	(10.50)	-	
Other expense, net	(44.50)	4.77	(2.69)	(2.62)	(3.23)	(3.77)	(7.51)	(9.50)	1.06	(13.16)	(29.12)	3.13	-	-	-	3.13	-	
Loss before income taxes (Pretax income)	(112.60)	(36.84)	(16.08)	(8.91)	6.45	(55.37)	(26.99)	(15.32)	(11.82)	8.06	(46.07)	(26.98)	(7.54)	(4.69)	4.66	(34.55)	(20.51)	
Income tax (provision) benefit	14.52	(1.47)	(5.40)	(4.59)	0.63	(10.83)	(3.38)	(1.50)	(1.60)	(1.69)	(8.17)	0.75	(0.91)	(0.56)	0.56	(0.15)		
Tax %	-14.8%	3.8%	25.2%	34.0%	8.9%	16.4%	11.1%	8.9%	11.9%	-26.6%	15.1%	-2.9%	12.0%	12.0%	12.0%	0.4%	0.0%	
Net Income	(98.08)	(38.31)	(21.48)	(13.50)	7.08	(66.21)	(30.36)	(16.82)	(13.42)	6.36	(54.24)	(26.23)	(8.45)	(5.25)	5.22	(34.70)	(20.51)	
Non-GAAP Adjustments																		
Net Income (Non-GAAP)	115.43	36.02	29.23	22.86	14.49	102.05	29.27	25.34	21.91	21.92	98.43	21.65	21.00	21.00	21.00	84.65	84.65	
Per Share																		
EPS (GAAP)		(0.63)	(0.23)	(0.13)	(0.08)	0.04	(0.39)	(0.18)	(0.10)	(0.08)	0.04	(0.31)	(0.15)	(0.05)	(0.03)	0.03	(0.20)	(0.12)
Shares Outstanding	157	169	170	171	170		170	172	174	175	174	174	176	176	176	176	176	
EPS (Non-GAAP)		0.11	(0.01)	0.05	0.05	0.13	0.21	(0.01)	0.05	0.05	0.16	0.25	(0.03)	0.07	0.09	0.15	0.28	0.37
Shares Outstanding	157	169	170	171	170		170	172	174	175	174	174	176	176	176	176	175.72	175.72

Source: Company reports; Kingswood Capital Partners estimates.

All figures in millions of U.S. Dollars except % and per share items

Risks to Price Target

Company-specific risks to the target price include:

Technological differentiation. Despite Ribbon's positive trajectory, several risks warrant investor attention. The competitive landscape in both Cloud & Edge and IP Optical Networks segments remains intense, with numerous established players and emerging competitors. Ribbon must continue investing in innovation to maintain technological differentiation.

Growth might be subdued. The disparity in segment performance, with Cloud & Edge showing strong growth while IP Optical Networks experienced revenue decline, presents a balanced growth challenge. Management must address the underperforming segment while maintaining momentum in the stronger business unit.

Customer concentration. Given Ribbon's customer base, which includes major service providers, large enterprises, and U.S. federal defense agencies (noted as a primary revenue driver), a high degree of reliance on a few key accounts could expose the company to volatility. Top 10 customers account for 40% of revenue.

Competition risk. A significant factor for technology companies like Ribbon Communications, operating in dynamic markets such as telecommunications equipment and software is the risk of competition. This risk stems from the presence of numerous competitors, ranging from large, established global players to smaller, specialized vendors, all vying for market share within the Cloud & Edge and IP Optical Networks segments. Ribbon's ability to compete effectively depends on its continued innovation, the strength of its integrated portfolio (Cloud & Edge with IP Optical), its focus on specific market segments (like critical infrastructure and rural broadband), its global sales and support capabilities, and its ability to adapt to changing market dynamics and customer needs.

DISCLOSURES

Analyst Certification

The Research Analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple Research Analysts are primarily responsible for this report, the Research Analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the Research Analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect the Research Analyst’s personal views about any and all of the subject securities or issuers; and (2) no part of any of the Research Analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this report.

I, Greg Mesniaeff, certify that (1) the views expressed in this report accurately reflect my own views about any and all of the subject companies and securities; and (2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by me in this report.

Explanation of Research Ratings (As of January 1, 2024), Designations and Analyst(s) Coverage Universe:

Kingswood Capital Partners, LLC uses the following rating system:

Buy - Buy-rated stocks are expected to have a total return of at least 15% over the following 12 months and are the most attractive stocks in the sector coverage area.

Hold - We believe this stock will perform in line with the average return of others in its industry over the following 12 months.

Sell - Sell-rated stocks are expected to have a negative total return of at least 15% over the following 12 months and are the least attractive stocks in the sector coverage area.

Not Covered (NC) - Kingswood Capital Partners, LLC DOES NOT cover this stock and therefore DOES NOT have forecasts, projections, target price and recommendation on the shares of this company.

Company-Specific Disclosures

Distribution of Ratings Kingswood Capital Partners, LLC				
Investment Banking Services/Past 12 Months				
Rating	Count	Percent	Count	Percent
BUY	7	77.78	1	28.57
HOLD	1	11.11	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	11.11	1	100.00

As of May 2025.

Kingswood Capital Partners has not received compensation from Ribbon Communications, Inc. during the past 12 months. Kingswood is not currently engaged by Ribbon Communications to provide investment banking or advisory services.

Ribbon Communications, Inc. Rating History as of June 30, 2025



Source: E-Trade.

Other Disclosures

This report has been prepared by Kingswood Capital Partners, LLC. It does not constitute an offer or solicitation of any transaction in any securities referred to herein. Any recommendation contained in this report may not be suitable for all investors. Although the information contained herein has been obtained from recognized services, issuer reports or communications, or other services and sources believed to be reliable, its accuracy or completeness cannot be guaranteed. This report may contain links to third-party websites, and Kingswood Capital Partners, LLC is not responsible for their content or any linked content contained therein. Such content is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or affiliation with Kingswood Capital Partners, LLC; access to these links is at your own risk. Any opinions, estimates or projections expressed herein may assume some economic, industry and political considerations and constitute current opinions, at the time of issuance, that are subject to change. Any quoted price is as of the last trading session unless otherwise noted. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments, including ADRs, effectively assume currency risk. This information is being furnished to you for informational purposes only, and on the condition that it will not form a primary basis for any investment decision. Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the applicable legal, tax and accounting considerations and their own investment strategies. By virtue of this publication, neither the Firm nor any of its employees shall be responsible for any investment decision.