Q4-20
Management's prepared remarks and Q&A

February 17, 2021

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Radcom Ltd. Results Conference Call for the Fourth Quarter and Full Year of 2020. All participants are present in a listen-only mode. Following Management's formal presentation, instructions will be given for the question-and-answer session. For operator assistance during the conference, please press star-zero. As a reminder, this conference is being recorded, and will be available for a replay from the company's website at www.radcom.com later today. On the call are Eyal Harari, Radcom's CEO, and Amir Hai, Radcom's CFO. Please note that Management has prepared a presentation for your reference that will be used during the call. If you have not downloaded it yet, you may do so through the link on the Investor section of Radcom's website at www.radcom.com/investor-relations. Before we begin, I would like to review the Safe Harbor provision. Forward-looking statements in the conference call involve several risks and uncertainties, including but not limited to the company's statements about its continued investment in technology and R&D, the positive momentum of the 5G market and other markets and industry trends, the company's market position, cash position, potential and expected growth, the company's expectation with respect to its contract with Rakuten and continuing relationship with AT&T, the potential of the Radcom ACE product, the company's expectation regarding the impact of COVID-19, its ability to capitalize on the emerging 5G opportunities and its revenue guidance. The company does not undertake to update forward-looking statements. The full Safe Harbor provisions, including risks that could cause actual results to differ from these forward-looking statements are outlined in the presentation in the company's SEC filings. In this conference call, Management will be referring to certain non-GAAP financial measures, which are provided to enhance the user's overall understanding of the company's financial performance. By excluding certain non-cash stock-based compensation expenses, non-GAAP results provide information that is useful in assessing Radcom's core operating performance, and in evaluating and comparing our results of operations consistently from period to period. The presentation of this additional information is not meant to be considered a substitute for the corresponding financial measures prepared in accordance with Generally Accepted Accounting Principles. Investors are encouraged to review the reconciliation of GAAP to non-GAAP financial measures, which are included in the quarter's earnings release which is available on our website. I would like to repeat the information about the presentation. If you have not downloaded it yet, you may do so through the link on the Investor section of Radcom's website at www.radcom.com/investor-relations. Now, I would like to turn over the call to Eyal. Please go ahead.

Eyal Harari: Thank you, Operator, and thank you all for joining us today. Earlier this morning, we issued a press release stating our fourth quarter and full year results for 2020. We are pleased with the financial result. We ended 2020 on a strong note following several consecutive quarters of revenue growth. Total revenue for the fourth quarter of 2020 were 10.2 million dollars, bringing our total revenues for the full year of 2020 to 37.6 million dollars. This was at the high end of our revenue guidance for 2020, an increase of 14% year-over-year, and resulted in a significant improvement on our bottom line. Over the last couple of years, we maintained our significant R&D investment to expand our technological advantage and capabilities. This investment bore fruit in the second half of 2020. We reached a critical milestone in our long-term strategy as we launched Radcom ACE, our automated 5G assurance solution. We secured one of the industry's first 5G stand-alone assurance contracts with Rakuten shortly after the Radcom ACE launch and continue supporting Rakuten as they aggressively roll out their

4G and 5G services in Japan on the world's first fully virtualized mobile network and one of the most advanced 5G networks. The solid end of the year reflects the progress we made during 2020 despite the impact of COVID-19. I wish to take this opportunity to thank all of Radcom employees as they rose to the challenge and help us meet the company's commitment and support our customers during 2020. From the beginning of the pandemic, we quickly adjusted our internal and external processes to the new way of remote working. We followed the regional health guidelines to ensure that all of our employees could work safely and support our customers. We also assured that our worldwide teams could collaborate and share knowledge effectively through virtual conferencing and other cloud-based tools. Looking at the telecom industry, the 5G market continues to gain momentum. This is reflected in our pipeline as we see more and more operators including 5G in their tenders' requirements, and we believe this trend will continue during 2021. We see increased investment across the market from handset manufacturers, network equipment providers and operators. This increased investment in 5G will drive demand for automated assurance solutions to ensure service quality. We believe that 2020 was turning point for 5G. In the United States, we recently saw the FCC complete its C-band spectrum auction, in which companies bid just under 81 billion dollars for the licensing rights to use this spectrum. The C-band spectrum is an essential part of the 5G rollout and wasn't available previously. Now, it will enable operators to deliver increased speeds and coverage, and with record bids levels, operators have made substantial commitments to this transition. We see this trend worldwide as more and more operators invest in the 5G spectrum. According to the GSA, over 200 operators worldwide are investing or planning invest in the 5G spectrum by the end of 2022. We also see this trend in Europe as operators begin the selection process for 5G vendors. Network equipment providers continue announcing new 5G contracts. Nokia recently announced that it had closed 195 commercial 5G agreement and Ericsson announced that it had closed 127. Both these and other network equipment providers are aggressively targeting the 5G market and offering multiple verticals of the 5G stack. We believe that all of this investment and activity around 5G indicates that the market is strong and moving forward. However, due to the ongoing pandemic, we estimate some billing uncertainties in terms of timing of rollouts. As mentioned before, 5G has multiple phases. In the first phase, compatible handsets connect to both 5G and 4G radios, that in turn join the subscriber to the same existing 4G network. This is known as non-standalone 5G. Today, we are still at this stage of 5G. The second phase of 5G is known as standalone 5G. In this network environment, operators will deploy an entirely new network core and need a new assurance solution to monitor mission-critical, always-connected services. We see early signs of standalone 5G, but the critical mass is still at the early stage of non-standalone 5G. In these initial build-outs of 5G, assurance vendor selection is at a later stage of the process. We expect to see some early adopters begin the multistage process of choosing their assurance solution in 2021. Another positive trend is that the public cloud providers, like Microsoft, Google and Amazon, see a potential market in the telecom industry as operators adopt cloud-native technology, which is aligned with Radcom's product strategy over the recent years. In 2020, we saw Microsoft introduce Azure for Operators, a cloud platform that incorporates edge computing capabilities. With our advanced cloud technology and telecom expertise, we see an opportunity for cooperation with cloud providers. Since the launch of our automated assurance solution, Radcom ACE, the market feedback has been extremely positive. We are currently engaged in multiple opportunities at different stages of the sales cycle. We believe that Radcom is well positioned to win more market share as 5G continue to evolve. Besides the 5G market opportunity, we also see demand for 4G and VoLTE assurance solutions. As operator plan their assurance investments for the long term, we see a competitive advantage for the Radcom ACE as 5G requirements are included in these tender processes. Operators increasingly see a need for advance support in preparation for virtualizing their network and migrating to 5G. We are making good progress with these additional opportunities. In November, we announced that we entered into a new multiyear agreement with Rakuten Mobile. This increased our business with Rakuten. The initial deal we signed with Rakuten in May 2019 covered their 4G network. This new agreement assures Rakuten's recently launched non-standalone 5G service and upcoming standalone 5G service launch expected in 2021. This was an important milestone and a significant acknowledgment of our advanced assurance solution. As one of the industry's first standalone 5G assurance contracts, Radcom will provide Rakuten Mobile end-to-end 4G and 5G service assurance. Radcom's solution is also being integrated into the Rakuten's communication platform. As a reminder, this platform packages and market Rakuten's innovative network architecture to operators worldwide. As Rakuten's assurance vendor of choice, we could be part of this offering if the opportunity evolve. Looking at the U.S. over the past year, AT&T is a key strategic customer for us. Our cutting-edge cloud technology is embedded into AT&T's network and monitor the subscriber experience as they continue evolving their underlying network infrastructure to the cloud. In 2021, we will continue to deliver consistent cutting-edge software releases to AT&T as we support the evolution of their cloud network that has proven even more critical for millions of customers during the pandemic. Our solutions help customers identify service issues in real time and troubleshoot them to continually maintain the highest quality of service, which is even more vital when operators roll out new technologies like 5G. We believe that our know-how in advanced cloud technology plays an essential role in operators' customer-centric approach to network deployments. In light of the multiple opportunities in our pipeline and the growing market, we plan on increasing our sales team to focus on specific regions and take advantage of the market opportunity we see. I am pleased by our achievements during 2020 and execution despite the global pandemic. We launch Radcom ACE and signed our first 5G customer contract. We are expanding our sales team and are already involved in multiple opportunities for Radcom ACE for new and existing customers. Based on the current industry conditions and our current visibility, we are expecting another growth year and providing full year 2021 revenue guidance of 39 million to 41 million dollars. With that, I would like to turn the call over to Amir Hai, our CFO, who will discuss the financial result in detail. Amir, please go ahead.

Amir Hai: Thank you, Eyal, and good morning, everyone. This quarter marked another consecutive period of revenue growth. With our fourth quarter increasing by 13% year-over-year, we also maintained our operating expenses and succeed in improving our bottom line. Now please turn to slide 6 for our financial highlights. To help you understand the results, I will be referring mainly to non-GAAP numbers, which exclude share-based compensation. We ended the fourth quarter of 2020 with 10.2 million dollars revenue, an increase from 9 million dollars in the fourth quarter of 2019. Our gross margin in the fourth quarter of 2020 on a GAAP and a non-GAAP basis was 70%. Please note that our gross margin can fluctuate depending on the revenue mix. Our gross R&D expenses for the fourth quarter of 2020 on a non-GAAP basis were 4.6 million dollars, a slight increase of 142 thousand dollars compared to the fourth quarter of 2019. We received a grant from the Israel Innovation Authority for 308 thousand dollars during the quarter. Sales and marketing expenses for the fourth quarter of 2020 were 2.3 million dollars on a non-GAAP basis compared to 2.5 million dollars in the fourth quarter of 2019. The decrease is mainly related to reduction in travel expenses due to COVID-19. G&A expenses for the fourth quarter of 2020 on a non-GAAP basis were 748 thousand dollars, approximately the same as the fourth quarter of 2019. Operating loss on a non-GAAP basis for the fourth quarter of 2020 was 231 thousand dollars compared to an operating loss of 911 thousand dollars for the fourth quarter of 2019. Net income for the fourth quarter of 2020 on a non-GAAP basis was 85 thousand dollars or a net income of less than 1 cent per diluted share compare to a net loss of 501 thousand dollars or a net loss of 4 cents per diluted share for the fourth quarter of 2019. On a GAAP basis, as you can see on slide 5, our net loss for the fourth quarter of 2020 was 461 thousand dollars or a net loss of 3 cents per diluted share compared to a net loss of 1.1 million dollars or a net loss of 8 cents per diluted share for the fourth quarter of 2019. At the end of the fourth quarter of 2020, our headcount was 276. Now let's turn to the full year result. We ended 2020 with revenues of 37.6 million dollars, an increase of 14% from 33 million dollars in the full year of 2019. On a GAAP basis and a non-GAAP basis, our gross margin was 71% in the full year of 2020 compared to a gross margin of 70% in the full year of 2019. Our gross R&D expenses for the full year of 2020 on a non-GAAP basis were 18.3 million dollars, an increase of 471 thousand dollars compared to the full year of 2019. We are planning to continue the investment in R&D to maintain our technological advantages. We receive a cumulative grant from the Israel Innovation Authority for 1.4 million dollars during the year. Sales and marketing expenses for the full year of 2020 were 9.2 million dollars on a non-GAAP basis compared to 9.9 million dollars in 2019. The decrease is mainly related to reduction in travel expenses due to COVID-19. G&A expenses for the full year of 2020 on a non-GAAP basis were 3.2 million dollars compared to 3 million dollars in the full year of 2019. Operating loss on a non-GAAP basis for the full year of 2020 was 2.4 million dollars compared to an operating loss of 5.6 million dollars for the full year of 2019. Net loss for the full year of 2020 on a non-GAAP basis was 1.8 million dollar or a net loss of 13 cents per diluted share compared to a net loss of 4.6 million dollars or a net loss of 33 cents per diluted share for the full year of 2019. On a GAAP basis, as you can see on slide 5, our net loss for the full year of 2020 was 4 million dollar or a net loss of 29 cents per diluted share compared to a net loss of 6.8 million dollars or a net loss of 50 cents per diluted share for the full year of 2019. Turning to the balance sheet. As you can see on slide 9, our cash, cash equivalents and short-term bank deposits as of December 31, 2020, were 69 million dollars. We believe that our strong balance sheet provides us with the flexibility to execute the opportunities ahead of us and adapt to the ongoing global uncertainty. That ends our prepared remarks. I will now turn the call back to the Operator for your questions.

Operator: Thank you. Ladies and gentlemen, at this time, we will begin the question and answer session. If you have a question, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the headset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for your questions. *[pause]* The first question is from Bhavan Suri of William Blair. Please go ahead.

Bhavan Suri: Hey, Eyal and Amir. Thanks for taking my questions, and congrats. It's really nice to see sort of the growth and the consistency come back, so nice job there. I want to touch a little bit, as you've posted some solid upside in the quarter relative to expectations, you know, solid results there, but can you give us an update on the spending, or maybe the decision-making environment in Q4? I know, Eyal, you talked about it a little bit, but a little more color would be great. You know, the pandemic was certainly challenging for, you know, customers, even potential customers. And I guess as you think about conversations and processes, are you seeing those start to pick up Q4? Obviously, 5G is getting rolled out, but, sort of, there was still a delay in, sort of, people wanting to make decisions. I'd love to understand, sort of, the decision-making, spending environment, and how that's changed.

Eyal Harari: Well, thank you, Bhavan, and good morning. I think that the COVID-19 pandemic effect is definitely something that everyone is trying to understand. What I see is that overall 5G is getting very good momentum, and more and more investment in the telecom industry in global is made towards 5G. So the demand for 5G is strong, and the commitment of the operators towards 5G is there. When talking to different CTOs globally, we do see some delays or hesitations due to the pandemic. But, you know, from experience in the market from previous technology generations, telecoms projects in many cases are longer and take delays, and I'm not sure if the effect is always due to the COVID or not. The bottom line is that –

Bhavan Suri: Right.

Eyal Harari: – it's most important that the 5G momentum is there, the demand is there. And most operator that we speak with are not hesitating and see 5G as strategic investment, and they are continuing full speed towards that.

Bhavan Suri: Yeah. Yeah. No, I think you're right. It's hard to get whether it's just COVID related. But it's good to see 5G growing. I guess, you've talked about the past of having – in the past about having a handful of, sort of, POCs with tier

1 customers. Can you just give us an update on the number of POCs and workshops you currently have in progress? And how is that pipeline shaping up for 2021? And then I have a question for Amir on the guidance. But just maybe just on the POC and workshops, and how that's playing out, especially in the tier 1 carriers.

Eyal Harari: So, this is a good question as POCs and workshop during the COVID was one of the things that, as Radcom, we had to adjust. We actually managed to leverage the fact we are a cloud-native company and introduced a demo environment and a POC environment using the cloud – the public cloud, which allowed us to be more agile and more responsive to our customers, and managed to cover some of the overheads that are, in some cases, in the COVID environment, are less feasible, like installing physical equipment, even if it servers and – on the customer premises. And by that, we managed to actually accelerate the number of engagements we have with customers. They are different. They are less in person. They are more online. But we are seeing increased activity with the customers and POCs compared to what we had before. As I pointed out in my previous notes, we see this activity both from pure 5G customers as well as customers that are still not there with 5G but they are doing a refresh for their 4G network, changing their network providers, and looking now on a future-proof service assurance solution. And the fact we have the Radcom ACE is something that gives us a lot of points because they are looking now on what is going to be their platform for the next year to come. So definitely, we see this building up, but it's different because we are mainly working remotely.

Bhavan Suri: Yeah. Yeah, yeah. Understood. You know, you touched on ACE. Let me ask about ACE before I jump to Amir. You talked about – obviously, you know, Rakuten's interest in and, obviously, deployment of ACE. But how is demand with other carriers? Like, is that a wait and see? Is that, let's see how it plays out with Rakuten? Or are you actually seeing, sort of, people say, okay, we're going to test it. We're going to put it in dev environments. We're going to start looking at it. How are we seeing the early demand for ACE?

Eyal Harari: So, the ACE is really for the early adopters that are really moving forward with the cloud-native architectures and kubernetics and containers, which most operators are still not there. But because we anticipate that, we build the Radcom ACE as an evolution platform that allow you also to work in a NFV environment and also run on a bare metal solution. By that we are enabling the access to this new technology also for operators that are not yet there. And the message we hear from everyone is that they are very excited. They see our technology advantage, and they're really looking forward to use this kind of solution. Because everyone understand and believes that when 5G comes in full power, this is going to be the architecture of choice.

Bhavan Suri: Yeah. Yeah, okay. Okay. Let's switch to Amir for a quick second. Amir, it's good to see the guidance for revenue growth. You obviously had challenges over the last, you know, 18 months or so, moving around guidance numbers. I'd love to understand how – what you assumed – baked into guidance. I guess, how much of the outlook is predicated in closing new deals? How much is existing partners growing? I'd love to just understand how you've thought about building up this guidance?

Amir Hai: Basically – hi, Bhavan, how are you? Basically, as stated, I think we have a good visibility towards 2021. Most of the guidance is consisted on our multiyear agreement with existing customers, and the high level of opportunities that – we think that will be bear fruit during the year. And I think that this is the main base for the guidance.

Bhavan Suri: Got you. Got you. And one last one, just so we're clear. Do you have any major renewals coming up in 2021, at all? And have you built that into guidance? What's your expectations there? Thank you.

Eyal Harari: So, I think I answered that in the last quarter. We – any given quarter, we have renewals with our different accounts. Typically, we have – with each customer, we have multiple contracts that each of them is renewed in a different stage. So, you know, this is part of the normal course of things. And overall, we are – we don't see anything specific that is in 2021 different than we had in 2020.

Bhavan Suri: Fair enough, fair enough. Gentlemen, thank you for taking my questions. I think you both had vaccines, so congratulations on that, too. We're hoping we progress here. But stay safe, and thanks for the time.

Amir Hai: Thank you.

Eyal Harari: Thank you, Bhavan.

Operator: If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by while we poll for more questions. *[pause]* The next question is from Alex Henderson of Needham and Company. Please go ahead.

Alexander Henderson: Hello, guys. So a couple of questions. Wanted to start off just with some homework on the print that you just did. The gross margins coming in just a hair below 70. It seems like that's probably got a mix shift to some of the older products in it. Can you talk a little bit about the mix of what you reported in 4Q?

Eyal Harari: Good morning, Alex. Actually, Q4 is mainly our new products. In this specific case, we had some higher expense on third-party software that is embedded into our product line into our new product that was added to the cost, and had a slight shift – a slight overhead on our gross margin.

Alex Henderson: Okay. So if the mix shifts to the new products in 2021, will we see that third-party software in the mix, and, therefore, we should be thinking –

Eyal Harari: No. This is one –

Alex Henderson: – in the 70% range, or is it something more in the 71 and a half range that you did on average for the year?

Eyal Harari: Yeah, you know, we always can have some fluctuations. But our models are still the same. It's not related to the new product line. It's a one-time cost associated with a specific deal. But the gross margin levels are roughly the range we indicated. It can fluctuate between quarters, but this is the range.

Alex Henderson: All right. So, continuing at the current levels for 2021 that you posted in 2020, then, is fairly stable gross margins.

Eyal Harari: That's fair estimate, yah. Yes.

Alex Henderson: And then on the NRE in '21, is it reasonable to think that the 1.3, 1.4 million range is the right range? Or should we be dampering that a little bit?

Amir Hai: I can take this. Hi, Alex. Basically, the – right now, you know, we are submitting the request, and we are waiting for the final approval. But I think that in overall, from what the information I have now, I think it will be at the same level of what has been for the last year or so. So – and, of course, if there will update – if we will get some answer, we will update. But I think that it's a fair assumption that it will be the same.

Alex Henderson: And given the timing of the first quarter, is it likely that the first quarter is again, you know, without the NRE, the way it was in 2020? Or –

Amir Hai: We hope to get an answer before the quarter ends, but, you know, until it's within – until it's not done, it's not done.

Alex Henderson: All right. And, any thoughts on tax line? You know, you did, what, 800 or so. But it did seem to click up as the year progressed. Should we be looking at somewhere, you know, in a million dollar range, or – what should we be thinking about there in terms of the tax exposure?

Amir Hai: Basically, we have an accumulated losses. So in most of the regions, we are not paying taxes on income. The tax is mainly related to employee benefits, which we cannot credit – which you cannot credit tax on. So, we don't see any major increase in this level. So, I think it to be – it will be stay the same.

Alex Henderson: Okay. Well, it's been averaging around 1.1 million, and it dipped in 2020. I'm not sure why that would be the case. But, should we be keeping it at that 1.1 million range? Or we should be keeping it around more the 810 range?

Amir Hai: So, I think it's – the 810 range is pretty fair. Yes.

Alex Henderson: Okay. And then, I wanted to ask about the deferred revenues, which jumped quite sharply in the quarter. Was there a contract that came in and went into deferred that caused that jump?

Amir Hai: Basically, deferred revenue is based on the funds that we received but we didn't recognize the revenue yet. So, these are the cases. In some projects we get the fund but we didn't recognize revenue. This is why you see this increase.

Alex Henderson: Is that on product? Or is that mostly on the services side?

Amir Hai: It's mixed, product and services.

Alex Henderson: I see. Okay. I was hoping you could talk a little bit about the competitive landscape. You know, the slow rollout of 5G, the deferral of – on timing because of COVID, all of those factors taken into account has certainly offered the competitors some time to catch up. I've noticed the NetScout numbers, for instance, have been quite a bit better of late. Is there any change in the competitive landscape that we should be aware of?

Eyal Harari: So Alex, overall, we mention this before, everyone is understanding that 5G is coming, and all of the competitors in our market are definitely targeting to see what is their offering to this new technology. We believe that our advantage of being in the virtualization space starting early 2015 and building a very robust technology is still give us significant advantage, and this is the feedback we are hearing from the customers. Unlike NFV that was a niche, 5G is the main market. So we do believe that most competitors will invest and continue to invest into this space. We are very focused on our execution. We believe that the opportunity is there, we believe in our technology. And so far, we are from the only vendors in our space that is growing and anticipate to continue this growth. So we are overall optimistic.

Alex Henderson: When you go into a POC, are you seeing just NetScout, or are you seeing additional companies entering this space?

Eyal Harari: You know, we have our usual suspects. It's typically about 3, 4 companies that are working in this space. And this was – again, nothing – nothing's changed from what we saw last year.

Alex Henderson: All right. And, going back into the mechanic side of the business model. Obviously, the shekel has been quite strong. Can you remind us, you know, what we should be thinking in terms of the way you hedge, and the impact of the exchange rate on the OpEx costs?

Amir Hai: Yes. As stated, we've done some short-term hedging. And if I look at this quarter, you know, the negative impact of the shekels in this quarter compared to the previous quarter was around 120 thousand dollars. If we look at Q1 and if it will stay at the current rate, so the negative impact compared to Q4, it will be like the same, 130 thousand dollar per quarter. This is the quantification.

Alex Henderson: And when you looked at your OpEx, did you assume some spending increase due to T&E coming back in as a result of, you know, a normalization of the economy? Or are you expecting your T&E expenses to stay fairly de minimis and then come back in '22? How should we be thinking about the OpEx growth for the year?

Amir Hai: Yes. Basically, the negative impact of the shekel is about – in order to take it on an annual level – is about 600 thousand dollars. When we look at 2020 versus 2019, we had the negative impact of 700 thousand dollars. So, of course, it's affected the profitability. But we are controlling the shekel expenses very, very carefully. And, you know, we are not spending a lot of

OpEx. We do want to continue to invest in the R&D, and we do want to expand the sales team, but it's not something dramatic.

Alex Henderson: And so, just to put this in context, is it reasonable to expect that the OpEx is fairly flat, with the exception of the shekel impact of, say, 600 thousand for the year, or so, you know, taking it up towards pretty close to the 30 million dollar level?

Amir Hai: I think that we will see some slight increase in the R&D level also, and then in the sales and marketing level, above the shekels.

Alex Henderson: So something slightly above 30 million then, it would sound like, would be the expectation?

Amir Hai: Yeah. In the operating expenses, yeah.

Alex Henderson: Yeah. Okay. And do you have any sense of what your plans are relative to headcount? Or we're holding it steady at 276?

[pause]

Amir Hai: Eyal?

Eyal Harari: Yeah, it's – it's relatively steady. As I pointed out, we are doing some increase on our sales deals, as we are seeing 5G is maturing. And we are allocating some more – more of the saving of the travel, as you pointed out before, we are allocating some of the budgets in order to increase our sales team and capture more of the 5G market opportunity. But overall, company-wide, it should be similar with maybe a slight increase.

Alex Henderson: All right. So, going back to the top line, you know, at the lower end of the band, you're talking about, you know, 5% kind of growth rates. Very – you know, I think we would have to conclude fairly low growth rates for a company your size. Obviously, you've got a lot of opportunities for additional wins that could drive that higher. How do – how should we track your success, or alternatively the lack of success, in accelerating that line, other than just waiting for the prints?

Eyal Harari: So, 2020 was a growth year, and we did around 14% growth. And as far as I believe, this was the record revenue year for Radcom, and one of the highest Q4s ever. We are looking to continue our growth, and we are taking some conservative of the impact of COVID and the slowdown that might happen. But still, under those conditions, we are still looking to continue and grow. As have we talked before, our sales cycles have some uncertainty, and they might be longer than expected in normal situations. And there is also the time it takes to go down to the revenue from the time you close the deals, because we usually have some few quarters for the implementation. So, this is why we are looking on this guidance, and I'm still very, very pleased that we can show a consecutive year of growth. As always, the good signs in – is our update and progress with our customers, and new contracts and wins. And I want to highlight again the importance of the deal we closed with Rakuten, which is probably one of the most advanced 5G networks in the world, and probably one of the most advanced service assurance project in our space, that give us a lot of confidence on our journey. I think this is the way you can look at that. And new wins that we are expecting to come in the – during the year would build up, maybe, the second part of the year, or could be building up already revenue for 2022.

Alex Henderson: And as I look at the AT&T contract, it has inherently been in place now for quite a while. I think the original contract was 3 years, and this kind of runs its course through '21. I know you've had a couple of renewals. And like, should that contract be seen as something that is stable as we go through to '21 into '22, or is that up for renewal, and needs to be renegotiated? Is there any growth relative to that install base?

Eyal Harari: So, our relationship with AT&T are healthy, and we have secured revenues into 2021 and 2022 already. As pointed out, there are multiple contracts with different customers. We did see some upside on AT&T already in 2020.

And there is nothing that we see that is coming now that is like a big renewal, as you intended. We are continue to focus, as I pointed out, on delivering new software updates into AT&T to their cloud platform, and some of that – most of it is already secured until 2022.

Alex Henderson: All right. Great. Thank you very much.

Eyal Harari: Thank you, Alex.

Amir Hai: Thank you, Alex.

Operator: The next question is from Abba Horwitz of Old School. Please go ahead.

Abba Horwitz: Hi, Eyal, very nice quarter. My question is regarding the R&D. R&D now is tracking around 50% of revenues. And I'm wondering – and actually, it was up this year versus last year, once again. I'm wondering, at what point are you guys going to feel comfortable that we'll start to see that number slow down or even flatline for a while?

Eyal Harari: So, thank you, Abba. And our R&D is one of our biggest assets, as we believe now is the time to invest in technology. I would say that in 2021, we are going to stay in a very similar levels in R&D, again, excluding any shekel exchange rate changes. So we are about the right size of investment. We are thinking that the coming 2 years are going to be critical for cementing our 5G product offering. So we invested in the last 2, 3 years into R&D in order to assure we launch of Radcom ACE. But in our environment, you need to continue and innovate. And this is why we are going to continue and maintain a similar level. I believe that with the revenue growth, the percentage of R&D is going to be get lower because we are going to keep similar level to what we had before, and any revenue growth would be not necessarily requiring additional R&D investment.

Abba Horwitz: Okay. So, would it be fair to say that right now, between 19 and 20 million dollars would be the level for 2021 for R&D?

Eyal Harari: This is the range, yes.

Abba Horwitz: Okay. And, I mean, when we look at incremental revenues, because this quarter, what you demonstrated is that at these levels, pretty much you're breakeven. So really, any revenue after this level is actually going to produce profits. Can we just assume that it'll all flow to the bottom, or will there be certain variable costs associated with incremental revenue?

Eyal Harari: So our gross margin is in the 70-ish percent. So you do have some –

Abba Horwitz: Right.

Eyal Harari: – incremental costs. But yes, from this level up, it's – most should go to the bottom line. As I pointed out, we do want to do some additional expense on the sales and marketing. And there is, as asked before, slight increase on, like, travel, that we are optimistic that in the second part of the year, we will start to see things back – goes back a bit to normal. But roughly, the operation expense we have is our breakeven, and any revenue growth should start to go into bottom line, as we pointed in the past.

Abba Horwitz: Okay. Great. And just one other. Are there any other standalone public companies that are doing what you're doing at this point?

Eyal Harari: Not that I am aware of. You know, some of our competitors are public, but most of them are doing multiproduct lines, and not only focus on the assurance.

Abba Horwitz: Okay.

Eyal Harari: The ones that are focus on the assurance, I think most of them are private.

Abba Horwitz: Okay. Thanks very much, and again, a great quarter. Thank you, Eyal.

Eyal Harari: Thank you, Abba.

Operator: There are no further questions at this time. This concludes the Radcom Ltd. fourth quarter and full-year 2020 result conference call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call]