Q1-21
Conference Call Results

May 11, 2021

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Radcom Ltd. Results Conference Call for the First Quarter of 2021. All participants are at 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 on 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 in 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 5G market and industry trends, the company's market position, cash position, potential and expected growth, the company's expectation with respect to its relationships with Rakuten and AT&T, the potential of the Radcom ACE product and the integration with Microsoft Azure, its ability to capitalize on the emerging 5G opportunities and win more market share, its potential expansion with a top tier LATAM operator, the potential for additional partnerships with top cloud providers in the future, 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 and 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 helpful in assessing Radcom's core operating performance, in evaluating and comparing the 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 reconciliations of GAAP to non-GAAP financial measures, included in the quarter's earnings release which is available on our website. 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 first quarter 2021 results. We are pleased with the financial results as they mark our seventh consecutive quarter of year-over-year revenue growth. Total revenue for the first quarter of 2021 was 9.1 million dollars, representing 10% year-over-year growth and a continuing improvement of our bottom line. This revenue growth is supported by our strategy of procuring multi-year agreements for software and services, culminating in a significant contribution of recurring revenue. Our consistent results come from the execution of these multi-year contracts with the leading operators globally and our ability to remain agile in a dynamic and ever-changing business environment. We are excited about our recently announced win at a top tier LATAM operator as we secured a multimillion dollar order for our Radcom ACE assurance solution. The selection process involved a multi-vendor tender in which the operator analyzed and evaluated vendors on their 4G and 5G assurance capabilities. This win was achieved based on our innovative technology and the advanced capabilities of Radcom ACE, which provides an intelligent automated assurance platform. Radcom ACE will enable this top tier operator to resolve

network quality degradations before they affect the customer, and as such, improve the overall customer experience. This win expands the deployment of our technology to the operator's mobile network, with the potential to expand when the operator transition to the 5G network in the future. As mentioned in previous quarters, standalone 5G networks are built on cloud native technology, which is why we recently see cooperation between telecom operators and public cloud providers like Microsoft, Google and Amazon. Last month, several operators announced their collaboration to build a cloud based 5G network in the US and in Europe. As Radcom has been transitioning to cloud native technology for the last few years, this is an encouraging trend. We are already seeing this come to fruition as we announced the integration of Radcom ACE with Microsoft Azure earlier during this first quarter. This integration with Azure enables operator to ensure the quality of their 5G services. Radcom ACE runs as a cloud native function within the public cloud, and when deployed on Azure, it is scaled and managed through the Azure Kubernetes service. This integration also exemplify our growing capability to support cloud native operations. Our advanced cloud agnostic technology and significant telecom experience put us in an excellent position for additional partnerships with cloud providers, as we expect customer to deploy in multi cloud environments. In addition, we are currently seeing more opportunities and are engaged with multiple prospects at different stages of the sales cycle. We believe that Radcom is well positioned to win more market share as 5G continues to evolve. We are still in the early days of this transition. In North America and several countries in Asia, operators are aggressively rolling out 5G followed by Europe and then Latin America. In addition, we are seeing several greenfield operators adopt cloud native technologies to roll out mobile services and expand to new market verticals. AT&T remains a key strategic customer for

us. In their recent earning call, AT&T stated that they added nearly 600 thousand subscribers in the quarter, which was their best net add first quarter in more than 10 years. Our cutting-edge software is embedded into their mobile network, and monitors the customer experience as they continue evolving their underlying network infrastructure to the cloud. We continue to deliver consistent cutting edge software releases to AT&T as we support the evolution of their cloud network. We are also progressing in our partnership with Rakuten in Japan as they aggressively roll out the world's first end-to-end virtualized network deployed on a nationwide scale. We continue supporting Rakuten with their 4G and 5G network builds. In addition, Rakuten plans to launch its standalone 5G network in the second quarter of 2021. In preparation for this, we have moved to the Radcom ACE software implementation to monitor their standalone 5G services. During the first quarter, TelecomTV published an interview with Rakuten Mobile CTO on their nationwide rollout and their transition to 5G and the importance of Radcom's solution in supporting them on this journey. As Rakuten Mobile CTO stated in the interview, assurance is vital when rolling out greenfield networks, allowing Rakuten analyze events in real time, diagnose them and improve the network, but most importantly, it provides real time data about the true customer experience. In addition to rolling out software releases for standalone 5G, Radcom solution is also being integrated into Rakuten's communication platform, which is already being market to operators worldwide and deployed in Japan. Given that Rakuten is a leading pioneer in deploying cloud native technology and transitioning to 5G, we are gaining invaluable hands-on experience monitoring the first ever implementation of this cutting-edge technology. It further serves as a testament of our ability to innovate and build out new capabilities that we believe will increase our market share in the future. As mentioned, when

deploying new technology, such as cloud native platforms or 5G networks, assurance play an essential role in monitoring service quality, pinpointing network degradations and helping the operator improve the network performance. Therefore, we expect Radcom ACE to continue to gain further interest from operators and play an important role in facilitating the transition to 5G through real-time insight and network performance optimization. We are continuing to invest strategically in R&D to enhance our Radcom ACE solution, increase our 5G capabilities, expand our AI-driven insights, and seamlessly integrate our solution to the cloud. We are continuing to expand our sales team, and as mentioned, we are currently engaged in multiple opportunities and looking to expand our pipeline as 5G gains momentum. Based on the current industry conditions and our visibility, we reiterate our 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 results in detail. Amir, please go ahead.

Amir Hai: Thank you, Eyal, and good morning, everyone. This quarter marked another consecutive period of year-over-year revenue growth. With our first quarter revenue increasing by 10% year-over-year, we succeeded in improving our bottom line. Now please turn to slide 6 for our financial highlights. To help you understand the result, I will be referring mainly to non-GAAP number, which exclude share-based compensation. We ended the first quarter of 2021 with 9.1 million dollars in revenue, increasing from 8.3 million dollars in the first quarter of 2020. Our gross margin in the first quarter of 2021 on a non-GAAP basis was 75%. Please note that our gross margin can fluctuate depending on revenue mix. Our gross R&D expenses for the first quarter of 2021 on a non-GAAP basis were 4.8 million dollars, a slight increase of 200 thousand dollars compare to the first quarter of 2020. During the quarter,

we received grant from the Israeli Innovation Authority for 68 thousand dollars. Sales and marketing expenses for the first quarter of 2021 were 2.4 million dollar on a non-GAAP basis, approximately the same as the first quarter of 2020. General expenses for the first quarter of 2021 on a non-GAAP basis were 809 thousand dollars, approximately the same as the first quarter of 2020. Operating loss on a non-GAAP basis for the first quarter of 2021 was 1.1 million dollars compared to an operating loss of 2.5 million dollars for the first quarter of 2020. Net loss for the first quarter of 2021 on a non-GAAP basis was 1 million dollar or a net loss of 7 cents per diluted share compared to a net loss of 2.4 million dollar or a net loss of 17 cents per diluted share for the first quarter of 2020. On a GAAP basis, as you can see on slide 5, our net loss for the first quarter of 2021 decreased to 1.7 million dollars or a net loss of 12 cents per diluted share compared to a net loss of 2.9 million dollars or a net loss of 21 cents per diluted shares for the first quarter of 2020. At the end of the first quarter of 2021, our headcount was 273. Turning to the balance sheet. As you can see on slide 9, our cash, cash equivalents and short-term bank deposits, as of March 31, 2021, were 67.3 million dollars. We believe that our strong balance sheet provide us with the flexibility to execute the opportunities ahead of us and remain agile through global uncertainty. That ends our prepared remarks. I will now turn the call back to the Operator for your questions.

Operator: [pause] 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: Thanks. And good morning, good afternoon in Israel. Thank you for taking my questions. I guess I just want to start at a high level, gents. Just trying to understand if you could provide some color on the spending and decision-making environments as you're starting 2021. Are we seeing prospects – 2020 was a good year, let's be clear. But are you seeing some of the prospects that were delayed last year coming – begin to come back online? Are you starting to see, maybe, the decision-making around 5G rollout start to pick or improve? Because we've been watching the trend for, obviously, now a few years, there were delays in the beginning, because it's not sort of a switch like 4G was. Help us think through, sort of what, that demand environment is looking like, given visibility, post COVID, things like that.

Eyal Harari: Hi, Bhavan, and good morning. Yes, 5G is a long-term trend that we are monitoring carefully. And we invest our focus on making sure we are capitalizing the growth of investment that expected in 5G. I would say that we see encouraging momentum in the 5G era. And we see more and more operators taking more active steps towards 5G investment. As I laid out the timeline in previous calls, we see a process of operators starting in their investment, typically from the radio side by buying the radio frequencies, selecting the radio providers, and starting to deploy the antennas, and then going to the second stage of going more strategically nationwide, investing in their call network what we also call the 5G standalone. So, overall, we see the number accumulated with more operators being committed to the process. We see more operators starting to select their radio vendors. And we see more operators starting to select their vendors to the core. As I mentioned, we are increased – we increased and keep increasing our sales team in order to capture the opportunities, and we follow very carefully the operators as they announce their progress with the 5G to make sure we are there and well positioned to be in this opportunity as they advance. There

were questions before, and last year, mainly around the COVID, and whether it would be … creating some delay. I could say that, you know, we know telecom processes are taking time. And I can say overall that it's progressing as expected. And there is a clear investment in the industry towards 5G. There is no question of if, it's a question of when. And I would generally say that is progressing as expected, and we see more opportunities around 5G quarter-over-quarter.

Bhavan Suri: Got it, got it. That's helpful. Maybe digging a little deeper. Maybe talk a little bit about, sort of, the backlog, or the PoCs you have? How are those playing out? Or maybe even pipeline versus, say, last year, two years ago, as you think about those opportunities. Some color there would be really helpful.

Eyal Harari: Okay. So – first of all, for PoCs, as – one of the questions that always being asked is, now with COVID and the restriction on travel, how are we making –

Bhavan Suri: Yeah. How –

Eyal Harari: – how are we making a PoC happen in this environment. And what's nice about Radcom and being a fully cloud native supplier is our ability to deliver those PoC also from remote. Utilizing our virtualization software doesn't necessarily require us to install physical hardware, which is in these days more complicated. It's actually allowed us to accelerate our customer engagement demos, PoCs. And we are involved with many activities with many different customers. I am not sharing exact pipeline information. But what I can tell you is that the number of operators we are engaged is increasing from quarter to quarter. And we are seeing, overall, a positive trend in the pipeline.

Bhavan Suri: Got it, got it. No, that is super helpful. Let's touch a little bit on the cloud relationships. Obviously, the Azure relationship was really interesting out there. I guess, help us think through, kind of, how that gets monetized, right?

So, we get the cloud vendors want to be – the telecommunication, the carriers want to have software-only cloud-based solutions that integrate with applications that run on Azure, or some of the software may run on Azure. Radcom's assurance software, reliability, the network virtualization …, those can all run on Azure. I guess, does that make it easier to monetize? Is that just a longer-term secular trend you're hoping to capitalize on? How should we think about where the monetization of that opportunity and how that will play out?

Eyal Harari: Well, I would split it into short term and long-term view. On the shorter term, we see operators starting to engage with cloud providers in order to help them to build their 5G network. And the relationship with Microsoft, Azure and others is in order to make sure that once they're selecting their cloud partner, they – they know that we are one of the assurance providers that can actually deliver in this new innovative environment, that not many of our industry competitors can really play. This is very helpful on the exposure into new accounts. As we know, the cloud providers are marketing aggressively their solutions into the telcos, as the workloads of the telcos are being considered as a big potential for the cloud providers. On the longer term, I believe that more and more telcos will really move to a full public cloud implementation. But this is going to take multi-year, maybe three to five years. And on the long term of strategic relationship, I believe that this could be very important to be able to deliver our software as a service over those cloud providers when the telecom market will be more mature to consume services on the cloud. So, I think it's both important on a short term for enabling exposure to immediate deals, and to reduce the entry barriers from us working with different carriers that are more advanced on 5G, which is where we aim. And on the longer term, this could be even more strategically important as the telecom industry, as I believe, will continue to

migrate more and more to the public cloud environment.

Bhavan Suri: Got you. Got you, got you. Very helpful. I might try and squeeze one more in, and then I'll jump back in queue. But, you know, visibility seems to have improved, and the business will always be lumpy, right? These are large contracts. It's not 100 thousand potential customers, right, it's large carriers. But maybe, talk to us a little bit about the visibility you have this year and how that plays out as more and more of the business becomes a SaaS, pure software subscription-based model. Help us think through visibility trends that you're seeing this year, and then how they might play out. Thank you.

Eyal Harari: Sure. So, our multi-year contracts are allowing us to get more and more – bigger and bigger portion of recurring revenue as we deploy software and services on the tier 1 carriers. We mention our engagements in the past, for example, with Rakuten, that's provide us very good visibility on a multi-year service revenue along the contract period, and as we expanded just in Q4 into 5G engagement, which increase our visibility further. I believe that with the win of Rakuten 5G on Q4 and this new win in this quarter with the LATAM operator, our visibility increased, and we keep maintaining significant part of our revenue as being recurrent, which give us a very good insight into the yearly targets. And this is why we were reiterating the guidance for the year.

Bhavan Suri: Got it. Thank you, gents. I'll jump back in queue. Thank you for taking my questions.

Eyal Harari: Thank you, Bhavan.

Operator: The next question is from Alex Henderson of Needham and Company. Please go ahead.

Alexander Henderson: Great. Thank you very much. I was hoping you could talk a little bit about the architectural commentary around moving to cloud – more cloud native, and to what extent your software is based on micro services, and

how do you update it over time? Is it a continuous integration, continuous updating deployment model? Or is it still somewhat monolithic in its architecture? I know that's a fairly heavy lift, but obviously, dramatically improves your – your agility, and the time to market with new features and functionality, once it's achieved. Can you talk about where you are on that process?

Eyal Harari: Sure, Alex. This is a great question. As virtualization journey started for Radcom in, probably 2014, we were starting with, first of all, porting our solution into software, and building them in a virtualized environment, and this was already available in 2015. Since then, we were enhancing and maturing our architecture. And as – you are spot on. We are focused today on the microservices, Kubernetes environment, for our – all of our solutions. This is exactly what all Radcom ACE all about, which was announced on third quarter of 2020. Being involved with companies like Rakuten that are using cutting edge technology, and for those of you who follow the Rakuten cloud platform architecture, this is exactly a fully cloud native microservices architecture, and has been the close partner of ours. This is the target architecture that we are supporting. And we are these days implemented with them, integrating into their environment. And I would say that we believe that we are quite advanced in our space. And as you know, we are working with one of the most advanced carriers in the 5G in a full cloud native environment. A lot of – we keep investing in R&D significant amounts, as we believe that this is our cutting edge. And most of our R&D resources in the last two years were going through the transition from the virtualization, I will say, NFV architecture, into the Kubernetes cloud native microservices architecture. This is in the last stages of implementation. And as Rakuten are expecting to go live end of Q2 this year, this is where we are targeting to be fully ready to in a GA level. As you mentioned –

Alex Henderson: So –

Eyal Harari: – there is a big benefit on the operational efficiency for that, as we are using, as you pointed, CI/CD in our development cycle. I would admit that most telecoms are not yet mature to work in this approach, and they are more traditional in their way. But definitely, we see more and more operators leaning into accepting a more agile approach, as this is what we bring in our DNA. And I believe this trend will continue in the next years.

Alex Henderson: So, clearly, you know, your technology is therefore on the cutting edge in terms of architectural design. It strikes me that if you look at the competitive landscape, you were way ahead in technology three, four, five years ago, but there is a perception out there that the competitors might be catching up. But I don't think any of them have moved to a microservices-based architecture. So, could you talk a little about what you see from a competitive landscape, when you're involved with the Rakuten, in terms of that specific issue?

Eyal Harari: Yeah, sure. I agree with your statement. We're really proud and believe that our technology is way more advanced than the competition. I think the main difference, if you look compared to a couple of years ago, when we started to pitch about virtualization and the importance of virtualization a few years ago, many of our competitors were in denial. What's different today is that for every – everyone is clear that 5G is going to be cloud native. And then the marketing of all of our competitors already know to say the right messages. We don't see today any of our competitors catching up. But, you know, we have limited visibility into competition. And the message we are hearing from most of the customers we engage with is that what we have is more advanced than what the others can offer. But it's a – as I – and again, I want to reiterate, it's a difference than before that when we played in a niche, that some people didn't believe we'll mature and become the

standard. Now, everyone understand that this is what's needed, and everyone is following the trend, and what we were doing in the last years, and trying to catch up with the microservice architecture.

Alex Henderson: Well, it's my understanding that your virtualized version was competing with hard system refrigerators when you first came public. And it strikes me that the move for most of your competitors was try to figure out how to catch up on a standardized virtualization approach, which means that you're basically running the software in a virtualized manner, as opposed to, you know, changing the architecture to a, you know, recode to a microservices-based architecture. So, if that's the case, these guys are still way behind in terms of that technology. And that's probably the most important delta between modern application companies and anything that's more legacy. So, I assume that that's still the case. Am I correct in that assumption, as far as you can tell?

Eyal Harari: Yeah. I think, again, you are spot on. This is our assumption. And you know, in the last five, six years, we spend around 100 million dollar in R&D. And this all goes into those architectures. I don't believe our competitors were as focused and invested strategically as us. And this is why we believe that our technology is way superior than the competitors, in the container environment. And the good thing is that when we see 5G architectures, everyone is going towards this direction. And this became the standard, de facto in the industry, which we – this is why we are very optimistic on our position in the market.

Alex Henderson: So, clearly, one of the major benefits to the Kubernetes architecture is the ability to have companies' code to open APIs and take advantage of your technology with additional functionality that's external to the company, and communicate domain to domain. So, in that environment, have you done any integration? Or are you seeing any hooks into HashiCorp? How are you

reaching the coding community? And to what extent do you think that, you know, your open APIs are changing the value proposition of the technology?

Eyal Harari: When we are talking about virtualization environments, one of the changes that is very, very important is the culture. And if you looked on the telecom as it was five years ago with refrigerator and boxes and black box implementations, everyone was closed by nature. When we moved to virtualization, it wasn't only about the change in the product itself. It's a change of the culture of the company. And the whole approach, when we are engaging today with operators, is where we can fit in and who we can – how we can enrich other applications, how other applications can enrich us. It's became a world from, you know, deployment of boxes in the field, to a world of software integrations and making sure you get the most from everything you do, things we saw before in the IT environment. I believe this trend would continue, as more and more networks will move to more software environment. And for us, integration is the – goes without saying, again, we have lots of open APIs. We have adapters into part of the Radcom ACE. We provide the ICON technology, which is – enable you to load feeds from other applications. We support open APIs like Kafka and others in order to feed additional big data, as assurance and probing is a key data source in order to monitor the customer experience. And the same data could be used by other telecom applications for customer care, business analytics and more. So, definitely, integration is part of our day to day. And this is part of the of the value of moving to cloud native environment. And with using microservices approach in some areas, this is even easier.

Alex Henderson: Great, thanks. That's a good rundown of the technology. I wanted to go back to the pipeline conversation and the, sort of, the timeline. When you win a transaction, obviously, there's some pretty big lags between the time you win a transaction and the time it actually shows up as revenues. I would

assume with the most of these native 5G deployments that, from the time you win to the times you have actually done the installation, done the, you know, the quality checks and other deliverables, that that could be a fairly lengthy time. Can you talk about, you know, how long it takes to go from closing a deal to recognizing revenue in 5G? Is it the same as it was in the 4G world?

Eyal Harari: We are talking about usually two to three quarters until we start to see the revenue in a typical case. I would say this is a bit faster than the 4G, as 4G in many cases was involved hardware implementations. And once we are doing it on 5G using the virtualization software, we shorten some of the time require for the – to start the project, so, we start the project earlier. But there is some work around integration, that, in the typical case, takes two, three quarters until we start to see the revenue.

Alex Henderson: And then, one more question along that same lines. Can you talk us through where you are and where you expect to be, in terms of the percentage of your business that is subscription/recurring, and therefore, highly visible? And what portion of your business is still on more returns or, you know, lumpy kind of installation and revenue recognition model? And where do you think it will be, say, a year from now, or two years from now?

Eyal Harari: So, we already did the big shift in our business model towards the multi-year engagements, and most of our wins in the recent years are already structured on a recurrent base – on a multi-year level. I would say that significant part of our revenue is already structure in this way, and only a smaller part is on a one-time revenue. I expect this trend to continue. But I would say that we are already well down this road, as part of the benefit of implementing the software product is that you are not requiring to do a one-time upfront investment, but you can spread the investment over the terms of the contract. And as I said, this is our preferred business model in the

recent years, and a majority of our revenue is already structured like that. I expect this to continue, as more and more operators are moving to 5G and selecting this business model. But with that being said, there might be some one-time projects or revenue sources, as we still see that some telcos insist on getting the traditional business model. And as we are working with tier 1s, we are not going to lose a deal in order to – if the customer insists. So, we are trying to find the right model that works for both the customer and us. And there are some specific projects that are really one-off, like one-time license or one-time requirement that is still there. But, overall, the trend is definitely towards a recurrent revenue.

Alex Henderson: Is it fair to say that you're 75-80% recurring at this point?

Eyal Harari: I don't have the exact number. And again, it's not something I can share, but I would say the ballpark range is there, is around there.

Alex Henderson: Perfect. I'll cede the floor. Thanks.

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 we poll for your questions. [pause] The next question is from Sasha Karim of IPI. Please go ahead.

Sasha Karim: Hi. I've got a couple of questions. My line cuts out towards the end of the last question. I don't know, were you giving some guidance there on roughly what's a model for the new LATAM contract? Can you give us any view on whether it's a, sort of, more like a quarterly SaaS type revenue recognition, or an annual revenue recognition? And then, I guess, how would it size relative to, for example, the Rakuten contract, if it was a full-year – full-year contribution?

Eyal Harari: Hi. Good morning. So, we didn't touch the LATAM contract. The LATAM contract, as we stated, is currently covering a specific part of the network of this operator, with additional potential to expand into a multi-year once the

operators continue with their transition to 5G. This is expected to be in not quarterly basis, but like, more, one time a year. And currently, we engaged on the first part of the contract. We got their orders for the first part, with exceptions to further expense while the operators is progressing with this transition into 5G.

Sasha Karim: Great, thank you. And then, my next question would be regarding the Azure deal, the Azure partnership, would you say that the larger tier 1 operators are less likely to be willing to partner with a hyperscale cloud provider like Microsoft because it, sort of, risks – they risk becoming very dependent on it, and they have the capability of running their own cloud. So, is this more an opportunity for you to win, perhaps, sort of, the tier 2, tier 3s that you wouldn't have ordinarily gone for, but now you can go for the tier 1s and the tier 2s and tier 3s?

Eyal Harari: So, I think it's – we see this trend of starting to partner with the cloud providers not only from the tier 2s, but also from the tier 1s. If in the past, the – what a tier 1 operator would do is build his own cloud, we see more and more tier 1 operators partnering with the cloud providers in order to help them to build the data centers and the private cloud environment, as they understand this is not their core competence. So, this relationship with the cloud providers is not targeting only for the tier 2s. It's definitely also targeting to help us with the penetration in the tier 1s. But you are right in saying that it's allow us to access to some of the tier 2 and tier – that are starting to migrate also to more advanced capabilities. This is part of the maturity of the market that we see that other advanced tier 2 operators are also starting to adopt those architectures.

Sasha Karim: And, finally, Microsoft does have some vertical specific software expertise here through its acquisition of Affirmed Networks. I appreciate, right now, Microsoft is a partner, but what is the risk that through that Affirmed

acquisition, they could eventually move into more deeper assurance and become a competitor?

Eyal Harari: I don't have any visibility into what Microsoft are planning, but I believe that assurance is an area with – you need a specialty of – that I don't see that they currently have, and necessarily looking to invest. But again, I don't have any visibility into what they are doing. It could be that they are going into this direction. But in this case, you know, we believe that integrations with the best of breed solutions might be a better approach for most carriers and cloud providers.

Sasha Karim: Great, thank you.

Operator: [pause] There are no further questions at this time. This concludes the Radcom Ltd. first quarter 2021 results conference call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call]