Q3-21
Conference Call Results

November 11, 2021

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Radcom Ltd. Results Conference Call for the Third Quarter of 2021. 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 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 Investors 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 the outlook for the fourth quarter of 2021; its ability to deliver another growth year in 2021, and the increase of this trend in 2022; the optimization of 5G services on the AWS cloud and Amazon EKS for on-premises implementations, resulting from the integration with AWS; launching of the Rakuten 5G standalone network; the company's sales pipeline momentum, sales cycle, demand for its products and new requests, and potential expansion of opportunities; the company's continued investment in technology and R&D; expectations regarding the 5G and AI market sizes and trends in industry; investments, demand and spending; the company's cash position, potential and expected growth; the company's expectations with respect to its relationships with Rakuten and AT&T; the potential for additional grants from the Israel Innovation Authority; the potential for additional technology integrations, 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 and 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 available on our website. Now, I would like to turn over the call to Eyal. Please go ahead.

Eyal Harari: Thanks, Operator. Good morning everyone, and thank you for joining us for the third quarter 2021 earnings call. Earlier this morning, we issued a press release stating our third quarter results. We started the second half of the year with solid financial results. Total revenue was 10.2 million dollars, which represents a ninth consecutive quarter of year-over-year revenue growth. As a result, we maintained our positive outlook for the fourth quarter, and are optimistic about our overall ability to deliver another growth year in 2021. Moreover, with our current visibility, we believe this trend will continue in 2022. We continue to invest strategically in R&D and advance our cloud-native technology as we announce our new innovative AI solution as part of Radcom ACE in August. This solution automatically analyze millions of data sessions in real-time. As a result, it can reveal underlying faults in 5G networks that otherwise would likely go unidentified for more extended periods and affect service quality. We received positive feedback from current and potential customers on our new AI solution, and continue to engage in several ongoing opportunities for this new offering. Additionally, Light Reading, an independent digital media platform providing analysis and insights for the global communication networking and service industry, named Radcom as a finalist in the 5G core product category during the quarter in their annual Leading Lights Awards. Our AI solution uses the latest advances in artificial intelligence to help rapidly evaluate new telecom deployment scenarios and assist in fast new real-time analytics. We are excited about the potential of this solution and believe it can provide real value to operators as they transition to more automated processes for managing their networks. Furthermore, we believe this investment will pay dividends in the form of top-line growth as 5G assurance requirement and AI continues to be adopted by more and more operators. In October, the analyst company Analysys Mason published their automated assurance market forecast for the next few years. They cover operator spending on telecom-specific automated assurance solutions. Analysys Mason stated in their report that the two main drivers for the expected acceleration in the assurance spending are the need for AI/ML-driven automation for 5G and cloud solutions, which is aligned with our R&D investment. As mentioned in previous quarters, standalone 5G networks are built on cloud technology. As a result, we continue seeing many collaborations between telecom operators and public cloud providers. Therefore, we continue working with technology partners to integrate Radcom ACE with public cloud providers, helping operators ensure service quality and deliver a superior customer experience for 5G, delivered over the public cloud. In August, we announced our integration with one of the leading cloud providers, Amazon Web Services. This integration enables telecom operators to use AWS Cloud and Amazon Managed Kubernetes services along with Radcom ACE to simplify 5G rollout and smartly manage network services more automatically on AWS cloud. This has received positive feedbacks from potential customers, and we already have several ongoing opportunities for Radcom ACE on AWS. This announcement followed our press release in the first quarter of 2021 covering our integration with Microsoft Azure. In addition, we continue to look into additional integrations to offer our advanced cloud-native assurance technology to more operators. One of the latest 5G trends we see in the market is more greenfield operators entering to the telecom space. A greenfield operator build its network from scratch. As seen in Japan with Rakuten, greenfield operators will significant advantage over traditional operators. They can deploy the most advanced technology and are not held back by legacy networks. They are in essence pure 5G and cloud native from the start. With demand for connectivity and data consumption soaring, 5G opens new window of opportunities for companies other than the traditional mobile operators to benefit from this surge in consumer demand and enter new verticals. In the US, DISH the television and satellite provider, is deploying a greenfield 5G network that the plan will serve 70% of the US population by June 2023. In Europe, Germany 1&1 is rolling out a greenfield network expected to be Europe's first fully virtualized mobile network. Additional greenfield operators are emerging in the market and planning their 5G rollouts. These processes take time, but automated assurance solutions are vital for operators deploying cloud-native technologies to monitor the entire network life cycle and ensure ongoing service quality. Furthermore, as Rakuten has demonstrated, these greenfield operators tend to choose vendors based on innovation, forward-looking solutions rather the legacy ones. So, this is undoubtedly a market segment that is of interest to us. Turning to our installed base. AT&T continues to be a significant customer for us, with whom we continue to maintain strong relationships. Our business has been solid, and this year we expect to increase revenue compared to 2020. In addition, we continue providing AT&T with ongoing software releases to monitor service quality and ensure a positive customer experience. In their most recent earning call, AT&T stated that they have attained historical subscriber growth rates and customer satisfaction across the board, with lower churn and higher Net Promoter Score – NPS, which measure customer experience scores. This was the highest NPS score that AT&T had ever received. We believe that Assurance solutions are vital for monitoring quality and resolving any network issue quickly. During the quarter, we worked closely with Rakuten Mobile to help prepare for the commercial launch of their 5G standalone network, expected later this year. In August, Rakuten covered their transition to standalone, reporting their successful data testing with the Tokyo Institute of Technology and citing some advanced use cases enabled only by 5G standalone. We are excited about the possibilities 5G standalones open up and how our solutions supports Rakuten as they advance their nationwide rollout. In previous calls, we mentioned our integration with the Rakuten communication platform, RCP. This platform is now part of Rakuten Symphony, launched in August and incorporated as a new organization dedicated to selling RCP and other network solutions and managed services to operators worldwide. Earlier in the call, I mentioned Germany 1&1 greenfield operator. This is one of the first public announcement of an operator adopting Rakuten's platform. 1&1 contracted with Rakuten to help build its new mobile network and deploy Rakuten's communication platform. As Radcom is Rakuten's service assurance vendor of choice, being part of this platform can open up significant opportunities for us. Turning to the company and our corporate commitments. At Radcom, we believe that our commitments to the environment, as well as the social and corporate governance, are integral to the success of our business. Accordingly, our ESG initiatives are part of our day-to-day activities. We are committed to promoting the highest standards of ethical business conduct, which is why our Board recently approved an update to our code of ethics that will be published soon on our website. With employee retention being key to our company's ability to run on all cylinders, we continue to prioritize the health and welfare of our employees during the ongoing pandemic. We adhere to the local and regional guidelines on safe distancing policies and provide our entire global workforce the ability to work remotely and maintain flexible hours. I am proud of our employees and thank them all for their ongoing dedication and commitment to supporting the company's customer commitments and growth strategy. We maintain our laser focus on retaining and nurturing top talent and creating culture of excellence. We pride ourselves on our cutting-edge approach to 5G assurance, and our commitment to retain key talents remains a critical component of this strategy. This quarter, to further catalyze this practice, we launched an employee retention program to support this objective. As I mentioned in the last quarter, our sales pipeline has increased by double-digit percentage since the beginning of 2021. We continue to work in a significant number of sales opportunities across multiple regions. These includes proof-of-concept demonstrations and several opportunities that have reached the advanced stage of the sales cycle. Our pipeline also consist of a good mix of new and existing logos. Even though sales cycle are difficult to predict, we believe that some of these opportunities will convert into new customer contracts in the short term. To wrap up, we believe that 5G is on an upward trajectory and yet still only in its early stages. As a result, we expect that the demand for 5G assurance solutions to increase. I am pleased with our performance for Q3 in the fiscal year to date. We expect year-over-year revenue growth in fiscal 2021. And due to our increased visibility and sales pipeline, things are looking favorable for 2022. We remain confident that our product offering are best-in-class and will play an important role in the 5G transformations as the markets ramp up and more opportunities evolve. We reiterate our full year 2021 revenue guidance of 39 million to 41 million dollars, based on our current visibility. With that, I would like to turn the call over to Amir Hai, our CFO, who will discuss the financial results in detail. Amir, go ahead.

Amir Hai: Thank you, Eyal and good morning, everyone. Now, please turn to slide 8 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 third quarter of 2021 with 10.2 million dollars in revenue, increasing from 9.8 million dollars in the third quarter of 2020. We are pleased with our consistent growth trend representing a ninth consecutive quarter of year-over-year growth. Our gross margin in the third quarter of 2021, on 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 third quarter of 2021 on a non-GAAP basis were 4.5 million dollar, a slight decrease of 100 thousand dollars compared to the third quarter of 2020. We receive a grant of 205 thousand dollars from the Israel Innovation Authority during the quarter compared to a grant of 478 thousand dollars in the third quarter of last year. Following the Israel Innovation Authority discussions, we expect the Q4 grant to be between 100 to 200 thousand dollars. As a result, our net R&D expenses for the third quarter of 2021, on a non-GAAP basis, were 4.3 million dollars compared to 4.1 million dollars in the third quarter of 2020. Earlier in the call, Eyal mentioned the launch of our employee retention program to retain and nurture top talent at Radcom. We deeply appreciate the contribution of our employees in supporting our customer commitments and developing our innovative solutions. Therefore, as part of the retention program started in mid-October, we allocate RSU incentive to a significant number of employees. This will increase our stock-based compensation expenses annually by 2.7 million dollars on a linear basis for the next two years. Sales and marketing expenses for the third quarter of 2021 were 2.2 million dollars, on a non-GAAP basis, approximately the same as the third quarter of 2020. G&A expenses for the third quarter of 2021, on a non-GAAP basis, were 777 thousand dollar, approximately the same as the third quarter of 2020. Operating loss on a non-GAAP basis for the third quarter of 2021 was 200 thousand dollars compared to an operating income 239 thousand dollars for the third quarter 2020. Net loss for the third quarter of 2021, on a non-GAAP basis, was 333 thousand dollars or a net loss of 2 cents per diluted share compared to a net income of 246 thousand dollars or a net income of 2 cents per diluted share for the third quarter of 2020. On a GAAP basis, as you can see on slide 7, our net loss for the third quarter of 2021 was 1.1 million dollars or a net loss of 8 cents per diluted share compared to a net loss 0.4 million dollars or a net loss of 3 cents per diluted share for the third quarter of 2020. At the end of the third quarter of 2021, our headcount was 278. Turning to the balance sheet. As you can see on slide 11, our cash, cash equivalents, and short-term bank deposits, as of September 30, 2021, were 67 million dollars. That's end our prepared remarks. I will now turn the call back over to the operator for your questions.

Operator: Thank you. Ladies and gentlemen, at this time, we’ll 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 handset 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 Alex Henderson of Needham & Company. Please go ahead.

Alex Henderson: Hi, guys. Sounds like you're making good progress on the pipeline. Congratulations with that. And hopefully that will metastasize into a good solid gross next year. I wasn't sure I caught exactly what you said. Did you say 2.7 million dollar increase for the next two years? I'm not sure what that – I kind of missed that one. Could you just reiterate what you said there?

Amir Hai: Yes. I will take it, Eyal. Basically, what I mentioned in the call, that we granted RSU to a significant number of the employees. And we're expecting expenses of 2.7 million dollar per year as a result for this grant.

Alex Henderson: Ah, okay. I had missed that RSU piece. My primary question right now is, not so much on the RSU side, but rather on the exchange rate side. The shekel has been a bad currency to be denominated and it's hitting 10-year highs, that's as far as my charts go back. I suspect, it's all-time highs, and it's up a ton over the last, you know, quarter and certainly over the last month, even. So, can you talk a little bit about what the shekel impact is on your cost structure? And to what extent you use or don't use hedging? Because I don't recall the answer to that question.

Amir Hai: Sure. I would take it Alex. Basically, our shekel expenses per quarter is about 5 to 6 million dollars. So, every percentage– is like 50 to 60 thousand dollars, and if we look at the shekel rate right now, and of course the impact will be in Q4, and it's about a 3% decrease. So, it's about 150 to 180 thousand dollars per quarter. We are doing short-term hedging, and we hedge the shekel expenses until the end of the year. We may expand this position and do more hedging on longer terms, based on the situation that we will see in the couple – in the coming few weeks.

Alex Henderson: Yeah. So, if I were to look out into 2022, based on the current exchange rate, which even if you hedge it, it's still the current exchange rate, you know, what would be the quarterly impact? Is it that 150 to 180 per quarter throughout 2022?

Amir Hai: Yeah.

Alex Henderson: Okay. And then, just going back to the RSU, the RSUs are going through the income statement expense as part of the non-GAAP numbers, or is that a GAAP, you know …

Amir Hai: It's in the GAAP numbers. In Q3 you don't see it because we – it's under granting in mid-October. So, the results will be in Q4 and going forward.

Alex Henderson: But in the non-GAAP, I assume that those come out of the non-GAAP, is that correct?

Amir Hai: Yes. Those expenses will be out of the non-GAAP numbers, yes.

Alex Henderson: Right. Okay, perfect. Going back to, you know, the business, it's becoming clear that we are very rapidly moving away from the 5G array and 4G core to more companies doing full true 5G. You guys obviously are much more positioned against that than you are against the, you know, the hybrid architecture. If you were to look kind of globally, where do you think we are in terms of the percentage of companies making that transition? Is it, you know, 10% to 20% of service providers today making that transition? And by the end of next year it's in excess of 25? And then, you know, another year out, you know, 35 to 50? I mean, how do you see that progressing?

Eyal Harari: So, Alex thank you. And I believe the most important thing we see in the market is, the commitment level to move to the 5G is very high. I think today most of the top operators are already have concrete plans into moving to 5G. But as we know, this process takes time. And usually, the initial phase, the first movers in the market, it takes them a bit longer than others, as the vendor community is not always still mature. I believe the number we are today is still on, when we go not only on the commitment, but on the practical level of implementation, we are still on a single-digit percentage, and this should increase next year. But as we know, once the technology is getting more mature, then the increase is getting faster and faster. So I wouldn't say that we are now getting – I believe your numbers were a bit too high. It's very hard also to quantify, because there are different operators in different sizes. We are still in the early stage. We are still looking on a process that will take multiple years. I believe that next year we will start to see significant movement to 5G, but this is expected to increase year over year once the technology matures and the migration to 5G get easier and more predictable. As of today, it's still – there are still a lot of moving parts on the 5G architecture and how to implement, which hesitate and create complexities for the operators to complete their transition.

Alex Henderson: Okay. So, if I look at the sales pipeline, obviously, some very encouraging commentary around their double-digit increase since 2020. More advanced opportunities within the pipeline, so maturing of some of them. And I think the comment that was most interesting is that over the short term, you expect some conversions. Can you give us some size of scaling around what those type of conversions might look like, and what those programs might look like? Just give us some sense of – some context around that?

Eyal Harari: So, we are seeing that in the last, probably 18 months, we were engaged with multiple operators on their 5G programs. And as we know, our sales cycle is usually 18 to 24 months, and we see multiple operators advancing in the sales cycle into later stages. We are not expecting dozens of customers to mature into new projects, but we are advancing with very, very important customers that we are looking into expanding our activity with them. And I cannot refer you to specific number in this stage. But as you know, our solution entry level is – requires some significant investment. It's not that most of our customers are in the million dollars – multiple million dollar range. And every win is significant in our industry. So, I am encouraged by the advanced of the overall pipeline.

This is definitely was an amazing work by the team from the beginning of the year. I'm encouraged by the overall progress in the industry. But as we know, eventually, it's a process that not deterministic, telecom sales process are long, and we don't have yet some specifics to share.

Alex Henderson: So, just in terms of the scaling of the size of the customer, are these tier-1 customers, tier-2? Smaller, you know, new entrant type customers? Can you just give us any characteristics around the ones that you think are likely to convert?

Eyal Harari: Overall, what we – what I can share is, and as I shared before, we are targeting primarily the operators that are focusing on 5G. These carriers are those that are most advanced and adopting the new technology. This is what we are targeting. We are following the different geographies as well. The 5G is more mature. In order to capture our market share, this is – this was our strategy all along, and we continue to be very focused on that. And some operators are bigger in the pipeline, some are smaller, but we are primarily focus on the tier-1s in the different countries, as they are the ones that drive the technology forward.

Alex Henderson: It does sound though that you're more in the Rakuten Dish kind of newer operators as opposed to the larger operators, in terms of focus, a little bit more there than in previous years. Is that accurate?

Eyal Harari: We are discussing with many operators globally. And again, the trend is mainly where the maturity of the 5G is. 4G investment in most countries is done years ago. Our advantage is where you go into virtualized network and 5G implementations. This is where we focus. This is the market share we want to grab, and we are really focused on those accounts. And it is – in our pipeline, we have a mix of traditional carriers, as I mentioned also in the previous remark and greenfield carriers. As long as they are focus on new technology, as long as those are the carriers that are sizable and can appreciate our technology and work with us, these are the one we are targeting and we have a mix of all of them.

Alex Henderson: Okay. So let me shift gears. One last question, and then I'll cede the floor. The AWS situation is obviously quite interesting. Certainly, you know, you've had pretty good success in cloudier environments. Within that, you said that there were several opportunities, but didn't really characterize them at all. Are those new opportunities, new customers, or are those customers that had – you've been working with that said, "Look, you got to have AWS because we're going to be moving over there, you know. And obviously, with AT&T having moved over to Microsoft, you know, this is a necessity. We need to be able to do a cloud-centric model, and if you don't do it, we can't work with you." Therefore, you know, it became a necessity. Or are these just flat-out new leads, people you haven't been talking to before?

Eyal Harari: So, when we look today on the cloud strategy of telecom operators, we see that the hyperscalers, the big cloud providers, are taking an increased role in this transformation. Some carriers understand that it's not cost effective, or it's not their core business to run and maintain cloud platforms. And we see in the last few quarters, an increased activity from those players. As our solution is a cloud-native platform, and we are – we build it in a way that we need to adapt to the operators' environment. As if an operator select a strategic partner to do his whole cloud network and cloud infrastructure, we see that we need to integrate into that environment. So the leading cloud providers are definitely in our top of the list in priority for integration. So it will enable us to open the doors into more activities. To your question, we have a mix of opportunities we identified before, and this is why we prioritize our activity with AWS and Azure. But once you have this activity, you start to be exposed into additional operators that are working with them and this could be driven into opportunities that we were not engaged before. I believe we are still in an early stage of this transition to the cloud. But we really – for us it's a very good news to see that the cloud provider are there, because one of the things that holds back the industry is the maturity of the cloud, in order to move to full 5G stand-alone solutions. The more activity in this market, the more investment comes from the cloud providers in this market, I believe this will increase, and the speed of migration to 5G, and this is as I said where we focus. So we are not expecting in this stage, and I talked about it when we discussed about Azure. We are not expecting now AWS to be our reseller. It's more in this stage in order to be enablement and exposed to their ecosystem. And I think it's a good proof of our technology and our ability to be really cloud-agnostic. And when you have a product that is built in the right way, you can run it on multiple cloud platforms, as I expect telecom industry to be in the next few years.

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

Eyal Harari: *[pause]* Thank you, Alex.

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 Bhavan Suri of William Blair. Please go ahead.

Bhavan Suri: Hey, guys. Thanks for taking my question. It was good to see, sort of the ramp and the visibility improvement, I think that's really exciting. I guess, let's start off with the win in Germany as an example. So, obviously, you are a service provider to Rakuten. Can you just help us understand, how linearly does your revenue ramp as Rakuten's revenue ramps, or Rakuten's usage grows, with these other providers that are using Rakuten. So, help us think through how that relationship, that one derivative relationship works?

Eyal Harari: Hi, Bhavan. So, without getting into specifics for Rakuten, and obviously their win in Germany is a significant pivotal event for them, as this is the first global operator out of Japan that Rakuten wins. What we stated before, our business with Rakuten is, as of our previous contract, is in order to cover their operation in Japan. We initially signed with them the 4G network monitoring and assurance, and we expanded with them end of last year into the 5G. As you recall, this was the first 5G stand-alone win in our industry, as of then. We are – our contracts were not covering any international operation, and we – our potential to expand with Rakuten is where they expand into additional operations globally. As – as our solution is – business model is more leading into a subscription base, we are today mainly focusing on increasing the revenue by adding additional functionality, as opposed to necessarily additional capacity, like the traditional box solution that you were selling box after box. So we are – with our top carriers, we are typically engaged with an enterprise license agreement, which is a linear payment in a subscription-based model, where the expansions are coming, while you are expanding beyond the current functionality. The Rakuten case, it is like we did before from 4G to 5G, but then if any international operator that we expand is additional revenue. In an overall, our expected revenue from an operator is related to the operator value, which is a mix of, you know, the operator size and the ARPU they get from their subscribers, because the value we bring is related to the overall revenue that the operators generate from its subscribers, as our key role is to improve the customer satisfaction, and improve the retention of the subscribers. So we typically size, or price our solution based on the revenue base – on the subscriber base of the operator and the revenue stream, the ARPU, that he gets from their – they get from their subscribers.

Bhavan Suri: Got it, got it. That was really helpful. Thank you. I want to touch on the AI piece too. Obviously, the AI piece makes sense, but there's a number of players that do, sort of, network monitoring, network optimization, not on a telco side, but certainly for cloud providers, some of the observability players do this, some of the newer vendors purely on the software side, will do network – monitoring network management. Not, sort of, quite what you do, but help me understand the overlap of the competitive nature with some of the observability players, especially as you go to a pure software cloud-based approach. Help me think through, is there competition? It differs. It's not your traditional competitors for the AI piece, and, sort of, how relevant that is?

Eyal Harari: So, we are a specialized vendor that is – our expertise come with understanding the 5G network. We are expert on an analyzing the different network functions, and the flows between the functions. When you go to those generic AI companies, usually they have more generic engines, and so on, but they lack the special network expertise. This is usually where we play. We are not – we don't see today competition from these guys. Although it – on the technology, there might be some overlaps because the telecom still require a lot of in-depth specific information. I do believe that there is – this is something we monitor, and look, both in terms of opportunity, and also in terms of risk as the move to the cloud opens not only – you know, we talked on this, from the view of 5G, but it open up some additional views, as there are – it's – there are other players, other solutions, other alternative, both from the risk side and both from the opportunity side. But as of today, we don't really see any competition from the non – let's say, non-traditional vendors in the telecom space.

Bhavan Suri: Got you. Got you, got you. A couple of quick tactical questions from me. Just an update on LatAm progress, I guess completion or timing of completion? And then one quick one on ACE, but let's talk about LatAm first.

Eyal Harari: So, the LatAm project is still ongoing. It's doing good progress and it's currently as planned. And, not sure if we have anything additional to add on that. Maybe, I will take it to an important – that – reminder, that as we talked when we won this first – first PO, first order that we got earlier the year, this was part of a bigger RFP, and we are continuing to engage. And part of our pipeline is also to expand into additional areas in the network, and this is still active and part of our pipeline potential.

Bhavan Suri: Got you. Got you, got you. And then, just on ACE quickly. I'd love to understand, sort of, how you think it's tracking vis-à-vis expectations. And I know you're not giving guidance, but you've certainly got visibility. You've talked about pipeline strength. You talked about some of the wins, you know, Rakuten's had, that you've had. How do you think that's going to, sort of, potentially track over the next three to five years?

Eyal Harari: So, the Radcom ACE is the right product, in the right time. We took the time and the experience we got when we started to work on software virtualization back in 2014, 2015, and decided to invest in a whole new solution that is really big or cloud native from scratch, using container architecture, using micro services. This is – and it includes the AI technology as part of the core of the capabilities. What we are seeing in the market is that the feedbacks are very positive. It looks like the right product in the right time. And adding to that, all the increased focus of the cloud providers in the telecom space, is another good example, why the ACE product is exactly what was necessary. Because previous technology was not really optimized or capable to run on those environments. I believe this essentially goes side to side with the 5G development, while we are still in the early stage of the 5G. If we look a few years down the road, any carrier that will adopt 5G stand-alone, you know, 5G in a strategical way, will need a solution like the Radcom ACE. I am sure this is something that is clear to everyone. There are some workaround solutions that you can do in the short term, but on the long run you will need to have a fully containerized cloud platform, if your network is going to be fully containerized cloud platform, as the assurance is typically tightly integrated into the other network functions and growth. So overall, today, what we market is mainly the Radcom ACE product. Most of our pipeline is already based on the Radcom ACE product. Overall, as I mentioned, I feel positively encouraged from the advancement and the visibility we have.

Bhavan Suri: Fair enough. Fair enough. That was great. Thanks for the color, and thanks for taking my question, gents. Appreciate it.

Eyal Harari: Thank you very much.

Operator: There are no further questions at this time. This concludes the Radcom Ltd. Third Quarter, 2021 Results Conference Call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call.]