

The logo for RADCOM, featuring the word "RADCOM" in a white, sans-serif font. The letter "A" is stylized with a blue triangle above it.

RADCOM

Q3-22 CONFERENCE CALL

*November 10, 2022*



## AGENDA

- Introduction and safe harbor
- CEO – Eyal Harari, Chief Executive Officer
- CFO – Hadar Rahav, Chief Financial Officer
- Q&A

# SAFE HARBOR PROVISION

Certain statements made herein that use words such as “estimate” , “project” , “intend” , “expect” , “believe” , “may” , “might” , “predict” , “potential” , “anticipate” , “plan” or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. For example, when the Company discusses about its full-year 2022 revenue guidance, visibility and expected growth in 2023 and beyond, expectations regarding the enterprise market for telecom operators, including trends in the market and the effect of general economic conditions, continued investment in and benefits from research and development, its expectation to gain further interest from operators and play an important role in facilitating the transition to 5G, its expectations about its pipeline and momentum, further demand for its products and growth, levels of expenses and keeping them below revenues, the potential for additional multi-year contracts, engagements and expansion of opportunities, the Company's expectations with respect to its relationships with Rakuten and potential grants from the Israeli Innovation Authority. 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.

# NON-GAAP FINANCIAL MEASURES

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 its results of operations on a consistent basis 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 which are included in the quarter's earnings release, which is available on the Company's website at [www.radcom.com](http://www.radcom.com), the content of which does not form a part of this presentation.



# Q3-22 OVERVIEW

- Third-quarter revenues of \$12 million, 17% quarterly revenue growth year-over-year.
- GAAP operating expenses were \$9.5M compared to \$8M in the third quarter of 2021
- Non-GAAP operating expenses were \$8.3M compared to \$7.3M in the third quarter of 2021
- GAAP net loss for the third quarter was \$0.4 million compared to a GAAP net loss of \$1.1 million for the third quarter of 2021
- Non-GAAP net income was \$1 million compared to a loss of \$0.3 million in the same period in 2021
- Cash and short-term deposits of \$70.8 million
- Reiterates revenue guidance of \$45 million-\$48 million



# **THIRD QUARTER 2022 FINANCIAL RESULTS**



# CONSOLIDATED STATEMENTS OF OPERATIONS (GAAP)

(in thousands of U.S. dollars, except per share data)

UNAUDITED

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	Unaudited	Unaudited	Unaudited	Audited
Revenues	\$ 12,011	\$ 10,228	\$ 33,762	\$ 29,124
Cost of revenues	\$ 3,308	\$ 3,155	\$ 9,323	\$ 7,988
Gross profit	\$ 8,703	\$ 7,073	\$ 24,439	\$ 21,136
Gross profit %	72%	69%	72%	73%
Research and development, gross	\$ 5,285	\$ 4,791	\$ 16,193	\$ 15,121
Less - royalty-bearing participation	\$ 187	\$ 205	\$ 602	\$ 343
Research and development, net	\$ 5,098	\$ 4,586	\$ 15,591	\$ 14,778
Sales and marketing	\$ 3,205	\$ 2,476	\$ 8,989	\$ 7,632
General and administrative	\$ 1,207	\$ 947	\$ 3,235	\$ 2,947
Total operating expenses	\$ 9,510	\$ 8,009	\$ 27,815	\$ 25,357
Operating loss	\$ (807)	\$ (936)	\$ (3,376)	\$ (4,221)
Financial income, net	\$ 448	\$ (106)	\$ 1,265	\$ 394
Loss before taxes on income	\$ (359)	\$ (1,042)	\$ (2,111)	\$ (3,827)
Taxes on income	\$ (30)	\$ (27)	\$ (120)	\$ (85)
Net loss	\$ (389)	\$ (1,069)	\$ (2,231)	\$ (3,912)
Basic and diluted net loss per ordinary share	\$ (0.03)	\$ (0.08)	\$ (0.15)	\$ (0.28)

# CONSOLIDATED STATEMENTS OF OPERATIONS (NON-GAAP)

(thousands of U.S. dollars, except per share data)  
UNAUDITED

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	<b>NON-GAAP (1)</b>			
Revenues	\$ 12,011	\$ 10,228	\$ 33,762	\$ 29,124
Cost of revenues	\$ 3,207	\$ 3,114	\$ 9,031	\$ 7,864
Gross profit	\$ 8,804	\$ 7,114	\$ 24,731	\$ 21,260
Gross profit %	73%	70%	73%	73%
Research and development, gross	\$ 4,644	\$ 4,494	\$ 14,298	\$ 14,232
Less - royalty-bearing participation	\$ 187	\$ 205	\$ 602	\$ 343
Research and development, net	\$ 4,457	\$ 4,289	\$ 13,696	\$ 13,889
Sales and marketing	\$ 2,844	\$ 2,248	\$ 7,963	\$ 6,920
General and administrative	\$ 958	\$ 777	\$ 2,623	\$ 2,427
Total operating expenses	\$ 8,259	\$ 7,314	\$ 24,282	\$ 23,236
Operating loss	\$ 545	\$ (200)	\$ 448	\$ (1,976)
Financial income, net	\$ 448	\$ (106)	\$ 1,265	\$ 394
Income (loss) before taxes on income	\$ 993	\$ (306)	\$ 1,713	\$ (1,582)
Taxes on income	\$ (30)	\$ (27)	\$ (120)	\$ (85)
Net income (loss)	\$ 963	\$ (333)	\$ 1,593	\$ (1,667)
Basic net income (loss) per ordinary share	\$ 0.07	\$ (0.02)	\$ 0.11	\$ (0.12)

(1) Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718.



# OPERATING EXPENSES (GAAP)

(thousands of U.S. dollars)  
UNAUDITED

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Research and development, gross	\$ 5,285	\$ 4,791	\$ 16,193	\$ 15,121
Less - royalty-bearing participation	\$ 187	\$ 205	\$ 602	\$ 343
Research and development, net	\$ 5,098	\$ 4,586	\$ 15,591	\$ 14,778
Sales and marketing	\$ 3,205	\$ 2,476	\$ 8,989	\$ 7,632
General and administrative	\$ 1,207	\$ 947	\$ 3,235	\$ 2,947
Total operating expenses	<u>\$ 9,510</u>	<u>\$ 8,009</u>	<u>\$ 27,815</u>	<u>\$ 25,357</u>

# OPERATING EXPENSES (NON-GAAP)

(thousands of U.S. dollars)  
UNAUDITED

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	<b>NON-GAAP (1)</b>			
Research and development, gross	\$ 4,644	\$ 4,494	\$ 14,298	\$ 14,232
Less - royalty-bearing participation	\$ 187	\$ 205	\$ 602	\$ 343
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Sales and marketing	\$ 2,844	\$ 2,248	\$ 7,963	\$ 6,920
General and administrative	\$ 958	\$ 777	\$ 2,623	\$ 2,427
Total operating expenses	<u>\$ 8,259</u>	<u>\$ 7,314</u>	<u>\$ 24,282</u>	<u>\$ 23,236</u>

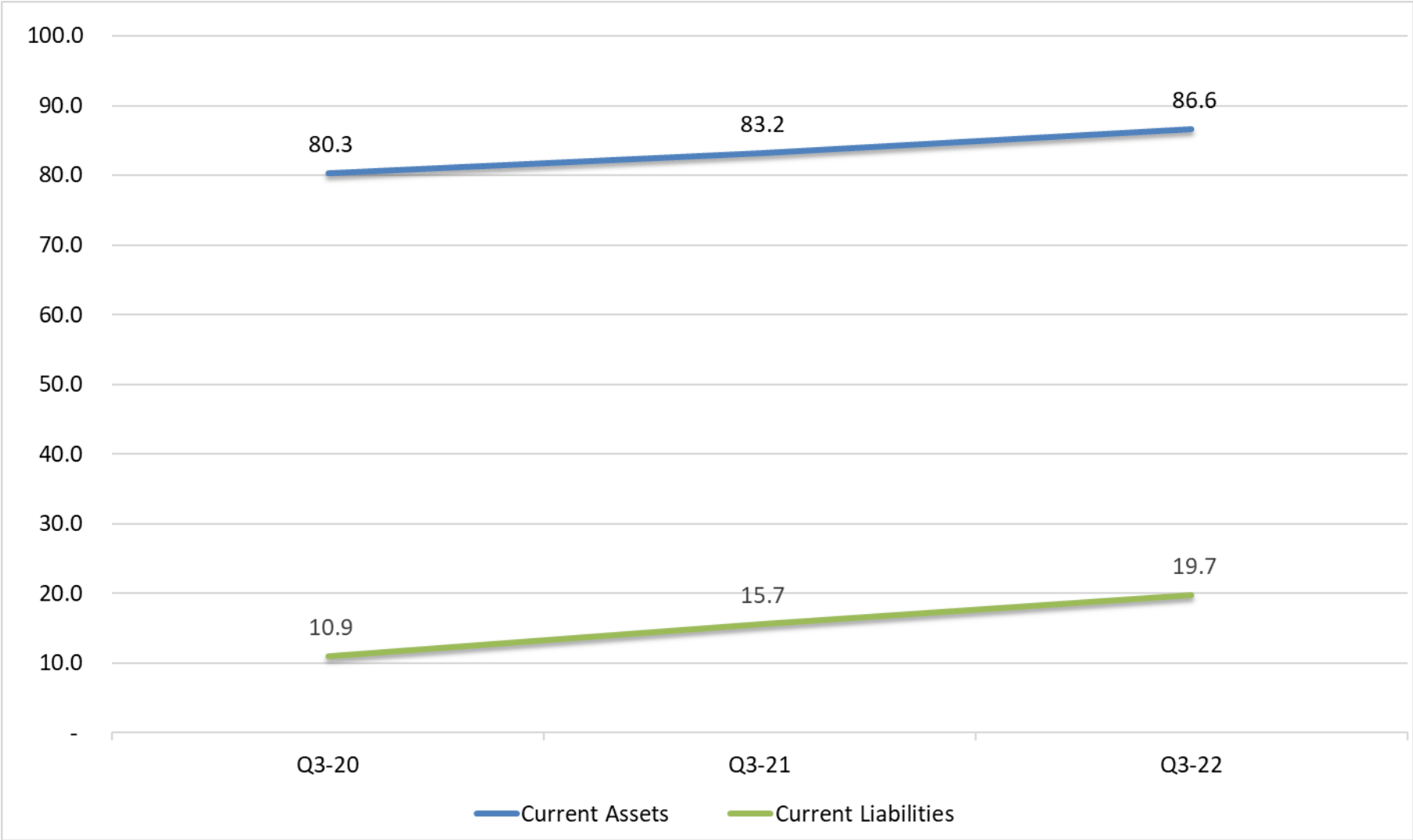
(1) Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718.

# CONSOLIDATED BALANCE SHEETS

(thousands of U.S. dollars)

	As of September 30, 2022	As of December 31, 2021
	(Unaudited)	(audited)
Cash and cash equivalents	\$ 15,353	\$ 11,948
Short-term bank deposits	\$ 55,457	\$ 58,621
Trade receivables, net	\$ 13,088	\$ 10,031
Inventories	\$ 403	\$ 931
Other accounts receivable and prepaid expenses	\$ 2,318	\$ 1,964
<b>Total Current Assets</b>	<b>\$ 86,619</b>	<b>\$ 83,495</b>
Severance pay fund	\$ 2,664	\$ 3,840
Other long-term receivables	\$ 2,876	\$ 1,258
Property and equipment, net	\$ 1,030	\$ 1,260
Operating lease right-of-use assets	\$ 2,671	\$ 1,808
<b>Total Non-Current Assets</b>	<b>\$ 9,241</b>	<b>\$ 8,166</b>
<b>Total Assets</b>	<b>\$ 95,860</b>	<b>\$ 91,661</b>
Trade payables	\$ 1,604	\$ 2,651
Deferred revenues and advances from customers	\$ 5,509	\$ 2,700
Employee and payroll accruals	\$ 4,326	\$ 4,422
Operating lease liabilities	\$ 1,009	\$ 1,045
Other liabilities and accrued expenses	\$ 7,274	\$ 5,428
<b>Total Current Liabilities</b>	<b>\$ 19,722</b>	<b>\$ 16,246</b>
Accrued severance pay	\$ 2,980	\$ 4,335
Operating lease liabilities	\$ 1,673	\$ 894
Other liabilities and accrued expenses	\$ -	\$ 32
<b>Total Non-Current Liabilities</b>	<b>\$ 4,653</b>	<b>\$ 5,261</b>
<b>Total Liabilities</b>	<b>\$ 24,375</b>	<b>\$ 21,507</b>
Shareholders' Equity	\$ 71,485	\$ 70,154
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 95,860</b>	<b>\$ 91,661</b>

# CURRENT ASSETS VS. CURRENT LIABILITIES (\$M)



**THANK YOU**