*Ladies and gentlemen, thank you for standing by. The conference will begin shortly.

Veidan Operator

Ladies and gentlemen, thank you for standing by. Welcome to the RADCOM Limited Results Conference Call for the Second Quarter of 2023.

All participants are present in a listen-only mode. Following management's formal presentation, instructions for the question-and-answer session will be given. 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 Hadar Rahav, RADCOM's CFO.

Please note that management has prepared a presentation for your reference that will be used during the call. If you still need to download it, 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 its full-year 2023 revenue guidance, the potential to scale up to a mid-size software company, levels of gross margin, operating expenses and headcount, 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 as well as sales and marketing, its expectation to gain further interest from operators and play an important role in facilitating the transition to 5G, the potential to leverage Continual’s technology and products to the benefit of Radcom, its expectations about its pipeline, opportunities, leadership position, AI and cloud strategies, increase in market share and momentum, further demand for its products and growth, the Company's expectations with respect to its relationships with AT&T, Rakuten, DISH 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.
In this conference call, management will refer 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, acquisition-related expenses and amortization of intangible assets related to acquisitions, 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 – CEO

Thanks, operator. Good morning, everyone, and thank you for joining us for our second quarter 2023 earnings call.

This quarter, we achieved several all-time financial records and continued investing in our solutions to drive future growth. Revenues for the second quarter were $12.4 million, the 16th consecutive quarter of year-over-year growth.

We significantly improved our bottom line, achieving net income for the second quarter and first six months of 2023 that hit a 5-year high. The improvements in our profitability KPIs continued our strong momentum and are driven by strong execution and revenue increase.

At the same time, with a robust business model, our software-centric company delivers high gross margins and recurring revenues, driving the business, and providing good visibility into the future.

A note on the business strategy, we announced last month the nomination of Mr. Andre Fuetsch (Foo-i-tsch) to the Board of Directors. His nomination will be voted for at the AGM tomorrow.

Andre has served in various senior executive positions at AT&T, the most recent of which was the Executive Vice President and CTO of Network Services. We are excited that Andre has accepted our invitation to be nominated. And I believe he will contribute significantly to the company’s strategy and future growth.

Turning to the 5G market.

With uncertainty around the macro economy, some operators may take longer than others to roll out 5G, expand, or transition to standalone 5G. Still, the market direction is clear, and we believe our position as a leading assurance provider for 5G will continue to drive positive returns.

Not only does 5G complexity require assurance to help manage the networks with extensive automation, but operators also work in a highly competitive environment. They are under pressure to control costs and streamline their processes. So, they also look to assurance and automation to improve efficiencies across their network operations.

As mentioned in previous calls, our vision is to help telecom operators transition to a more autonomous network.
Our solution enables this through cutting-edge AI and analytics. Operators use our assurance technology to manage the network through actionable insights to ensure excellent customer experiences while saving OPEX and driving automation. This is our added value and why we are well-positioned to win additional business.

An example of how our assurance solution helps operators roll out 5G is DISH.

DISH is building one of the world's most advanced cloud-native 5G networks and the world’s first standalone network on the public cloud. It recently announced that it had accomplished a significant industry milestone by providing network coverage to over seventy (70) percent of the U.S. population.

Last week, DISH announced it is bringing an exclusive offer to Amazon Prime members to sign up for its mobile services. New customers can quickly sign up without setting foot in a retail store, which improves customer touchpoints and offers a completely digital experience. The DISH/Amazon partnership has lots of potential. Using cutting-edge technology, DISH and Amazon can offer innovation and on-demand services not limited by legacy infrastructure.

Our assurance solution seamlessly integrates into the AWS cloud, enabling DISH to understand what is happening in their network 24/7. These insights are critical in helping drive a more intelligent 5G network and are key to delivering advanced 5G services to multiple verticals as the network build continues.

We feel proud to be DISH’s assurance partner as they create their network and meet these significant milestones along their journey, providing best-in-class assurance that ensures subscribers enjoy great customer experiences.

Turning to our cloud strategy

With our solution maturity and cloud-native architecture combined with our teams’ extensive cloud expertise, we continue integrating RADCOM ACE into the cloud ecosystem for 5G.

We are excited to announce that we launched our solution on Google Cloud last month. So, we are now integrated with all three leading public cloud providers, Amazon Web Services, Microsoft Azure, and Google Cloud, extending our market availability to more potential customers. This new integration with Google Cloud has already received positive feedback from potential customers, and we have several ongoing opportunities for Radcom ACE on Google Cloud.

We offer multiple assurance use cases to automatically prevent service degradation, drive network automation, and save operational costs powered by AI.

Integrating with these top public cloud providers means telecom operators can choose whatever provider they want and use our innovative assurance technology to manage their 5G rollouts.
Turning to our AI strategy.

Generative AI applications such as ChatGPT, GitHub Copilot, and others have captured the imagination of people around the world. The latest generative AI applications and large language models can perform many tasks, from automating complex tasks and analyzing massive amounts of data to providing personalized experiences. At its core, it is about creating smart machines that can think and act like humans and combines analytics, machine learning, and natural language processing.

In the telecommunications industry, generative AI can ingest documented processes to offer engineers interactive guides to speed up and simplify installation tasks and help operators identify areas where they are losing revenue or incurring revenue leakage. It can recommend troubleshooting actions and procedures to networking engineers when there is a network failure.

We use AI to automate the network and automatically boost service quality, making the operators' network more intelligent and efficient through our solution's analytics. It enables the operator to transition to automated workflows with the AI doing the heavy lifting and analyzing massive amounts of data to provide insights that drive 5G network operations.

As I will elaborate further, we continue to invest and develop our AI use cases.

Turning to Continual.

In May, we completed the acquisition of Continual.

We believe that adding Continual's core assets will enrich our solution and create new opportunities for RADCOM in top-tier customers. The initial customer feedback has been positive, and these engagements have already borne fruit, with additional opportunities added to the pipeline.

I'm pleased with the progress and solution integrations made so far and believe this can generate more opportunities for RADCOM in the future. We announced the RADCOM Virtual Drive Test (or RADCOM VDT) launch as part of the solution integrations.
Telecom operators spend significant OPEX on physical drive tests to ensure service quality. Typically, physical drive tests require a fleet of vehicles equipped with highly specialized electronic devices that drive around to test various network parameters in every geographical area.

Our innovative solution – RADCOM VDT - aims to replace physical drive tests with powerful AI capabilities. It offers telecom operators a significantly more green, sustainable approach to drive tests. It also saves operators significant costs while providing better insights, helping boost the mobility experience for subscribers. Continual’s mobility experience analytics power the new solution.

Turning to our product innovation.

We continue investing in product development because we believe it is a crucial enabler for future business. We serve as the operators’ smart co-pilot to help navigate 5G network complexity, which means continually evolving our assurance solution to maintain our 5G assurance leadership.

I am excited to announce that the company and our products recently received industry recognition as we were named finalists for the 2023 Leading Lights award. This telecom-focused program recognizes the industry's top companies' achievements in next-generation communications technology, strategies, and innovation during the year.

We were named a finalist for Outstanding Use Case in AI and Machine Learning, awarded to a company that innovatively uses AI to improve network performance, customer service, or business operations. We were also named as a finalist for Innovative Public Company of the Year, awarded to the company that stands out from its competitors and innovates constantly.

Our north star is making networks more intelligent and autonomous through our AI-powered analytics. We remain confident that our product offerings align with market needs, are best-in-class, and will increase our market share by winning opportunities as the 5G transformation progresses. As the 5G market evolves, we will continue investing in sales and marketing to take advantage of the increased assurance demand.

To summarize.

Our strong momentum continues with solid financial results that set two all-time company records for quarterly revenues and non-GAAP net income as we improve our profitability KPIs.

This demonstrates that we are on the right path and have a unique market position supporting telecom operators as they roll out 5G. Our ongoing sales engagements show that the demand for our solutions is robust. While also our multi-year contracts provide a strong backlog, driving consistent results and giving us good visibility into 2023 and beyond.
At the same time, we are increasing our assurance capabilities and AI use cases to bring more value to customers while continuing our solution integrations into cloud ecosystems to expand the availability of our technology to additional operators.

So, we remain confident in our ability to cross the fifty-million-dollar annual revenue threshold, scale up to a mid-size software company for the first time in the company’s history, and deliver a fourth consecutive growth year.

Therefore, we are reiterating the 2023 revenue guidance of $50 million to $53 million.

With that, I would like to turn the call over to Hadar Rahav, our CFO, who will discuss the financial results in detail.
Hadar Rahav – CFO

Thank you, Eyal, and good morning, everyone.

To help you understand the results, I will refer mainly to non-GAAP numbers excluding share-based compensation. Now please turn to Slide 8 for our financial highlights.

We achieved record revenues in the second quarter, reaching 12.4 (twelve point four) million dollars, representing a sixteenth consecutive quarter of year-over-year revenue growth and an increase from 12 (twelve) million dollars in the first quarter of 2023.

Second quarter revenue grew by double-digits, with year-over-year growth of 11.2% (eleven point two percent). This resulted in non-GAAP net income for the quarter of 2.1 (two point one) million dollars, a six-year high.

At the same time, we continue to manage our expenses while investing in the business strategically and efficiently.

**Our gross margin** on a non-GAAP basis in the second quarter of 2023 was 73% (Seventy-three) percent. Please note that our gross margin may fluctuate between the quarters depending on the revenue mix. We expect that the third quarter will remain at a similar level.

**Our gross R&D expenses** for the second quarter of 2023 on a non-GAAP basis were 4.4 (four point four) million dollars, a decrease of 290 (two hundred and ninety) thousand dollars compared to the second quarter of 2022.

We received a grant of 180 (one hundred and eighty) thousand dollars from the Israel Innovation Authority during the quarter, compared to 197 (one hundred and ninety-seven) thousand dollars in the first quarter of last year.

As a result, on a non-GAAP basis, our net R&D expenses for the second quarter of 2023 were 4.2 (Four point two) million dollars, compared to 4.5 (four point five) million dollars in the second quarter of 2022.

We expect the Israel Innovation Authority grant in the third quarter to be on a similar level.

**Sales and marketing expenses** for the second quarter of 2023 were 3 (three) million dollars on a non-GAAP basis, an increase of 480 (four hundred and eighty) thousand dollars compared to the second quarter of 2022.

**G&A expenses** for the second quarter of 2023 were 929 (nine hundred and twenty-nine) thousand dollars on a non-GAAP basis, an increase of 88 (eighty-eight) thousand dollars compared to the second quarter of 2022.
As Eyal mentioned, this quarter, we completed the acquisition of Continual Ltd. Onboarding Continual team’s increased our operating expenses by 6%. However, thanks to the positive impact of foreign exchange rates, the increase in total operating expenses from the previous quarter was lower than expected. In addition, at the closing date, the company allocated the transaction price and recognized in its balance sheet goodwill and intangible assets in the amount of 3.2 (three point two) million dollars.

Operating income on a non-GAAP basis for the second quarter of 2023 was 842 (eight hundred and forty-two) thousand dollars compared to an operating income of 176 (one hundred and seventy-six) thousand dollars for the second quarter of 2022. The increased revenue and favorable foreign exchange rates drove this growth.

Our financial income for the second quarter of 2023 was 1.3 million dollars, mainly due to interest rate income on short-term bank deposits.

Net income for the second quarter of 2023 on a non-GAAP basis was 2.1 (two point one) million dollars or a net income of 0.13 (thirteen cents) per diluted share compared to a net income of 15 (Fifteen) thousand dollars or a net income of 0.001 (Less than one cent) per diluted share for the second quarter of 2022.

On a GAAP basis, as you can see on Slide 7, our net income for the second quarter of 2023 was 781 (Seven hundred and eighty-one) thousand dollars or a net income of 0.05 (five cents) per diluted share. This compares to a net loss of 1.3 (one point three) million dollars, or a net loss of 0.09 (nine cents) per diluted share, for the second quarter of 2022.

At the end of the second quarter of 2023, our headcount was 298 (two hundred and ninety-eight). We expect our headcount to remain similar in the third quarter.

Turning to the balance sheet.

As shown on Slide 11, our cash, cash equivalents, and short-term bank deposits as of June 30, 2023, were 78.3 (seventy-eight point three) million dollars.

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 handset before pressing the numbers.

Your questions will be polled in the order they are received.

Please stand by while we poll for your questions.

The first question is from Arjun Bhatia. Please go ahead.

Arjun Bhatia:

Yeah, perfect. Thank you, guys. Eyal, you called out in your prepared remarks that the macro might have – might be starting to have some impact on the – the 5G rollout at some telcos. Can you just elaborate that a little bit? What are you seeing? How might that impact your business, from a downstream perspective? And how severe or minimal are these – are these pushouts?

Eyal Harari:

Good morning. So, yes, as mentioned in the prepared remarks, we all see the macro economic pressure on – in general, and we see some operators reporting reducing some of their CapEx spend as part of their alignment to the new conditions. In general, we are still confident on the market evolving into 5G, and we still see a demand for our products. And as we executed well this quarter, we’re expecting our growth journey to continue. We do still see that 5G is strategic to top operators, and they are still progressing with their 5G programs, and continue to spend into evolving to 5G stand-alone, and by that, creating the demand for our products. We are
seeing two – I would say, two separate –influences. One is that our solutions with automation and AI are helping operator to save and be more efficient with their staff. And under this environment, this is highly required. And this is one of the things that enable and excite our customers and potential customers, will drive more demand to our requirements. And in parallel, we see some operators spending less on the 5G, which obviously we – we are targeting those operator, and it might slow things down. So I think those two things are kind of a – a balancings, and we continue to see the demand is solid. We still have a solid pipeline, and we will continue to monitor the market advance – advancement into 5G. But what's important is that strategically, it's all going toward the right direction.

Arjun Bhatia:

Okay. That makes sense, that's helpful. Thank you. And, when you think about some of the newer capabilities that you've launched, you – you launched VDT with Continual – what does adoption of that look like? How do you think that plays out over time? And, is that something that you incorporate into your core platform, something you monetize separately? How are you thinking about the strategy there?

Eyal Harari:

So, we – we are continuing to add more and more innovation around analytics and automation, and the newly announced offering with a virtual drive test, so VDT is definitely part of it. It also aligns with what mentioned before, of operator desire to find better ways to manage their operations and do things in a more advanced way, in a more efficient way. And VDT is definitely answering this need. We already started and we are in a good shape with the integration between the Continual product lines and Radcom, and this is all going to be part of our portfolio, while we are still offering the VDT as a stand-alone application on top of existing data sources the operator can provide. And obviously, you can get more value while you take the full package integrated with the Radcom ACE. We start in this stage, we just concluded the – the acquisition in May. And in the last few months, we are marketing this new offering, meeting our existing customers, new customers, and overall, the message is very positive. We – we already have new opportunities in our pipeline. As we know, sales cycle in telecom is taking time, and we expect to see some of the results in 2024.

Arjun Bhatia:

[pause] Okay. That's helpful. And then, just a last one for me on the Google Cloud partnership. It sounds like you have some customers that are live with ACE on GCP already. How does your customer base differ between the three big clouds, you have all three now? Is there one that you have more exposure to? I'm trying to figure out, I guess, how big of an opportunity this is, now that you have GCP in addition to Azure and AWS on your platform.
Eyal Harari:

So – so first, our vision, our strategy is, we are aiming to be the leading solution in the cloud environment, and hence, we – we want to be available for any cloud choice that the operator is preferring. We know different operators will choose strategic partnership with different cloud providers, some … with AWS, some with Azure, some with Google. And we want to be – to have our portfolio available for all of them. We build a product and the architecture so it will be cloud native, and by that easily available on all different platform. And we see in some cases that some operators are using a mix. They want to have multiple cloud providers in order to have sometimes best-of-breed into different applications, sometimes in order to have – to minimize the strategic risk, backing all their workloads into one cloud platform. So we are – our approach is to be available on all the leading platforms to expand our market, addressable market and availability. Google is very powerful in Europe. They are also very powerful on the analytic space. We are happy to see Google now added to our portfolio, and this new partnership is also extending the – the activity that was done around Continual product lines in the last couple of years. And our – the fact that we are now available also on the Google marketplace is opening us more doors. We are not betting, as I said, on one direction. We are looking to continue maintain the – the integrations with the – with the key cloud providers. And every one of them that is successful is good for us, as all the migration into cloud is a major and accelerator of adopting our technology. As when operator move from legacy architecture into cloud, this is what drives the opportunity for us. So we will be happy to cooperate with all cloud providers, and more success for them is usually more success for us.

Arjun Bhatia:


Eyal Harari:

Thank you, Arjun.

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 more questions. [pause] The next question is from Alex Henderson of Needham and Company. Please go ahead.
Alexander Henderson:

Thank you so much. So, great quarter, and – and thanks for the nice prints pretty consistently. I'm looking at the – the number here and thinking, you’ve got an acquisition that's adding 6% to the OpEx line. And I'm wondering if there was some of that in the June quarter or was that – is a some – more of a sequential increase into the September quarter? You know, what you think OpEx should look like in both the third and fourth quarters? Is this going to be, you know, 5 or 6% above the 8 million that you just did, or – or what?

Eyal Harari:

So, thank you, Alex, and good morning. We already incorporated the operational expense of the acquisition in both. The results are better than expected due to both some advantage of the forex and the weakening of the – of the shekel, which gain us some benefit as well as higher – higher than usual gross margin. We are expecting operation expense for next quarter to be in a similar level with some increase, as mentioned before, that we are continue to invest into sales and marketing. But we already, the, let's say, the step function that we mentioned last quarter is already in most – in the numbers.

Alex Henderson:

So, am I thinking, then, that given the run rate revenues in the back half of the year is going to be at the midpoint [glitch] should be higher in 3Q and 4Q? Or is there some offsets? Because you're running well ahead of Street expectations for the year so far.

Eyal Harari:

So, we – we reiterate our guidance in terms of revenue, and we are still looking to do in the 50 to 53 range, which means that we are likely to have a higher second half of the year, in terms of the revenue. And if no change in the forex, and we execute on our plans, then – then we continue to perform strongly for the rest of the year. And see also a similar trend on the bottom line.

Alex Henderson:

Right. So I mean, mechanically, that would suggest that you're going to crack a million dollars in profits, you know, at the operating level in both 3Q and the ups from the first half EPS level. Is that a [glitch] at this point?
Eyal Harari:

Again, this – this makes sense. Again, under the – the current environment and forex conditions, it definitely give us this potential.

Alex Henderson:

Right. That's helpful. In terms of the – the end markets, and I certainly get the macro impact commentary. But we are actually hearing that there's a deeper root problem with the 5G – open core, cloud-native core, that there's operational challenges that have come up that have undermined the ability of the service providers to continue to ramp their business. There was obviously very weak results at both [glitch] and in Nokia in the 5G, particularly in the US, where US operators are more cloudified than international operators. We've heard that they're cutting back on spending in 5G because of that, and specifically, you know, cutting back even on the RAN investments because of that. Can you comment on what you're seeing in terms of the efficacy and the performance of the existing 5G core technologies? And whether there is any change in the willingness of the key customers to continue to push down that path, given what we're hearing from the field is some operational challenges.

Eyal Harari:

So, overall, and I think this is the most important, operators are strategically investing into 5G stand-alone. This direction continues. We don't see any operators hesitating with that. And actually, we are seeing more and more operators joining into this strategic investment with more and more commitment. This being said, it's true that this is a very complicated technology. It requires the cloud environment. It's introduced some complexity that the telecom industry still didn't solve. But it's also important to add that we are – this complexity means that there is more need and more value for our solutions. And therefore, while things are take it – are taking time and are likely to take time, as it – as an industry, we are still trying to figure out how to build smartly the 5G networks. We see that it's moving forward. We see companies like DISH and Rakuten continue to be very bullish with 5G and – with others. This is something that as an industry will be solved. And later operators that join the game, it will be easier and easier for them. I think that most of the weakness reported by companies like Nokia and Ericsson is deriving from less spending to the radio, which is – they covered a lot of the sales sites in North America, where the – most of the pop – the population are based, and maybe the higher value customers are based. And due to the economy, they are slowing down with their implementations. But in the core, they are continuing to invest, and this is eventually what would drive new services and new revenues. And what remains now is the complexity, and I'm positive that this is something we will overcome as an industry, and we'll continue to do so, and identify those use case that create a return on investment.
Q2-23 Transcript

Alex Henderson:

One – one more, just, model question. The interest income line rates have been going up [glitch] a similar sequential increase in the interest income line as we saw in each of the last couple of quarters where it's gone up pretty nicely, a couple of hundred thousand dollars plus sequentially. Or should we flatten it out at the current level?

Hadar Rahav:

Hi, Alex. Where we experience a decline of – decline of the interest rate, so we expect the financial income to be lower, in the next quarter.

Alexander Henderson:

Expect the interest income to come down a little bit in the September quarter?

Hadar Rahav:

Yes, correct.

Alexander Henderson:

More along the lines of the first quarter level. Is that right?

Hadar Rahav:

Yes.

Alexander Elliott:

Okay. Thank you. I'll cede the floor.

Operator:

[pause] The next question is from Charles Elliott of Inflection Point.

Charles Elliott:

Hi. I'd like to ask a specific question about VDT, virtual drive test. At the moment, I understand that companies, including Google, Apple, HERE, TomTom have vehicles driving around gathering data for 3D map making, and this is a major investment. Would you be selling to those companies? Selling in competition with those companies? And would your channel be the mapmakers or the telecoms companies? And the telecoms companies then go into competition with the – the mapmakers?
Eyal Harari:

So the virtual drive test application is still offered to our traditional customers, the mobile operators, the 5G carriers that are looking to optimize and assure the customer experience on their network. They are traditionally were using vehicles in order to go around different geographies of the country in order to see what is the quality of service. This is very tedious, very costly, not so green. And we are adopting an approach that is taking the analytics and based use available data points in order to emulate and create what we call the virtual drive test – drive test, which not only save on costs and more green, but also provide you much more information in terms of 24 by 7 analysis and in much better coverage. So go-to-market approach is very similar to our approach with the Radcom ACE product. We see synergies between the two products, so definitely going into our installed base and other prospects as an add-on, and as an advantage is our key approach, as well as continue to promote it as a stand-alone solution as it's complements the Radcom ACE, but it can continue to run as a stand-alone on leveraging the valuable data that the operators already can provide.

Charles Elliott:

I'm sorry. So it's an extension of your quality assurance. It is not a mapmaking device?

Eyal Harari:

Yes. The extension of our quality assurance that could be as a stand-alone or is an add-on.

Charles Elliott:

Thank you. And, second question is on R&D. At the gross and net levels, this is still a very high R&D spend, but it's down year-on-year. Why is that?

Eyal Harari:

So, the – the R&D expense is, as mentioned, we are looking to – to maintain on a similar level. We do see that percentage-wise, we will see an increase. As we increase the revenue and we keep the R&D level in a similar number, the percentage-wise, we invest less in R&D. This quarter, we had a one-time increase in the level due to the acquisition of Continual, and the onboarding of their R&D into our teams. This is why we have incremental expense that should be our new working level. But we are looking to – to maintain the R&D level in a similar numbers, again, taking the consideration of fixed FX. And – while we continue to grow on the top line, this should be allowing us to see improvement, as we proved in the last couple of years, significant improvement on the bottom line.
Charles Elliott:

Thank you. I see the leverage around the R&D. But three months ended June '22, your GAAP R&D number was 5.15 million, and it fell to 4.77 million in the latest quarter. Is that just currency making for a – having a funny impact? Or has there been a – a – in any way a cut in your R&D spend?

Eyal Harari:

It's primarily FX change, that the shekel weakened, and therefore, our numbers in dollars are a bit lower. With some optimizations we did, along the beginning of the year, as I mentioned in previous calls.

Charles Elliott:

Mm-hmm. Great. Thank you. That – that's great.

Operator:

[pause] This concludes the Radcom Ltd. second quarter 2023 results conference call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call]