

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 0-29452

**RADCOM LTD.**

(Exact Name of Registrant as Specified in its Charter)

**N/A**

(Translation of Registrant's Name into English)

**Israel**

(Jurisdiction of Incorporation or Organization)

**24 Raoul Wallenberg Street, Tel-Aviv 69719, Israel**

(Address of Principal Executive Offices)

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**24 Raoul Wallenberg Street, Tel Aviv 69719, Israel**

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary Shares, NIS 0.20 par value per share	RDCM	Nasdaq Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2023, there were 15,307,732 ordinary shares outstanding, NIS 0.20 par value per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## INTRODUCTION

Except for the historical information contained herein, the statements contained in this annual report on Form 20-F, or this Annual Report, are forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management.

As used in this Annual Report, the terms “we,” “us,” “our,” “RADCOM” and the “Company” mean RADCOM Ltd. and its subsidiaries, unless otherwise indicated.

References herein to our “solutions” or “solution” are intended to refer to our products and related services as the context requires.

We have registered with the United States Patent and Trademark Office, or USPTO, and hold the trademark “RADCOM” in the United States. All other trademarks and trade names appearing in this Annual Report are owned by their respective holders.

### NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains express or implied “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and other U.S. Federal securities laws.

These forward-looking statements include, but are not limited to:

- our plans to become the market leader for network visibility and service assurance to leading communication service providers, or CSPs, and increase our sales;
- our exposure to military, political and economic instability in the state of Israel, and in particular, the war situation in Israel that was declared by the security cabinet of the state of Israel;
- our plans to focus our expansion efforts on Tier 1 and other leading and innovative CSPs in the North American, European, and Asia-Pacific markets and our success in doing so;
- our ability to leverage our technology leadership and our cumulative experience to implement one of the largest and most comprehensive network function virtualization, or NFV, deployments;
- our expectations to maintain our technological advantage over our competitors;
- our failure to meet any guidance we may give to the public from time to time;
- our ability to successfully deliver and implement our solutions to AT&T Services, Inc., or AT&T, Rakuten Mobile, Inc., or Rakuten, and other CSPs;
- our ability to identify, market and sell our solutions to CSPs migrating to the 5G, cloud-native virtualized network environments, Long-Term Evolution, or LTE, and Voice over Long-Term Evolution, or VoLTE, networks;
- our ability to release and deploy newly launched product offerings;
- our expectation that the cloud-native virtualized network environments and transition to 5G networks market will gain momentum;
- trends in our industry as a whole and their effect on us;
- our expectations regarding CSPs’ implementation and usage of next-generation services and the resulting potential need for our solutions and the pace of such implementation and adoption of the 5G technology; and
- general economic, political, demographic and business conditions worldwide, including geopolitical uncertainty and instability, such as the Russia-Ukraine conflict, the proposed judicial and other legislation by the Israeli government and impact of the terrorist attacks in Israel, on general economic conditions and on our business in the short and long terms.

In some cases, forward-looking statements are identified by terminology such as “may,” “will,” “could,” “should,” “expects,” “plans,” “anticipates,” “believes,” “intends,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these terms or other comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or performance to differ materially from those projected. These statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. The forward-looking statements contained in this Annual Report are subject to risks and uncertainties, including those discussed under “Item 3.D—Risk Factors” and in our other filings with the Securities and Exchange Commission, or the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by law, we are under no duty to (and expressly disclaim any such obligation to) update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Annual Report.

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## Summary Risk Factors

The risk factors described below are a summary of the principal risk factors associated with an investment in us. These are not the only risks we face. You should carefully consider these risk factors, together with the risk factors set forth in Item 3D. of this Annual Report and the other reports and documents filed by us with the SEC.

### *Risks Related to Our Business and Our Industry*

- Our business is dependent on a limited number of significant customers and the loss of a significant customer could materially adversely affect our results of operations.
  - We may lose significant market share as a result of intense competition in the market for our existing and future solutions.
  - The pace at which we grow our business depends on our current and potential customers' internal processes and decisions regarding the transition to 5G or to fully virtualized networks and our ability to secure new customers. Our expectations regarding the pace of 5G rollout may not materialize.
  - Disruptions to our information technology, or IT, systems due to system failures or cybersecurity attacks may impact our operations and result in sensitive customer information being compromised, which would materially adversely affect our reputation and business.
  - A reduction in some CSPs' revenues and profitability could lead to decreased investment in capital equipment and infrastructure which may, in turn, affect our revenues and results of operations. A continued slowdown in our customers' investment in capital equipment and infrastructure might materially and adversely affect our revenues and results of operations.
  - The market for our solutions is characterized by rapidly changing technology and we may be materially adversely affected if we do not respond promptly and effectively to such changes.
  - We may enter into long-term sales agreements with large customers. Such agreements may prove unprofitable as our costs and product mix shift over the terms of the agreements.
  - Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that may have an adverse effect on our business.
  - Quarterly fluctuations and unpredictability in our results of operations may cause our share price to fluctuate or to decline.
  - Our gross margins may vary over time and we may not be able to sustain or improve upon our recent levels of gross margin which may have an adverse effect on our future profitability.
  - Current market conditions, including inflation and recessionary pressures could affect our growth and profitability.
  - Our sales derived from emerging market countries may be materially adversely affected by economic, exchange rates, regulatory and political developments in those countries.
  - Most of our customers usually require a detailed and comprehensive evaluation process before they order our solutions. Our sales process may be subject to delays that could significantly decrease our revenues and result in the eventual cancellations of some sale opportunities.
  - Our business could be harmed if we were to lose the services of one or more members of our senior management team, or if we are unable to attract and retain qualified personnel.
  - The complexity and scope of the solutions we provide to larger CSPs is increasing. Larger projects entail greater operational risk and an increased chance of failure.
  - Cyber-attacks on our customers' networks involving our products could have an adverse effect on our business.
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- We incorporate open-source technology in our solutions which may expose us to liability and have a material impact on our product development and sales.
- Our use of AI, Generative AI, or GenAI, machine learning, or ML, data analytics and similar tools and technologies, or, collectively, AI and Related Tools, as well as applications, features, and functionality that we may introduce in the future, may result in difficulties, including with product development and integration and accuracy of the results and may otherwise not prove efficient or profitable, may not be widely or timely accepted by our customers or the market, may enhance intellectual property, cybersecurity, operational and technological risks, or may otherwise adversely impact our business or operations, or subject us to possible litigation.
- Our proprietary technology is difficult to protect and unauthorized use of our proprietary technology by third parties may impair our ability to compete effectively.
- Because we received grants from the Israel Innovation Authority, or IIA, we are subject to ongoing restrictions.
- We may be subject to claims of infringement of third-party intellectual property which may have an adverse effect on our business.
- Prior to 2023 we incurred net losses and we may not sustain profitability in the future.
- Our international presence exposes us to risks associated with varied and changing political, cultural, legal and economic conditions worldwide and if we fail to adapt appropriately to the challenges associated with operating internationally the expected growth of our business may be impeded, and our operating results may be affected.
- Our business may be affected by sanctions, export controls and similar measures targeting Russia and other countries and territories in connection with the military conflict between Russia and Ukraine.
- Because our revenues are generated primarily in foreign currencies (mostly in U.S. dollars but also in other currencies), but a significant portion of our expenses are incurred in New Israeli Shekels, our results of operations may be seriously adversely affected by currency fluctuations.

***Risks Related to our Ordinary Shares***

- Wide fluctuations in the market price of our ordinary shares could adversely affect us and our shareholders.
- The trading volume of our shares is relatively low, and it may remain low in the future.

***Risks Related to Our Location in Israel***

- Security, political and economic instability in the Middle East in general, and in Israel in particular may harm our business.
  - Provisions of Israeli law may make it easy for our shareholders to demand that we convene a shareholders meeting, and/or allow shareholders to convene a shareholder meeting without the consent of our management, which may disrupt our management's ability to run our company.
  - We currently benefit from government programs that may be discontinued or reduced.
  - Provisions of Israeli law may delay, prevent or make difficult a merger or acquisition of us, which could prevent a change of control and depress the market price of our shares.
  - It may be difficult to effect service of process, assert U.S. securities laws claims and enforce U.S. judgments in Israel against us or our directors, officers and auditors named in this Annual Report.
  - As a foreign private issuer whose shares are listed on the Nasdaq, we may follow certain home country corporate governance practices instead of certain Nasdaq requirements.
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## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. [RESERVED.]

#### B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

#### C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

#### D. RISK FACTORS

*Investing in our ordinary shares involves a high degree of risk. You should carefully consider the risks described below before investing in our ordinary shares. Our business, operating results and financial condition could be seriously harmed due to any of the following risks, among others. If we do not successfully address the risks to which we are subject, we could experience a material adverse effect on our business, results of operations and financial condition and our share price may decline. We cannot assure you that we will successfully address any of these risks.*

#### *Risks Related to Our Business and Our Industry*

**Our business is dependent on a limited number of significant customers and the loss of a significant customer could materially adversely affect our results of operations.**

Our business is dependent on a limited number of significant customers. For example, our two largest customers accounted for approximately 76% of our revenue in fiscal year 2023. The loss of any significant customer, a significant decrease in business from any such customer, or a reduction in customer revenue due to adverse changes in the terms of our contractual arrangements, market conditions, customer circumstances or other factors could have a material adverse effect on our results of operations and financial condition. Revenue from individual customers may fluctuate from time to time based on the commencement, scope and completion of projects or other engagements, the timing and magnitude of which may be affected by market or other conditions.

**We may lose significant market share as a result of intense competition in the market for our existing and future solutions.**

Several companies compete with us in the market for service assurance and Customer Experience Management and Service Operations Center that offer cloud-native, software-based, virtualized service assurance solutions. We expect that competition will increase in the future, both with respect to solutions that we currently offer and solutions that we are developing. Moreover, manufacturers of data communications and telecommunications networks with whom we partner or may partner, may in the future incorporate into their products capabilities similar to ours, thus reducing the demand for our solutions. Some of our existing and potential competitors have substantially greater resources, including financial, technological, engineering, manufacturing, and marketing and distribution capabilities, and several of them may enjoy greater market recognition than us. We may not be able to compete effectively with our competitors. A failure to do so could adversely affect our revenues and profitability.



**The pace at which we grow our business depends on our current and potential customers' internal processes and decisions regarding the transition to 5G or to fully virtualized networks and our ability to secure new customers. Our expectations regarding the pace of 5G rollout may not materialize.**

The pace of transition to 5G and timeframe for reaching a mature infrastructure for 5G is dependent on CSPs' internal decisions regarding 5G technology implementation, timing, nature of virtualization and budgeting. Such decisions may be affected by the overall pace of 5G deployment in the industry as well as by other technology trends such as the transition to fully virtualized cloud-native networks. Our ability to grow our business is further dependent on our ability to secure new customers. To the extent that CSPs will not choose our solution, the pace in which we could grow of our business may be adversely affected.

The pace at which we deploy our solutions is directly affected by the pace of CSPs' internal processes and the pace of maturation of the 5G market. To the extent that CSPs require more time to reach the decision to virtualize, decide to delay virtualization while the market develops, elect not to deploy 5G, or to delay the transition to fully virtualized cloud-native networks our sales cycles may lengthen, and the growth of our business may be adversely affected.

We believe that most of the industry's leading CSPs will rollout 5G networks which will in turn promote the adoption of cloud-native, software-based, virtualized network solutions. Our expectation is that the market for our solutions will materialize and gain momentum as a result. However, our expectations may not be correct, and the actual pace of cloud-native, software-based, virtualized network transformation and/or 5G rollout may take longer than we anticipate or may not occur at all. If the demand for cloud-native, software-based, virtualized network does not continue to grow or the 5G rollout does not materialize, our business, financial condition and results of operations may suffer.

**Disruptions to our IT systems due to system failures or cybersecurity attacks may impact our operations, result in sensitive customer information being compromised, which would negatively materially adversely affect our reputation and business.**

We believe that an appropriate IT infrastructure is important in order to support our daily operations and the growth of our business. If we experience difficulties in implementing new or upgraded information systems or experience significant system failures, or if we are unable to successfully modify our management information systems or respond to changes in our business needs, we may not be able to effectively manage our business, and we may fail to meet our reporting obligations. Additionally, if our current business continuity plan, back-up storage arrangements and our disaster recovery plan are not operated as planned, we may not be able to effectively recover our information system in the event of a crisis, which may materially adversely affect our business and results of operations.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile security breaches at other companies and in government agencies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyberattacks targeting businesses such as ours. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, customers, or others to disclose information or unwittingly provide access to systems or data. Although we have invested in measures to reduce these risks, we can provide no assurance that our current IT systems are fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar threats. Legislative or regulatory action in these areas is also evolving, and we may be unable to adapt our IT system to accommodate these changes. We have experienced and expect to continue to experience attempted cyberattacks of our IT networks. Although none of these attempted cyberattacks has had a material adverse effect on our operations or financial condition thus far, we cannot guarantee that any such incidents will not have a material adverse effect on our operations or financial condition in the future. Furthermore, a cyberattack that bypasses our IT security systems, causing an IT security breach, could lead to a material disruption of our information systems, the loss of business information and loss of service to our customers. Additionally, we have access to sensitive customer information in the ordinary course of business. If a significant data breach occurs and we lose customer information, our reputation may be materially and adversely affected, our customers' confidence in us may be diminished, or we may be subject to legal claims, any of which may contribute to the loss of customers and have a material adverse effect on our business and result of operations. In addition, the continued worldwide threat of terrorism and heightened security in response to such threat may cause further disruptions and create further uncertainties or may otherwise materially adversely affect our business. To the extent that such disruptions or uncertainties result in delays or cancellations of customer orders, or in theft, destruction, loss, misappropriation or release of our confidential data or our intellectual property, our business and results of operations could be materially and adversely affected.

**A reduction in some CSPs' revenues and profitability could lead to decreased investment in capital equipment and infrastructure which may, in turn, affect our revenues and results of operations. A continued slowdown in our customers' investment in capital equipment and infrastructure might materially and adversely affect our revenues and results of operations.**

Our future success is dependent upon the continued growth of the telecommunications industry as well as the specific sectors that we target, which currently include, among others, 5G, Internet of Things, or IoT, 4G cellular, Triple Play networks and Voice over Long Term Evolution, or VoLTE. During the last few years, some of the CSPs have experienced a reduction in their revenues from subscribers and lower profitability, which affected their investment budgets. This trend may continue. The global telecommunications industry and various sectors within the industry are evolving rapidly and it is difficult to predict its potential growth rate or future trends in technology development. Our future success also depends upon the increased utilization of our solutions by next-generation network operators and specifically virtualized cloud-native networks on private and public clouds, who may not adopt our technology.

During the last few years, developments in the telecommunications industry have had a material effect on our existing and/or potential customers and may continue to have such an effect in the future. Such developments include changes in general global economic conditions, industry consolidation, emergence of new competitors, commoditization of voice services, regulatory changes, and changes in the plans of CSPs to shift, transform and adapt their network operations to rollout 5G networks and cloud-native virtualized networks. Over the last few years, the telecommunications industry has experienced financial pressures that have caused many in the industry to reduce investment in capital intensive projects, and in some cases, have led to restructurings. While the transformation of network operations to cloud-native virtualized networks arise out of the desire of CSPs to reduce network infrastructure expense, thus creating opportunities for us, it also creates a downward pressure on the prices of our solutions.

**The market for our solutions is characterized by rapidly changing technology and we may be materially adversely affected if we do not respond promptly and effectively to such changes.**

The telecommunications industry is characterized by rapidly changing technology, network infrastructure, and customer requirements and by evolving industry standards and frequent new product introductions. These changes require us to constantly adapt and improve our solutions to meet changing industry requirements. If we are unable to stay ahead of industry trends or to timely and successfully complete the development of solutions supporting new standards and technologies such as 5G, our business may be affected as new requirements could reduce or shift the market for our solutions or require us to develop new solutions. Additionally, because new or enhanced telecommunications and data communications-related products developed by other companies could be incompatible with our solutions, our timely access to information concerning changes in technology, in customer requirements, and in industry standards, as well as our ability to anticipate such changes and develop and market new and enhanced solutions successfully and on a timely basis, will be significant factors in our ability to remain competitive.

**We may enter into long-term sales agreements with large customers. Such agreements may prove unprofitable as our costs and product mix shift over the terms of the agreements.**

We may enter from time to time into long-term sales agreements with large customers. We may be required under such agreements to sell our solutions at fixed prices over the terms of the agreements. The costs we incur in fulfilling the agreements may vary substantially from our initial cost estimates. Any cost overruns that we cannot pass on to our customers could adversely affect our results of operations. In the future, we may also be required under such agreements to sell solutions that we may otherwise wish to discontinue, thereby diverting our resources from developing more profitable or strategically important solutions.

**Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that may have an adverse effect on our business.**

Large CSPs have substantial purchasing power and leverage in negotiating contractual arrangements with us. These customers may require us to develop additional features and may impose penalties on us for failure to deliver such features on a timely basis, or failure to meet performance standards. As we seek to increase our sales to large CSPs, we may be required to agree to unfavorable terms and conditions which may decrease our revenues and/or increase the time it takes to convert orders into revenues and could result in an adverse effect on our business, financial condition and results of operations. Similarly, some of our contracts may contain change in control provisions which may have an adverse effect on our business and results if exercised following a change in control transaction or, in the alternative, may act as an impediment to certain change in control transactions.

**Our strategy to focus most of our sales efforts on Tier 1, Greenfield Operators and other leading CSPs in the North American, European and select other markets may not be successful.**

We believe that the significant share of cloud-native, software-based and 5G deployment activity is expected to continue to take place in North America, Europe, selected CSPs in Asia-Pacific and selected CSPs in developing markets such as Latin America. We have accordingly enhanced our presence and focused our sales and marketing resources in these markets. While we focus our sales and marketing resources in such selected markets, we cannot assure the selection of our solutions by Tier 1, CSPs that build new networks from scratch, or Greenfield Operators, or other leading CSPs operating in such markets and therefore we may not be successful in expanding our business as we plan.

**Quarterly fluctuations and unpredictability in our results of operations may cause our share price to fluctuate or to decline.**

We have experienced, and in the future may also experience, significant fluctuations in our quarterly results of operations. Factors that may contribute to fluctuations in our quarterly results of operations including,

- the variation in size and timing of individual purchases by our customers and the relatively long sales cycles for our solutions;
- the request for longer payment terms from us or long-term financing of customers' purchases from us, as well as additional conditions tied to such payment terms;
- competitive conditions in our markets;
- the timing of the introduction and market acceptance of new solutions or enhancements by us and by our customers, competitors and suppliers;
- changes in the level of operating expenses relative to revenues;
- quality problems and supply interruptions;
- changes in global or regional economic conditions or in the telecommunications industry;
- delays in or cancellation of projects by customers;
- changes in the product mix;
- the size and timing of approval of grants from the Government of Israel; and
- foreign currency exchange rates.

Our costs of revenues consist of variable costs, which include labor and related costs, including costs incurred in software development customization for projects and deployment costs, the use of hardware, inventory write-offs, packaging, importation taxes, shipping and handling costs, license fees for software components of third parties, warranty expenses, allocation of overhead expenses, subcontractors' expenses, royalties to the IIA, and share-based compensation. A major part of our costs of sales is relatively variable and determined based on our anticipated revenues. We believe, therefore, that quarter-to-quarter comparisons of our operating results may not be a reliable indication of future performance.

Our revenues in any quarter generally have been, and may continue to be, derived from a relatively small number of orders with relatively high average revenues per order. Therefore, the loss of any order or a delay in closing a transaction could have a significant impact on our quarterly revenues and results of operations.

In addition, we may experience a delay in generating or recognizing revenues for several reasons, including revenue recognition accounting requirements. In many cases, we cannot recognize revenue from an order prior to customer acceptance, which may take multiple months from the commencement of the engagement and in some extreme cases may take more than twelve months. Therefore, a major part of the revenue for any fiscal quarter may be derived from a backlog of orders under delivery and may not correlate to the customer's order date or the delivery date.

Our revenues for a specific quarter may also be difficult to predict and may be affected if we experience a non-linear sales pattern. We generally experience significantly higher levels of sales orders towards the end of a quarter as a result of customers submitting their orders late in the quarter. Furthermore, orders received towards the end of the quarter are usually not delivered within the same quarter and are usually only recognized as revenue at a later stage. If our revenues in any quarter remain level or decline in comparison to any prior quarter, our financial results for that quarter could be adversely affected.

Due to the factors described above, as well as other unanticipated factors, our results of operations in future quarters could fail to meet the guidance we may from time to time give to the public or the expectations of public market analysts or investors. If this occurs, the price of our ordinary shares may be adversely affected.

**Our gross margins may vary over time and we may not be able to sustain or improve upon our recent levels of gross margin which may have an adverse effect on our future profitability.**

We may not be able to sustain or improve upon our recent levels of gross margin. Our gross margins may be adversely affected by numerous factors, including, increased price competition, local taxes which may be incurred for direct sales, increased industry consolidation among our customers, which may lead to decreased demand for and downward pricing pressure on our solutions, changes in our customer mix, geographic, product mix, distribution channels, increases in costs such as employment costs or third-party service or component costs, losses on customer contracts, and increases in warranty costs. Further deterioration in gross margins, due to these or other factors, may have a material adverse effect on our business, financial condition and results of operations.

**Current market conditions, including inflation and recessionary pressures could affect our growth and profitability.**

The recent inflation, geopolitical issues, increase in energy costs, high interest rates, unstable global conditions and changes in currency exchange rates have led to global economic instability. Such changes, and their impact on the global macro-economic environment, may result in a slow in the level of investments made by CSPs, including, the transition of CSPs to 5G, which can impact our business, operating results, and financial condition.

**Our sales derived from emerging market countries may be materially adversely affected by economic, exchange rates, regulatory and political developments in those countries.**

We plan to continue to generate revenue from various emerging market countries which represent a portion of our existing business and our expected growth. Economic or political turmoil in these countries could materially adversely affect our revenues and results of operations. Our investments in emerging market countries may also be subject to risks and uncertainties, including unfavorable taxation treatment, exchange rates, challenges in protecting our intellectual property rights, nationalization, inflation, currency fluctuations, or the absence of, or unexpected changes in, regulation as well as other unforeseeable operational risks.

**Most of our customers usually require a detailed and comprehensive evaluation process before they order our solutions. Our sales process may be subject to delays that could significantly decrease our revenues and result in the eventual cancellations of some sale opportunities.**

We derive all of our revenues from the sale of solutions and related services for CSPs. As common practice in our industry, our solutions generally undergo a lengthy evaluation process before we can sell them. In recent years, our customers have been conducting a more stringent and detailed evaluation of our solutions and decisions are subject to additional levels of internal review. As a result, the sales cycle may be longer than anticipated. Multiple factors affect the length of the approval and evaluation process, including among others, the time involved for our customers to determine and announce their specifications, the time required for our customers to process approvals for purchasing decisions, the technological priorities and budgets of our customers and the complexity of the solutions involved, and the need for our customers to obtain or comply with any required regulatory approvals. If customers delay project approval or extend anticipated decision-making timelines, or if continued delays result in the eventual cancellation of any sale opportunities, it may have an adverse effect on our ability to sell our solutions, which will materially adversely affect our business, financial condition and results of operations.

**We have experienced periods of growth of our business. If we cannot adequately manage our business, our results of operations may suffer.**

We cannot be sure that our systems, procedures and managerial controls will be adequate to support our operations. Any delay in implementing, or transitioning to, new or enhanced systems, procedures or controls may adversely affect our ability to record and report financial and management information on a timely and accurate basis. We believe that significant growth may require us to hire additional personnel.

**Our non-competition agreements with our employees and consultants may not be enforceable under applicable law. If any of these employees leaves us and joins a competitor, such competitor could benefit from the expertise our former employee gained while working for us.**

We generally enter into non-competition agreements with our key employees and consultants. These agreements prohibit those employees and consultants, while they work for us and for a specified length of time after they cease to work for or provide services to us, from directly competing with us or working for our competitors for a limited period. Under applicable law, we may be unable to enforce these agreements or any part thereof against our employees and consultants, including our Israeli employees and consultants. If we cannot enforce our non-competition agreements against our Israeli (or any other) employees, then we may be unable to prevent our competitors from benefiting from the expertise of these former employees, which could impair our business, results of operations and ability to capitalize on our proprietary information.

**Our business could be harmed if we were to lose the services of one or more members of our senior management team, or if we are unable to attract and retain qualified personnel.**

Our future growth and success depend to an extent upon the continuing services of our executive officers and other key employees including our Chief Operating Officer, Hilik Itman, and our Chief Technology Officer, Rami Amit. Competition for qualified management and other high-level telecommunications industry personnel is intense, and we may not be successful in attracting and retaining qualified personnel. If we lose the services of any key employees, we may not be able to manage our business successfully or to achieve our business objectives.

**Competition for highly skilled technical and other personnel is intense, and as a result we may fail to attract, recruit and retain qualified employees, which could materially and adversely impact our business, financial condition and results of operations.**

We compete in a market marked by rapidly changing technologies and an evolving competitive landscape. In order for us to successfully compete and grow, we must attract, recruit, retain and develop personnel with requisite qualifications to provide expertise across the entire spectrum of our intellectual capital and business needs.

Our principal research and development as well as significant elements of our marketing and general and administrative activities are conducted at our headquarters in Israel, where we face significant competition. The high-tech industry in Israel has experienced significant levels of employee attrition and a shortage of skilled human capital, including research and development, marketing, operations and customer service professionals. Although we also engage a talented team in the United States, India and Romania to benefit from the significant pool of talent that is available in such markets, we have also witnessed increased competition in those markets as well during the last year.

Many of the companies with which we compete for qualified personnel have significant resources, and we may not succeed in recruiting additional experienced or professional personnel, retaining personnel or effectively replacing current personnel who may depart with qualified or effective successors.

In addition, as a result of the competition for qualified human resources, the high-tech market has also experienced and may experience in the future significant increases in the levels of salaries and other compensation. Accordingly, our efforts to attract, retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. Furthermore, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly decreased in value. In light of the foregoing, there can be no assurance that qualified employees will remain in our employ or that we will be able to attract and retain qualified personnel in the future and failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**A regional or global health pandemic could adversely affect our business, results of operations and financial condition due to impacts from remote work arrangements, actions taken to contain the disease or treat its impact and the speed and extent of the recovery.**

A regional or global health pandemic, depending upon its duration and severity, could have a material adverse effect on our business. For example, the COVID-19 pandemic had numerous effects on the global economy and governmental authorities around the world implemented measures to reduce the spread of COVID-19. These measures, including shutdowns and “shelter-in-place” orders suggested or mandated by governmental authorities or otherwise elected by companies as a preventive measure, have adversely affected workforces, economies and financial markets, and, along with decreased consumer spending, led to an economic downturn in many markets.

To the extent COVID-19 or any other pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this “Risk factors” section.

**The complexity and scope of the solutions we provide to larger CSPs is increasing. Larger projects entail greater operational risk and an increased chance of failure.**

The complexity and scope of the solutions we provide to larger CSPs is increasing. The larger and more complex such projects are, the greater the operational risks associated with such projects. These potential risks include failure to successfully deliver our solution, failure to fully integrate our solutions with third party products and complex environments in the CSP’s network, and our dependence on subcontractors and partners for the successful and timely completion of such projects. Failure to complete a larger project successfully could expose us to potential contractual penalties, claims for breach of contract and in extreme cases, to cancellation of the entire project, and may result in difficulty in collecting payment and recognizing revenues from such project.

**Cyber-attacks on our customers' networks involving our products could have an adverse effect on our business.**

Maintaining the security of our products which are installed with our customers is a critical issue for us, therefore we invest resources and technologies to better protect our assets. However, security researchers, criminal hackers and other third parties regularly develop new techniques to penetrate computer and network security measures. Cyber-attacks, or other breaches of security on our customers' networks, may be initiated at any network location or device including initiation through our products. Although we maintain high levels of cyber-security aware development processes, we cannot assure that such attacks, or other breaches of security through our products, will fail and therefore may negatively affect our customers' business. While we maintain insurance coverage for some of these events, we cannot be certain that our coverage will be adequate for liabilities actually incurred. In addition, these events could also result in damage to our reputation which will further negatively impact our business.

More and more CSPs require us to perform a product hardening in order to prevent security vulnerabilities via our products that may result in security breaches in our customers' data. Although we dedicate substantial efforts to improve our development processes in order to address the customers' security requirements, we may not be able to implement improvements in an efficient or timely manner and may discover deficiencies in existing controls, programs, systems and procedures, and we may not be able to fully comply with such requirements, which may cause cancellation of contracts or damages as well as loss of reputation and claims by our CSP customers and may have an adverse effect on our business and financial results. See Item "16.K Cybersecurity" for additional information.

**We could be subject to claims under our warranties and extended maintenance and support agreements which may affect our financial condition.**

Our solutions are complex and may sometimes contain undetected errors which can delay introductions or necessitate redesign. Failures in networks in which our solutions are deployed arising out of our solutions may result in customer dissatisfaction, contractual claims and, potentially, liability claims being filed against us. Our warranties require us to correct any errors or defects in our solutions. The warranty period we provide for our services is mostly for one year but could be extended either in the initial purchase of our solution or after the initial warranty period ends through the purchase of extended support and maintenance. Moreover, under the warranty and extended maintenance agreements, we need to meet certain service levels and if we fail to meet them, we may be exposed to penalties. Any failure of a network in which our solutions are deployed (whether or not our solutions are the cause) and any customer claims against us, along with any associated negative publicity, could result in the loss of, or delay in, market acceptance of our solutions and harm to our business.

**We incorporate open-source technology in our solutions which may expose us to liability and have a material impact on our product development and sales.**

Some of our solutions utilize open-source technologies. These technologies are licensed to us under varying license structures. These licenses pose a potential risk to our solution in the event they are inappropriately integrated. If we have not, or do not in the future, properly integrate software that is subject to such licenses into our solutions or if we utilize open-source software that is subject to licensing terms that are incompatible with our use, we may be required to disclose our own source code to the public or may lose rights to our solutions. Any such requirement to disclose or grant rights in our source code or other confidential information related to our solutions could, therefore, materially adversely affect our competitive advantage and impact our business, financial condition and results of operations.

**Our use of AI, GenAI, ML, data analytics and similar tools and technologies, or, collectively, AI and Related Tools, as well as applications, features, and functionality that we may introduce in the future, may result in difficulties, including with product development and integration and accuracy of the results and may otherwise not prove efficient or profitable, may not be widely or timely accepted by our customers or the market, may enhance intellectual property, cybersecurity, operational and technological risks, or may otherwise adversely impact our business or operations, or subject us to possible litigation.**

As we continue to diversify our product offerings, we may utilize AI and Related Tools in connection with our business and in our solutions. We have begun to include GenAI capabilities through our RADCOM ACE portfolio and as part of our RADCOM AIM (AI Framework). Given the short time that has elapsed since GenAI became commercially viable, and the rapid pace of change in the GenAI space, we have limited experience with GenAI and may experience any number of difficulties including with respect to product development and integration with our existing offerings and IT systems, or accuracy of the results. Additionally, there are significant risks involved in utilizing AI and Related Tools and no assurance can be provided that the usage of such AI and Related Tools will enhance our business, the business of our customers, or assist us in being more efficient or profitable. Further, AI and Related Tools may have errors or inadequacies that are not easily detectable. For example, certain AI and Related Tools may utilize historical telecom related data in their analytics. To the extent that such historical data is not indicative of the current or future conditions in the sector, or the AI and Related Tools fail to filter biases in the underlying data or collection methods, the usage of AI and Related Tools may lead us or our customers to make determinations on behalf of our products or our customers' business that are based on such flawed data, including decisions, that may have an adverse effect. If AI and Related Tools are incorrectly designed or the data used to train them is incomplete, inadequate or biased in some way, use of AI and Related Tools may inadvertently reduce efficiency or cause unintentional or unexpected outputs that are incorrect, do not match our or our customers' business goals, do not comply with our or our customers' policies or interfere with the performance of our or our customers' products, services, business and reputation.

Additionally, there can be no assurance that any GenAI or other AI and Related Tool solutions we develop will be adopted by the market, or be profitable or viable. Our limited experience with respect to GenAI offerings could limit our ability to successfully bring new GenAI and other AI and Related Tool solutions and offerings to market or adapt to market changes. If we are unsuccessful in developing, integrating and offering GenAI and other AI and Related Tool solutions, our business, results of operations and financial condition could be adversely affected.

In addition, the use of AI and Related Tools may enhance intellectual property, cybersecurity, operational and technological risks. The technologies underlying AI and Related Tools and their use cases are subject to a variety of laws, including intellectual property, privacy, consumer protection and federal equal opportunity laws. If we do not have sufficient rights to use the data on which AI and Related Tools rely, we may incur liability through the violation of such laws, third-party privacy or other rights or contracts to which we are a party. Furthermore, the technologies underlying AI and Related Tools are complex and rapidly developing, and as a result, it is not possible to predict all of the legal, operational or technological risks related to the use of AI and Related Tools. Moreover, AI and Related Tools are the subject of evolving review by various governmental and regulatory agencies, including the SEC, and the U.S. Federal Trade Commission and European Union regulatory bodies, and changes in laws, rules, directives and regulations governing the use of AI and Related Tools may adversely affect the ability of our business to use AI and Related Tools.

**Our proprietary technology is difficult to protect and unauthorized use of our proprietary technology by third parties may impair our ability to compete effectively.**

Our success and ability to compete depend in large part upon protecting our proprietary technology. We rely upon a combination of contractual rights, software licenses, trade secrets, copyrights, non-disclosure agreements and technical measures to establish and protect our intellectual property rights in our solutions and technologies. In addition, we sometimes enter into non-competition, non-disclosure and confidentiality agreements with our employees, distributors, sales representatives and certain suppliers with access to sensitive information. We currently have nine registered patents and one pending patent application. However, these measures may not be adequate to protect our technology from third-party infringement. Additionally, effective intellectual property protection may not be available in every country in which we offer, or intend to offer, our solutions.

**We may expand our business or enhance our technology through partnerships and acquisitions that could result in diversion of resources and extra expenses. This could disrupt our business and adversely affect our financial condition.**

Part of our growth strategy may be to selectively pursue partnerships and acquisitions that provide us access to complementary technologies and accelerate our penetration into new markets. The negotiation of acquisitions, investments or joint ventures, as well as the integration of acquired or jointly developed businesses or technologies, could divert our management's time and resources. Acquired businesses, technologies or joint ventures may not be successfully integrated with our solutions and operations. We may not realize the intended benefits of any acquisition, investment or joint venture and we may incur future losses from any acquisition, investment or joint venture.



In addition, acquisitions such as our recent acquisition of Continual Ltd., or Continual, could result in, among other things, substantial cash expenditures, potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, a decrease in our profit margins, and amortization of intangibles and potential impairment of goodwill.

If the implementation of our growth strategy by acquiring other businesses will result in operational disruption, our business, financial condition and results of operations could be adversely affected.

**Because we received grants from the IIA, we are subject to ongoing restrictions.**

We have received an aggregate of \$50.2 million in royalty-bearing grants for certain research and development activities pursuant to an incentive program. Accordingly, we are obligated to pay royalties to the IIA on revenues from products developed pursuant to the program or deriving therefrom. In addition, under the terms of the program our ability to transfer any resulting know-how, especially to parties outside of Israel, is subject to certain terms and conditions. The Law for the Encouragement of Research, Development and Technological Innovation in the Industry, 1984-5744, or the R&D Law, generally requires a grant recipient and its controlling shareholders to notify the IIA of changes in the ownership of the recipient company and to undertake to the IIA to observe the laws governing the grant programs. We are committed to pay royalties with respect to aforesaid grants until 100% of the U.S. dollar-linked grant plus annual London Interbank Offered Rate, or LIBOR, interest is repaid, or, as outlined below, according to Secured Overnight Financing Rate, or the SOFR. Nonetheless, the amount of royalties that we may be required to pay, may be higher in certain circumstances, such as when the manufacturing activity or know how is transferred outside of Israel. In September 2021, the Bank of Israel, which determines annual interest rates, published a directive which stated that annual interest at a variable rate linked to the LIBOR rate for loans in U.S. dollars will be replaced by SOFR, in June 2023. Grants received from the IIA before June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, and grants received from the IIA after June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, until December 31, 2023, and as of January 1, 2024, bear an annual interest rate based on the 12-month SOFR, or at an alternative rate published by the Bank of Israel, with the addition of 0.72%. Grants approved after January 1, 2024 will bear the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

**We may be subject to claims of infringement of third-party intellectual property which may have an adverse effect on our business.**

Third parties may from time to time assert against us infringement claims or claims that we have violated a patent or infringed a copyright, trademark or other proprietary right belonging to them. If such infringement were found to exist, we might be required to modify our products or intellectual property or to obtain a license or right to use such technology or intellectual property. Any infringement claim, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

**Prior to 2023 we incurred net losses and we may not sustain profitability in the future.**

In 2023, we achieved net income of approximately \$3.7 million while in 2022 and 2021, we incurred net losses of approximately \$2.3 million and \$5.3 million, respectively. We may be unable to sustain profitability or may again incur losses in the future, which could materially affect our cash and liquidity and could adversely affect the value and market price of our ordinary shares.

**Our international presence exposes us to risks associated with varied and changing political, cultural, legal and economic conditions worldwide and if we fail to adapt appropriately to the challenges associated with operating internationally the expected growth of our business may be impeded, and our operating results may be affected.**

While we are headquartered in Israel, approximately 96 % of our sales in 2023, 97% of our sales in 2022 and 94% of our sales in 2021 were generated outside of Israel. Our international sales will be limited if we cannot continue to establish and maintain relationships with international distributors and resellers, set up additional foreign operations, expand international sales channel management, hire additional personnel, develop relationships with international CSPs and operate adequate after-sales support internationally.

Even if we are able to successfully further expand our international operations, we may not be able to maintain or increase international market demand for our solutions. Our international operations are subject to a number of risks, including:

- legal, language and cultural differences in the conduct of business;
- challenges in staffing and managing foreign operations due to the limited number of qualified candidates and due to employment laws and business practices in foreign countries;
- our inability to comply with import/export, environmental and other trade compliance and other regulations of the countries in which we do business including additional labor laws, particularly in Brazil and India, together with unexpected changes in such regulations;
- insufficient measures to ensure that we design, implement, and maintain adequate controls over our financial processes and reporting in the future;
- our failure to adhere to laws, regulations, and contractual obligations relating to customer contracts in various countries;
- our inability to maintain a competitive list of distributors and resellers for indirect sales;
- economic and political instability in foreign market, including tariffs and other trade barriers (such as in response to the Russia and Ukraine conflict);
- wars, acts of terrorism and political unrest (including the current conflict between Russia and Ukraine);
- lack of integration of foreign operations;
- currency fluctuations;
- variations in effective income tax rates among countries where we conduct business;
- potential foreign and domestic tax consequences and withholding taxes that limit the repatriation of earnings;
- technology standards that differ from those on which our solutions are based, which could require expensive redesign and retention of personnel familiar with those standards;
- laws and business practices favoring local competitors;
- longer accounts receivable payment cycles and possible difficulties in collecting payments; and
- failure to meet certification requirements.

Any of these factors could harm our international operations and have an adverse effect on our business, operating efficiency, results of operations, financial performance and financial condition. The continuing weakness in foreign economies could have a significant negative effect on our future operating results.

**Our business may be affected by sanctions, export controls and similar measures targeting Russia and other countries and territories in connection with the military conflict between Russia and Ukraine.**

We conduct our business in compliance with applicable economic and trade sanctions laws and regulations, including those administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, and other relevant governmental authorities. Accordingly, our business may be adversely affected by sanctions, export controls and similar measures targeting Russia and other countries and territories in response to Russia's military conflict in Ukraine, including by indefinite suspension of operations in Russia, dealings with Russian entities, preventing us from performing existing contracts, recognizing revenue, pursuing new business opportunities or receiving payment for products already supplied or services already performed with customers. Depending on the extent and breadth of sanctions, export controls and other measures that may be imposed in connection with the conflict in Ukraine, it is possible that our business and results of operations could be materially adversely affected.

**Because our revenues are generated primarily in foreign currencies (mostly in U.S. dollars but also in other currencies), but a significant portion of our expenses are incurred in New Israeli Shekels, our results of operations may be seriously adversely affected by currency fluctuations.**

We sell in markets throughout the world and most of our revenues are generated in U.S. dollars. We also generate revenues in Euro, Brazilian real, and other currencies. Our financing activities are also made in U.S. dollars. Accordingly, we consider the U.S. dollar to be our functional currency. However, a significant portion of our expenses is in NIS, mainly related to employee expenses. Therefore, fluctuations in exchange rates between the NIS and the U.S. dollar as well as between other currencies and the U.S. dollar may have an adverse effect on our results of operations and financial condition. As of today, we have not entered into any hedging transactions in order to mitigate these risks.

Moreover, as our revenues are currently denominated primarily in U.S. dollars, devaluation in the local currencies of our customers relative to the U.S. dollar could cause customers to default on payment. Also, as a portion of our revenues is denominated in Brazilian real, devaluation in this currency may cause financial expenses related to our intercompany short-term balances. In the future, additional revenues may be denominated in currencies other than U.S. dollars, thereby exposing us to gains and losses on non-U.S. currency transactions.

We incur expenses in different currencies, including U.S. dollars and NIS, but our financial statements are denominated in U.S. dollars. U.S. dollars is our functional currency and is the currency that represents the principal economic environment in which we operate. As a result, we are affected by foreign currency exchange fluctuations through both translation risk and transaction risk. As a result, we are exposed to the risk that the NIS may appreciate relative to the dollar, or, if the NIS instead devalues relative to the dollar, that the inflation rate in Israel may exceed such rate of devaluation of the NIS, or that the timing of such devaluation may lag behind inflation in Israel. In any such event, the dollar cost of our operations in Israel would increase and our dollar-denominated results of operations would be adversely affected.

### ***Risks Related to our Ordinary Shares***

**Wide fluctuations in the market price of our ordinary shares could adversely affect us and our shareholders.**

Between January 1, 2023, and March 27, 2024, our ordinary shares' closing price on the Nasdaq Capital Market, or the Nasdaq, was as high as \$11.87 and as low as \$7.58 per share. As of March 27, 2024, the closing price of our ordinary shares on Nasdaq was \$10.80 per share. The market price of our ordinary shares has been and is likely to continue to be volatile and could be subject to wide fluctuations in response to numerous factors, including the other risks identified in this "Item 3.D—Risk Factors".

In addition, the stock market in general, and the market for Israeli and technology companies in particular, has been highly volatile. Many of these factors are beyond our control and may materially adversely affect the market price of our ordinary shares, regardless of our performance. Shareholders may not be able to resell their ordinary shares following periods of volatility because of the market's adverse reaction to such volatility.

**The trading volume of our shares is relatively low, and it may remain low in the future.**

Our shares have been traded at low volumes in the past and may be traded at low volumes in the future for reasons related or unrelated to our performance. This low trading volume may result in lesser liquidity and lower than expected market prices for our ordinary shares, and our shareholders may not be able to resell their shares for more than they paid for them. This low trading volume may also result in greater share price volatility as result of short trading activities or the acquisition or disposition of shares by any single larger or institutional shareholder.

### *Risks Related to Our Location in Israel*

#### **Security, political and economic instability in the Middle East in general, and in Israel in particular may harm our business.**

We are incorporated under the laws of the State of Israel, and our principal offices and research and development facilities are located in Central Israel. Accordingly, security, political and economic conditions in the Middle East in general, and in Israel in particular, may directly affect our business. Any armed conflicts, political instability, terrorism, cyberattacks or any other hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could affect adversely our operations. Ongoing and revived hostilities in the Middle East or other Israeli political or economic factors, could harm our operations and solution development and cause any future sales to decrease.

On October 7, 2023, the terrorist organization Hamas launched a terrorist attack on Israel, which resulted in a state of war in Israel, and a number of our employees being called-up to military reserve service, as further detailed below. Although the October 7 attack and the ongoing war with Hamas, had minimal impact on our overall business activities and operations, further escalation of the current events, including adverse development in the armed conflict with the terrorist organization Hezbollah, or deterioration of relations between Israel and other countries in the Middle East or elsewhere, might require business or operational adjustments, which might result in additional costs and potential disruptions to our operations, as well as potential losses of revenue and may have a material adverse effect on our business. Moreover, we cannot predict how this war will ultimately affect Israel's economy in general, which may involve a downgrade in Israel's credit rating by rating agencies (such as the recent downgrade by Moody's of its credit rating of Israel from A1 to A2, as well as the downgrade of its outlook rating from "stable" to "negative").

Furthermore, many Israeli citizens are obligated to perform several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and, in the event of a military conflict, may be called to active duty for substantial periods of time. In response to the October attack and the ensuing war that followed along with the increases in terrorist activity, the Israeli army has exercised significant call-ups of military reservists, for substantial periods. It is possible that there will be additional military reserve duty call-ups in the future. As of March 27, 2024, only one of our employees has been called to service, and none of our executive management. Our operations could be disrupted by such call-ups, which may include the call-up of members of our management. Such disruption could materially adversely affect our business, prospects, financial condition and results of operations.

In addition, during 2023, the Israeli government pursued extensive changes to Israel's judicial system. This sparked extensive political debate and protests. In response to the foregoing developments, many individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel, including due to reluctance of foreign investors to invest or transact business in Israel, increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets, and other changes in the Israeli macroeconomic conditions. To the extent that the Israeli government would further pursue such extensive changes to Israel's judicial system and any of these negative developments do occur, they may have an adverse effect on our business, our results of operations and our ability to hire and preserve our employees and to raise additional funds, if deemed necessary by our management and board of directors.

#### **Provisions of Israeli law may make it easy for our shareholders to demand that we convene a shareholders meeting, and/or allow shareholders to convene a shareholder meeting without the consent of our management, which may disrupt our management's ability to run our company.**

Section 63(b) of the Israeli Companies Law, 5759-1999, or the Israeli Companies Law, may allow any one or more of our shareholders holding at least 10% of our voting rights to demand that we convene an extraordinary shareholders meeting. Also, in the event that we choose not to convene an extraordinary shareholders meeting pursuant to such a request, Sections 64-65 of the Israeli Companies Law provide, among others, that such shareholders may independently convene an extraordinary shareholders meeting within three months (or under court's ruling) and require us to cover the costs, within reason, and as a result thereof, our directors might be required to repay us such costs. If our shareholders decide to exercise these rights in a way inconsistent with our management's strategic plans, our management's ability to run our company may be disrupted, and this process may entail significant costs to us.

**We currently benefit from government programs that may be discontinued or reduced.**

We currently receive grants under Government of Israel programs. In order to maintain our eligibility for these programs, we must continue to meet specific conditions and pay royalties with respect to grants received. In addition, some of these programs restrict our ability to develop particular products outside of Israel or to transfer particular technology. If we fail to comply with these conditions in the future, the benefits received could be canceled and we could be required to refund any payments previously received under these programs. Additionally, these programs may be discontinued or curtailed in the future. If we do not receive these grants in the future, we will have to allocate funds to product development at the expense of other operational costs. If the Government of Israel discontinues or curtails these programs, our business, financial condition and results of operations could be materially adversely affected. For more information, see “Item 4.B—Information on the Company—Business Overview—Israel Innovation Authority.”

**Provisions of Israeli law may delay, prevent or make difficult a merger or acquisition of us, which could prevent a change of control and depress the market price of our shares.**

The Israeli Companies Law, regulates acquisitions of shares through tender offers, requires special approvals for transactions involving shareholders holding 25% or more of the company’s capital, and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. These provisions may limit the price that investors may be willing to pay in the future for our ordinary shares. Furthermore, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders.

**It may be difficult to effect service of process, assert U.S. securities laws claims and enforce U.S. judgments in Israel against us or our directors, officers and auditors named in this Annual Report.**

We were incorporated in Israel. All but one of our directors reside outside of the United States, and most of our assets are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not necessarily be enforced by an Israeli court. It also may be difficult to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Additionally, it may be difficult for an investor, or any other person or entity, to initiate an action with respect to United States securities laws in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of United States securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not United States law is applicable to the claim. If United States law is found to be applicable, the content of applicable United States law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a United States or foreign court.

**As a foreign private issuer whose shares are listed on the Nasdaq, we may follow certain home country corporate governance practices instead of certain Nasdaq requirements.**

As a foreign private issuer whose shares are listed on the Nasdaq, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the Nasdaq Stock Market Rules including requirements regarding compensation of officers, related party transactions, shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company), and other matters.

Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq’s corporate governance rules. For more information, see “Item 16G—Corporate Governance”.

## ***General Risk Factors***

### **Natural disasters and other events beyond our control could harm our business.**

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a negative effect on us. Our business operations are subject to interruption by natural disasters, flooding, fire, power shortages, pandemics such as the recent spread of the coronavirus, terrorism, political unrest, telecommunications failure, vandalism, cyber-attacks, geopolitical instability, war, the effects of climate change (such as drought, wildfires, increased storm severity and sea level rise) and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our solutions and services to our customers, could decrease demand for our solutions and services, and could cause us to incur substantial expense.

### **Global economic conditions may adversely affect our business.**

Changes in global economic conditions could have a negative impact on business around the world and on the telecommunications sector. Conditions may be depressed, or may be subject to deterioration, which could lead to a reduction in consumer and customer spending overall and may in turn have an adverse impact on sales of our solutions. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses, which could lead to a significant reduction in their orders of our solutions and the inability or failure on their part, to meet their payment obligations to us, any of which could have an adverse effect on our business, financial condition, results of operations and liquidity. In addition, any disruption in the ability of our customers to access liquidity could require us to assume greater credit risk relating to our receivables or could limit our ability to collect receivables related to purchases by affected customers. As a result, we may have to defer recognition of revenues, our reserves for doubtful accounts and write-offs of accounts receivable may increase and we may incur losses.

### **Certain privacy and data security laws and regulations may affect the use of our solutions.**

Our solutions and their use may be subject to certain laws and regulations regarding privacy and data security including United States federal and state laws and European privacy laws. Generally, attention to privacy and data security requirements is increasing worldwide and is resulting in increased regulation.

Such regulations may impose significant penalties for non-compliance, such as the penalties proposed under the European data protection regulations, or GDPR. The GDPR imposes through binding guidance by the European Data Protection Board (and supplemented by national laws in individual European Union member states), stringent data protection compliance requirements and provides for significant penalties for noncompliance in Europe. The GDPR created additional compliance obligations applicable to our business and users, which could cause us to change our business practices, and increases financial penalties for noncompliance (including possible fines of up to the greater of €20 million and 4% of our global annual turnover for the preceding financial year for the most serious violations, as well as the right to compensation for financial or non-financial damages claimed by any individuals under Article 82 of the GDPR). Compliance with the GDPR is an ongoing process.

Additionally, in California the Consumer Privacy Act, or CCPA, provides new data privacy rights for consumers and new operational requirements for companies. Further, the California Privacy Rights Act, or CPRA, significantly modified the CCPA, including adding new privacy rights and increasing regulation on online advertising. Additionally, the CCPA, the CPRA, and other legal and regulatory changes are making it easier for certain individuals to opt-out of having their personal data processed and disclosed to third parties through various opt-out mechanisms, which could result in an increase to our operational costs to ensure compliance with such legal and regulatory changes.

Use of our solutions could be subject to such regulations, which could significantly increase the cost of implementing our solutions and impact our ability to compete in the marketplace. Such regulations could also impose additional data security requirements which will impact the cost of developing new solutions and limit the return we can expect to achieve on past and future investments in our solutions.

**Our international sales and operations are subject to complex laws relating to foreign corrupt practices and bribery, among many other subjects. A violation of, or change in, these laws could adversely affect our business, financial condition or results of operations.**

Our operations in countries outside the United States are subject, among others, to the Foreign Corrupt Practices Act of 1977 as amended from time to time, or FCPA, which prohibits U.S. companies or foreign companies whose shares traded on a U.S. stock exchange, or their agents and employees, from providing anything of value to a foreign public official, as defined in the FCPA, for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. We have internal control policies and procedures with respect to the FCPA. However, we cannot assure that our policies and procedures will always protect us from reckless or criminal acts that may be committed by our employees or agents. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, results of operations and financial condition. In addition, investigations by governmental authorities as well as legal, social, economic and political issues in countries where we operate could have a material adverse effect on our business and results of operations. We are also subject to the risks that our employees or agents outside of the United States may fail to comply with other applicable laws. The costs of complying with these and similar laws may be significant and may require significant management time and focus. Any violation of these or similar laws, intentional or unintentional, could have a material adverse effect on our business, financial condition or results of operations.

**Any inability to comply with Section 404 of the Sarbanes-Oxley Act of 2002 regarding effective internal control procedures may negatively impact the report on our financial statements to be provided by our independent auditors.**

Pursuant to rules of the SEC, adopted pursuant to Section 404, or Section 404, of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, we are required to include in our annual report a report of management on our internal control over financial reporting including an assessment by management of the effectiveness of our internal control over financial reporting. In addition, because we are an accelerated filer under the SEC rules, our independent registered public accounting firm is required to attest to and report on the effectiveness of our internal control over financial reporting. Our management or our auditors may conclude that our internal control over financial reporting is not effective. Such conclusion could result in a loss of investor confidence in the reliability of our financial statements, which could negatively impact the market price of our shares. Further, our auditors or we may identify material weaknesses or significant deficiencies in our assessments of our internal control over financial reporting. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities and could have an adverse effect on our business, financial condition and results of operations, and on investor confidence in our reported financial information.

If we determine that we are not in compliance with Section 404, we may be required to implement new internal controls and procedures and re-evaluate our financial reporting. We may experience higher than anticipated operating expenses as well as third party advisory fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order to comply with Section 404. If we are unable to implement these changes effectively or efficiently, it could have a material adverse effect on our business, financial condition, results of operations, financial reporting or financial results and could result in our conclusion that our internal controls over financial reporting are not effective.

## ITEM 4. INFORMATION ON THE COMPANY

### A. HISTORY AND DEVELOPMENT OF THE COMPANY

Both our legal and commercial name is RADCOM Ltd., and we are an Israeli company. We were incorporated in 1985 under the laws of the State of Israel and commenced operations in 1991. The principal legislation under which we operate is the Israeli Companies Law. Our principal executive offices are located at 24 Raoul Wallenberg Street, Tel Aviv 69719, Israel, and our telephone and fax numbers are 972-3-645-5055 and 972-3-647-4681, respectively. Our website is [www.radcom.com](http://www.radcom.com). Information on our website and other information that can be accessed through it are not part of, or incorporated by reference into, this Annual Report.

In 1993, we established a wholly-owned subsidiary in the United States, currently named RADCOM, Inc., or RADCOM US. In 1996, we incorporated a wholly-owned subsidiary in Israel, RADCOM Investments (96) Ltd., located at our office in Tel Aviv, Israel. In 2010, we established a wholly-owned subsidiary in Brazil, RADCOM do Brasil Comercio, Importacao e Exportacao Ltda., or RADCOM Brazil. In 2012, we incorporated a wholly-owned subsidiary in India, RADCOM Trading India Private Limited, or RADCOM India. In 2022, we incorporated a wholly-owned subsidiary in Canada, RADCOM Canada Limited, or RADCOM Canada.

In the years ended December 31, 2023, 2022 and 2021, our capital expenditures were approximately \$232,000, \$150,000 and \$437,000 respectively, and were spent primarily on computers and electronic equipment. We have no current significant commitments for capital expenditures.

For more information, the SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding us that has been filed electronically with the SEC.

### B. BUSINESS OVERVIEW

#### *Overview*

We are an assurance expert for telecom operators transitioning to 5G and deploying cloud-native networks. When CSPs seek a solution to assure their network, transition to the cloud, deploy new greenfield networks or deploy a new 5G network, they may select RADCOM as their assurance partner. Chosen by AT&T, DISH Purchasing Corporation, or Dish, Rakuten, and others, we offer an innovative cloud-native assurance solution - RADCOM ACE - that seamlessly integrates into multi-cloud environments. It monitors, analyzes, and delivers real-time subscriber analytics and network insights into how the network performs 24/7. It also provides advanced troubleshooting capabilities to help the operator launch 5G smoothly and ensure customers enjoy a great user experience.

With over 30 years of deep network understanding, we have extensive experience with leading telecom operators globally. We offer advanced cloud-native assurance solutions for large-scale networks, providing operators with an innovative, efficient, and on-demand approach to network monitoring that meets the challenges of assuring the customer experience in the 5G era. Our solution supports any hybrid deployments of public and private clouds as required in the market.

We specialize in solutions for next-generation mobile and fixed networks, including 5G, Long Term Evolution, or LTE, VoLTE, Voice over Wifi, or VoWifi, Voice over NewRadio, or VoNR, IP Multimedia Subsystem, or IMS, Voice over IP, or VoIP, and Universal Mobile Telecommunication Service, or UMTS.

Our solution portfolio enables CSPs to deploy 5G networks and those still running or migrating their 4G, 3G, and 2G legacy networks to have one platform covering their entire network, providing fully cloud-native network intelligence and service assurance. Monitoring 5G SA requires a new approach that supports different options for traffic tapping and data acquisition. RADCOM supports all methods due to the flexibility of our solution, which has multiple deployment options, allowing us to monitor any network. Being dynamic and fully integrated enables operators who deploy RADCOM solutions to take an end-to-end view, from the radio-access networks, or RAN to core, utilizing an on-demand approach to assure the customer experience for the first 5G use cases and more advanced use cases along their 5G journey.



## ***Fully Cloud-Native Architecture***

The fully cloud-native approach is a key enabler of the 5G telecommunications infrastructure, a major change in how CSPs design and build their 5G networks. Our unique, patented service assurance solution is designed to monitor cloud-native 5G networks deployed on public clouds. We can deploy our solution on multiple cloud platforms, such as Rakuten Cloud Platform, Amazon Web Services, or AWS, Microsoft Azure, and Google Cloud Platform.

Our solution is designed using the fundamental guidelines for Cloud-Native applications. It can be deployed on cloud infrastructure, bare metal, or both. Our solution is fully containerized and comprises multiple cloud-native functions that can be integrated into leading network orchestration systems.

### ***RADCOM ACE***

RADCOM ACE is a cloud-native and containerized portfolio of network visibility, service assurance, and network insights that seamlessly integrates into an operator's cloud environment and fully supports 5G, 4G, and other legacy technologies.

RADCOM ACE uses built-in artificial intelligence/machine learning, or AI/ML, and heuristic modeling to proactively and predictively monitor and troubleshoot the network with real-streaming analytics for a closed-loop approach to customer experience management. It covers a wide range of customizable use cases, including anomaly detection, automated root cause analysis, Geographic-based analytics, network dimensioning, network performance monitoring, pinpointing radio network issues, predictive and prescriptive analytics, and quality of experience analytics for encrypted data.

RADCOM ACE is comprised of two main layers:

- RADCOM Service Assurance provides operators with an end-to-end monitoring solution that captures, correlates, and processes all the data and passes it to the RADCOM Network Insights layer. RADCOM Service Assurance efficiently collects data from multiple sources and correlates it to deliver real-time insights into network performance from the RAN to the core. Using this network intelligence, operators understand the customer and service experience and identify which issues in the network need to be prioritized.
  
- RADCOM Network Insights delivers a comprehensive customer-focused assurance solution that tightly integrates RAN and core analytics for advanced network troubleshooting and end-to-end customer experience and service quality monitoring. This gives operators a unified view of their network performance and real-time subscriber analytics. Increasing this network-wide visibility to the RAN is critical for ensuring the customer experience and understanding the Quality of Experience, or QoE and Quality of Service, or QoS. RADCOM also utilizes built-in machine learning capabilities to deliver an automated, closed-loop approach to assurance and save the operator time performing root cause analysis and detecting anomalies. With a built-in AI/ML engine, RADCOM ACE also provides operators with AI-driven insights to proactively monitor the network with anomaly detection, predictive analytics, and an understanding of the customer experience in encrypted traffic for services like video streaming and OTT (Over the Top) traffic.

RADCOM ACE for 5G:

- 5G Assurance

RADCOM offers a field-proven automated assurance solution deployed as a cloud-native function in a fully containerized solution controlled by any Kubernetes vendor (an open-source system for automating deployment, scaling, and management of containerized applications) on a public, private, and hybrid cloud. This makes it a leading fit for automated assurance needs for the 5G standalone network. RADCOM ACE is a unique, patented assurance solution for monitoring cloud-native 5G networks. It fully supports user plane and control plane correlation in CUPS (Control User Plane Separation) and efficient traffic load balancing, which is highly scalable for top-tier network operators. The same solution can be used for 4G and previous (3G, 2G) network technologies, providing the operator with one unified solution for all technologies.

- VoNR (Voice over New Radio) Assurance

VoNR is a 5G technology that enables voice communication services over 5G networks. As RADCOM is focused on providing an assurance solution designed for the most advanced networks, we have also built and offered an AI-powered solution to assure VoNR services.

We offer an automated and efficient approach to voice service optimization, using AI-powered analytics to detect VoNR anomalies (the same solution may be used for older technologies such as VoLTE). Using advanced AI-driven anomaly detection capabilities, this solution allows operators to automatically pinpoint service degradations and proactively improve the customer experience.

#### ***RADCOM Network Visibility (VIA)***

- RADCOM Network Visibility is an additional solution that can be deployed stand-alone or implemented with RADCOM ACE. It allows operators to optimize their network and manage the traffic flow to monitoring and security tools. It has built-in troubleshooting capabilities and captures data close to the tapping point (traffic source). RADCOM Network Visibility provides session-aware load balancing, in-depth protocol analysis, centralized management at scale, and advanced packet-broker functionality. As this solution is fully cloud-native, there are no dedicated hardware limitations, and it can be dynamically deployed and scaled efficiently.

#### ***RADCOM 5G Network Data Analytics Function (NWDAF)***

- RADCOM's NWDAF solution captures the data and events from the 5G core network functions and creates the load key performance indicators, or KPIs that are provided to the 5G network functions such as Policy Charging Function, or PCF and Network Slice Selection Function, or NSSF. The PCF can take the input from RADCOM's NWDAF solution to assign more resources or steer traffic policies to run network slices (group of network resources for specific subscriber segment) more dynamically. At the same time, the NSSF can receive the load-level information provided for slice selection.

#### ***RAN Assurance***

- RADCOM's RAN Assurance solution offers operators critical insights into the 5G RAN/Open RAN performance that significantly impacts subscribers' quality of experience and QoS. A deep understanding of the RAN is needed to resolve issues proactively and reduce their impact. It allows troubleshooting and optimizing key performance issues such as latency, reliability, and signaling overhead.
- Our RAN Assurance solution is combined with RADCOM ACE for operators that require an end-to-end solution. In this case, RAN and core data correlate, providing end-to-end subscriber sessions that help operators perform advanced 5G troubleshooting to ensure excellent customer experiences.

#### ***Mobility Experience Analytics***

Following the acquisition of Continual in April 2023, RADCOM offers mobility experience analytics solutions that analyze, monitor, and optimize the RAN's performance, focusing on voice and data quality and subscribers' mobility experience.

- Virtual Drive Test for route service assurance - Route analysis monitors the customer experience across all highways and railways 24/7 to benchmark service quality on transportation routes. The solution prioritizes investments and optimizations and enhances the mobility experience across a customer's network nationwide.
- New site validation workflow - Validates and optimizes new 5G radio sites by comparing the performance and quality in the impacted area before and after the new site activation. New site validation offers both on-demand and semi-automatic analysis and provides engineers with root cause analysis and corrective actions introduced by the launch of the new network cell sites.

#### ***Enterprise Analytics***

RADCOM's Enterprise Analytics solution analyzes customer experiences for all devices and handsets affiliated with an enterprise. This capability allows the CSP to benefit from prioritizing enterprise accounts, proactively addressing technical issues, backing up its contracts with Service Level Agreement and VIP care, and directing the conversation with the customer toward experience and value. RADCOM offers a set of interactive reports that show the entire enterprise experience, with the ability to drill down to network issues and proactively resolve them.

***RADCOM's solutions highlights include:***

- An entirely, cloud-native and containerized portfolio of network visibility, service assurance, and network insights that seamlessly integrates into an operator's cloud environment (OpenStack, VMWare, and Kubernetes, etc.) that fully supports 5G.
- Supports non-standalone and standalone 5G and any previous technology (4G, 3G, and 2G).
- It uses AI, machine learning, and heuristic modeling to proactively and predictively monitor and troubleshoot the network with automated root-cause analysis, anomaly detection, and insights into encrypted traffic for services such as video streaming.
- Automates solution deployment for on-demand closed-loop approach to assurance. Kubernetes controls the lifecycle of containerized components.
- Integration with third-party probes (physical or proprietary appliances) for a smooth transition from legacy to 5G networks.

***Our global customer base***

Our solution is deployed at multiple CSPs globally, such as AT&T, Dish, Rakuten, and Telefonica, and has received wide industry recognition, winning a Frost & Sullivan Product Differentiation Innovation Awards three times, winning multiple TMC Labs Innovation Awards, winning the Technology Marketing Corp. Award for NFV Innovation and being recommended for the most innovative cloud offering in the Glotel Awards competition.

By developing and adapting our solutions to meet the industry's most stringent requirements, we have expanded our customer base to include new opportunities and markets while expanding our footprint with existing customers by supporting them in transitioning to a 5G network.

CSPs across the globe use our solutions to deliver high-quality services, reduce churn, manage network performance, analyze traffic, and enhance customer experiences. Our solutions incorporate cutting-edge technologies and the vast knowledge we have gained in our advanced work with some of the most technologically innovative CSPs in the industry. Our solutions support both mobile and fixed networks, including 5G, LTE, VoLTE, VoWifi, VoNR, IMS, VoIP, and UMTS.

In December 2015, AT&T selected us for its next-generation virtualized network environment. AT&T's deployment represents the first NFV networks of scale in the industry, and since then, we have been working with AT&T in its continuing efforts to transition to a full NFV network.

From 2016 until 2018, we improved our cloud-native virtualized network capabilities while working on one of the world's first and biggest virtual networks. We also continued developing and enhancing our solutions to meet the complicated needs of monitoring virtualized networks and to offer a mediation layer that allows us to offer a full end-to-end customer and service view that addresses CSPs' requirements for a network intelligence solution, including for 5G networks.

Our continued and increased investment in research and development was validated in 2019 by our renewed engagement with AT&T. We entered a multi-year engagement to continue our relationship and expand the integration of our solutions into AT&T's network.

In May 2019, we entered into a multi-year agreement with Rakuten to provide our Network Intelligence solution for Rakuten's unique and innovative mobile network. Rakuten's network is the world's first fully virtualized, end-to-end cloud-native mobile network that has adopted 5G systems architecture since its launch. Rakuten chose RADCOM Network Intelligence because it monitors the entire end-to-end network, including the world's first fully virtualized RAN.

In April 2020, we announced that we had successfully supported Rakuten's commercial launch of the world's first fully virtualized mobile network. Our solution helped Rakuten launch its virtualized network and ensured a superior customer experience delivery. Our solutions are tightly integrated across Rakuten's distributed telecommunications cloud to ensure the highest service quality is delivered to customers for voice, video, VoLTE, and data services from the mobile edge to the network core.

In August 2020, we announced the launch of RADCOM ACE. RADCOM ACE is an automated, end-to-end assurance solution for 5G networks, built based on our cloud-native expertise and designed so CSPs can manage their networks more dynamically and agilely. It is built to ensure that 5G services continuously run at optimal quality while improving operators' operational efficiency through automation.

In October 2020, we entered into a multi-year agreement with Rakuten to provide our RADCOM ACE solution for Rakuten's 5G NSA and 5G SA services. We believe that the Rakuten 5G Agreement is the first 5G assurance contract in our industry and is a testimony to the significant investment in product development we have been making over the last few years, as well as a market validation of our ability to monitor the entire end-to-end network, providing superior insights.

In May 2021, we announced an additional order from a Top-Tier Latin American operator selected for our 4G and 5G capabilities. This order expands our deployment at this top-tier operator to its mobile network and covers assurance for this top-tier operator's 4G network, such as the operator's cloud-based VoLTE offering. We expect them to expand our solutions to their 5G network in the future.

During 2021, we announced partnerships with AWS and Microsoft Azure through which we are offering our RADCOM ACE solution with real-time subscriber analytics and advanced troubleshooting for both telecom operators that are rolling out 5G, Internet of Things, and edge services and operators already running 4G and VoLTE networks.

In April 2022, we announced the extension of our contract with AT&T, providing automated service assurance for AT&T's cloud network to ensure network performance and service quality. In addition, we announced our entrance into a multi-year agreement to provide RADCOM ACE to enhance the end-to-end customer experience for a 5G mobile CSP in Europe.

In May 2022, we announced our selection by Dish to provide RADCOM ACE solution to monitor customers' experience across Dish's 5G Smart Network™ — the first cloud-native, Open RAN-based 5G network in the United States. RADCOM ACE at Dish runs on AWS.

In July 2022, we announced that we are building on our existing relationship with Rakuten Mobile to bring RADCOM ACE, deployed on Rakuten Mobile in Japan, to telecom operators globally through the Rakuten Symphony Symworld™ marketplace.

In September 2022, we announced that we renewed our contract with Rakuten Mobile in Japan to continue and monitor service quality across Rakuten's nationwide deployment and enable Rakuten to gain real-time service and network analytics.

In January 2023, we announced our entrance into an agreement with a new customer in North America to provide our RADCOM ACE solution to deliver real-time insights into the network performance 24/7 as the operator maintains its 4G network while expanding 5G coverage nationwide.

In April 2023, we acquired Continual's technology, intellectual property, and customer agreements for \$2.5 million in cash. This leading mobility experience analytics company uses AI and ML to deliver advanced insights to help telecom operators improve their subscribers' mobility experience.

During 2024, we expect to maintain the level of our investment in research and development and increase our sales and marketing efforts. We intend to leverage our success with industry-leading customers as we seek to engage with other CSPs looking to manage existing networks while evaluating their transition to the cloud-native architectures and 5G network. We are targeting Tier 1 Greenfield Operators and CSPs who are deploying 5G virtualized networks as well as CSPs who are evaluating or migrating their 4G, 3G, and 2G networks to fully virtualized cloud-native networks and are searching for a cutting-edge network intelligence solution that can cover their entire network needs.

## ***Industry Background***

### ***Our Customers and the Market for Our Solutions***

We operate in a large market that is undergoing significant transformation with significant potential for growth, which is evidenced by the evolution of the networks and transition to 5G networks all over the world. Such transition contains new technological challenges, which require a new approach in order to be solved. The customers in our market consist primarily of mobile and fixed CSPs who are responsible for providing mobile and fixed telecommunications services. Our solutions are used by multiple divisions within a CSP's organization, including engineering, operations, marketing, management and customer care departments.

CSPs face many challenges in managing their network, from the rapid growth in mobile data traffic to complexities in managing services that are delivered across multiple vendor technologies. These challenges are intensified by the increased traffic growth and the emergence of new technologies and services, such as machine to machine, IoT and 5G. Deploying a cloud-native, virtualized network intelligence and network intelligence solution is an essential part of a CSP's network, derived by the need to manage huge amounts of various network elements and services from multiple vendors and technologies. In addition, CSPs are facing strong competition both from other CSPs and from over-the-top (OTT) players who are offering more and more similar services. In order to fight for their customers' satisfaction, CSPs will need to gain deeper insight into customer behavior, enabling them to tailor processes based on customer preferences.

5G is expected to deliver enhanced mobile broadband with higher data speeds (up to twenty times faster than 4G) as well as better coverage for use cases such as Fixed Wireless Access. Over time, 5G SA is expected to enable new use cases such as autonomous cars, remote control of critical infrastructure/machinery, smart-grid control, industrial automation, robotics, drone control, and remote telehealth services which will be empowered by an ultra-reliable, low latency network (up to ten times that of 4G).

CSPs' adoption of 5G is accelerating while they continue to operate their 4G, 3G and 2G networks and search for superior solutions that will enable them full end-to-end network visibility. Our solution offering is built on years of industry experience, is 5G ready and supports the CSPs entire network offerings. Our solution is built to ensure that both CSPs who are deploying 5G networks and CSPs who are evaluating or migrating their 4G, 3G and 2G networks to fully virtualized cloud-native networks, will benefit from our cutting-edge network intelligence solution that covers their entire network visibility and service assurance needs.

With the new 5G network being fully cloud-native, network functions will run as stateless, container-based, virtual network functions. Being fully virtualized will make CSPs more agile and faster to innovate and deliver new services. Containerization means that individual services will be updated with minimal impact on other services. This fully virtualized cloud-native design will enable CSPs to reduce costs, accelerate the introduction of new services, and deliver faster iterations to their network and services. As a result of this fully virtualized cloud-native infrastructure, CSPs are redesigning their network and core network architectures, using web-based standards to create a dynamic, open, scalable, and modular platform to deliver their 5G services while utilizing cutting edge cloud-native network intelligence technology to cover their 4G, 3G and 2G legacy networks.

The ability to assure the diverse 5G service types on a cloud-native, fully virtualized platform is fundamental to the success of CSPs. 5G introduces many new interfaces, protocols, and technologies into the cloud core. As result, a dynamic, cloud-native service assurance such as ours is supporting automated, closed-loop service optimization that enables CSPs to meet service level assurance across multiple service types as well as deliver end-to-end services that meet a unified network policy.

## Our Strategy

Our objective is to be the worldwide market leader for 5G automated assurance solutions while maintaining our leadership by providing end-to-end network visibility. We believe our leadership and innovation around 5G assurance solutions is one of our core competencies and will be advantageous to us as these types of solutions are expected to play a key role in the deployment of 5G networks. We plan to increase our sales by leveraging our unparalleled experienced gained from implementing some of largest, most advanced network deployments to date, where we are providing complete end-to-end network visibility from the RAN to the network core in multiple deployment models including public cloud.

We offer our solutions and expertise to existing Tier 1 and innovative CSPs worldwide, which are evaluating or building their 4G, 3G and 2G networks to 5G networks. We plan to maintain our technical advantage over competitors by further investing in enhancing the analytics and automation capabilities (including advanced AI\ML capabilities) of our solutions to meet the evolving needs of 5G networks.

Key elements of our strategy include:

- **Targeting Tier 1, Greenfield Operators and other CSPs worldwide, who are evaluating or deploying to 5G networks.** The ongoing deployments of 5G networks are expected to drive a greater opportunity for advanced automated assurance solutions like ours. We believe that our solutions are significantly more advanced than competitors' offerings and that we are better positioned than competitors who lack the experience deploying in cloud-native environments or do not offer true 5G-ready solutions that can be deployed at large scale. In order to transition to 5G networks, CSPs generally need to replace or upgrade their assurance solutions with software that can support both their legacy networks as well as their future network architectures, including 5G use cases. Our solution, which monitors both legacy and next-generation networks, ensures a smooth migration and enables CSPs to future-proof their investment in an automated assurance solution. With our advanced deployment with customers such as AT&T, Rakuten and Dish, and our position as a 5G assurance leader, we believe we are well positioned to leverage our vast experience in true 5G assurance solutions in order to successfully expand our deployment base to other CSPs as we focus our sales and marketing activities on Tier 1, galaxy (multi-carrier) and innovative CSPs and other CSPs seeking to monitor their legacy 4G, 3G and 2G networks while preparing for the future deployment of 5G.
- **Targeting innovative CSPs deploying 5G networks.** The introduction of new technologies and 5G network architecture allows innovative CSPs to deploy fully virtualized networks. These networks, which are the basis for 5G, require fully automated assurance solutions such as those in our RADCOM ACE portfolio of solutions. Building on our experience with Rakuten, the world's first CSP to deploy a fully virtualized network, and Dish's 5G Smart Network™ — the first cloud-native, OpenRAN-based 5G network in the United States, we intend to target innovative CSPs seeking to upgrade their networks or to deploy new 5G networks. We believe that our key role in Rakuten's innovative and unique deployment, and our work on their 5G deployment, as well as our deployment in Dish on AWS, places us at an advantage as we seek to engage with other CSPs looking to deploy similar networks.

- **Entering into multi-year contracts providing for recurring revenues.** We aim to leverage our offering to CSPs through long term multi-year sales models, which will allow them to meet their system planning needs through term licensing, operational services, managed services, annual maintenance and support and software upgrade packages. Such multi-year contracts also provide us with the ability to add new capabilities over-time to ensure that the CSPs are always benefitting from our most-up to date cutting-edge software solutions.

### ***Products and Solutions***

The RADCOM Portfolio is comprised of RADCOM ACE – our portfolio of Automated assurance solutions, and RADCOM NWDAF – Network Data Analytics Function for closed loop automation.

#### **RADCOM ACE**

Our automated assurance portfolio of solutions helps CSPs monitor data in real-time and proactively resolve customer experience issues before they impact their business for 5G and 4G. RADCOM ACE is an automated, 5G assurance platform for end-to-end network monitoring, built based on our cloud-native expertise and designed to allow CSPs to manage their networks in a more dynamic and agile way, which can run on private and public clouds such as AWS, RCP and Azure. RADCOM ACE is built to ensure that 5G services continuously run at optimal quality, while at the same time improving the operators' operational efficiency through automation and rapidly enhancing time to market for new services and innovations. RADCOM ACE is the culmination of our significant product investment over the last few years and reinforced by customer feedback to enable a new way of monitoring 5G services that ensures a high-quality customer experience as operators transition to 5G.

RADCOM ACE includes automated assurance, advanced network insights, automated insights via AI/ML, and cloud-native network visibility.

#### ***RADCOM Service Assurance***

RADCOM Service Assurance is a full assurance solution that smartly and passively collects and analyzes multiple data types (network packets, events, PM/FM counters, and more) across various domains (fixed and mobile) and generations of technologies (5G, 4G, 3G) from access to the core to provide real-time subscriber analytics. RADCOM Service Assurance is a cloud-native, 5G-ready, fully service assurance solution that runs on private and public cloud (such as AWS, RCP and Azure), which allows CSPs to gain end-to-end network visibility and customer experience insights across all networks. RADCOM Service Assurance delivers a real-time, high performance, and automated solution that is critical in providing operators customer insights in today's top-tier, high-capacity networks.

Our patented technology enables RADCOM Service Assurance to efficiently collect data from multiple sources (network events, event detail records and packets) and smartly correlates them into RADCOM Network Insights, driven by AI. This is the key to 5G monitoring. RADCOM's solution is designed to provide network intelligence from the RAN to the core. Built using a dynamic, modular, and stream-based microservices architecture, RADCOM Service Assurance can process large volumes of streaming data at lightning speed with very low latency.

RADCOM Service Assurance offers the service provider full end-to-end visibility of the network across technologies. RADCOM Service Assurance monitors multiple types of services such as voice, video and data, employing numerous tools and network performance and measurement methodologies to continuously analyze service performance and provide customer experience quality metrics. RADCOM Service Assurance offers users a full array of analysis and troubleshooting tools, delivering a comprehensive, integrated network service view that facilitates performance monitoring, fault detection and network and service troubleshooting from tapping point to network insights. RADCOM Service Assurance displays performance and quality measurements from both the signaling and the user planes, based on a broad range of passive software-based probes, which are installed on standard, non-proprietary third-party hardware that function together with RADCOM Service Assurance to deliver essential functionality.

RADCOM Service Assurance consists of a powerful and user-friendly central management module and a broad range of passive software-based probes used to gather transmission quality data from various types of networks and services, including 5G, VoIP, UMTS, LTE, IMS data and others.

RADCOM Service Assurance provides an advanced set of service assurance monitoring applications: network troubleshooting, network quality monitoring, service quality monitoring, customer quality of service monitoring, and customer service level agreements monitoring.

RADCOM Service Assurance is designed to enable CSPs to succeed in their efforts to address significant technology challenges, including:

- deployment of next-generation networks such as 5G;
- migration to and integration of new network architectures;
- delivery of advanced, complex services such as VoIP IMS and video quality analytics; and
- proactive management and quality assurance for all data sessions and calls on existing and next-generation service providers' production networks.

CSPs use RADCOM Service Assurance for a wide array of use cases, such as:

#### *Customer and Service Assurance*

- **Troubleshooting** – enables CSPs to “drill down” to identify the source of specific problems, using tools ranging from call or session tracing to a full decoding of the call flow.
- **Performance monitoring** – allows CSPs to analyze and optimize network component performance levels and customer experience with the goal of identifying faults before they compromise the customer's experience.
- **Fault detection** – automatic fault detection and service KPIs alert CSPs to network problems as they arise.
- **Mediation** – generates call detail records needed to feed the solutions' smart mediation layer as well as third-party operations support systems and other solutions.

#### *Roaming and Interconnect Analysis*

RADCOM Service Assurance is used by CSPs to monitor their roaming and interconnect traffic. By identifying problematic links, CSPs avoid revenue loss, detect problems with specific roaming partners, and manage interconnection KPIs.

#### *Fixed-Wireless Access*

Using RADCOM ACE for Fixed Wireless Access monitoring enables CSPs the transition to customer-focused network operations, focus on committed SLAs vs. mobility and plan the full lifecycle of the subscriber while monitoring devices at home, applications used, usage patterns, and bottleneck.



RADCOM's Virtual Drive Testing solution, or VDT, delivers mobility experience insights and optimization to network quality teams. When combined with physical drives, VDT delivers a significant cost benefit to in-house test car fleets and reduces outsourced efforts by removing the susceptibility of operational costs to surging fuel prices.

#### *RADCOM Network Insights*

As part of RADCOM ACE, RADCOM Network Insights takes the data which has been collected and analyzed by RADCOM Service Assurance and applies cutting edge AI and ML techniques to provide automated anomaly detection and root cause analysis to rapidly resolve customer-impacting issues proactively. RADCOM Network Insights covers a wide range of use cases that provide the operator with an end-to-end understanding of the service quality and customer experience. Also, RADCOM Network Insights offers next-generation tools for network optimization and root-cause analysis, such as call tracing and in-depth packet analysis.

RADCOM Network Insights provides CSPs with real-time actionable business and marketing insights, which are customer centric while still maximizing revenue streams across the organization. These rich, actionable network insights, allows operators to fully visualize their networks and improve the service and customer experience, provide customer impact analysis, and proactively handle issues to fully understand the customer experience and offer an improved Quality of Experience, or QoE, and a reduced customer churn, which is of particular importance in transitioning to cloud-native, software-based, virtualized network environments and 5G networks.

RADCOM's Network Insights solution takes a proactive approach to handling network issues. By using both internal probe-based data and certain external data feeds, RADCOM has the network intelligence to know which data to extract in order to provide the actionable insights required. Key network monitoring metrics can be fed into RADCOM's key quality indicators and converted to Quality of Service. Combined with customer resource management feeds and legacy third-party probe data, the solution enables operators to assess the QoE for the subscriber and make proactive decisions.

RADCOM Network Insights' sophisticated tools are delivered via a powerful data virtualization suite. This enables the CSP to pinpoint necessary data for actionable insights which are required to improve the CSP's customers QoE and therefore to improve the CSP's capital efficiency, providing automated, AI/ML-based analytics that can be integrated with RADCOM ACE or form the foundation for zero-touch automation with RADCOM NWDAF. The solution works across multiple domains (mobile and fixed) and generations of technologies (5G, 4G, 3G). The use cases provided are automated anomaly detection for hundreds of time-based data series like KPI and key quality indicators, or KQIs, root cause analysis, and predictive analytics. Once our AI/ML capabilities are deployed on the network, they learn baseline behavior and automatically create thresholds without operators needing to configure them.

#### *RADCOM VIA*

RADCOM VIA provides complete visibility into the CSP's network with network tapping, advanced filtering, and packet brokers that can be deployed stand-alone or with RADCOM ACE. It solves the critical challenges telecom operators face today when trying to gain visibility into the new container-based network functions in 5G. Our advanced packet brokers enable intelligent traffic distribution, filtering, and load balancing across multiple clouds and domains.

RADCOM VIA enables CSPs to virtually, intelligently and efficiently:

- manage, scale and load balance the network traffic;
- automate and synchronize visibility and assurance, onboarding and configuration;
- distribute traffic between probes without having to duplicate traffic and waste network resources;
- filter and analyze traffic with application-based routing; and
- utilize a unified and centralized management solution.

## RADCOM NWDAF

The RADCOM NWDAF (Network Data Analytics Function or NWDAF) is a network function in the 5G core which intends to collect data, analyze it in multiple use-cases and cause changes in the core to improve the overall performance and quality of experience. The solution is fully integrated with the Network Repository Function enabling communications with other network functions in the core with analytics provided through Application Programming Interface or APIs. The solution offers automated, AI/ML-based analytics as a 3GPP standards-based NWDAF function enabling closed-loop, zero-touch network operations and an improved customer experience.

### *Sales and Marketing Organization*

We mainly sell directly to customers throughout the world through our executives and sales representatives in North America, Europe, Latin America, Asia Pacific and Israel, which are supported by local representatives and subcontractors in the local markets. During 2023, these direct sales were made mainly in North America and Asia. In North America, we operate mainly through RADCOM US, which sells our solutions to end-users directly and provides support to customers in the North American market. Our solutions are sold to end-users in North America either by RADCOM US, RADCOM Canada or by us. In Brazil, we operate through RADCOM Brazil, which primarily sells our solutions to end-users in the Brazilian market directly. In India, we operate through RADCOM India, which primarily provides customer support and development services worldwide. Elsewhere, our solutions are primarily sold through our sales representatives in Europe, Latin America, the Commonwealth of Independent States, Asia Pacific and Israel, and supported by local representatives and subcontractors in the local market.

In territories in which we do not have direct presence, we expanded our outreach by entering into agreements with local distributors and value-added resellers. In 2023, we signed agreements with new distributors to penetrate new geographical markets and engage with new customers, and to better serve our target markets. We continue to search for more of these channels to expand our outreach further. In certain territories, our distributors and resellers serve as part of our sales, marketing and support teams as our local representatives, helping to sell, deploy and service our solutions, offer technical support in the end-user's native language, and attend to customer needs during local business hours.

### *Geographic Markets:*

The table below indicates the approximate breakdown of our revenue by territory, based on the location of the end-customer:

	Year ended December 31, (in millions of U.S. dollars)			Year ended December 31, (in percentages)		
	2023	2022	2021	2023	2022	2021
North America	31.8	23.0	21.8	61.6	49.8	54.1
Asia	9.8	12.5	14.7	19.0	27.2	36.5
Latin America	1.3	3.0	1.1	2.5	6.4	2.7
EMEA (including Israel)	8.7	7.6	2.7	16.9	16.6	6.7
Total revenues	51.6	46.1	40.3	100%	100%	100%

## ***Competition***

The market for our solutions is competitive, and we expect that competition will continue in the future, both with respect to solutions that we are currently offering and solutions that we are developing. Our principal competitors include NetScout System Inc., Infovista S.A. (acquired Empirix Inc.), Elisa Oyj (acquired Polystar), Anritsu Corporation, Viavi Solutions Inc. and EXFO Inc. In addition to these competitors, we expect competition from established and emerging communications, network management and test equipment companies, as well as traditional players in the network intelligence space such as Huawei, Ericsson and Nokia. Many of our competitors have substantially greater resources than we have, including financial, technological, engineering, manufacturing, marketing and distribution capabilities, and some of them may enjoy greater market recognition than we do. Furthermore, the transition to cloud-virtualized network solutions could possibly open the market to new competitors or bring in competitors from adjacent markets, including network core providers. For more information, see “Item 3.D—Risk Factors— Risks Related to Our Business and Our Industry.”

We believe that we are differentiated from our competitors due to:

- our recognized class-leading, cloud-native 5G-ready service assurance solutions;
- our experience deploying and scaling cloud-native solutions with Tier 1 CSPs such as AT&T;
- our telecom domain expertise and knowhow of key members of our company in advanced software development;
- our experience deploying our solutions on the world’s first fully virtualized network and expansion to 5G SA;
- our advanced technology offering an end-to-end solution for service assurance from the RAN to the core;
- our proven 5G-ready solutions deployed in existing 5G networks such as Rakuten Mobile and Dish Networks;
- our multi-technology correlation capabilities that can support all major technologies – 5G, 4G, LTE, IMS, VoLTE, VoIP and legacy 3G - within the same solution;
- our cloud-native solutions provide cost-efficiency, rapid deployment times and agility in development; and
- our proven flexibility and responsiveness in a dynamic customer and technology environment.

Our solutions are deployed with leading and innovative CSPs such as AT&T, Dish and Rakuten. We believe that we are positioned to be one of the most advanced leaders in cloud-native 5G network intelligence solutions for CSPs deploying 5G networks on private and public cloud (such as RCP, AWS, GCP and Azure). In addition, we believe that our solutions are also the most advanced for CSPs that are evaluating or migrating their 4G, 3G and 2G networks to fully virtualized cloud-native networks (such as RCP, AWS, GCP and Azure).

## ***Customer Service and Support***

We believe that providing a high level of customer service and support to end-users is essential to our success, and it is our goal to establish RADCOM as an industry leader in customer satisfaction. Investments that we are making to achieve this goal include:

- **Enhancement of support:** We are dedicated to the provision of timely, effective and professional support for all our customers. We provide 24x7 Network Operations Center services, or NOC services, monitoring customers’ environments remotely, troubleshooting and resolving system and application incidents, and supporting the continuance services of our solutions. Such NOC service captures and resolves problems before customers report them. We have invested in additional AI based automation with a variety of alerts and alarms monitoring, improving our capabilities to identify and address near real time problems. In addition, we routinely contact our customers to solicit feedback and promote full usage of our solutions. We may provide our customers with a free warranty period which includes bug-fixing and a warranty on our solutions. After the initial warranty period, we offer extended warranties which can be purchased for multi-year periods. Generally, the cost of the extended warranty is an annual maintenance fee based on a percentage of the overall cost of the solutions.

- **Customer-oriented product development:** With the goal of continuously enhancing our customer relationships, we meet regularly with customers, and use the feedback from these discussions to improve our solutions and guide our R&D roadmap.
- **Regional technical support:** As the sale of a system and solutions requires a high level of technical skills, we decided to enhance our support with local experts located in our regional offices. This strategy is advantageous in terms of the time zone, culture and language. For example, through our U.S., Japan, Brazil and India offices we established local support teams responsible for first level engagements with customers (Tier 1). The physical and cultural proximity contribute to the strength of the relationship, increase our proficiency in our customer's network and needs, and leverage the ability to identify pain points and needs of our customers.
- **Support of our sales representatives:** We provide a high level of pre- and post-sale technical support to our sales representatives in the field. We use a broad range of channels to deliver this support, including technical training, marketing material and others.

### *Seasonality of Our Business*

Orders of our products are affected by numerous reasons, including general market and economic conditions, the impact of inflation and rise of interest rates, overall industry consolidation, the pace of adoption of new technologies and CSPs budgets and multi-year roadmap. Although this results in fluctuations in our revenues from quarter to quarter, such fluctuations are not subject to any clear seasonality or consistent seasonal patterns.

### *Headquarters Facilities*

Our corporate office is located in Tel Aviv, Israel. and consists primarily of our corporate units such as legal, finance, human resources and operation.

### *Research and Development*

The industry in which we compete is subject to rapid technological developments, evolving industry standards, changes in customer requirements, and new product introductions and enhancements. As a result, our success depends in part upon our ability to continue to enhance our existing solutions and to develop and introduce new solutions that improve performance and reduce total costs on a cost-effective and timely basis.

During the last several years, we invested significant amounts in research and development in order to create and maintain our technological leadership and to meet the current and future needs of the world's most advanced CSPs. We believe that the widescale rollout of 5G will bring with it a larger wave of cloud native deployments by CSPs. Through our research and development efforts, we believe that we are well positioned to offer state of the art technologies and capabilities to CSPs. Accordingly, we increased our investments in the development of enhanced automation deployment capabilities as well as in advanced ML based techniques to better identify network anomalies and analyze the increased network traffic that is expected following the roll-out of 5G networks. In addition to that, we are constantly focusing on automation as a key goal to reduce costs and optimize the operations of CSPs.

During 2023, we invested in several aspects that differentiate our cloud native approach to 5G networks, enabling a true CI/CD approach on multiple clouds, including AWS, GCP and other cloud networks, which enables automated deployment and higher security standards. We also enhanced our RADCOM NETWORK DISCOVERY solution, which is the application layer of the RADCOM ACE solution. On the AI front, we have made significant investment in advancing our RADCOM AIM (Automated Insights Module), including new initiatives leveraging GenAI, which we believe may have an impact in the future.

In parallel, we continued to enhance and develop both our cloud native virtualized network and 5G solutions to offer greater value and benefit to our current and potential customers.

We expect to continue this significant investment in 2024, as we develop new features and new solution offerings to meet the requirements of transition to 5G networks, as well as establishing a modular approach for the enabling of targeted packages for the service assurance market. This modular approach will enable us to offer not just the full solution, but also specific modules for smaller deployment of CSPs.

## *Israel Innovation Authority*

We have received royalty-bearing grants from the IIA for certain research and development activities pursuant to an incentive program, in an aggregate amount of \$50.2 million, calculated from our inception through December 31, 2023, which are subject to provisions of the R&D Law and the regulations promulgated thereunder.

In addition, we have filed numerous applications, and in the future may continue to file additional applications, for grants from the IIA pursuant to the R&D Law. Grants received under such programs are repaid through mandatory royalty payments based on revenues generated from products developed pursuant to such programs or deriving therefrom. The receipt of such grants is contingent upon our ability to comply with certain applicable requirements and conditions specified in the R&D Law and under the applicable program. As of December 31, 2023, royalties at a rate of 3% are due on revenues from sales of products and related services that incorporate know-how developed, in whole or in part, within the framework of projects funded by the IIA.

In 2023, and in previous years, we participated in a Magnet consortium program sponsored by IIA, or Magnet Program. Under the terms of this program, we cooperate with additional companies, universities and research institutes in Israel, organized in a consortium for the development of new technologies. The rules of the consortium include several references to the distribution of knowledge between the consortium members, and require us to provide the other members in the consortium with a non-sub-licensable license to use the “new information” developed by such member, without consideration. These programs do not require payments of royalties to the IIA, but all other restrictions under the R&D Law, such as local manufacturing obligations and know-how transfer limitations, as further detailed in this annual report on Form 20-F, are applicable to the know how developed by us with the funding received in such programs.

Below is a description of our obligations in connection with the grants received from the IIA under the R&D Law:

### *Local Manufacturing Obligations*

The terms of the grants under the R&D Law require that we manufacture the products developed with these grants in Israel (but do not restrict the sale of products that incorporate the know-how). Under the regulations promulgated under the R&D Law, the products may be manufactured outside Israel by us or by another entity only if prior approval is received from the IIA (such approval is not required for the transfer of up to 10% of the manufacturing capacity in the aggregate, in which case a notice must be provided to the IIA and not objected to by the IIA within 30 days of such notice). According to the IIA regulations, that are relevant to our projects until 2023, companies that moved the manufacturing of their products outside of Israel, may be subject to an increased royalties cap ranging between 120% to 300% of the grants, depending on the manufacturing volume that if performed outside of Israel.

### *Know-How and Know-How Transfer Limitation*

- The R&D Law provides that the IIA is authorized to determine the ownership requirements of know-how developed under an approved research and development program and/or rights associated with such know-how including intellectual property, which is not the product that was developed under such program, or the Funded Know-How.
- The R&D Law further provides that Funded Know-How can not be transferred to any third parties without the IIA’s approval. The approval may be subject to certain requirements, as determined in each project separately.
- Among others, the IIA may determine that certain Funded Know-How can be transferred to third parties in Israel only if such transferee company will also be subject to the same terms and conditions that were levied upon the transferor company under the R&D Law prior to the transfer of such know-how.
- The IIA may approve the transfer of Funded Know-How from Israel to abroad, generally, provided that (a) the IIA will receive a payment of the portion of the sale price, which portion will not exceed six times the amount of the grants received plus interest (or three times the amount of the grant received plus interest, in the event that the recipient of the know-how has committed to retain most of the R&D positions of the grant recipient in Israel after the transfer); (b) the grant recipient receives an alternative know-how from a third party in exchange for its Funded Know-How, subject to certain requirements, among which the alternative know-how will generate higher revenues than the Funded Know-How for the company; or (c) such transfer of know-how arises in connection with a liquidation by reason of insolvency or receivership of the grant recipient and the Funded Know-How is sold for a lower price than the amount of funds invested in it, in which case the payment set forth in (a) may be reduced.

- Approval to manufacture products outside of Israel or consent to the transfer of Funded Know-How, if requested, is within the discretion of the IIA. Furthermore, the IIA may impose certain conditions on any arrangement under which it permits us to transfer Funded Know-How or manufacturing out of Israel.
- Approval of transfer of Funded Know-How to another Israeli company may be granted only if the recipient abides by the provisions of the R&D law and related regulations, including the restrictions on the transfer of know-how and manufacturing rights outside of Israel.

#### *Change In Control*

The R&D Law generally imposes reporting requirements with respect to certain changes in the ownership of a grant recipient. The R&D Law requires the grant recipient and its controlling shareholders or the foreign interested party of such grant recipient to notify the IIA of any change in control of the recipient or a change in the holdings of the means of control of the grant recipient that results in a non-Israeli citizen or non-Israeli resident or an Israeli citizen or corporation incorporated in Israel becoming an interested party directly in the grant recipient, and requires the new interested party to undertake to the IIA to comply with the R&D Law. In addition, the IIA may require additional information or representations in respect of such events. For R&D Law purposes, “control” is defined as the ability to direct the activities of a corporation except the ability that stems from serving as an officer or director of the company. A person is presumed to have control if such person holds 50% or more of the means of control of a company. “Means of control” generally refers to voting rights in a company’s shareholders meeting or the right to appoint directors or the chief executive officer. An “interested party” of a company includes a holder of 5% or more of its outstanding share capital or voting rights, its chief executive officer and directors, someone who has the right to appoint its chief executive officer or at least one director, and a company with respect to which any of the foregoing interested parties owns 25% or more of the outstanding share capital or voting rights or has the right to appoint 25% or more of the directors. Accordingly, any non-Israeli who acquires 5% or more of our ordinary shares will be required to notify the IIA that it has become an interested party and to sign an undertaking to comply with the R&D Law.

Since we commenced operations, we have received royalty-bearing grants from the IIA. As of December 31, 2023, our total contingent liability to the IIA in respect of grants received including accumulated interest and net of accumulated royalties paid was approximately \$56 million.

#### ***Proprietary Rights***

To protect our rights to our intellectual property, we rely upon a combination of trademarks, contractual rights, trade secret law, copyrights, non-disclosure agreements and technical measures to establish and protect our proprietary rights in our solutions and technologies. We own registered trademarks for the name RADCOM® and for the name Omni-Q®. We currently have nine registered patents and one pending patent application in the United States. In addition, we usually enter into non-disclosure and confidentiality agreements with our employees, distributors, sales representatives and with suppliers and sub-contractors who have access to sensitive information.

#### ***Employees***

Our total headcount as of December 31, 2023, was 295 including employees and contractors. See “Item 6.D—Directors, Senior Management and Employees—Employees.”

We consider our relations with our employees to be good and we have never experienced a strike or work stoppage. Except for employees located in Brazil, none of our employees are represented by labor unions.

Although we are not a party to a collective bargaining agreement in Israel, we are subject to certain provisions of collective bargaining agreements among the General Federation of Labor in Israel, or the Histadrut, and the Coordinating Bureau of Economic Organizations (including the Industrialists' Association), or the CBEO, that are applicable to our Israeli employees by virtue of expansion orders of the Israeli Ministry of Economy and Industry, including transportation allowance, annual recreation allowance, the lengths of the workday and workweek and mandatory general insurance pension. In addition, we may be subject to the provisions of the extension order applicable to the Metal, Electricity, Electronics and Software Industry. Israeli labor laws are applicable to all our employees in Israel. These provisions and laws principally concern the length of the workday, minimum wages for workers, procedures for dismissing employees, determination of severance pay, leaves of absence (such as annual vacation or maternity leave), sick pay and other conditions of employment.

In Israel, we follow a general practice, which is the contribution of funds on behalf of most of our employees to an individual insurance policy known as "Managers Insurance" or a pension fund. The contribution rates towards such Managers' Insurance are above and beyond the legal requirement. This policy provides a combination of savings plan, disability insurance and severance pay benefits to the insured employee. It provides for payments to the employee upon retirement or death and accumulates funds on account of severance pay, if any, to which the employee may be legally entitled upon termination of employment. Each participating employee contributes an amount equal to up to 7% of such employee's base salary, and we contribute between 15.83% and 19.1% of the employee's base salary. Pursuant to changes to Israeli law as well as collective bargaining agreements entered into by the Histadrut and the CBEO, the amounts that we are required to contribute may increase from time to time.

Our employment agreements with new employees in Israel are in accordance with Section 14 of the Israeli Severance Pay Law – 1963, or the Israeli Severance Pay Law, which provides that our contributions to severance pay fund shall cover our entire severance obligation. Upon termination, the release of the contributed amounts from the fund to the employee shall relieve us from any further severance obligation and no additional payments shall be made by us to the employee. As a result, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as we are legally released from severance obligation to employees once the amounts have been deposited, and we have no further legal ownership on the amounts deposited.

We also provide employees of RADCOM with an Education Fund, to which each participating employee contributes an amount equal to 2.5% of such employee's base salary and we contribute an amount equal to 7.5% of the employee's base salary (generally up to a certain ceiling provided in the Israeli Income Tax Regulations). Israeli employees and employers also are required to pay pre-determined sums which include a contribution to national health insurance to the Israel National Insurance Institute, which provides a range of social security benefits.

In the United States, we provide benefits in the form of health, dental, vision and disability coverage and matching 401(k) plan contributions, in an average amount equal to approximately 19.65% of the employee's base salary.

In Brazil, we provide benefits in the form of health coverage, including health, vision and dental coverage, in an amount that varies from 4% - 13% of the employee's base salary.

In India, we provide benefits in form of health coverage, education fund, house rent allowance and health insurance fund, in an amount equal to 21.22% of the employee's salary.

## C. ORGANIZATIONAL STRUCTURE

Our subsidiaries are: (1) RADCOM US, which conducts the sales, marketing, and customer support of our products mainly in the United States; (2) RADCOM Investments (96) Ltd, for the purpose of making various investments, including the purchase of securities; (3) RADCOM Brazil, which conducts the sales, marketing and customer support of our products mainly in Brazil; (4) RADCOM India, which primarily provides, customer support and development services worldwide; and (5) RADCOM Canada, which conducts the sales and marketing of our products in Canada. The following is a list of our subsidiaries, each of which is wholly owned:

<b>Name of Subsidiary</b>	<b>Jurisdiction of Incorporation</b>
RADCOM, Inc.	New Jersey
RADCOM Investments (96) Ltd	Israel
RADCOM do Brasil Comercio, Importacao Exportacao Ltda	Brazil
RADCOM Trading India Private Limited	India
RADCOM Canada Limited	Canada

## D. PROPERTY, PLANTS AND EQUIPMENT

We currently lease an aggregate of approximately 22,830 square feet of office space in Tel Aviv, Israel, from affiliates of certain of our principal shareholders. This space includes our development facilities, which consist primarily of programming, documenting, quality control, testing and bug fixing, as well as from time to time, installation of software components on third party hardware.

In 2023, our aggregate annual lease and maintenance expenses were approximately \$795,000 for our Tel Aviv offices, which are leased from affiliates of certain of our principal shareholders. We may, in the future, lease additional space from affiliated parties.

We also lease an aggregate of approximately 5,377 square feet of office space in Paramus, New Jersey, from an affiliate of certain of our principal shareholders. In 2023, our aggregate annual lease payments for such premises were approximately \$114,000.

We also lease an aggregate of approximately 40 square feet of office space in Brazil and 5,809 square feet in India. The aggregate annual lease and maintenance payments for those premises in 2023 were approximately \$7,000 and \$85,000, respectively.

We believe that our offices and facilities are adequate for our current needs and that suitable additional or substitute space will be available when needed.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Annual Report.

### *Overview*

We provide cloud-native, virtualized network and 5G-ready network intelligence solutions for CSPs. Our world leading, innovative solutions are well-positioned to fulfill the CSPs' ongoing needs to monitor their networks (fixed and mobile) and assure the delivery of a quality service to their subscribers; both on cloud-native virtualized network and non-virtual networks.

### *General*

Our discussion and analysis of our financial condition and results of operation are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Our operating and financial review and prospects should be read in conjunction with our financial statements, accompanying notes thereto and other financial information appearing elsewhere in this Annual Report.

We commenced operations in 1991. Since then, we have focused on developing and enhancing our products, building our worldwide direct and indirect distribution network and establishing and expanding our sales, marketing, and customer support infrastructures.



Most of our revenues are generated in U.S. dollars and the financing activities are made in U.S. dollars. Accordingly, we consider the U.S. dollar to be our functional currency and our consolidated financial statements are prepared in dollars.

As we evaluate our growth prospects and manage our operations for the future, we believe that the deployments of 5G by leading CSPs will drive our growth.

We followed the below sales strategy in 2023 in order to expand our sales pipeline and revenues:

- We focused on leveraging our implementations with AT&T, Rakuten and other customers to expand our value proposition to additional carriers;
- We expanded our business with our key existing customers;
- We continued our investment in our sales and marketing resources and have expanded our reach through the engagement of local representatives;
- We invested in marketing campaigns globally to enhance our market positioning and open new opportunities;
- We invested in research and development to maintain our recognized technological leadership in cloud-based, 5G solutions, to meet the requirements of our customers, and to develop new product offerings and capabilities;
- We invested in sales and marketing to create more sales engagements that can lead to additional multi-year contracts and increased market share;
- We invested in our professional services team and resources to meet our customers' deployment, customization and support requirements and to allow us to successfully deliver multiple proof of concept demonstrations to potential new customers; and
- We pursued strategic partnerships, including OEM partnerships, and teaming agreements.

*Revenues.* In general, our revenues derive from sales of our products or solutions, fixed-price projects, and sales of services which primarily include extended warranty, support services and managed services. Revenues consist of gross sales, less discounts and refunds, when applicable.

*Cost of revenues.* Cost of revenues, consisting of salaries and related expenses derive primarily from employees engaged in managed services and ongoing customer support, solution deployment and software development customization activities. Cost of revenues also consists of the use of hardware, inventory write-offs, importation taxes, shipping and handling costs, license fees for software components of third parties, hardware warranty expenses, allocation of overhead expenses, subcontractors', royalties to the IIA and share-based compensation. As part of our plan to reduce product cost and improve flexibility, we shifted during the last few years to a model whereby we install our software-based solutions on standard, non-proprietary third-party hardware that functions together with our software to deliver the product's essential functionality.

Our gross profit is affected by several factors, including the introduction of new products, price erosion due to increasing competition, the bargaining power of larger clients, the number of employees that we have in operations, deployment, software development customization, managed services and customer support, integration of third-party software components into our own, product mix, and exchange rate fluctuations.

*Research and Development expenses, Net.* Research and development expenses, net consist primarily of salaries and related expenses, including share-based compensation, payments for subcontractors and overhead expenses. Overhead expenses consist of a variety of costs, including rent, office and associated expenses. The R&D expenses have been partially offset by royalty-bearing grants from the IIA.

*Sales and Marketing expenses.* Sales and marketing expenses consist primarily of salaries and related expenses, including share-based compensation, commissions and fees to third party representatives, advertising, trade shows, promotional expenses, domestic and international travels, web site maintenance, and overhead expenses.

*General and Administrative Expenses.* General and administrative expenses consist primarily of salaries and related expenses including share-based compensation, professional fees (which include legal, audit and other consulting fees), bad debt expenses, other general corporate expenses and overhead expenses.

*Financial Income, Net.* Financial income, net, consists primarily of interest earned on bank deposits, bank charges, and gains or losses from the exchange rate differences of monetary balance sheet items denominated in non-U.S. dollar currencies.

### ***Summary of Our Financial Performance for the Fiscal Year Ended 2023 Compared to the Fiscal Year Ended 2022***

For the year ended December 31, 2023, our revenues were approximately \$51.6 million, compared to approximately \$46.1 million in 2022, reflecting an increase of approximately 12%. Our operating activities generated approximately \$4.7 million in cash during 2023, compared to approximately \$6.0 million generated in 2022. Our net income for the year ended December 31, 2023, was approximately \$3.7 million, compared to a net loss of approximately \$2.3 million in 2022.

As of December 31, 2023, our cash and cash equivalents and bank deposits totaled approximately \$82.2 million, compared with cash and cash equivalents and bank deposits of approximately \$77.7 million as of December 31, 2022.

Our 2023 income includes non-cash expenses due to share-based compensation of approximately \$6.1 million, compared to \$5.2 million in 2022.

### ***Reportable Segments***

Management receives sales information by customers and by geographical regions. Cost of revenues, research and development, sales and marketing, and general and administrative expenses are reported on a combined basis only (*i.e.*, they are not allocated to product groups or geographical regions). Because a measure of operating profit or loss by product groups or geographical regions is not presented to management due to shared resources, we have concluded that we operate in one reportable segment.

## **A. OPERATING RESULTS**

### ***Results for the Year Ended December 31, 2023, compared to Year Ended December 31, 2022***

The following table sets forth, for the periods indicated, certain financial data expressed as a percentage of revenues:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenues	100%	100%
Cost of revenues	26.7	27.6
Gross profit	73.3	72.4
<u>Operating expenses:</u>		
Research and development	37.9	46.7
Less royalty-bearing participation	1.4	1.7
Research and development, net	36.5	45.0
Sales and marketing	28.3	26.6
General and administrative	9.8	9.7
Total operating expenses	74.6	81.3
Operating loss	(1.3)	(8.9)
Financial income, net	8.8	4.3
Income (loss) before taxes on income	7.5	(4.6)
Taxes on income	(0.4)	(0.3)
Net Income (loss)	7.1	(4.9)

Revenues

	Year Ended December 31, (in millions of U.S. dollars)	
	2023	2022
Products	22.8	19.0
Services	28.8	27.1
Total Revenues	51.6	46.1

*Revenues.* In 2023, our revenues increased by approximately \$5.5 million, or approximately 12%, compared to 2022 due to an increase of approximately \$3.8 million in product revenues, and an increase of approximately \$1.7 million in services revenues. The increase in product revenues relates mainly to an increase in revenues in North America and derives from existing and new customers. The increase in services revenues relates to Asia and EMEA, and mainly derives from existing customers.

*Revenues per geographic region, based on the location of the end-customer*

	Year Ended December 31, (in millions of U.S. dollars)		Year Ended December 31, (as percentages)	
	2023	2022	2023	2022
North America	31.8	23.0	61.7	49.8
Asia	9.8	12.5	18.9	27.2
Latin America	1.3	3.0	2.5	6.4
EMEA (including Israel)	8.7	7.6	16.9	16.6
Total revenues	51.6	46.1	100%	100%

In 2023, our two largest customers amounted to approximately 76% of our total consolidated revenues. In 2022 our two largest customers amounted to approximately 77% our total consolidated revenues.

*Cost of Revenues and Gross Profit*

	Year Ended December 31, (in millions of U.S. dollars)	
	2023	2022
Products	5.7	5.5
Services	8.1	7.2
Total cost of revenues	13.8	12.7
Gross profit	37.8	33.3

*Cost of Revenues.* During 2023, our gross profit as a percentage of revenues, calculated to include variable costs such as salaries and related expenses was approximately 73.3% compared to approximately 72.4% in 2022.

Our cost of revenues for both 2023 and 2022 includes an expense of approximately \$0.4 million for share-based compensation.

The following table provides the operating costs and expenses of the Company in 2023 and 2022 as well as the percentage change of such expenses in 2023 as compared to 2022.

	Year ended December 31, (in millions of U.S. dollars)		% Change 2023 vs. 2022
	2023	2022	2022
Research and development	19.6	21.5	(8.8)
Less royalty-bearing participation	0.8	0.8	-
Research and development, net	18.8	20.7	(9.2)
Sales and marketing	14.6	12.3	18.7
General and administrative	5.1	4.5	13.3
Total operating expenses	38.5	37.5	2.7

*Research and Development Expenses, gross.* Research and development expenses, gross, decreased from approximately \$21.5 million in 2022 to approximately \$19.6 million in 2023. As a percentage of total revenues, research and development expenses, gross, decreased from approximately 46.7% in 2022 to approximately 37.9% in 2023. The decrease in our gross research and development expenses is attributable mostly to favorable foreign exchange rates. As of both December 31, 2023, and December 31, 2022, our total research and development headcount, including contractors, was 137. Our research and development costs included an expense of approximately \$2.7 million for share-based compensation in 2023, as compared to approximately \$2.5 million for share-based compensation in 2022. We expect to keep the levels of our research and development expenses at similar levels as they were in 2022 and 2023.

We believe that our research and development efforts are a key element of our strategy and are essential to our success. An increase or a decrease in our total revenues would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

*Sales and Marketing Expenses.* Sales and marketing expenses increased from approximately \$12.3 million in 2022 to approximately \$14.6 million in 2023. The increase in our sales and marketing expenses is mainly related to expansion of the global sales and marketing team and to an increase in share-based compensation expenses in 2023 compared to 2022. As a percentage of total revenues, sales and marketing expenses were 28.3% in 2023, compared to 26.6% in 2022. Our sales and marketing expenses included an expense of approximately \$1.8 million for share based compensation in 2023, as compared to approximately \$1.4 million for share-based compensation in 2022.

*General and Administrative Expenses.* General and administrative expenses increased from approximately \$4.5 million in 2022 to approximately \$5.1 million in 2023. The increase in our general and administrative expenses is mainly attributed to an increase in share-based compensation expenses and to an increase in professional services expenses in 2023 compared to 2022. As a percentage of total revenues, general and administrative expenses were 9.8% in 2023, with no significant change from 9.7% in 2022. Our general and administrative expenses included approximately \$1.2 million for share-based compensation in 2023, as compared to approximately \$0.9 million for share-based compensation in 2022.

*Financial Income, Net.* In 2023, the financial income, net, was approximately \$4.6 million, as compared to financial income, net, of approximately \$2.0 million in 2022. The increase in our financial income, net is related to a positive impact of currency exchange rates and an increase in interest income from bank deposits.

*Taxes on Income.* In 2023, we recorded tax expenses of approximately \$182,000 as compared to tax expenses of approximately \$159,000 in 2022. Tax expenses are comprised from tax expenses of RADCOM India and RADCOM US, as well as withholding taxes that were deducted by our customers.

#### ***Comparison of Financial Data for Year Ended December 31, 2022, compared with Year Ended December 31, 2021***

For a discussion of the financial data for the year ended December 31, 2022, compared with the year ended December 31, 2021, see “Item 5.A. — Operating and Financial Review and Prospects—Operating Results—Summary of Our Financial Performance for the Fiscal Year Ended 2022 Compared to the Fiscal Year Ended 2021” included in our Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on March 30, 2023.

#### ***Impact of Inflation and Foreign Currency Fluctuations***

Most of our revenues are generated in U.S. dollars and the financing activities are made in U.S. dollars. We also generate revenues in Brazilian reals, or BRLs, euros and other currencies; however, we consider the U.S. dollar to be our functional currency. In the future additional revenues may be denominated in currencies other than U.S. dollars.

Since a significant portion of our expenses is in NIS, as we pay our Israeli employees’ salaries in NIS, the dollar cost of our operations is influenced by the exchange rates between the NIS and the U.S. dollar. Fluctuations in exchange rates between the U.S. dollar, the BRL, euro, and other currencies in which we generate revenue, and the U.S. dollar, may also have an effect on our results of operations. With respect to our Brazilian subsidiary, the functional currency has been determined to be their local currency. Assets and liabilities are translated at year-end exchange rates and statements of income items are translated at average exchange rates prevailing during the year. Such translation adjustments are recorded as a separate component of accumulated other comprehensive loss in shareholders’ equity.

Because exchange rates between the NIS and the U.S. dollar fluctuate continuously, exchange rate fluctuations will have an impact on our profitability and period-to-period comparisons of our results. The effects of foreign currency re-measurements of financial assets and liabilities are reported in our financial statements as financial income or expense. Based on our budget for 2024, we expect that a change of NIS 0.10 to the exchange rate of the NIS to U.S. dollar will change our expenses expressed in dollar terms by approximately \$490,000 per fiscal year and vice versa.

#### ***Effective Corporate Tax Rate***

As of January 1, 2018, Israeli resident companies were generally subject to corporate tax at the rate of 23%. Israeli resident companies are generally subject to capital gains tax at the corporate tax rate. We do not generate taxable income in Israel, as we have historically incurred operating losses resulting in carry forward losses for tax purposes totaling approximately \$38.4 million and an additional \$1.7 million of capital loss as of December 31, 2023. We believe that we will be able to carry forward these tax losses to future tax years. We do not expect to pay taxes in Israel, on our incomes from operations, until we utilize our carry forward tax losses. We may be required to pay taxes on our passive income, if any. For more information on taxation, see “Item 10.E — Taxation.”

Our effective corporate tax rate may exceed the Israeli tax rate. Our non-Israeli subsidiaries will generally be subject to applicable federal, state and local taxation, and we may also be subject to taxation in the other foreign jurisdictions in which we own assets, have employees or conduct business activities.

We recorded a valuation allowance of approximately \$13.5 million on December 31, 2023, for all of our deferred tax assets and liabilities. Based on the weight of available evidence, we believe it is more likely than not that all of our deferred tax assets will not be realized.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

We have financed our operations through cash generated from operations, the proceeds from our private and public equity offerings we conducted until 2017, proceeds from the exercise of options and royalty-bearing participation from the IIA and others. Cash and cash equivalents, and bank deposits on December 31, 2023, and 2022, were approximately \$82.2 and \$77.7 million, respectively.

We believe that our existing capital resources and cash flows from operations will be adequate to satisfy our expected liquidity requirements through the next twelve months. Without derogating from the foregoing estimate regarding our existing capital resources and cash flows from operations, we may decide to raise additional funds in the future. We believe that, if required, we will be able to raise additional capital or reduce discretionary spending to provide the required liquidity beyond the next twelve months.

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities was approximately \$4.7 million in 2023 compared to net cash provided by operating activities of approximately \$6.0 million in 2022.

The positive net cash flow in 2023 was primarily due to share-based and restricted share compensation expenses of approximately \$6.1 million, net income of approximately \$3.7 million, an increase in other account payables and accrued expenses of approximately \$2.2 million, a decrease of approximately \$1.4 million in other account receivables and prepaid expenses, a decrease in inventory of approximately \$0.6 million, depreciation and amortization of \$0.6 million, and an increase of approximately \$0.2 million in employees and payroll accruals. This was partially offset by a decrease in deferred revenue and advances from customers of approximately \$5.6 million, an increase in accrued interest on short-term bank deposits of approximately \$2.2 million, and an increase of approximately \$2.2 million in trade receivables, net.

The positive net cash flow in 2022 was primarily due to share-based and restricted share compensation expenses of approximately \$5.2 million, an increase in deferred revenue and advances from customers of approximately \$4.3 million, an increase in other liabilities and accrued expenses of approximately \$0.9 million, an increase of approximately \$0.8 million in employees and payroll accruals and depreciation of \$0.5 million. This was partially offset by net loss of approximately \$2.3 million, an increase in accrued interest on short-term bank deposits and long-term bank deposits of approximately \$1.2 million, an increase of approximately \$1.1 million in other account receivables and prepaid expenses and an increase of approximately \$1.0 million in trade receivables, net.

The trade receivables and days of sales outstanding are primarily impacted by payment terms, variations in the levels of shipment in the quarter, and collections performance. Trade receivables for 2023 increased to approximately \$13.4 million from approximately \$11.1 million in 2022.

The decrease in inventories in 2023 was mainly due to an increase in inventory delivered to customers for which revenue criteria have been met and recognized.

*Net Cash Provided by (Used in) Investing Activities.* Our investing activities generally consist of the purchase of equipment and investment in bank deposits. Net cash used in investing activities in 2023 was approximately \$3.6 million, compared to net cash used in investing activities in 2022 of \$8.4 million. In 2023, we invested approximately \$2.5 million in acquiring Continual, invested approximately \$65 million in bank deposits, received approximately \$64.1 million from the maturity of a short-term bank deposit and invested approximately \$0.2 million for the purchase of equipment. In 2022, we invested approximately \$66.9 million in bank deposits, received approximately \$58.6 million from the maturity of a short-term bank deposit and invested approximately \$0.2 million for the purchase of equipment.

*Net Cash provided by (Used in) Financing Activities.* In 2023 and in 2022, there was no net cash provided by or used in financing activities.

On April 30, 2023, we acquired the technology, intellectual property, and customer agreements of Continual for \$2.5 million in cash. The post-acquisition synergies from integrating Continual's technology into our portfolio contributed to our product and services offering and to our operation. While we expect to continue to grow organically, we expect to continue to evaluate additional potential transactions to purchase other companies or technologies in the field in which we operate.

### ***Investments***

We may in the future undertake hedging or other similar transactions or invest in market risk-sensitive instruments, if our management determines that it is necessary to offset risks such as foreign currency and interest rate fluctuations.

### ***Impact of Related Party Transactions***

We have entered into a number of lease agreements with the RAD-BYNET Group (as described under "Item 7.B-Major Shareholders and Related Party Transactions-Related Party Transactions"). The pricing of the transactions with respect to such leases was determined based on negotiations between the parties. Members of our audit committee of the Board of Directors, or the Audit Committee, Board of Directors and management reviewed the pricing of the leases and confirmed that these agreements were not different from terms that could have been obtained from unaffiliated third parties.

For more information, see "Item 7.B—Major Shareholders and Related Party Transactions—Related Party Transactions" below.

### ***Government Grants and Related Royalties***

The Government of Israel, through the IIA, encourages research and development projects pursuant to the R&D Law and the regulations promulgated thereunder. We may receive grants from the IIA at rates that range from 20% to 60% (and with respect to Magnet Programs up to 66%) of the research and development expenses, as prescribed by the research committee of the IIA in accordance with the R&D Law. We recorded such grants from the IIA in the total amount of approximately \$0.8 million in each of 2023 and 2022. Pursuant to the specific terms of these grants, we are obligated to pay royalties of 3% of the revenues generated by sales of products (and certain related services) funded with these grants (excluding grants received in the Magnet project). In the event that a project funded by the IIA does not result in the development of a product which generates revenues, we would not be obligated to repay the grants we received for the product's development. Royalty expenses relating to the IIA grants included in the cost of revenues for years ended December 31, 2023 and 2022 were approximately \$1.5 million and \$1.4 million, respectively. The total grants regarding projects that we have received from the IIA as of December 31, 2023 were approximately \$50.2 million. For projects authorized as a research and development program under the R&D Law since January 1, 1999, the repayment interest rate was LIBOR, as further detailed and qualified below. As of December 31, 2023, the accumulated interest was approximately \$26.7 million, the accumulated royalties paid to the IIA were approximately \$21 million and our total amount of contingent liability to the IIA in respect of grants received was, according to our records, approximately \$56 million. In September 2021, the Bank of Israel, which determines annual interest rates, published a directive which stated that annual interest at a variable rate linked to the LIBOR rate for loans in U.S. dollars will be replaced by the SOFR, in June 2023. Grants received from the IIA before June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, and grants received from the IIA after June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, until December 31, 2023, and as of January 1, 2024, bear an annual interest rate based on the 12-month SOFR, or at an alternative rate published by the Bank of Israel, with the addition of 0.72%. Grants approved after January 1, 2024 will bear the higher of (i) the 12 months SOFR, plus 1%, or (ii) a fixed annual interest rate of 4%.

We are also obligated to pay royalties to the BIRD Foundation, with respect to sales of products based on technology resulting from research and development funded by the BIRD Foundation. Royalties to the BIRD Foundation are generally payable at the rate of 5% of the sales of such products, up to 150% of the grant received, linked to the United States Consumer Price Index. As of December 31, 2023, we had a contingent obligation to pay the BIRD Foundation aggregate royalties in the amount of approximately \$466,000.

### **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

See “Item 4.B—Information on the Company—Business Overview—Research and Development,” “Item 4.B—Information on the Company—Business Overview—Proprietary Rights”, and “Item 5—Operating and Financial Review and Prospects—Research and Development expenses, Net” and “Item 5.A—Operating and Financial Review and Prospects—Operating Results”.

### **D. TREND INFORMATION**

During 2023, we saw more deployments of 5G SA by CSPs, but still in small numbers. According to industry research, 46 operators in 27 countries, launched 5G standalone networks so we expect that the number of 5G SA deployments will grow during 2024 and beyond, although the pace of such growth is still unknown. CSPs are continuing to invest in 5G networks and more devices have become commercially available despite the economic disruption. We saw the mobile industry continuing to allocate 5G spectrum and the investment in 5G SA networks in both trials and live deployments.

5G networks and services are much more complex and dynamic than traditional networks. They use cloud-native technologies such as containers and kubernetes to enable automation and simplification and to reduce operating costs. These technological advancements may result in potential increased interest by CSPs in our solutions.

We consider customer experience as another driver for CSPs to invest in solutions that enable them to better monitor and proactively offer resolution and upgrade of quality of service.

As services become more technologically complex and their volumes increase, service quality becomes an issue that must be addressed to allow for end-to-end visibility across the different network areas. Our automated assurance solutions address this need by providing end-to-end network visibility from RAN to core, enabling CSPs to monitor their networks end-to-end as they progress with 5G deployments.

### **E. CRITICAL ACCOUNTING ESTIMATES**

#### ***Critical Accounting Policies and Estimates***

The preparation of Consolidated Financial Statements and related disclosures in conformity with U.S. GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 2 of the Notes to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimations used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

#### ***Revenue recognition.***

We recognize revenues in accordance with ASC No. 606, “Revenue from Contracts with Customers”. As such, we identify a contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation in the contract and recognize revenues when (or as) performance obligations are satisfied as follows:

- a) Identify the contract with a customer:

We generally consider either agreements or purchase orders, which in some cases are governed by master agreements, to be contracts with customers. In evaluating the contract with a customer, we analyze the customer’s intent and ability to pay the amount of promised consideration (credit risk) and consider the probability of collecting substantially all of the consideration.



b) Identify the performance obligations in the contract:

At a contract's inception, we assess the goods or services promised in a contract with a customer and identify the performance obligations.

The main performance obligations would generally include:

License for our software solutions (which may include significant customization), professional services, managed services, service type warranty and post-contract customer support, each of which are distinct.

c) Determine the transaction price:

The transaction price is the amount of consideration to which we are entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

We don't usually grant our customers with a right to return the products sold. However, in some cases, the arrangements may include refunds, liquidated damages, penalties or other damages if we fail to deliver future goods or services or if the goods or services fail to meet certain specifications to acceptance criteria. All of the above are accounted for as variable considerations, which may be considered as adjustments to the transaction price.

We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available.

The Company uses the practical expedient and does not assess the existence of a significant financing component when the difference between payment and revenue recognition is a year or less. As our standard payment terms are less than one year, the contracts have no significant financing component. In instances of contracts where revenue recognition differs from the timing of invoicing, we have determined that those contracts generally do not include a significant financing component. The primary purpose of the invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive or provide financing.

d) Allocate the transaction price to the performance obligations in the contract:

For software licenses where the standalone selling prices, cannot be determined based on observable prices, given the same products are sold for a broad range of amounts and the selling price is highly variable, the standalone selling prices included in a contract with multiple performance obligations are determined by applying a residual approach. Standalone selling prices of services are typically estimated based on observable transactions when these services are sold on a standalone basis or on a cost basis. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis.

e) Recognize revenue when a performance obligation is satisfied:

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control is either transferred over time or at a point in time, which affects the revenue recognition schedule.

*Products.* Revenues from sales of software solutions which include customer acceptance or software licenses only are recognized at a point in time of the acceptance of the solution or the point in time the software license is delivered.

*Services.* Revenues related to managed services, service type warranty and post-contract customer support are recognized over time.

Deferred revenues represent unrecognized fees collected as well as other advances and payments received from customers, for which revenue has not yet been recognized. Deferred revenues are classified as short-term and long-term deferred revenues based on the period in which revenues are expected to be recognized.

We record unbilled receivables from contracts when the revenue recognized exceeds the amount billed to the customer.

We capitalize an asset for the incremental costs of obtaining a contract whenever such expenses are expected to be recovered. Capitalized costs derive primarily from sales commissions or incentives granted to employees and partners. Our contracts with customers include performance obligations related to products and services, some of which are satisfied at a point in time and others over time. Commission costs related to performance obligations satisfied at a point in time are expensed at the time of sale, which is when revenue is recognized. Commission costs related to long-term service contracts and performance obligations satisfied over time are deferred and recognized on a systematic basis that is consistent with the transfer of the products or services to which the asset relates. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of income (loss).

*Share-based compensation.* Our accounts for share-based compensation are in accordance with ASC No. 718 “Compensation – Stock-based Compensation”, or ASC 718, which requires us to estimate the fair value of share-based payment awards on the grant date using an option-pricing model.

We recognize compensation expenses for the value of its awards over the requisite service period of each of the awards. For graded vesting awards subject to service conditions only, we use the straight-line attribution method. We estimate expected forfeitures.

We selected the Black-Scholes option-pricing model as the most appropriate fair value method for its share-options awards. The option-pricing model requires a number of assumptions, of which the most significant are the expected share price volatility and the expected option term. Expected volatility was calculated based upon actual historical share price movements over the most recent periods ending on the grant date, equal to the expected option term. The expected term was generated pursuant to historical option exercise information. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term to the expected term of the options. Historically the Company has not paid dividends and in addition has no foreseeable plans to pay dividends, and therefore uses an expected dividend yield of zero in the option-pricing model.

Our determination of the fair value of restricted share units or RSUs is based on the closing market value of the underlying shares at the date of grant.

In 2021, the Company elected to change its accounting policy for recognizing share-based compensation expense for graded vesting share awards subject to service conditions only by applying the straight-line attribution method instead of the accelerated attribution method and using an estimated forfeiture rate of awards expected to be forfeited for each award rather than account for the forfeitures as they occur. The change in the recognition of share-based compensation expense represents a change in accounting principle which the Company believes to be preferable because the straight-line attribution method is the predominant method used in its industry and because estimating forfeitures will result in a more accurate attribution of share-based compensation expense since the Company has accumulated during the last few years sufficient historical experience to make a reasonable estimate of the forfeiture pattern of its employees.

*Business combination.* We account for our business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make estimates and assumptions, especially with respect to intangible assets. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

*Goodwill and Other Intangible Assets.* Goodwill and certain other purchased intangible assets have been recorded in our financial statements as a result of acquisitions. In business combinations, in accordance with ASC Topic 805, “Business Combinations”, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. Such valuations require us to make significant estimates, assumptions, and judgments, especially with respect to intangible assets. The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, market conditions, technological developments and specific characteristics of the identified intangible assets. The allocation of the consideration transferred in certain cases may be subject to revision based on the final determination of fair values during the measurement period, which may be up to one year from the acquisition date.

Goodwill represents excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired. Goodwill is not amortized, but rather is subject to an impairment test.

ASC No. 350, “Intangible—Goodwill and Other” requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment includes judgement and considers events and circumstances that might indicate that a reporting unit’s fair value is less than its carrying amount.

For the year ended December 31, 2023, no impairment loss was identified.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

The following table lists our current directors and executive officers:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Rachel (Heli) Bennun	70	Executive Chairman of our Board of Directors
Matty Karp <sup>(1)(2)(4)(5)</sup>	74	Director
Andre Fuetsch <sup>(1)</sup>	53	Director
Oren Most <sup>(1)(4)(5)</sup>	73	Director
Yaron Ravkaie	55	Director
Rami Schwartz <sup>(1)(3)(4)(5)</sup>	66	Director
Guy Shemesh	50	Chief Executive Officer
Hadar Rahav	36	Chief Financial Officer
Hilik Itman	52	Chief Operating Officer
Rami Amit	58	Chief Technology Officer and Head of Product

(1) Independent Director, under Nasdaq Stock Market Rules, or the Nasdaq Listing Rules.

(2) Chairman of Audit Committee.

(3) Chairman of Compensation Committee.

(4) Audit Committee Member.

(5) Compensation Committee Member.

**Ms. Rachel (Heli) Bennun** has served as a director since December 2012 and was appointed as the Executive Chairman of our Board of Directors in September 2015. Ms. Bennun has over 25 years of professional experience in hi-tech companies. Ms. Bennun co-founded Arel Communications & Software Ltd. (formerly Nasdaq: ARLC) in 1988, a company focused on offering integrated video, audio and data-enabled conferencing solutions, including real time Interactive Distance Learning, and served as CEO, CFO, and director, leading the company to its initial public offering on Nasdaq in 1994. Ms. Bennun also co-founded ArelNet Ltd. (formerly TASE: ARNT), a pioneer in the field of Voice over IP, and served as CEO and as a director, leading the company to its initial public offering on TASE and until its acquisition by Airspan Network Inc. Ms. Bennun has also served as CEO and director of OrganiTech USA, Inc. (PINK: ORGT), a pioneer in the cleantech industry. Ms. Bennun holds a M.Sc. and a B.Sc. in Industrial and Management Engineering from Ben-Gurion University.

**Mr. Matty Karp** has served as a director since December 2009. From 1996 to 2015, he was the managing partner of Concord Ventures, an Israeli venture capital fund focused on Israeli early-stage technology companies, which he co-founded in 1997. From 2007 to 2008, he served as the Chairman of Israel Growth Partners Acquisition Corp. From 1994 to 1999, he served as the Chief Executive Officer of Kardan Technologies, a technology investment company, and continued to serve as a director until October 2001. From 1994 to 1997, he served as the President of Nitzanim Venture Fund, an Israeli venture capital fund focused on early-stage high technology companies. From 1987 to 1994, he served in numerous positions at Elbit Systems Ltd. (Nasdaq and TASE: ESLT). Mr. Karp has served as a director of a number of companies, including: Elta Ltd.; Galileo Technology, which was acquired by Marvell Technology, Inc. (Nasdaq: MRVL); Accord Networks which was acquired by Polycom, Inc.; Saifun Semiconductors, Ltd. which merged with Spansion Inc., and El Al Israel Airlines Ltd. (TASE: ELAL). Mr. Karp received a B.Sc., cum laude, in Electrical Engineering from the Technion - Israel Institute of Technology and is a graduate of the Harvard Business School Advanced Management Program.

**Mr. Andre Fuetsch** has served as a director since August 2023. Mr. Fuetsch has served in various senior capacities in AT&T Inc. since his joining in 1995, the most recent of which is AT&T's Executive Vice President and CTO Network Services. As part of his role, Mr. Fuetsch oversaw the global technology direction for AT&T, including network planning, innovation road map and led AT&T Labs, AT&T Foundry, and the intellectual property organization. In his previous roles in AT&T, Mr. Fuetsch supported and led several organizations responsible for software, systems, and network architecture, planning and engineering, where he held six patents in the field of network traffic optimization and database design. Mr. Fuetsch holds a B.Sc. in Industrial Engineering and Operations Research at U.C. Berkeley and completed his graduate coursework in Computer Science at Stanford University.

**Mr. Oren Most** has served as a director since July 2019. Mr. Most is the founder and former president of Golan Telecom, Ltd., an Israeli cellular operator. Mr. Most has also served in executive positions with several private and public companies including as President and Chief Executive Officer of Gilat Satellite Networks Ltd. (Nasdaq and TASE: GILT) and as Founder and Deputy Chief Executive Officer of Cellcom (Israel) Ltd. Mr. Most has also served as director for several public and private corporations. Mr. Most holds a B.A. in Sociology & Anthropology, Film & Television from the Tel Aviv University and an M.B.A. from New York University.

**Mr. Yaron Ravkaie** has served as a director since January 2020. Mr. Ravkaie is the chief executive officer of Teridion Technologies Ltd., having assumed that role in January 2020. Mr. Ravkaie previously served as the Company's chief executive officer from January 2016 through December 2019. Prior to joining RADCOM, Mr. Ravkaie served during 2015 as the Chief Business Officer of RR Media Ltd. Prior to serving at RR Media Ltd., and between 1998 and 2015, Mr. Ravkaie served in various roles with Amdocs Ltd. (Nasdaq: DOX), including as the President of the Mobile Financial Services Division, President of the AT&T division, and other director and vice president roles. Mr. Ravkaie served for nine years in information systems, industrial engineering and logistics with the Israeli Air Force as a Major. Mr. Ravkaie holds an M.B.A. from the University of Beersheba and a B.Sc. in Industrial Engineering & Management from the Technion, Haifa.

**Mr. Rami Schwartz** has served as a director since July 2019. Mr. Schwartz has over 20 years' experience in leadership positions in the technology and enterprise software fields. Mr. Schwartz currently serves as the Managing Director of the Portland Trust Israel and as an Advisory Board Member to AlgoSec and a director at Perion Network Ltd. Mr. Schwartz previously served in senior positions, including as business group president, founder, Chief Executive Officer and Active Chairman, with several public and private companies including Amdocs. Mr. Schwartz also served as Chief of System Development for the Israeli Air Force. Mr. Schwartz holds a B.Sc. in math and computer science from the Hebrew University of Jerusalem.

**Mr. Guy Shemesh**, has served as our Chief Executive Officer since February 2024. Prior to joining our Company, Mr. Shemesh served as Vice President of Business Applications R&D from 2020 to 2022 and Vice President CloudBand Business Unit from 2017 to 2020, both at Nokia Solutions and Networks Israel Ltd. where he spent over ten years in various leadership roles. Mr. Shemesh holds a B.A. in Computer Science and a B.A. in Economics and Management from the Tel Aviv Academic College and an M.B.A. from Tel-Aviv University.

**Ms. Hadar Rahav** has served as our Chief Financial Officer since January 2022. Ms. Rahav joined us in May 2020 as our Head of Global Finance. Prior to joining our Company, Ms. Rahav served as Corporate Director of Finance at TAT Technologies Ltd. (Nasdaq: TATT; TASE: TATT.TA) from 2018 until 2020, and as Corporate Controller at Electra Consumer Products (1970) Ltd. (ECP.TA) from 2015 until 2018. Before 2018, Ms. Rahav served in various positions with Ernst & Young Israel. Ms. Rahav holds a BA (cum laude) in Business Management Accounting and Risk Management from the College of Management and Academic Studies, Rishon Le-Zion and is certified in Israel as a CPA.

**Mr. Hilik Itman**, our Chief Operating Officer joined us in June 1997 as a software engineer and was appointed to his current position in January 2020, having most recently served as the Company's Vice President of Research and Development. Mr. Itman led the development of our main legacy products (R70S and MaveriQ) during the company's transition from hardware-based products, to software-based probe products. Mr. Itman holds a B.A. in Mathematics and Computer Science from the Open University.

**Mr. Rami Amit**, our Chief Technology Officer and Head of Product, joined us in February 2017. Prior to joining RADCOM, Mr. Amit served from 2013 to 2017 as director of engineering in the Cisco Systems, Inc.'s NFV Business Unit, which included worldwide deployments by many Tier 1 customers. Mr. Amit was a major contributor to the vision of the evolution to virtualization in that space. Prior to his time at Cisco Mr. Amit was Chief Technology Officer for Jungo Connectivity Ltd., a leading software provider, founded Surf&Call Solutions Ltd., which was later acquired by CosmoCom, Inc. and was the first employee of the VoIP industry pioneer, VocalTec Ltd., in which he is considered as one of the early inventors of VoIP, building the first ever VoIP gateway shown in public in the mid-1990s and leading many of the VoIP technologies used today on a daily basis. Mr. Amit holds a B.Sc. in electrical engineering from Tel Aviv University.

There are no family relationships between any of the directors or executive officers named above.

## B. COMPENSATION

The following table presents information regarding compensation accrued in our financial statements for our five most highly compensated office holders (within the meaning of the Israeli Companies Law), during or with respect to the year ended December 31, 2023.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Equity-Based Compensation (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
Eyal Harari, former CEO <sup>(3)</sup>	2023	300,000	200,000	408,506	46,564	955,070
Hilik Itman, COO	2023	213,867	145,059	380,336	74,973	814,235
Rami Amit, CTO and Head of Product	2023	213,867	114,507	326,081	80,469	734,923
Rachel (Heli) Bennun, Executive Chairman of our Board of Directors	2023	213,867	232,903	201,930	76,595	725,294
Hadar Rahav, CFO	2023	178,222	134,450	121,933	52,890	487,495

(1) Equity based compensation includes the cost of non-cash share-based compensation of the Company in 2023. The grants awarded during 2023 and 2024 were for a vesting term of up to 4 years.

(2) All other compensation includes social benefits and car leasing costs.

(3) Mr. Harari served as the Chief Executive Officer of the Company until February 2024.

The bonus paid to our former CEO is based on a formula which takes into consideration independent measurable and non-measurable components, and which was approved by the Board of Directors in accordance with the Compensation Policy and the former CEO's amended terms of employment approved by general meeting of our shareholders on July 21, 2022.

The bonus and commission payments made to our other officers and the Executive Chairman of our Board of Directors are based on the achievements of goals and objectives that are set and communicated at the beginning of each year and which are made in accordance with our Compensation Policy, as approved by our shareholders from time to time and most recently on July 11, 2019, as amended on July 8, 2021, July 21, 2022 and August 3, 2023.

The aggregate direct remuneration paid to all our directors and executive officers as a group for the year ended December 31, 2023, was approximately \$2.4 million in salaries, bonus, commissions and directors' fees. This amount includes approximately \$0.3 million that was set aside or accrued to provide pension, retirement or similar benefits. These amounts do not include the expense of share-based compensation as per ASC 718.

During 2023, our office holders, as such term is defined in the Israeli Companies Law, or Office Holders, who are not directors, received, in the aggregate, 127,800 restricted share units, or RSUs, under our 2013 Share Option Plan, or the 2013 Plan and the 2023 Equity Incentive Plan or the 2023 Plan. The RSUs have a vesting schedule of four years over equal annual installments commencing as of the date of the grant. Further information regarding the options and RSU grants to our directors is detailed below.

As of December 31, 2023, our current directors and officers, as a group, held, in the aggregate 310,283 RSUs that were granted under our 2013 Plan and the 2023 Plan.

Our directors are reimbursed for expenses and receive cash and equity compensation, which terms are detailed below.

The cash compensation currently paid to our non-executive directors as approved by a resolution of our shareholders in the annual general meeting held on July 9, 2020 and ratified in the annual general meeting of shareholders held on July 21, 2022 and August 3, 2023 (other than to our Executive Chairman, as of July 21, 2022 and other than Mr. Fuetsch) is an annual fee of NIS 52,000 (currently equivalent to approximately \$14,337) and a per meeting attendance fee of NIS 2,000 (currently equivalent to approximately \$551). In addition, upon his or her election or re-election, each of our non-executive directors (other than Mr. Fuetsch) receives a grant of 15,600 RSU or the equivalent in options to purchase ordinary shares, vesting over a period of three years. The cash compensation currently paid to our director Mr. Fuetsch as approved by a resolution of our shareholders in the annual general meeting held on August 3, 2023, is an annual fee of \$52,000 and a per meeting attendance fee of \$2,000. In addition, Mr. Fuetsch received a grant of 23,400 RSU, vesting over a period of three years.

## ***Share Option Plans***

On March 28, 2023, our Board of Directors adopted the 2023 Plan. The 2023 Plan expires on March 27, 2033. Under the 2023 Plan, we may grant options to purchase our ordinary shares, or Options, restricted shares and RSUs to our employees, directors, consultants and contractors. Options and RSUs granted under our 2023 Plan generally vest over a period of between one and four years, with expiration term for Options of five to seven years from the date of grant, subject to the discretion of our Board of Directors, which has the authority to deviate from such parameters in respect of specific grants. The 2023 Plan is administered either by our Board of Directors or, subject to applicable law, by our Compensation Committee, which has the discretion to make all decisions relating to the interpretation and operation of the 2023 Plan, including determining who will receive an option award and the terms and conditions of the option awards. We have reserved an aggregate of 3,000,000 ordinary shares under our 2023 Plan. As of March 27, 2024, we have granted 1,831,314 RSUs and no Options under the 2023 Plan. This number includes the grant of 180,000 RSUs to our CEO in February 2024 under the 2023 Plan, which grant is pending shareholders' approval.

On April 3, 2013, our Board of Directors adopted the 2013 Plan. The 2013 Plan expired on April 2, 2023, or the 2013 Plan Expiration Date. Under the 2013 Plan, we were able to grant Options, restricted shares and RSUs to our employees, directors, consultants and contractors. As of the 2013 Plan Expiration Date, we had granted 1,278,808 Options and 2,554,031 RSUs under the 2013 Plan. Options and RSUs granted under our 2013 Plan generally vest over a period of between one and four years, with expiration term for Options of five to seven years from the date of grant, subject to the discretion of our Board of Directors, which had the authority to deviate from such parameters in respect of specific grants. The 2013 Plan was administered either by our Board of Directors or, subject to applicable law, by our Compensation Committee, which had the discretion to make all decisions relating to the interpretation and operation of the 2013 Plan, including determining who will receive an option award and the terms and conditions of the option awards.

We measure the compensation expense for all share-based payments (including employee stock options) at fair value, in accordance with ASC 718. We recorded an expense of approximately \$6.1 million for share-based compensation plans during 2023. In January 2024 and during 2023, we granted 867,814 and 1,198,500 RSUs, respectively, which will result in ongoing accounting charges that will significantly reduce our net income. See Notes 2(n) and 11(b) of the Notes to the Consolidated Financial Statements for further information.

As of March 27, 2024, there were (i) 39,597 outstanding Options and 285,187 unvested RSUs under the 2013 Plan, and (ii) no outstanding Options and 1,724,272 unvested RSUs under the 2023 Plan.

Pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, we follow our home country practice in lieu of the Nasdaq Listing Rules with respect to the approvals required for the establishment and for material amendments to our share option plans. Consequently, we have adopted share option plans and material amendments thereto by action of our board of directors, without shareholder approval. See also "Item 16G—Corporate Governance."

## ***Compensation Policy***

Our compensation policy for our executive officers and directors, was last approved by our shareholders on July 21, 2022, and most recently amended on August 3, 2023. See "Item 6.C—Directors, Senior Management and Employees—Board Practices—Compensation Committee."

## C. BOARD PRACTICES

### *Terms of Office*

Our current Board of Directors is comprised of Rachel (Heli) Bennun (Executive Chairman), and our non-executive directors, Andre Fuetsch, Matty Karp, Oren Most, Yaron Ravkaie, and Rami Schwartz. Our directors are elected by the shareholders at the annual general meeting of the shareholders, except in certain cases where directors are appointed by the Board of Directors and their appointment is later ratified at the first meeting of the shareholders thereafter. All of our directors were elected by our shareholders at our annual general meeting. The terms of office of Ms. Bennun and Messrs. Fuetsch, Karp, Most, Ravkaie and Schwartz, will expire on our 2026 annual general meeting. Except our Executive Chairman, Ms. Bennun, and Mr. Andre Fuetsch, none of our directors have service contracts with the Company relating to their service as a director. None of the directors will receive benefits upon termination of their position as a director. For a description of our compensation of directors see “Item 6.B—Directors, Senior Management and Employees—Compensation.”

### *External Directors*

Under the Israeli Companies Law, a public company incorporated under the laws of the State of Israel must appoint at least two External Directors; however, pursuant to an exemption provided under section 5D of the Israeli Companies Regulations (Relief for Public Companies with Shares Listed for Trading on a Stock Market Outside of Israel), 5760-2000, or the Exemption, a public company with securities listed on certain foreign exchanges, including Nasdaq, that satisfies the applicable foreign country laws and regulations that apply to companies organized in that country relating to the appointment of independent directors and composition of audit and compensation committees and has no controlling shareholder is exempt from the requirement to elect External Directors or comply with the audit committee and compensation committee composition requirements under the Israeli Companies Law.

On July 31, 2019, our Board adopted the Exemption. As a result of the adoption of the Exemption, the terms of office of any External Directors serving at the time of such adoption were shortened to the earlier to occur of the remainder of their three-year term as External Director or the term ending on the second annual general meeting following the adoption of the Exemption. As a result, the terms of office of Mr. Schwartz and Mr. Most were shortened.

### *Audit Committee*

The current members of our Audit Committee are, Matty Karp, Oren Most and, Rami Schwartz. Mr. Karp is the Chairman of the Audit Committee. Our Board of Directors has determined that each of the members of our Audit Committee is independent within the meaning of the Nasdaq Listing Rules. Our Board of Directors has also determined that Oren Most is an “Audit Committee Financial Expert” as defined in Item 407(d)(5)(ii) of Regulation S-K under the Exchange Act and that he has the requisite experience under Nasdaq Listing Rules.

Our Audit Committee operates under a written charter that is posted on our website.

As stated in our Audit Committee charter, the Audit Committee assists our Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices and financial statements, and the “independence” requirements and performance of our independent auditors. The Audit Committee also has the authority and responsibility to oversee our independent auditors, to recommend for shareholder approval the appointment and, where appropriate, the replacement of our independent auditors, and to pre-approve audit engagement fees and all permitted non-audit services and fees.

Under the Israeli Companies Law and the Nasdaq Listing Rules, our Audit Committee is responsible for, among others (i) determining whether there are deficiencies in the business management practices of our Company, including in consultation with our internal auditor or the independent auditor, and making recommendations to the Board to improve such practices, (ii) determining whether to approve certain related party transactions (including transactions in which an Office Holder has a personal interest) and whether such transaction should be deemed as material or extraordinary, (iii) where the Board approves the working plan of the internal auditor, to examine such working plan before its submission to the Board and propose amendments thereto, (iv) examining our internal controls and internal auditor’s performance, including whether the internal auditor has sufficient resources and tools to dispose of its responsibilities, (v) examining the scope of our auditor’s work and compensation and submitting a recommendation with respect thereto to our Board or shareholders, depending on which of them is considering the appointment of our auditor, and (vi) establishing procedures for the handling of employee complaints as to the management of our business and the protection to be provided to such employees. In compliance with regulations promulgated under the Israeli Companies Law, our Audit Committee also approves our financial statements, thereby fulfilling the requirement that a board committee provide such approval.



## *Compensation Committee*

The current members of our Compensation Committee are Matty Karp, Oren Most, and Rami Schwartz. Mr. Schwartz is the Chairman of the Compensation Committee. Our Board of Directors has determined that each of the members of our Compensation Committee is independent within the meaning of the Nasdaq Listing Rules.

The Compensation Committee operates under a charter that is posted on our website.

As stated in our Compensation Committee Charter and as provided under the Israeli Companies Law and the Nasdaq Listing Rules, our Compensation Committee is responsible for (i) proposing Office Holder compensation policies to the Board, (ii) proposing necessary revisions to any compensation policy and examining its implementation, (iii) determining whether to approve transactions with respect to compensation of Office Holders, (iv) determining, in accordance with Office Holder compensation policies, whether to exempt an engagement with an unaffiliated nominee for the position of chief executive officer from requiring shareholder approval, and (v) administration of our share option plan.

Subject to the provisions of the Israeli Companies Law, compensation of executive officers is generally determined and approved by our Compensation Committee and our Board of Directors. Shareholder approval is generally required when (i) approval by our Board of Directors and our Compensation Committee is not consistent with our Compensation Policy which was last adopted by annual meeting of shareholders on July 21, 2022, or (ii) the compensation is that of our Chief Executive Officer. In special circumstances, our Compensation Committee and Board may approve the compensation of an executive officer (other than a director, a chief executive officer or a controlling shareholder) or approve the compensation policy despite shareholder objection. Additionally, under certain circumstances, our Compensation Committee may exempt an engagement with a nominee for the position of chief executive officer from requiring shareholders' approval or may otherwise postpone such shareholders' approval.

A director or executive officer may not be present when the Board discusses or votes upon the terms of his or her compensation, unless the chairman of the Board determines that he or she should be present to present the transaction that is subject to approval. The Chief Executive Officer may not be present during voting or deliberations regarding his or her compensation.

The Israeli Companies Law provides that our compensation policy must serve as the basis for the decisions concerning the financial terms of employment or engagement of Office Holders, including exculpation, insurance, indemnification or any monetary payment or obligation of payment in respect of employment or engagement. The compensation policy must be approved (or reapproved) not longer than every three years, and relate to certain factors, including advancement of the company's objective, business plan and its long-term strategy and creation of appropriate incentives for Office Holders. It must also consider, among other things, the company's risk management, size and nature of its operations. The compensation policy must furthermore consider the following additional factors:

- the knowledge, skills, expertise and accomplishments of the relevant Office Holder;
- the Office Holder's roles and responsibilities and prior compensation agreements with him or her;
- the relationship between the terms offered and the average compensation of the other employees of the company, including those employed through human resource companies;
- the impact of disparities in salary upon work relationships in the company;

- the possibility of reducing variable compensation at the discretion of the Board of Directors or the possibility of setting a limit on the exercise value of non-cash variable equity-based compensation; and
- as to severance compensation, the period of service of the Office Holder, the terms of his or her compensation during such service period, the company's performance during that period of service, the person's contributions towards the company's achievement of its goals and the maximization of its profits and the circumstances under which the person is leaving the company.

The compensation policy must also include the following principles:

- the link between variable compensation and long-term performance and measurable criteria;
- the relationship between variable and fixed compensation, and the ceiling for the value of variable compensation;
- the conditions under which a director or executive would be required to repay compensation paid to him or her if it was later shown that the data upon which such compensation was based was inaccurate and was required to be restated in the company's financial statements;
- the minimum holding or vesting period for variable, equity-based compensation; and
- maximum limits for severance compensation.

Our compensation policy for our executive officers and directors, was last approved by our shareholders on July 21, 2022, and most recently amended on August 3, 2023.

#### ***Internal Auditor***

Under the Israeli Companies Law, the board of directors of a public company must also appoint an internal auditor proposed by the audit committee. The duty of the internal auditor is to examine, among other things, whether the company's conduct complies with applicable law and orderly business procedure. Under the Israeli Companies Law, the internal auditor may not be an interested party, an Office Holder or an affiliate, or a relative of an interested party, an Office Holder or affiliate, nor may the internal auditor be the company's independent accountant or its representative. An interested party is defined in the Israeli Companies Law as a 5% or greater shareholder, any person or entity that has the right to designate at least one director or the general manager of the company and any person who serves as a director or as a general manager.

Ms. Sharon Cohen, who is a partner at Brightman Almagor Zohar & Co., a member of Deloitte, serves as our internal auditor.

#### ***Exculpation, Indemnification and Insurance of Directors and Officers***

We have agreed to exculpate and indemnify our Office Holders to the fullest extent permitted under the Israeli Companies Law. We have also purchased a directors and officers liability insurance policy. For information regarding exculpation, indemnification and insurance of directors and officers under applicable law and our articles of association, see "Item 10.B—Additional Information—Memorandum and Articles of Association."

#### ***Management Employment Agreements***

We maintain written employment agreements with all our employees. These agreements provide, among other matters, for monthly salaries, our contributions to Managers' Insurance and an Education Fund and severance benefits. Most of our agreements with our key employees are subject to termination by either party upon the delivery of notice of termination as provided therein.

## *Nominating Committee*

Our Board of Directors does not currently have a nominating committee. However, independent directors do retain oversight over director nominations, and in accordance with the requirements of the Nasdaq Listing Rules, our director nominees will either be selected for or recommended to the Board of Directors by a majority of the independent directors of the Board of Directors.

### **D. EMPLOYEES**

Our total headcount as of December 31, 2023, was 295, compared to 284 in 2022 and 278 in 2021, including full-time and part-time employees and contractors, broken down geographically and by function as follows:

	<b>Research and Development</b>	<b>Sales, Marketing and Customer Support</b>	<b>Operations</b>	<b>Administration and Management</b>	<b>Total Headcount</b>
Israel	95	23	2	11	131
India	13	46	0	2	61
United States	0	24	0	4	28
Brazil	0	12	0	1	13
Other	40	22	0	0	62
Total	<u>148</u>	<u>127</u>	<u>2</u>	<u>18</u>	<u>295</u>

We consider our relations with our employees to be good and we have never experienced a strike or work stoppage. Except for employees located in Brazil, none of our employees are represented by labor unions.

For more information, see “Item 4.B—Information on the Company—Business Overview—Employees.”

### **E. SHARE OWNERSHIP**

For information regarding the share ownership of directors and officers, see Item 7.A. “Major Shareholders and Related Party Transactions—Major Shareholders.” For information as to our equity incentive plan, see Item 6.B. “Director, Senior Management and Employees—B. Compensation—Share Option Plan.”

### **F. DISCLOSURE OF A REGISTRANT’S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION**

Not applicable.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. MAJOR SHAREHOLDERS**

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 27, 2024, by:

- each person or entity known by us to own beneficially more than 5% of our outstanding ordinary shares;
- each of our directors and executive officers individually; and
- all of our executive officers and directors as a group.

The beneficial ownership of ordinary shares is determined in accordance with the SEC rules and generally includes any ordinary shares over which a person exercises sole or shared voting or investment power. For purposes of the table below, we deem shares subject to options that are currently exercisable or exercisable within 60 days of March 27, 2024, and restricted share units, or RSUs, that shall vest within 60 days of March 27, 2024, to be outstanding and to be beneficially owned by the person holding the options or restricted share units for the purposes of computing the percentage ownership of that person but we do not treat them as outstanding for the purpose of computing the percentage ownership of any other person. The percentage of shares beneficially owned is based on 15,471,117 ordinary shares outstanding as of March 27, 2024.

The information presented below is based on information provided to us by the directors, officers, and shareholders or disclosed in public filings with the SEC. The voting rights of our major shareholders do not differ from the voting rights of other holders of our ordinary shares.

None of our executive officers or directors beneficially owns 1% or more of our outstanding ordinary shares.

As of March 27, 2024, our ordinary shares had a total of 13 holders of record, of which 7 were registered with addresses in the United States. We believe that the number of beneficial owners of our shares is substantially greater than the number of record holders, because a large portion of our ordinary shares is held of record in broker “street name”.

Name	Number of Ordinary Shares beneficially owned <sup>(1)</sup>	Percentage of Outstanding Ordinary Shares beneficially owned <sup>(2)</sup>
<i>Principal Shareholders</i>		
The heirs of Zohar Zisapel	2,793,551(3)	18.1%
Lynrock Lake LP	2,266,666(4)	14.7%
Yelin Lapidot Holdings Management Ltd.	1,286,669(5)	8.3%
Barclays PLC	861,020(6)	5.6%
Value Base Ltd.	826,670(7)	5.3%
AWM Investment Company, Inc.	795,795(8)	5.1%
<i>Directors and Officers</i>		
Rachel (Heli) Bennun	*	*
Andre Fuetsch	*	*
Matty Karp	*	*
Oren Most	*	*
Yaron Ravkaie	*	*
Rami Schwartz	*	*
Guy Shemesh	*	*
Hadar Rahav	*	*
Hilik Itman	*	*
Rami Amit	*	*
All directors and executive officers as a group (10 persons)	224,127(9)	1.5%

\* less than 1%

(1) Except as otherwise noted and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to all ordinary shares listed as owned by such person. Shares beneficially owned include shares that may be acquired pursuant to options to purchase ordinary shares that are exercisable within 60 days of March 27, 2024.

- (2) The percentage of outstanding ordinary shares is based on 15,471,117 ordinary shares outstanding as of March 27, 2024. In determining the percentage owned by each person, ordinary shares for each person includes ordinary shares that may be acquired by such person pursuant to options to purchase ordinary shares that are exercisable within 60 days of March 27, 2024. The number of outstanding ordinary shares does not include 5,189 ordinary shares held by RADCOM US, a wholly owned subsidiary and 30,843 ordinary shares that were repurchased by us.
- (3) Mr. Zohar Zisapel, who was our largest shareholder passed away on May 19, 2023. Each of Mr. Zohar Zisapel children, Michael Zisapel and Klil Zisapel, or the Heirs of Mr. Zohar Zisapel, inherited half of the ordinary shares and options to purchase ordinary shares beneficially owned by Mr. Zohar Zisapel prior to his death. The process of transferring such ordinary shares and options to purchase ordinary shares to the Heirs of Mr. Zohar Zisapel has not been completed yet, but assuming that such process shall have been completed, as of March 27, 2024, each of Michael Zisapel and Klil Zisapel, may be deemed to beneficially own one-half of the (i) 2,211,807 ordinary shares which were held directly by Mr. Zohar Zisapel, prior to his death (ii) 299,416 ordinary shares held by Michael & Klil Holdings (93) Ltd, an Israeli company, which was wholly owned by Mr. Zohar Zisapel, prior to his death (iii) 242,731 ordinary shares held by Lomsha Ltd., an Israeli company, which was wholly owned by Mr. Zohar Zisapel prior to his death, and (iv) 39,597 ordinary shares issuable upon exercise of options, currently exercisable or exercisable within 60 days of March 27, 2024, which were owned by Mr. Zohar Zisapel, prior to his death. This information is based on information provided to the Company by the Heirs of Zohar Zisapel.
- (4) Based on a Schedule 13G/A filed with the SEC on February 14, 2024. Includes 2,266,666 Ordinary Shares held by Lynrock Lake Master Fund LP, or Lynrock Lake Master. Lynrock Lake LP, or Investment Manager, is the investment manager of Lynrock Lake Master. Pursuant to an investment management agreement, the Investment Manager has been delegated full voting and investment power over securities of the Company held by Lynrock Lake Master. Cynthia Paul, the Chief Investment Officer of the Investment Manager and Sole Member of Lynrock Lake Partners LLC, the general partner of the Investment Manager, may be deemed to exercise voting and investment power over securities of the Company held by Lynrock Lake Master. The address of each of Cynthia Paul, Lynrock Lake Partners LLC, and Lynrock Lake LP is 2 International Drive, Suite 130 Rye Brook, NY 10573.
- (5) Based on a Schedule 13G/A filed with the SEC on January 31, 2024. Includes 555,920 Ordinary Shares beneficially owned by mutual funds managed by Yelin Lapidot Mutual Funds Management Ltd. and 730,749 Ordinary Shares beneficially owned by provident funds managed by Yelin Lapidot Provident Funds Management Ltd, or each a Yelin Lapidot Holder, each of which a wholly-owned subsidiary of Yelin Lapidot Holdings Management Ltd., or Yelin Lapidot Holdings. Each of Dov Yelin and Yair Lapidot owns 24.4% of the share capital and 25.0% of the voting rights of Yelin Lapidot Holdings. The address of each of the Yelin Lapidot Holders and each of Messrs. Yelin and Lapidot is 50 Dizengoff St., Dizengoff Center, Gate 3, Top Tower, 13th floor, Tel Aviv 64332, Israel. Each of the Yelin Lapidot Holders and Messrs. Yelin and Lapidot and is a resident of Israel.
- (6) Based on a Schedule 13G filed on February 16, 2024 by Barclays PLC. Barclays PLC reported sole voting power and sole dispositive power with respect to 861,020 ordinary shares; Barclays Bank PLC reported sole voting power and sole dispositive power with respect to 11,941 ordinary shares; Barclays Capital Inc. reported sole voting power and sole dispositive power with respect to 849,079 ordinary shares. The securities being reported on by Barclays PLC, as a parent holding company, are owned, or may be deemed to be beneficially owned, by Barclays Bank PLC. Barclays Bank PLC is a non-US banking institution registered with the Financial Conduct Authority authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. Barclays Bank PLC is a wholly-owned subsidiary of Barclays PLC. Barclays Capital Inc., is a Connecticut business entity. The address of the principal office of Barclays PLC and Barclays Bank PLC is 1 Churchill Place, London, E14 5HP, England. The address of the principal office of Barclays Capital Inc. is 745 Seventh Ave, New York, NY 10019.
- (7) Based on a Schedule 13G/A filed with the SEC on February 13, 2024. Includes (i) 362,224 Ordinary Shares owned directly by Value Base Ltd., an Israeli company which is controlled by Messrs. Victor Shamrich and Ido Noubenger and wholly owns Value Base Hedge Fund Ltd., an Israeli company, and the general partner of Harmony Base L.P., and (ii) 464,446 ordinary shares owned directly by Harmony Base L.P., an Israeli limited partnership. The address of each of Value Base Ltd. and Harmony Base L.P. is 23 Yehuda Halevi St., Tel-Aviv 6513601, Israel.

- (8) Based on a Schedule 13G filed with the SEC on February 14, 2024 by AWM Investment Company, Inc., or AWM, reporting that AWM is the investment adviser to Special Situations Fund III QP, L.P., or SSFQP, Special Situations Cayman Fund, L.P., or Cayman, Special Situations Technology Fund, L.P., or TECH and Special Situations Technology Fund II, L.P., or TECH II and referred to together with SSFQP, Cayman, and TECH as the Funds. As the investment adviser to the Funds, AWM holds sole voting and investment power over 295,363 ordinary shares held by SSFQP, 89,246 ordinary shares held by Cayman, 60,871 ordinary shares held by TECH and 350,315 ordinary shares held by TECH II. David M. Greenhouse and Adam C. Stettner are members of SSCayman, L.L.C., a Delaware limited liability company, or SSCAY, the general partner of CAYMAN. David M. Greenhouse and Adam C. Stettner are members of MGP Advisers Limited Partnership, a Delaware limited partnership, the general partner of SSFQP and SST Advisers, L.L.C., a Delaware limited liability company, the general partner of TECH and TECH II. David M. Greenhouse and Adam C. Stettner are also controlling principals of AWM. The business address AWM Investment Company, Inc. is c/o Special Situations Funds, 527 Madison Avenue, Suite 2600, New York, NY 10022.
- (9) Each of the directors and executive officers not separately identified in the above table beneficially owns less than 1% of our outstanding ordinary shares, including options held by each such party, which are vested or shall become vested within 60 days of March 27, 2024, and have, therefore, not been separately disclosed. The number of shares is comprised of 184,701 ordinary shares and 39,426 RSUs that will vest within 60 days of March 27, 2024.

### ***Significant Changes in Percentage Ownership by Major Shareholders***

To our knowledge, the significant change in the percentage of ownership held by our major shareholders during the past three years has been: (i) the transfer by inheritance of the ordinary shares and options to purchase ordinary shares beneficially owned by our largest shareholder, Zohar Zisapel, who passed away on May 19, 2023, to each of his children, Michael Zisapel and Klil Zisapel in equal parts, such that each of them may be deemed to beneficially own one-half of the 2,793,551 ordinary shares, including options exercisable for 39,597 ordinary shares that are exercisable within 60 days of March 27, 2024, beneficially owned by Mr. Zohar Zisapel prior to his death, representing approximately 18.1% of our outstanding ordinary shares as of March 27, 2024 (ii) increase in the percentage of ownership held by Lynrock Lake LP above 5% as of 2021 and additional increases until it has a beneficial ownership percentage of 14.7% as of December 31, 2023, (iii) a decrease in the percentage of ownership held by Yelin Lapidot Holdings Management Ltd from 9.9% as of December 31, 2022 to 8.3% as of December 31, 2023, (iv) an increase in the percentage of ownership held by Barclays PLC above 5% until it has a beneficial ownership percentage of 5.6% as of December 31, 2023, (v) an increase in the percentage of ownership held by Value Base Ltd. above 5% until it has a beneficial ownership percentage of 5.3% as of December 31, 2023, and (vi) an increase in the percentage of ownership held by AWM Investment Company, Inc. above 5% until it has a beneficial ownership percentage of 5.1% as of December 31, 2023.

## **B. RELATED PARTY TRANSACTIONS**

### ***RAD-BYNET Group***

Mr. Zohar Zisapel, who served as a member of our Board of Directors until he passed away on May 19, 2023, was also a director of RAD Data Communications Ltd., or RAD Communications, and served as the Chairman of the board and as a director and held shares in several other companies. Based on information received by the Company, following Mr. Zohar Zisapel's death, his children, Michael Zisapel and Klil Zisapel, as heirs are entitled to representation on the board of directors of RAD Communications and in certain of such other companies and hold shares in RAD Communications and certain of such other companies. Michael Zisapel and Klil Zisapel, may be deemed to have "significant influence," as such term is defined in Item 7.B to form 20-F, over the Company, as a result of their holdings of ordinary shares of the Company.

Mr. Yehuda Zisapel (brother of late Mr. Zohar Zisapel and uncle of Michael and Klil Zisapel), who passed away on March 10, 2024, was also a director of RAD Communications and of additional companies, including, Bynet Data Communications Ltd., or Bynet Communication, Bynet Systems Applications Ltd., or Bynet Applications, Internet Binat Ltd., or Internet Binat, and had several other private holdings. The above list does not constitute a complete list of Mr. Yehuda Zisapel's holdings prior to his death.

The above companies are suppliers of RADCOM and may render additional services by arm's length transactions or share logistical arrangements with the Company. The above companies are part of a group of companies known as the "RAD-BYNET Group."

Ms. Rachel (Heli) Bennun, who is the Executive Chairman of our Board of Directors, was Mr. Zohar Zisapel's life partner.

We and other members of the RAD-BYNET Group may also market certain of our products through the same distribution channels. Certain products of members of the RAD-BYNET Group are complementary to, and may be used in connection with, products of ours, and certain of such products may be used in place of (and thus may be deemed to be competitive with) our products.

#### *Supplier and Service Provider Arrangements*

During 2023 we purchased products and services from the following members of the RAD-BYNET Group, for which we pay on market terms and rates: RAD Communications, from which we purchased certain operating services, Bynet Communication, from which we purchased network management, IT and communication equipment, testing and repair services, and manpower services, Bynet Applications, from which we purchased, communication equipment and services, and Internet Binat, from which we purchase, internet communication services. The aggregate amount of such purchases, which may constitute related party transactions under Item 7.B to Form 20-F was approximately \$29,000 in 2023 which amount includes products and services purchased (i) from Bynet Communication, Bynet Applications and Internet Binat until May 19, 2023, the date upon which these vendors may no longer be considered related parties of the Company under Item 7.B to Form 20-F, following the passing away of Mr. Zohar Zisapel and (ii) from RAD Communications throughout 2023, as this company remained a related party of the Company pursuant to Item 7.B to Form 20-F.

#### *Office Leases*

We currently lease office premises in Tel Aviv, Israel and in Paramus, New Jersey, from private companies controlled by Michael and Klil Zisapel and by Ms. Nava Zisapel, widow of late Yehuda Zisapel, and his heirs. When these agreements were signed, the lease payments were at fair market prices based on quotes we received from third parties for similar space. Historically, we have had some additional flexibility to change the leased space, which we might not have had with unrelated third parties. The aggregate amount of lease and maintenance payments, which may constitute related party transactions under Item 7.B to Form 20-F, was approximately \$443,000 in 2023, which amount includes payments made to (i) the companies currently controlled by Ms. Nava Zisapel and the heirs of Yehuda Zisapel - until May 19, 2023, the date upon which these companies may no longer be considered related parties of the Company under Item 7.B to Form 20-F, following the passing away of Mr. Zohar Zisapel, and (ii) companies controlled by Michael and Klil Zisapel - throughout 2023, as these companies remain related parties of the Company pursuant to Item 7.B to Form 20-F.

We believe that the terms of the transactions in which we have entered and are currently engaged with other members of the RAD-BYNET Group are beneficial to us and no less favorable to us than terms that might be available to us from unaffiliated third parties. All future transactions and arrangements (or modifications of existing ones) with members of the RAD-BYNET Group will be approved in accordance with the requirements of the Israeli Companies Law.

#### **C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

Our consolidated financial statements and other financial information, which can be found at the end of this Annual Report beginning on page F-1, are incorporated herein by reference.

#### ***Export Sales***

In 2023 and 2022, the amount of our export sales was approximately \$49.5 million and \$44.6 million respectively, which represented 96% and 97% of our total sales respectively.

#### ***Legal Proceedings***

We are currently not, and have not been in the recent past, a party to any legal proceedings which may have or have had in the recent past material effects on our financial position or profitability. However, we have been in the past, and may be from time to time in the future, named as a defendant in certain routine litigation incidental to our business.

#### ***Dividend Policy***

We have never declared or paid any cash dividends on our ordinary shares. We currently intend to retain any future earnings to finance operations and to expand our business and, therefore, do not expect to pay any cash dividends in the foreseeable future.

### **B. SIGNIFICANT CHANGES**

Except as otherwise disclosed below and/or in this Annual Report, there has been no significant change affecting our financial statements since December 31, 2023.

## **ITEM 9. THE OFFER AND LISTING**

### **A. OFFER AND LISTING DETAILS**

Our ordinary shares are traded on the Nasdaq Capital Market under the symbol "RDCM."

### **B. PLAN OF DISTRIBUTION**

Not applicable.

### **C. MARKETS**

Our ordinary shares are traded on the Nasdaq Capital Market.

### **D. SELLING SHAREHOLDERS**

Not applicable.

### **E. DILUTION**

Not applicable.

### **F. EXPENSES OF THE ISSUE**

Not applicable.



## ITEM 10. ADDITIONAL INFORMATION

### A. SHARE CAPITAL

Not applicable.

### B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Copies of our Memorandum and Articles of Association are attached as Exhibit 1.1 and Exhibit 1.2, respectively, to this Annual Report. The information called for by this Item is set forth in Exhibit 2.2 to this Annual Report and is incorporated by reference into this Annual Report.

### C. MATERIAL CONTRACTS

On March 29, 2019, we entered into a series of agreements with AT&T relating to the sale of our solutions and services to AT&T. The AT&T agreements include:

- **Software and Professional Services Agreement**, or the AT&T SPSA – a three-year framework agreement with two additional one-year options which establishes general terms and conditions for the delivery of products and services. Such terms include, among others, terms relating to ordering procedures; AT&T site, privacy, and security requirements; terms related to the licensing of intellectual property to AT&T; change in control provisions permitting AT&T's termination of the agreement under certain circumstances; intellectual property infringement indemnity; insurance requirements; and limitations of liability. The SPSA provides the structure pursuant to which the parties may enter into supplemental agreements for purposes of effectuating specific orders. With regard to such orders, the terms of any supplemental agreements take precedence over the terms of the SPSA. On August 24, 2022, the AT&T SPSA was extended for an additional period.
- **Supplement Agreement**, or the AT&T Supplement Agreement – a three-year agreement with two additional one-year options governing the sale of our solutions and related professional services to AT&T. The Supplement Agreement provides the detailed technical scope for our solutions and the prices applicable to such solutions. Pursuant to the Supplement Agreement, AT&T has committed to issue certain orders related to the continuing enhancement of existing solutions for the first two years of the agreement and to the expansion of license use rights during the first year of the agreement and retains options to issue certain additional orders over the three-year term of the agreement.
- **Supplemental Support & Maintenance Agreement** – a three-year agreement for our performance of support and maintenance services for our solutions deployed on AT&T's network. This agreement defines the technical aspects of support including error severity levels, response times, and method of interface, as well as the annual fee for such services. On April 1, 2022, the Supplemental Support & Maintenance Agreement was extended for an additional period.

Additionally, we have entered and from time to time may enter into additional SOWs with AT&T providing for additional products and or services complementary to the services provided under AT&T SPSA and AT&T Supplement Agreement.

We entered into a series of agreements with Rakuten relating to the sale of our solutions and services to Rakuten. The Rakuten Agreements include:

- **Master Software and Professional Services Agreement**, or MSPSA – a multi-year framework agreement effective May 21, 2019, establishing general terms and conditions for the delivery of software and services. Such terms include, among others, terms relating to ordering procedures, intellectual property, confidentiality, indemnity, and limitations of liability. The MSPSA provides the structure pursuant to which the parties may enter into additional statements of work, or SOWs, for purposes of effectuating specific orders. The SOWs establish the scope of services, technical specifications, and certain other terms with regard to each particular order. The terms of any SOWs take precedence over the terms of the MSPSA.
- **Rakuten Managed Services Agreement**, or the Rakuten Managed Services Agreement – a multi-year agreement effective May 22, 2019, governing the delivery of our solution and services as a managed service to Rakuten and providing the detailed technical scope for the managed services and the prices applicable to such services. Rakuten Managed Services Agreement establishes a multi-year commitment with certain additional renewal periods. On July 14, 2022, the Rakuten Managed Services Agreement was extended by an additional period.

- **Rakuten 5G NSA/SA Managed Services Agreement**, or the Rakuten 5G NSA/SA Managed Services Agreement – a multi-year agreement effective as of August 31, 2020, governing the delivery of our solution and services as a managed service to Rakuten’s 5G NSA and SA network, providing the detailed technical scope for the managed services and the prices applicable to such services. The Rakuten 5G NSA/SA Managed Services Agreement establishes a multi-year commitment with certain additional renewal periods.

Additionally, we have entered and from time to time may enter into additional SOWs with Rakuten providing for additional products and or services complementary to the services provided under Rakuten Managed Services Agreement and the Rakuten 5G NSA/SA Managed Services Agreement.

#### **D. EXCHANGE CONTROLS**

There are currently no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of our ordinary shares, except for the obligation upon Israeli residents to file reports with the Bank of Israel regarding certain transactions. However, legislation remains in effect pursuant to which currency controls can be imposed by administrative action at any time and from time to time.

#### **E. TAXATION**

##### ***Israeli Tax Considerations***

The following is a summary of certain tax consequences applicable to companies incorporated in Israel, with special reference to its effect on us, as well as a summary of Israeli government programs that benefit us. The following also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of our ordinary shares.

This summary does not discuss all the aspects of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. To the extent that the discussion is based on tax legislation which has not been subject to judicial or administrative interpretation, we cannot assure you that the views expressed in the discussion will be accepted by the appropriate tax authorities or the courts. The discussion below is subject to change, including due to amendments under Israeli law or changes to the applicable judicial or administrative interpretations of Israeli law, possibly with a retroactive effect, which changes could affect the tax consequences described below. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

Holders of our ordinary shares should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of ordinary shares, including, in particular, the effect of any non-Israeli state or local taxes.

##### ***General Corporate Tax Structure***

Israeli companies are generally subject to corporate tax on their taxable income at a flat rate. Starting 2018 and thereafter, the taxable income of the Company is subject to the Israeli corporate tax at the rate of 23%. However, the effective tax rate payable by a company that derives income under the Law for the Encouragement of Capital Investments (as discussed below) may be considerably lower.

Under the Israeli Income Tax Ordinance (New Version), 5721-1961, or the Ordinance, a company will be considered as an “Israeli resident” if: (a) it was incorporated in Israel; or (b) the control and management of its business are operated from Israel.

### ***Special Provisions Relating to Tax Reporting in United States Dollars***

The Company has elected to measure their taxable income and file its Israeli tax return in United States Dollars, under the Israeli Income Tax Regulations (Principles Regarding the Management of Books of Account of Foreign Invested Companies and Certain Partnerships and the Determination of Their Taxable Income), 5746-1986.

#### ***Tax benefits under the Law for the Encouragement of Capital Investments, 5719-1959, or the Encouragement of Capital Investments Law:***

The Encouragement of Capital Investments Law was significantly amended effective as of January 2011, or the Amendment 68. The Amendment 68 introduced new benefits to replace those granted in accordance with the provisions of the Encouragement of Capital Investments Law in effect prior to the Amendment 68. However, companies entitled to benefits under the Encouragement of Capital Investments Law as in effect prior to January 1, 2011 were entitled to choose to continue to enjoy such benefits, provided that certain conditions are met, or elect instead, irrevocably, to forego such benefits and have the benefits of the Amendment 68 apply.

The Amendment 68 canceled the availability of the benefits granted to Industrial Companies under the Encouragement of Capital Investments Law prior to 2011 and, instead, introduced new benefits for income generated by a "Preferred Company" through its "Preferred Enterprise" (as such terms are defined in the Encouragement of Capital Investments Law) as of January 1, 2011. The definition of a Preferred Company includes a company incorporated in Israel that is not fully owned by a governmental entity, and that has, among other things, Preferred Enterprise status and is controlled and managed from Israel. Pursuant to the Amendment 68, a Preferred Company is entitled to a reduced corporate tax rate of 15% with respect to its income derived by its Preferred Enterprise in 2011 and 2012, unless the Preferred Enterprise is located in certain areas in Israel designated as Development Area A, in which case the rate will be 10%.

In August 2013, the Israeli Parliament enacted the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which includes Amendment 71 thereto, or Amendment 71. Per Amendment 71, the tax rate on preferred income from a Preferred Enterprise in 2013 will be 7% in Development Area A, and 12.5% in other areas and in 2014-2016 9% in Development Area A and 16% in other areas. In 2017 and thereafter, the tax rate for Development Area A was reduced to 7.5%.

We may claim the tax benefits offered by Amendment 71 in our tax returns, provided that our facilities meet the criteria for tax benefits set out by the amendment. We are also entitled to approach the Israeli Tax Authority, or the ITA for a pre-ruling regarding their eligibility for benefits under Amendment 71 (and in some cases are required to apply for such approval).

In December 2016, the Israeli Parliament enacted the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 thereto, or Amendment 73. Amendment 73, which came into effect in January 2017, prescribes special tax tracks for Preferred Technological Enterprises, granting such enterprises a corporate tax rate of 7.5% in Development Area A and 12% in other areas, and setting a corporate tax rate of 6% for enterprises that qualify as a Special Preferred Technological Enterprise.

Under Amendment 73, dividends distributed to individuals or non-Israeli shareholders by a Preferred Technological Enterprise or a Special Preferred Technological Enterprise, paid out of income that qualifies as "Preferred Technological Income," are generally subject to tax at the rate of 20% or such lower rate as may be provided in an applicable tax treaty, which, in each case, will be withheld at source (non-Israeli shareholders are required to present, in advance of payment, a valid withholding certificate from the ITA allowing for such 20% tax rate or lower treaty rate). However, dividends distributed to an Israeli company are not subject to tax (although, if such dividends are subsequently distributed to individuals or a non-Israeli company, withholding tax at a rate of 20% or such lower rate as may be provided in an applicable tax treaty, will apply. If such dividends are distributed to a foreign corporation or corporations (holding directly at least 90% in the Preferred Company which owns the Preferred Technological Enterprise or holding indirectly such 90% in the Preferred Company which owns the Preferred Technological Enterprise, subject to certain conditions) and other conditions are met, the applicable withholding tax rate will be 4%, or such lower rate as may be provided in an applicable tax treaty (in each case, subject to the receipt in advance of a valid withholding certificate from the ITA).

In order to be eligible for the reduced tax rates, a company must meet certain criteria as set forth in Amendment 73 including that R&D expenses and employee level remain at a certain rate.

We have yet to claim the tax benefits offered under Amendment 73 and accordingly such reduced taxes were not considered in the computation of the deferred taxes and valuation allowance as of December 31, 2023.

### ***Capital Gains Tax on Sales of Our Ordinary Shares***

Generally, as to Israeli residents, the Israeli tax law imposes a capital gains tax on the gain from the sale of any capital assets by Israeli residents, whether such gain was sourced in Israel or abroad. As to non-Israeli residents, the Israeli tax law generally imposes a capital gains tax on the sale of assets, including shares, by non-Israeli residents, if those assets are either (a) located in Israel; (b) located outside of Israel and represent a direct or indirect right to an asset or inventory located in Israel; (c) are shares or rights to shares in an Israeli resident corporation; or (d) are rights in a foreign resident corporation (non-Israeli corporation) that holds, directly or indirectly, assets located in Israel, unless a specific exemption is available or unless a tax treaty between Israel and the shareholder's country of residence provides otherwise. Under the Ordinance, there is a distinction between a "Real Capital Gain" and "Inflationary Surplus". The Inflationary Surplus is equal to the increase in the purchase price of the relevant asset attributable to the increase in the Israeli consumer price index or, in certain circumstances, a foreign currency exchange rate, between the date of purchase and the date of sale. The Real Capital Gain is the excess of the total capital gain over the Inflationary Surplus. Inflationary Surplus is currently not subject to tax in Israel.

The tax rate applicable to Real Capital Gain derived by an Israeli individual from the sale of shares which had been purchased after January 1, 2012, whether listed on a stock exchange or not, is 25%. However, if such shareholder is considered a "Substantial Shareholder" at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%. A "Substantial Shareholder" is generally a person who holds, alone or together with a family relative or with a person who is not a relative where the person has a permanent cooperation agreement with such non-relative, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an executive officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, regardless of the source of such right. Real capital gain derived by corporations will be generally subject to a corporate tax, currently at a rate of 23%.

Moreover, Real Capital Gains derived by a shareholder who is a dealer or trader in securities, or to whom such income is otherwise taxable as ordinary "business income", as defined in Section 2(1) of the Ordinance, is taxed in Israel at the marginal tax rates applicable to business income (for fiscal year 2024, up to 47% and 3% excess tax (if applicable) for individuals and for Israeli resident corporations, the corporate tax rate is 23%).

In general, if during the tax year an Israeli resident incurred a foreign loss that, had it been a profit, would have been subject to tax as passive income in Israel, may be offset against passive foreign income. If it is not possible to offset the entire loss in the tax year, the amount of loss that was not offset may be carried forward to subsequent tax years, one after the other, and may be offset against foreign passive income during those relevant years, otherwise, it shall not be allowed to be offset in the following year.

Non-Israeli resident shareholders are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares purchased after January 1, 2009, provided that such gains were not derived from, or attributable to, a permanent establishment or business activity of such shareholders in Israel (and certain other conditions are fulfilled). However, non-Israeli "Body of Persons" (as defined under the Ordinance, which includes corporate entities, partnerships, and other entities) will not be entitled to the foregoing exemptions if an Israeli resident (i) has, alone or together with such person's relatives or another person who, according to an agreement, collaborates with such person on a permanent basis regarding material affairs of the company, or with another Israeli tax resident, a controlling interest of more than 25% in any of the means of control of such non-Israeli Body of Persons or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli Body of Persons, whether directly or indirectly.

If not exempt, a non-Israeli resident shareholder would generally be subject to Israeli tax on capital gain at the ordinary corporate tax rate (23% in 2024) if generated by a company, or at the rate of 25%, if generated by an individual, or 30%, if generated by an individual who is a “substantial shareholder, at the time of sale or at any time during the preceding 12-month period (or if the shareholder claims a deduction for interest and linkage differences expenses in connection with the purchase and holding of such shares).

Regardless of whether shareholders may be liable for Israeli income tax on the sale of our ordinary shares, the payment of the consideration may be subject to withholding of Israeli tax at the source. Accordingly, shareholders may be required to demonstrate that they are exempt from tax on their capital gains in order to avoid withholding at source at the time of sale.

Additionally, a sale of securities by a non-Israeli resident may be exempt from Israeli capital gains tax under the provisions of an applicable tax treaty. For example, pursuant to the Convention between the Government of the United States of America and the Government of Israel with Respect to Taxes on Income, as amended (the “U.S.-Israel Tax Treaty”), the sale, exchange or disposition of ordinary shares by a person who (i) holds the ordinary shares as a capital asset, (ii) qualifies as a resident of the United States within the meaning of the U.S.-Israel Tax Treaty and (iii) is entitled to claim the benefits afforded to such resident by the U.S.-Israel Tax Treaty, generally will not be subject to Israeli capital gains tax unless either (a) such resident holds, directly or indirectly, shares representing 10% or more of the voting power of a company during any part of the 12-month period preceding such sale, exchange or disposition, subject to certain conditions, (b) the capital gains from such sale, exchange or disposition can be allocated to a permanent establishment in Israel, under certain terms, (c) the capital gain arising from such sale, exchange or disposition is attributed to real estate located in Israel; (d) the capital gain arising from such sale, exchange or disposition is attributed to royalties, or (e) such resident is an individual and was present in Israel for 183 days or more during the relevant taxable year. In the event that the exemption shall not be available, the sale, exchange or disposition of ordinary shares would be subject to such Israeli capital gains tax to the extent applicable; however, under the U.S.-Israel Tax Treaty, such residents may be permitted to claim a credit for such taxes against U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations in U.S. laws applicable to foreign tax credits. The U.S.-Israel Tax Treaty does not relate to state or local taxes.

#### ***Taxation of Non-Residents on Dividends***

Non-Israeli residents are generally subject to Israeli withholding income tax on the receipt of dividends paid on our ordinary shares at the rate of 25% or 30% for an individual shareholder that is considered a Substantial Shareholder (as described above) at any time during the 12 month period preceding such date, which tax will be withheld at source. Dividends are generally subject to Israeli withholding tax at a rate of 25% so long as the shares are registered with a nominee company (whether the recipient is a Substantial Shareholder or not). If the dividend is distributed from preferred income from a preferred enterprise, the tax rate is 20% (non-Israeli shareholders are required to present, in advance of payment, a valid withholding certificate from the ITA allowing for such tax rate). Such dividends are generally subject to Israeli withholding tax at a rate of 20% if the dividend is distributed from income attributed to a Preferred Enterprise or Technology Technological Enterprise or a reduced rate provided under an applicable tax treaty between Israel and the shareholder’s country of residence, in each case subject to the receipt in advance of a valid certificate from the ITA allowing for a reduced tax rate.

For example, under the U.S.-Israel Tax Treaty, Israeli withholding tax on dividends paid to a U.S. resident for treaty purposes may not, in general, exceed 25%, or 15% in the case of dividends paid out of the profits of an Approved Enterprise, subject to certain conditions. Where the recipient is a U.S. corporation owning 10% or more of the outstanding shares of the voting stock of the paying corporation throughout the paying corporation's taxable year in which the dividend is paid and during the whole of its prior taxable year (if any) and not more than 25% of the gross income of the paying corporation for such prior taxable year (if any) consists certain interest or dividends, the Israeli tax withheld may not exceed 12.5%, subject to certain conditions. The aforementioned rates under the U.S.-Israel Tax Treaty will not apply if the dividend income was derived through or attributed to a permanent establishment of the U.S. recipient in Israel. A valid withholding certificate from the Israel Tax Authority allowing for such reduced treaty tax rates must be presented in advance of payment.

A non-Israeli resident who receives dividends from which tax was withheld is generally exempt from the duty to file tax returns in Israel in respect of such income, provided that (i) such income was not generated from business conducted in Israel by such non-Israeli resident; (ii) the non-Israeli resident has no other taxable sources of income in Israel with respect to which a tax return is required to be filed, and (iii) the non-Israeli resident is not liable to Surtax (as explained below).

### ***Israeli Surtax***

Individuals who are subject to income tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) are also subject to an additional tax at a rate of 3% on annual income (including, but not limited to, income derived from dividends, interest and capital gains) exceeding NIS 721,560 for 2024, which amount is linked to the annual change in the Israeli consumer price index.

### ***Estate and Gift Tax***

Israeli law presently does not impose estate or gift taxes.

### ***United States Federal Corporate Income Tax Considerations***

RADCOM US is taxed under United States federal and state tax rules. Income tax is calculated at a federal tax rate of 21% rate.

### ***United States Federal Income Tax Considerations for U.S. Holders***

Subject to the limitations described herein, the following discussion summarizes certain U.S. federal income tax consequences to a U.S. Holder of our ordinary shares. A "U.S. Holder" means a holder of our ordinary shares who is:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any political subdivision thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (i) if, in general, a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) that has in effect a valid election under applicable U.S. Treasury Regulations to be treated as a U.S. person.

Unless otherwise specifically indicated, this discussion does not consider the U.S. tax consequences to a person that is not a U.S. Holder, or a Non-U.S. Holder. This discussion considers only U.S. Holders that will own our ordinary shares as capital assets (generally, for investment) and does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each U.S. Holder's decision to purchase our ordinary shares.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, current and proposed Treasury Regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular U.S. Holder in light of such holder's individual circumstances. In particular, this discussion does not address the potential application of the alternative minimum tax or U.S. federal income tax consequences to U.S. Holders that are subject to special treatment, including U.S. Holders that:

- are broker-dealers or insurance companies;
- have elected mark-to-market accounting;
- are tax-exempt organizations or retirement plans;
- are financial institutions;
- hold our ordinary shares as part of a straddle, "hedge" or "conversion transaction" with other investments;
- acquired our ordinary shares upon the exercise of employee stock options or otherwise as compensation;
- own directly, indirectly or by attribution at least 10% of our voting power or value;
- own our warrants;
- have a functional currency that is not the U.S. dollar;
- are grantor trusts;
- are S corporations;
- are certain former citizens or long-term residents of the United States; or
- are real estate investment trusts or regulated investment companies.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its own tax advisor as to its tax consequences.

In addition, this discussion does not address any aspect of state, local or non-United States laws or the possible application of United States federal gift or estate tax.

Each holder of our ordinary shares is advised to consult such person's own tax advisor with respect to the specific tax consequences to such person of purchasing, holding or disposing of our ordinary shares, including the applicability and effect of federal, state, local and foreign income tax and other tax laws to such person's particular circumstances.

## ***Taxation of U.S. Holders of Ordinary Shares***

*Taxation of Distributions Paid on Ordinary Shares.* A U.S. Holder, other than certain U.S. Holders that are U.S. corporations (as excluded from the definition of U.S. Holder, above), will be required to include in gross income as ordinary dividend income the amount of any distribution paid on our ordinary shares, including any non-U.S. taxes withheld from the amount paid, to the extent the distribution is paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of such earnings and profits will be applied against and will reduce the U.S. Holder's basis in our ordinary shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of our ordinary shares. The dividend portion of such distributions generally will not qualify for the dividends received deduction available to corporations.

Subject to the discussion below under "Medicare Tax" dividends that are received by U.S. Holders that are individuals, estates or trusts will be taxed at the rate applicable to long-term capital gains, provided that such dividends meet the requirements of "qualified dividend income." For this purpose, qualified dividend income generally includes dividends paid by a non-U.S. corporation if certain holding period and other requirements are met and either (i) the stock of the non-U.S. corporation with respect to which the dividends are paid is readily tradable on an established securities market in the U.S. (e.g., Nasdaq) or (ii) the non-U.S. corporation is eligible for benefits of a comprehensive income tax treaty with the United States, which includes an information exchange program and is determined to be satisfactory by the U.S. Secretary of the Treasury. The IRS has determined that the U.S.-Israel income tax treaty is satisfactory for this purpose, although there is no guarantee that this will remain the position or the dividends will qualify for any other reasons. Dividends that fail to meet such requirements, and dividends received by corporate U.S. Holders, are taxed at ordinary income rates. No dividend received by a U.S. Holder will be a qualified dividend (i) if the U.S. Holder held the ordinary share with respect to which the dividend was paid for less than 61 days during the 121-day period beginning on the date that is 60 days before the ex-dividend date with respect to such dividend, excluding for this purpose, under the rules of Code Section 246(c), any period during which the U.S. Holder has an option to sell, is under a contractual obligation to sell, has made and not closed a short sale of, is the grantor of a deep-in-the-money or otherwise nonqualified option to buy, or has otherwise diminished its risk of loss by holding other positions with respect to, such ordinary share (or substantially identical securities); or (ii) to the extent that the U.S. Holder is under an obligation (pursuant to a short sale or otherwise) to make related payments with respect to positions in property substantially similar or related to the ordinary share with respect to which the dividend is paid.

Distributions of current or accumulated earnings and profits paid in foreign currency to a U.S. Holder (including any non-U.S. taxes withheld therefrom) will generally be includible in the income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate on the day the distribution is received. A U.S. Holder that receives a foreign currency distribution and converts the foreign currency into U.S. dollars subsequent to receipt may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the U.S. dollar, which will generally be U.S. source ordinary income or loss.

U.S. Holders, other than certain U.S. Holders that are corporations (as excluded from the definition of U.S. Holder, above), may have the option of claiming the amount of any non-U.S. income taxes withheld at source either as a deduction from gross income or as a dollar-for-dollar credit against their U.S. federal income tax liability. Individuals who do not claim itemized deductions, but instead utilize the standard deduction, may not claim a deduction for the amount of the non-U.S. income taxes withheld, but such amount may be claimed as a credit against the individual's U.S. federal income tax liability. The amount of non-U.S. income taxes that may be claimed as a credit in any taxable year is subject to complex limitations and restrictions, which must be determined on an individual basis by each shareholder. These limitations include, among others, rules that limit foreign tax credits allowable with respect to specific classes of income to the U.S. federal income taxes otherwise payable with respect to each such class of income. A U.S. Holder will be denied a foreign tax credit with respect to non-U.S. income tax withheld from a dividend received on the ordinary shares if such U.S. Holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date with respect to such dividend, or to the extent such U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the required 16-day holding period. Distributions of current or accumulated earnings and profits generally will be foreign source passive income for United States foreign tax credit purposes.



**Taxation of the Disposition of Ordinary Shares.** Upon the sale, exchange or other disposition of our ordinary shares, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between such U.S. Holder's basis in such ordinary shares, which is usually the cost of such shares, and the amount realized on the disposition. A U.S. Holder that uses the cash method of accounting calculates the U.S. dollar value of the proceeds received on the sale as of the date that the sale settles, while a U.S. Holder that uses the accrual method of accounting is required to calculate the value of the proceeds of the sale as of the "trade date," unless such U.S. Holder has elected to use the settlement date to determine its proceeds of sale. Subject to the discussion below under "Medicare Tax," capital gain from the sale, exchange or other disposition of ordinary shares held more than one year is long-term capital gain and is eligible for a reduced rate of taxation for individuals. Gains recognized by a U.S. Holder on a sale, exchange or other disposition of ordinary shares generally will be treated as United States source income for U.S. foreign tax credit purposes. A loss recognized by a U.S. Holder on the sale, exchange or other disposition of ordinary shares generally is allocated to U.S. source income. The deductibility of a capital loss recognized on the sale, exchange or other disposition of ordinary shares is subject to limitations. A U.S. Holder that receives foreign currency upon disposition of ordinary shares and converts the foreign currency into U.S. dollars subsequent to the settlement date or trade date (whichever date the taxpayer was required to use to calculate the value of the proceeds of sale) may have foreign exchange gain or loss based on any appreciation or depreciation in the value of the foreign currency against the U.S. dollar, which will generally be U.S. source ordinary income or loss.

**Medicare Tax.** Certain non-corporate U.S. holders will be subject to an additional 3.8% Medicare tax on all or a portion of their "net investment income," which may include dividends on, or capital gains recognized from the disposition of, our ordinary shares. U.S. Holders are urged to consult their own tax advisors regarding the implications of the additional Medicare tax on their investment in our ordinary shares.

#### ***Taxation for Non-U.S. Holders of Ordinary Shares***

Except as described in "—Information Reporting and Backup Withholding" below, a Non-U.S. Holder of our ordinary shares will not be subject to U.S. federal income or withholding tax on the payment of dividends on, and/or the proceeds from the disposition of, our ordinary shares, unless, in the case of U.S. federal income taxes:

- such item is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States and, in the case of a resident of a country which has a treaty with the United States, such item is attributable to a permanent establishment or, in the case of an individual, a fixed place of business, in the United States; or
- the Non-U.S. Holder is an individual who holds the ordinary shares as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

#### ***Information Reporting and Backup Withholding***

U.S. Holders (other than exempt recipients, such as corporations) generally are subject to information reporting requirements with respect to dividends paid on, or proceeds from the disposition of, our ordinary shares. U.S. Holders are also generally subject to backup withholding (currently at a rate of 24%) on dividends paid on, or proceeds from the disposition of, our ordinary shares unless the U.S. Holder provides IRS Form W-9 or otherwise establishes an exemption.

Non-U.S. Holders generally are not subject to information reporting or backup withholding with respect to dividends paid on, or upon the proceeds from the disposition of, our ordinary shares, provided that such Non-U.S. Holder provides its taxpayer identification number, certifies to its foreign status by the provision of Form W-8 or its substitute, or otherwise establishes an exemption.

The amount of any backup withholding may be allowed as a credit against a U.S. or Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is furnished to the IRS.

Certain individuals who are U.S. Holders may be required to file a Form 8938 to report their ownership of specified foreign financial assets, which may include our ordinary shares, if the total value of those assets exceed certain thresholds. U.S. Holders are urged to consult their tax advisors regarding their tax reporting obligations, including the requirement to file a Form 8938.

**F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

**G. STATEMENT BY EXPERTS**

Not applicable.

**H. DOCUMENTS ON DISPLAY**

We are required to file reports and other information with the SEC under the Exchange Act and the regulations thereunder applicable to foreign private issuers. We are subject to the informational requirements of the Exchange Act applicable to foreign private issuers and fulfill the obligation with respect to such requirements by filing reports with the SEC. You may read and copy any document we file with the SEC without charge on the SEC's website ([www.sec.gov](http://www.sec.gov)). We generally make available on our own website ([www.radcom.com](http://www.radcom.com)) our annual reports as well as other information. However, as an Israeli publicly traded company, we do not send copies of our annual reports to our shareholders. We will mail out copies of our annual financial statements only to those shareholders that submit a written request for such statements. See also "Item 10.B—Additional Information—Memorandum and Articles of Association" and "Item 16G—Corporate Governance." Information contained on our website is not a part of this Annual Report.

Any statement contained in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report, the contract or document is deemed to modify the description contained in this Annual Report. We urge you to review the exhibits themselves for a complete description of the contract or document.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. A copy of each report submitted in accordance with applicable United States law is available for public review at our principal executive offices.

**I. SUBSIDIARY INFORMATION**

Not applicable.

**J. ANNUAL REPORT TO SECURITY HOLDERS**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to a variety of risks, including changes in interest rates affecting primarily the interest received on short-term deposits and foreign currency fluctuations. We may in the future undertake hedging or other similar transactions or invest in market, risk-sensitive instruments if our management determines that it is necessary to offset these risks.

### ***Interest Rate Risk***

Our exposure to market risks regarding changes in interest rates relates primarily to our bank deposits and to loans we may take that are based on a floating/fixed interest rate. Our bank deposits are held mainly in U.S. dollars with financial banks and bear annual average interest range of approximately 2.22%-6.80%. For the purposes of specific risk analysis, we use a sensitivity analysis to determine the impact that market risk exposure may have on the financial income derived from our bank deposits. The potential loss to us over one year that would result from a hypothetical change in our annual average range interest rates of 10% is not material.

### ***Foreign Currency Exchange Risk***

Our financial results may be impacted by foreign currency fluctuations. Our foreign operations are generally transacted through our U.S. and Brazil subsidiaries and through our representatives and distributors. Typically, these sales and related expenses are denominated in U.S. dollars, BRLs or in euros for European countries, while a significant portion of our expenses are denominated in NIS. Because our financial results are reported in U.S. dollars, our results of operations may be impacted by fluctuations in the rates of exchange between the U.S. dollar and other currencies, mainly the NIS and BRL. Based on our budget for 2024, we expect that (i) a change of ten percent (10%) in the exchange rate of the NIS to U.S. dollar will have an impact on our operating expenses expressed in dollar terms by approximately \$1.5 million per year and vice versa and (ii) a change of ten percent (10%) in the exchange rate of the BRL to U.S. dollar will decrease our operating expenses expressed in dollar terms by approximately \$90,000 per year and vice versa.

See also “Item 5.A—Operating and Financial Review and Prospects—Operating Results—Impact of Inflation and Foreign Currency Fluctuations.”

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### a. Disclosure Controls and Procedures

The Company's management, together with the chief executive officer and chief financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures of our financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act), as of December 31, 2023. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were: (1) designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, and by others within those entities, as appropriate, to allow timely decisions regarding the required disclosure, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

#### b. Management's Annual Report on Internal Control over Financial Reporting

The Company's management, under the supervision of the Company's principal executive and principal financial officers, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, and effected by the Company's Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transaction and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP; (3) provide reasonable assurance that our receipts and expenditures are made only in accordance with authorizations of our management and Board of Directors (as appropriate); and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Company's management, including its principal executive and financial officers, the Company conducted an evaluation, and assessed the effectiveness of, our internal control over financial reporting as of December 31, 2023, based on the 2013 framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control —Integrated Framework*.

Based on our assessment under that framework and the criteria established therein, our management concluded that, as of December 31, 2023, the Company's internal control over financial reporting was effective.

**c. Attestation Report of the Registered Public Accounting Firm**

Our independent registered public accounting firm, Kost, Forer, Gabbay & Kasierer, a member of Ernst & Young Global independently assessed the effectiveness of our internal control over financial reporting and has issued an attestation report, which is included elsewhere in this Annual Report.

**d. Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the year ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [RESERVED]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that Oren Most is our "audit committee financial expert" (as defined in paragraph (b) of Item 16A of Form 20-F) serving on our Audit Committee. For information on Mr. Most's professional and educational background, see "Item 6.A—Directors, Senior Management and Employees—Directors and Senior Management." Mr. Most qualifies as an "independent" director under the Nasdaq Listing Rules.

**ITEM 16B. CODE OF ETHICS**

Our Code of Ethics and Business Conduct which applies to all our directors, officers and employees, including our Chief Executive Officer and our Chief Financial Officer, as may be amended from time to time, is publicly available on our website at <http://www.radcom.com>. Future amendments to or waivers under our Code of Ethics will be posted on our website.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Kost Forer Gabbay & Kasierer, a member of Ernst and Young Global, is our independent registered public accounting firm. Fees for professional services in 2023 and 2022 were, respectively:

	<u>2023</u>	<u>2022</u>
Audit Fees	\$ 285,000	\$ 275,000
Audit Related Fees	\$ 31,406	\$ 3,000
Tax Fees	\$ 16,599	\$ 27,690
All Other Fees	0	0
<b>Total</b>	<u>\$ 333,005</u>	<u>\$ 305,690</u>

Audit fees included fees associated with the annual audit, the reviews of our quarterly financial statements, audit fees related to our internal control over financial reporting, statutory audits required internationally, consents and assistance with and review of documents filed with the SEC.

Audit related fees included fees associated with the annual report for the IIA and accounting consultations regarding the accounting treatment of matters that occur in the regular course of business, implications of new accounting pronouncements, acquisitions and other accounting issues that occur from time to time.

Tax fees included tax compliance, including the preparation of tax returns, tax planning and tax advice, including assistance with tax audits and appeals, advice related to acquisitions, transactions, transfer pricing and assistance with respect to requests for rulings from tax authorities.

### ***Audit Committee's Pre-Approval Policies and Procedures***

Our Audit Committee oversees our independent auditors. See also the description under the heading "Board Practices" in "Item 6—Directors, Senior Management and Employees." Our Audit Committee's policy is to approve any audit or permitted non-audit services proposed to be provided by our independent auditors, before engaging our independent auditors to provide such services. Pursuant to this policy, which is designed to ensure that such engagements do not impair the independence of our auditors, the Chairperson of our Audit Committee is authorized to approve any such services between the meetings of our Audit Committee, subject to ratification by the Audit Committee, and to report any such approvals to the Audit Committee at its next meeting. All the fees set forth above were approved by the Audit Committee.

#### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

#### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.

#### **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

#### **ITEM 16G. CORPORATE GOVERNANCE**

We are a foreign private issuer whose Ordinary Shares are listed on the Nasdaq. As such, we are required to comply with U.S. federal securities laws, including the Sarbanes-Oxley Act, and the Nasdaq Listing Rules, including the Nasdaq's corporate governance requirements. The Nasdaq Listing Rules provide that foreign private issuers may follow their home country practice in lieu of certain qualitative listing requirements subject to certain exceptions and except to the extent that such exemptions would be contrary to U.S. federal securities laws, so long as the foreign issuer submits to Nasdaq in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws and discloses that it does not follow such listing requirement and describes the home country practice followed in its reports filed with the SEC. In addition, a foreign private issuer must disclose in its annual reports filed with the SEC each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under Nasdaq's corporate governance rules.

In accordance with Israeli law and practice and subject to the exemption set forth in Rule 5615 of the Nasdaq Listing Rules, we have elected to follow the provisions of the Israeli Companies Law, rather than the Nasdaq Listing Rules, with respect to the following requirements:

- Distribution of periodic reports to shareholders; proxy solicitation. As opposed to the Nasdaq Listing Rules, which require listed issuers to make such reports available to shareholders in one of a number of specific manners, Israeli law does not require us to distribute periodic reports directly to shareholders, and the generally accepted business practice in Israel is not to distribute such reports to shareholders but to make such reports available through a public website. In addition to making such reports available on a public website, we currently make our audited financial statements available to our shareholders at our offices and will only mail such reports to shareholders upon request. As a foreign private issuer, we are generally exempt from the SEC's proxy solicitation rules.
- Compensation of officers. Israeli law and our amended and restated articles of association do not require that the independent members of our Board of Directors (or a compensation committee composed solely of independent members of our Board of Directors) determine an executive officer's compensation, as is generally required under the Nasdaq Listing Rules with respect to the Chief Executive Officer and all other executive officers. Instead, compensation of executive officers is determined and approved by our Compensation Committee and our Board of Directors, and in certain circumstances by our shareholders, either in consistency with our Office Holder compensation policy or, in special circumstances in deviation therefrom, taking into account certain considerations stated in the Israeli Companies Law.

- Shareholder approval is generally required for executive officer compensation in the event (i) approval by our Board of Directors and our Compensation Committee is not consistent with our Office Holders compensation policy, or (ii) compensation required to be approved is that of our chief executive officer who is not a director or an executive officer who is also the controlling shareholder of our company (including an affiliate thereof). Such shareholder approval shall require a majority vote of the shares present and voting at a shareholders meeting, provided either (i) such majority includes a majority of the shares held by non-controlling shareholders who do not otherwise have a personal interest in the compensation arrangement that are voted on at the meeting, excluding for such purpose any abstentions of disinterested shareholders, or (ii) the total shares held by non-controlling and disinterested shareholders voted against the arrangement does not exceed 2% of the voting rights in our company.
- Additionally, approval of the compensation of an executive officer, who is also a director, shall generally require a simple majority vote of the shares present and voting at a shareholders meeting, if consistent with our Office Holders compensation policy. Our Compensation Committee and Board of Directors may, in special circumstances, approve the compensation of an executive officer (other than a director, a chief executive officer or a controlling shareholder) or approve the compensation policy despite shareholders' objection, based on specified arguments and taking shareholders' objections into account. Our Compensation Committee may further exempt an engagement with a nominee for the position of chief executive officer, who meets the non-affiliation requirements set forth for an external director, from requiring shareholders' approval, if such engagement is consistent with our Office Holders compensation policy and our Compensation Committee determines based on specified arguments that presentation of such engagement to shareholders' approval is likely to prevent such engagement. To the extent that any such transaction with a controlling shareholder is for a period extending beyond three years, approval is required once every three years.
- A director or executive officer may not be present when the board of directors of a company discusses or votes upon the terms of his or her compensation, unless the chairman of the board of directors determines that he or she should be present to present the transaction that is subject to approval.
- *Shareholder approval.* We will seek shareholder approval for all corporate actions requiring such approval under the requirements of the Israeli Companies Law, rather than seeking approval for corporation actions in accordance with Nasdaq Listing Rule 5635. In particular, under this Nasdaq rule, shareholder approval is generally required for: (i) an acquisition of shares/assets of another company that involves the issuance of 20% or more of the acquirer's shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption/amendment of equity compensation arrangements; and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (and/or via sales by directors/officers/5% shareholders) if such equity is issued (or sold) below a specific minimum price. By contrast, under the Israeli Companies Law, shareholder approval is required for, among other things: (i) transactions with directors concerning the terms of their service or indemnification, exemption and insurance for their service (or for any other position that they may hold at a company), for which approvals of the compensation committee, board of directors and shareholders are all required, (ii) extraordinary transactions with controlling shareholders of publicly held companies, which require the special approval described below under "Approval of Related Party Transactions under Israeli Law – Disclosure of personal interests of controlling shareholders," and (iii) terms of employment or other engagement of the controlling shareholder of the Company or such controlling shareholder's relative, which require the special approval described below under "Approval of Related Party Transactions under Israeli Law – Disclosure of personal interests of a controlling shareholder and approval of transactions." In addition, under the Israeli Companies Law, a merger requires approval of the shareholders of each of the merging companies.

## ***Approval of Related Party Transactions under Israeli Law***

### ***Disclosure of personal interests of a controlling shareholder and approval of transactions***

The Israeli Companies Law also requires that a controlling shareholder promptly disclose to the company any personal interest that he or she may have and all related material information or documents relating to any existing or proposed transaction by the company. A controlling shareholder's disclosure must be made promptly and in any event no later than the first meeting of the board of directors at which the transaction is considered. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest, and the terms of engagement of the company, directly or indirectly, with a controlling shareholder or a controlling shareholder's relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also an Office Holder of the company, regarding his or her terms of employment, require the approval of each of (i) the audit committee or the compensation committee with respect to the terms of the engagement of the company, (ii) the board of directors and (iii) the shareholders, in that order. In addition, the shareholder approval must fulfill one of the following requirements:

- a majority of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or
- the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 2% of the voting rights in the company.

In addition, any extraordinary transaction with a controlling shareholder or in which a controlling shareholder has a personal interest with a term of more than three years requires the abovementioned approval every three years; however, such transactions not involving the receipt of services or compensation can be approved for a longer term, provided that the audit committee determines that such longer term is reasonable under the circumstances.

The Israeli Companies Law requires that every shareholder that participates, in person, by proxy or by voting instrument, in a vote regarding a transaction with a controlling shareholder, must indicate in advance or in the ballot whether or not that shareholder has a personal interest in the vote in question. Failure to so indicate will result in the invalidation of that shareholder's vote.

### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

### **ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

### **ITEM 16J. INSIDER TRADING POLICIES**

Not applicable.

### **ITEM 16K. CYBERSECURITY**

#### ***Cybersecurity Risk Management and Strategy***

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program is designed to assess, identify, and manage material risks from cybersecurity threats and includes a cybersecurity incident response plan. Our cybersecurity risk management program has been designed to follow our industry's best practices and includes a comprehensive set of enterprise security policies and procedures.



Cybersecurity represents an important component of the Company's overall approach to risk management. The Company's cybersecurity policies, standards and practices are integrated into the Company's enterprise risk management approach, and cybersecurity risks are one of the enterprise risks that are subject to oversight by the Company's Board of Directors.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team principally responsible for managing (i) our cybersecurity risk assessment processes, (ii) our security controls, and (iii) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security controls;
- periodic cybersecurity awareness training of our employees;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- maintaining ISO/IEC 27001 certification since 2022.

We also engage our internal auditor to conduct internal reviews of our cybersecurity policies and practices and penetration testing. In addition, during 2023, we conducted a tabletop exercise as part of a disaster preparedness activity, the purpose of which was to examine the Company's readiness for business continuity processes and emergency preparedness, which includes complex and diverse cyber attacks.

During 2023, we did not identify any cybersecurity threats or incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats or incidents or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see "Item 3.D—Risk Factors – Disruptions to our IT systems due to system failures or cybersecurity attacks may impact our operations, result in sensitive customer information being compromised, which would negatively materially adversely affect our reputation and business" and "Item 3.D—Risk Factors – Cyber-attacks on our customers' networks involving our products could have an adverse effect on our business" in this Annual Report.

### *Cybersecurity Governance*

Our Board of Directors considers cybersecurity risk as part of its risk oversight function. The Company's Board of Directors receives presentations on cybersecurity risks several times a year, which address a wide range of topics including, for example, recent developments, third-party reviews, the threat environment, technological trends and information security considerations arising with respect to the Company. The Board of Directors will receive prompt and timely information regarding significant cybersecurity incidents, as well as ongoing updates regarding such incidents until it has been addressed. The Board of Directors also regularly discuss the Company's approach to cybersecurity risk management with the Company's senior management.

We utilize third-party cybersecurity experts, or Third-Party Expert, for information security services. Our Third-Party Expert works with our IT Manager, and both are supervised by members of our senior management, including our Chief Operating Officer, Chief Technology Officer and Chief Financial Officer. Together they oversee our cybersecurity risk management and have primary responsibility for identifying, assessing, remediating and managing cybersecurity risks threats and incidents. Our Third-Party Expert and the dedicated personnel in its team are certified and experienced information systems security professionals and information security managers with many years of experience. Our Third-Party Expert regularly provides our senior management team with updates on the performance of the cybersecurity risk management program and provides updates and presentations to our Board of Directors as necessary throughout the year.

As of the date of this report, we are not aware of any material risks from cybersecurity threats that have materially affected or are reasonably likely to affect us, including our business strategy, results of operations or financial condition.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of this item.

**ITEM 18. FINANCIAL STATEMENTS**

Our consolidated financial statements and the report of independent registered public accounting firm in connection therewith are filed as part of this Annual Report, as noted below:

**RADCOM LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2023**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of RADCOM Ltd.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RADCOM Ltd. and its subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 2, 2024, expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## Revenue Recognition

*Description  
of the Matter*

As explained in Note 2(l) to the consolidated financial statements, the Company generates revenues mainly from selling software products, maintenance and managed services. The Company enters into contracts with customers that include combinations of products and services, which are generally distinct and accounted for as separate performance obligations. The transaction price is then allocated to the distinct performance obligations based on their standalone selling price (“SSP”) and revenue is recognized when control of the distinct performance obligation is transferred to the customer.

Auditing the Company’s recognition of revenue involved a high degree of auditor judgment due to the effort to evaluate i) the identification and determination of whether products and services, such as software licenses and related services, are considered distinct performance obligations and the timing of revenue recognition and ii) the determination of SSP for each distinct performance obligation.

*How We  
Addressed  
the Matter  
in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls related to the identification and determination of distinct performance obligation, and the determination of stand-alone selling prices for each distinct performance obligation and the timing of revenue recognition.

Our audit procedures also included, among others, selecting a sample of customer contracts and reading contract source documents for each selection, including the executed contract and purchase order and evaluating the appropriateness of management’s application of significant accounting policies on the contracts. We tested management’s identification of significant terms for completeness, including the identification and determination of distinct performance obligations and the timing of revenue recognition. We also evaluated the reasonableness of management’s estimate of SSP for products and services and tested the mathematical accuracy of management’s calculations of revenue. Finally, we assessed the appropriateness of the related disclosures in the consolidated financial statements.

**/s/ KOST FORER GABBAY & KASIERER**

A Member of EY Global

We have served as the Company’s auditor since 2009.

Tel-Aviv, Israel

April 2, 2024



## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of RADCOM Ltd.

### Opinion on Internal Control over Financial Reporting

We have audited RADCOM Ltd. and its subsidiaries internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the “COSO Criteria”). In our opinion, RADCOM Ltd. and its subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022 ,the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2023 and the related notes and our report dated April 2, 2024 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.



## **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KOST FORER GABBAY & KASIERER  
KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

Tel-Aviv, Israel  
April 2, 2024

**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	December 31,	
	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,892	\$ 9,527
Short-term bank deposits	71,273	64,130
Trade receivables, net	13,412	11,074
Inventories	246	795
Other accounts receivable and prepaid expenses	1,592	1,928
<u>Total</u> current assets	<u>97,415</u>	<u>87,454</u>
NON- CURRENT ASSETS:		
Long-term bank deposits	-	4,002
Severance pay fund	3,142	3,524
Other long-term receivables	1,573	2,557
Property and equipment, net	798	1,010
Operating lease right-of-use assets	1,651	2,457
Goodwill	1,243	-
Intangible assets, net	1,707	-
<u>Total</u> non-current assets	<u>10,114</u>	<u>13,550</u>
<u>Total</u> assets	<u>\$ 107,529</u>	<u>\$ 101,004</u>

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and per share data

	December 31,	
	2023	2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 2,640	\$ 2,708
Employees and payroll accruals	5,400	5,198
Deferred revenues and advances from customers	1,469	7,037
Current maturities of lease liabilities	1,062	1,024
Other liabilities and accrued expenses	9,540	6,829
<u>Total current liabilities</u>	<u>20,111</u>	<u>22,796</u>
NON-CURRENT LIABILITIES:		
Accrued severance pay	3,728	3,973
Operating lease liabilities	561	1,452
Other liabilities and accrued expenses	638	-
<u>Total non-current liabilities</u>	<u>4,927</u>	<u>5,425</u>
<u>Total liabilities</u>	<u>\$ 25,038</u>	<u>\$ 28,221</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Share capital:		
Ordinary Shares of NIS 0.20 par value: Authorized: 20,000,000 shares at December 31, 2023 and 2022; 15,343,764 and 14,775,114 shares issued and 15,307,732 and 14,739,082 shares outstanding at December 31, 2023 and 2022, respectively	\$ 736	\$ 706
Additional paid-in capital	154,697	148,610
Accumulated other comprehensive loss	(3,030)	(2,908)
Accumulated deficit	(69,912)	(73,625)
<u>Total shareholders' equity</u>	<u>82,491</u>	<u>72,783</u>
<u>Total liabilities and shareholders' equity</u>	<u>\$ 107,529</u>	<u>\$ 101,004</u>

The accompanying notes are an integral part of the consolidated financial statements.



**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

U.S. dollars in thousands, except share and per share data

	Year ended December 31,		
	2023	2022	2021
Revenues:			
Products	\$ 22,840	\$ 18,997	\$ 15,336
Services	28,760	27,054	24,946
	<u>51,600</u>	<u>46,051</u>	<u>40,282</u>
Cost of revenues:			
Products	5,662	5,471	5,543
Services	8,111	7,243	5,880
	<u>13,773</u>	<u>12,714</u>	<u>11,423</u>
Gross profit	<u>37,827</u>	<u>33,337</u>	<u>28,859</u>
Operating expenses:			
Research and development	19,575	21,483	20,347
Less - royalty-bearing participation	736	762	537
Research and development, net	<u>18,839</u>	<u>20,721</u>	<u>19,810</u>
Sales and marketing	14,592	12,270	10,358
General and administrative	5,058	4,460	4,184
<u>Total operating expenses</u>	<u>38,489</u>	<u>37,451</u>	<u>34,352</u>
Operating loss	(662)	(4,114)	(5,493)
Financial income, net	<u>4,557</u>	<u>2,016</u>	<u>354</u>
Income (loss) before taxes on income	3,895	(2,098)	(5,139)
Taxes on income	<u>(182)</u>	<u>(159)</u>	<u>(124)</u>
Net income (loss)	<u>\$ 3,713</u>	<u>\$ (2,257)</u>	<u>\$ (5,263)</u>
Basic net income (loss) per Ordinary Share	<u>\$ 0.25</u>	<u>\$ (0.16)</u>	<u>\$ (0.37)</u>
Diluted net income (loss) per Ordinary Share	<u>\$ 0.24</u>	<u>\$ (0.16)</u>	<u>\$ (0.37)</u>
Weighted average number of Ordinary Shares used in computing basic net income (loss) per Ordinary Share	<u>15,098,642</u>	<u>14,525,449</u>	<u>14,124,404</u>
Weighted average number of Ordinary Shares used in computing diluted net income (loss) per Ordinary Share	<u>15,297,947</u>	<u>14,525,449</u>	<u>14,124,404</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
Net income (loss)	\$ 3,713	\$ (2,257)	\$ (5,263)
Other comprehensive income (loss):			
Foreign currency translation adjustments	(122)	(288)	42
Total other comprehensive income (loss)	(122)	(288)	42
Comprehensive income (loss)	<u>\$ 3,591</u>	<u>\$ (2,545)</u>	<u>\$ (5,221)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

U.S. dollars in thousands, except share and per share data

	<u>Number of shares</u>	<u>Share capital amount</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive loss</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
Balance as of January 1, 2021	13,931,456	\$ 657	\$ 140,129	\$ (2,662)	\$ (66,105)	\$ 72,019
Share-based compensation	-	-	3,356	-	-	3,356
RSUs vested	223,730	12	(12)	-	-	-
Net loss	-	-	-	-	(5,263)	(5,263)
Other comprehensive income	-	-	-	42	-	42
Balance as of December 31, 2021	14,155,186	\$ 669	\$ 143,473	\$ (2,620)	\$ (71,368)	\$ 70,154
Share-based compensation	-	-	5,174	-	-	5,174
RSUs vested	583,896	37	(37)	-	-	-
Net loss	-	-	-	-	(2,257)	(2,257)
Other comprehensive loss	-	-	-	(288)	-	(288)
Balance as of December 31, 2022	14,739,082	\$ 706	\$ 148,610	\$ (2,908)	\$ (73,625)	\$ 72,783
Share-based compensation	-	-	6,117	-	-	6,117
RSUs vested	568,650	30	(30)	-	-	-
Net income	-	-	-	-	3,713	3,713
Other comprehensive loss	-	-	-	(122)	-	(122)
Balance as of December 31, 2023	15,307,732	\$ 736	\$ 154,697	\$ (3,030)	\$ (69,912)	\$ 82,491

The accompanying notes are an integral part of the consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
<u>Cash flows from operating activities:</u>			
Net income (loss)	\$ 3,713	\$ (2,257)	\$ (5,263)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	621	477	540
Share-based compensation	6,117	5,174	3,356
Change in:			
Severance pay, net	137	(46)	(164)
Trade receivables, net	(2,332)	(1,039)	2,412
Other account receivables and prepaid expenses	1,381	(1,140)	289
Inventories	552	157	(410)
Trade payables	(17)	16	1,017
Employees and payroll accruals	192	768	16
Other liabilities and accrued expenses	2,225	910	724
Deferred revenue and advances from customers	(5,580)	4,341	(411)
Changes in operating lease right-of-use assets and liabilities, net	(48)	(112)	40
Accrued interest on bank deposits and other	(2,255)	(1,230)	(144)
Net cash provided by operating activities	<u>4,706</u>	<u>6,019</u>	<u>2,002</u>
<u>Cash flows from investing activities:</u>			
Business acquisitions, net of cash acquired (Refer to Note 10)	(2,477)	-	-
Net investment in short-term and long-term bank deposits	(885)	(8,281)	(3,064)
Purchase of property and equipment	(232)	(150)	(437)
Net cash used in investing activities	<u>(3,594)</u>	<u>(8,431)</u>	<u>(3,501)</u>
Foreign currency translation adjustments on cash and cash equivalents	\$ 253	\$ (9)	\$ (101)
Increase (decrease) in cash and cash equivalents	1,365	(2,421)	(1,600)
Cash and cash equivalents at beginning of the year	<u>9,527</u>	<u>11,948</u>	<u>13,548</u>
Cash and cash equivalents at end of the year	<u><u>\$ 10,892</u></u>	<u><u>\$ 9,527</u></u>	<u><u>\$ 11,948</u></u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

U.S. dollars in thousands

	Year ended December 31,		
	2023	2022	2021
<b>(a) Non-cash investing activities:</b>			
Purchase of property and equipment	\$ 43	\$ 95	\$ 55
Net increase in operating lease right-of-use assets	\$ 202	\$ 1,624	\$ 117
<b>(b) Cash paid during the year for:</b>			
Taxes on income	\$ 190	\$ 104	\$ 82

The accompanying notes are an integral part of the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data****NOTE 1: - GENERAL**

- a. RADCOM Ltd. (the “Company”), an Israeli corporation, is a leading provider of 5G ready cloud-native, network intelligence and service assurance solutions for telecom operators (“CSP”). The Company’s solutions support CSPs in their transition to virtualization and 5G networks, delivering dynamic, on-demand service assurance and network troubleshooting for real time customer and service insights. The Company’s solutions include RADCOM Service Assurance, a cloud-native, 5G-ready, fully virtualized service assurance solution which allows telecom operators to gain end-to-end network visibility and customer experience insights across all networks; RADCOM Network Visibility, a cloud-native network packet broker and filtering solution that allows CSPs to manage network traffic at scale across multiple cloud environments and control the visibility layer to perform dynamic, on-demand analysis of select datasets; and RADCOM Network Insights, a business intelligence solution offering smart insights for multiple use cases, enabled by data captured and correlated through RADCOM Network Visibility and RADCOM Service Assurance. The Company specializes in solutions for next-generation mobile and fixed networks, including 5G, Long Term Evolution (“LTE”), Voice over LTE (“VoLTE”), Voice over Wifi (“VoWifi”), IP Multimedia Subsystem (“IMS”), Voice over IP (“VoIP”), and Universal Mobile Telecommunication Service (“UMTS”). The Company’s ordinary shares (the “Ordinary Shares”) are listed on the Nasdaq Capital Market under the symbol “RDCM”.

The Company has wholly-owned subsidiaries in the United States and Brazil, that primarily engaged in the sales, marketing, deployment and customer support of the Company’s products in United States and Brazil. The Company also has a wholly-owned subsidiary in India, that primarily provides customer support and development services worldwide. On August 31, 2022, the Company established a wholly-owned subsidiary in Canada named RADCOM Canada Limited (hereinafter- the “Canadian subsidiary”). The Canadian subsidiary is engaged in the deployment and customer support of the Company’s products in United States.

- b. The Company depends on a limited number of customers for selling its solution. Such customers accounted for 76% of the Company’s revenues for the year ended December 31, 2023. If these customers become unable or unwilling to continue to buy the Company’s solution, it could adversely affect the Company’s results of operations and financial position (see also Note 13c2).

The loss of any major customer, a significant decrease in business from any such customer or a reduction in customer revenue due to adverse changes in the market, economic or competitive conditions or other factors could have a material adverse effect on the Company’s business, results of operations and financial condition.

- c. On April 30, 2023, the Company acquired certain assets and liabilities of Continual Ltd., an Israel corporation (hereinafter- “Continual”) for total gross consideration of \$2,477.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are prepared according to United States generally accepted accounting principles ("U.S. GAAP").

a. Use of estimates:

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions. The Company's management believes that the estimates, judgments and assumptions used are reasonable based upon information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b. Financial statements in U.S. dollars (" \$" "dollar" or "dollars"):

Most of the revenues of the Company and its subsidiaries, other than the Company's subsidiary in Brazil, are denominated in U.S. dollars. Financing activities are made in U.S. dollars. Therefore, the Company's management believes that the currency of the primary economic environment in which the operations of the Company and its subsidiaries are conducted is the dollar, which is used as the functional currency.

Transactions and balances originally denominated in dollars are presented at their original amounts. Transactions and balances in other currencies are re-measured into dollars in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 830 "Foreign Currency Matters."

Other than in the Company's subsidiary in Brazil, all exchange gains and losses from re-measurement of monetary balance sheet items denominated in non-dollar currencies are reflected in the consolidated statement of operations when they arise.

For the Company's subsidiary in Brazil whose functional currency is the BRL, all amounts on the balance sheets have been translated into the dollar using the exchange rates in effect on the relevant balance sheet dates. All amounts in the statements of operations have been translated into the dollar using the exchange rate on the respective dates on which those elements are recognized. The resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) in shareholders' equity.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## c. Principles of consolidation:

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

## d. Cash and cash equivalents:

The Company considers all highly liquid deposit instruments with an original maturity of three months or less at the date of purchase to be cash equivalents.

## e. Short-term and long-term bank deposits:

Short-term bank deposits are deposits with maturities of more than three months but less than one year and which do not meet the definition of cash equivalents. Long-term bank deposits are deposits with maturities of more than one year. Such deposits include annual interest rates ranging between 5.85%-7.10% resulting in accrued interest of \$2,255 and \$1,230 as of December 31, 2023 and 2022, respectively. The deposits are presented according to their terms including accrued interest.

## f. Trade receivables:

Trade receivables are recorded and carried at the original invoiced amount which was recognized as revenues less an allowance for credit losses. Trade receivables also include unbilled receivables amounts that will be invoiced in the following year. The Company generally does not require collateral or security. The Company makes estimates of expected credit losses based upon its assessment of various factors, including historical experience, the age of the trade receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The estimated credit loss allowance is recorded as general and administrative expenses on the Company's consolidated statements of income (loss). Allowance for credit losses as of December 31, 2023 and as of December 31, 2022, was immaterial.

## g. Concentration of credit risk:

Financial instruments that may subject the Company to significant concentration of credit risk consist mainly of cash and cash equivalents, short-term and long-term bank deposits, severance pay fund and trade receivables.

Cash and cash equivalents and short term bank deposits are maintained with major financial institutions mainly in Israel. Assets held for severance benefits are maintained with major insurance companies and financial institutions in Israel. Such deposits are not insured. However, management believes that such financial institutions are financially sound and, accordingly, low credit risk exists with respect to these investments.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## h. Inventories:

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Inventory write-offs are provided to cover technological obsolescence, excess inventories and discontinued products.

Inventory write-off is measured as the difference between the cost of the inventory and net realizable value based upon assumptions about future demand and is charged to the cost of revenues. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

No inventory write-offs were recorded during the years ended December 31, 2023, 2022 and 2021.

## i. Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to operations as incurred.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Annual rates of depreciation are as follows:

	%
Computers and electronic equipment	15 - 33
Office furniture and equipment	6 - 20
Leasehold improvements	At the shorter of the lease period or useful life of the leasehold improvement

## j. Impairment of long-lived assets:

The Company's long-lived assets, including finite-lived intangible assets, are reviewed for impairment in accordance with ASC 360, "Property, plants and equipment", whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is assessed by a comparison of the carrying amount of the asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds its fair value. During the years ended December 31, 2023, 2022 and 2021, no impairment losses have been recognized.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## k. Leases

Under ASC 842, "Leases" ("ASC 842"), the Company determines if an arrangement is a lease at inception. The Company's assessment is based on: (1) whether the contract includes an identified asset, (2) whether the Company obtains substantially all of the economic benefits from the use of the asset throughout the period of use, and (3) whether the Company has the right to direct how and for what purpose the identified asset is used throughout the period.

The Company elected the package of practical expedients permitted under the standard related to treating lease and non-lease components as a single lease component for all equipment leases as well as electing a policy exclusion permitting leases with an original lease term of less than one year to be excluded from the operating lease right-of-use ("ROU") assets and operating lease liabilities.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company consider only payments that are fixed and determinable at the time of commencement. The Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of the lease payments.

Several of the Company's leases include options to extend the lease and some have termination options that are factored into the Company's determination of the lease when appropriate. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company's lease agreements do not contain any residual value guarantees.

Operating lease expenses are recognized on a straight-line basis over the lease term. For all short-term leases which are less than 12 months the Company does not recognize operating lease ROU assets or operating lease liabilities, but recognizes lease expenses over the lease term on a straight-line basis.

See Note 9 for further information on leases.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## 1. Revenue recognition:

The Company's solution is sold to customers directly, through resellers and to lesser extent through distributors.

The Company recognizes revenues in accordance with ASC 606, "Revenue from Contracts with Customers". As such, the Company identifies a contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to each performance obligation in the contract and recognizes revenues when (or as) the Company satisfies a performance obligation as follows:

a) Identify the contract with a customer:

The Company generally considers either agreements or purchase orders, which in some cases are governed by master agreements, to be contracts with customers. In evaluating the contract with a customer, the Company analyzes the customer's intent and ability to pay the amount of promised consideration and considers the probability of collecting substantially all of the consideration.

b) Identify the performance obligations in the contract:

At a contract's inception, the Company assesses the goods or services promised in a contract with a customer and identifies the performance obligations.

The main performance obligations would generally include:

License for the Company's software solutions, professional services, managed services, service type warranty and post-contract customer support, each of which are distinct.

c) Determine the transaction price:

The transaction price is the amount of consideration to which the Company is entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Generally, the Company doesn't grant its customers a right to return the products sold. However, in some cases, the arrangements may include refunds, liquidated damages, penalties or other damages if the Company fails to deliver future goods or services or if the goods or services fail to meet certain specifications. All of the above are accounted for as variable considerations, which may result in an adjustment to the transaction price.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Company's anticipated performance and all information (historical, current and forecasted) that is reasonably available.

The Company uses the practical expedient and does not assess the existence of a significant financing component when the difference between payment and revenue recognition is a year or less. As the period of time between delivery and payment for most of the Company's contracts is less than one year, these contracts are not assessed for a significant financing component. In other contracts, the Company determined that those contracts generally do not include a significant financing component, as the primary purpose of the invoicing terms for these contracts is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to receive or provide financing.

d) Allocate the transaction price to the performance obligations in the contract:

For software licenses where the standalone selling price ("SSP") cannot be determined based on observable prices, given the same products are sold for a broad range of amounts and the selling price is highly variable, the SSP included in a contract with multiple performance obligations is determined by applying a residual approach. SSP of services are typically estimated based on observable transactions when these services are sold on a standalone basis or on a cost basis. The transaction price is allocated to the separate performance obligations on a relative SSP basis.

e) Recognize revenue when a performance obligation is satisfied:

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control is either transferred over time or at a point in time.

Products: Revenues from software solutions which include customer acceptance or software license only contracts, are recognized at a point in time of the acceptance of the solution or the point in time the software license is delivered.

Services: Revenues related to managed services, maintenance, support and post-contract customer support are recognized ratably over the contract period. Professional services revenues are recognized as services are performed.

Deferred revenues represent unrecognized fees collected as well as other advances and payments received from customers, for which revenue has not yet been recognized. Deferred revenues are classified as short-term and long-term deferred revenues based on the period in which revenues are expected to be recognized.

See also Note 3 for additional revenue recognition disclosures.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## m. Cost of revenues:

Cost of revenues is comprised of cost of third-party hardware and software license fees, maintenance fees related to such third-party hardware and software, employees' salaries and related costs, shipping and handling costs, subcontractors, inventory write-offs, indirect taxes, importation taxes and royalties to the Israel Innovation Authority (the "IIA").

## n. Share-based compensation:

The Company accounts for share-based compensation in accordance with ASC 718, "Compensation — Stock Compensation", which requires companies to estimate the fair value of share-based payment awards on the grant date using an option-pricing model.

The Company recognizes compensation expenses for the value of its awards over the requisite service period of each of the awards. For graded vesting awards subject to service conditions only, the Company uses the straight-line attribution method. The Company estimates expected forfeitures.

The Company selected the Black-Scholes option-pricing model as the most appropriate fair value method for its share-options awards. The option-pricing model requires a number of assumptions, of which the most significant are the expected share price volatility and the expected option term. Expected volatility was calculated based upon actual historical share price movements over the most recent periods ending on the grant date, equal to the expected option term. The expected term was generated pursuant historical option exercise information. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term to the expected term of the options. Historically the Company has not paid dividends and in addition has no foreseeable plans to pay dividends, and therefore uses an expected dividend yield of zero in the option-pricing model.

No options were granted in 2023 and 2021. The fair value for options granted in 2022 is estimated at the date of grant with the following weighted average assumptions:

	<u>2022</u>
Dividend yield	0%
Exercise price	10.99
Expected volatility	37.57%
Risk-free interest	3.18%
Expected life (in years)	5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## Change in Accounting Principle - Share-based Compensation

In 2021, the Company elected to change its accounting policy for recognizing share-based compensation expense for graded vesting share awards subject to service conditions only by applying the straight-line attribution method instead of the accelerated attribution method and using an estimated forfeiture rate of awards expected to be forfeited for each award rather than account for the forfeitures as they occur. The change in the recognition of share-based compensation expense represents a change in accounting principle which the Company believes to be preferable because the straight-line attribution method is the predominant method used in its industry and because estimating forfeitures will result in a more accurate attribution of share-based compensation expense since the Company has accumulated during the last few years sufficient historical experience to make a reasonable estimate of the forfeiture pattern of its employees.

A change in accounting principle requires retrospective application, if material. The impact of the change in the accounting policy described above to the Company's time-based awards was immaterial to prior periods and to the year ended December 31, 2021. As a result, the Company has accounted for the cumulative effect of this change in its consolidated results for the year ended December 31, 2021. The effect of the new policy was a decrease in net loss of \$141, or \$0.01 per share (basic and diluted), for the year ended December 31, 2021.

## o. Advertising and marketing expenses:

Advertising and marketing expenses consist primarily of marketing campaigns and tradeshow. Advertising and marketing expenses are charged to the statement of income (loss), as incurred. Advertising and marketing expenses for the years ended December 31, 2023, 2022 and 2021, amounted to \$622, \$278 and \$131, respectively.

## p. Research and development costs:

Research and development costs are charged to the statement of operations as incurred except for royalty-bearing participation from the IIA as described in Note 2p.

ASC 985-20, "Software - Costs of Computer Software to be Sold, Leased or Otherwise Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working models and the point at which the products are ready for general release have been insignificant. Therefore, all research and development costs have been expensed.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## q. Government grants:

The Company receives royalty-bearing grants, which represent participation of the IIA in approved programs for research and development. These amounts are recognized on the accrual basis as a reduction of research and development costs as such costs are incurred. Royalties to the IIA are recorded under cost of revenues, when the related sales are recognized (see also Note 8a1).

During the years 2012 to 2017, the Company also received grants from the Israeli Ministry of Economy (the "MOE"), up to 50% of relevant marketing expenses. These grants were presented as a reduction of marketing expenses (see also Note 8a2).

## r. Income (loss) per share:

Basic and diluted income (loss) per Ordinary Share is presented in conformity with ASC 260, "Earnings Per Share", for all years presented. Basic income (loss) per Ordinary Share is computed by dividing net income (loss) for each reporting period by the weighted average number of Ordinary Shares outstanding during the period.

Diluted income (loss) per Ordinary Share is computed by dividing net income (loss) for each reporting period by the weighted average number of Ordinary Shares outstanding during the period plus any additional Ordinary Shares that would have been outstanding if potentially dilutive securities had been exercised during the period, calculated under the treasury stock method.

Certain securities were not included in the computation of diluted income (loss) per share since they were anti-dilutive. The total weighted average number of shares related to the outstanding options and restricted share units ("RSUs") excluded from the calculation of diluted net income (loss) per share was 342,583, 1,042,682 and 956,356 for the years ended December 31, 2023, 2022 and 2021, respectively.

## s. Income taxes:

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740"). Deferred tax asset and liability account balances are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations in the period that includes the enactment date. Deferred tax assets and liabilities are classified as noncurrent on the balance sheet.

The Company provides a valuation allowance to reduce deferred tax assets to the extent it believes it is more likely than not that such benefits will be realized.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## t. Income tax uncertainties:

In accordance with ASC 740, the Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% of the amount likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. When applicable, the Company accounts for interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2023 and 2022, no liability for unrecognized tax benefits was recorded.

## u. Severance pay:

The Company's liability for severance pay is recorded mainly with respect to its Israeli employees and is calculated pursuant to Israeli severance pay law based on the most recent salary of the employees multiplied by the number of years of employment as of the balance sheet date. After completing one full year of employment, the Company's Israeli employees are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability is partially provided by monthly deposits with severance pay funds, insurance policies and by an accrual. The liability for employee severance pay benefits included on the balance sheet represents the total liability for such severance benefits, while the assets held for severance benefits included on the balance sheet represent the current redemption value of the Company's contributions made to severance pay funds and to insurance policies.

The carrying value of deposited funds includes profits (losses) accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israeli severance pay law or labor agreements.

Effective January 1, 2012, the Company's agreements with new employees in Israel are in accordance with section 14 of the Severance Pay Law – 1963, which provides that the Company's contributions to the severance pay fund shall cover its entire severance obligation. Upon termination, the release of the contributed amounts from the fund to the employee shall relieve the Company from any further severance obligation and no additional payments shall be made by the Company to the employee. As a result, the related obligation and amounts deposited on behalf of such obligation are not recorded as part of the balance sheet, as the Company is legally released from its severance obligation to employees once the amounts have been deposited, and the Company has no further legal ownership of the amounts deposited.

Severance expenses for the years ended December 31, 2023, 2022 and 2021 amounted to \$1,112, \$1,007, and \$922, respectively.

## v. U.S. defined contribution plan:

The U.S. subsidiaries have a 401(k) defined contribution plan covering certain full time and part time employees in the U.S. who meet certain eligibility requirements, excluding leased employees and contractors. All eligible employees may elect to contribute up to an annual maximum of 100% of their annual compensation to the plan through salary deferrals, subject to Internal Revenue Service limits, but not greater than \$22.5 per year (for certain employees over 50 years of age the maximum contribution is \$30 per year).



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The U.S. subsidiaries match amounts equal to 100% of the first 3% of the employee's base compensation that they contribute to the defined contribution plan per year per employee. For the years ended December 31, 2023, 2022 and 2021, the U.S. subsidiary recorded expenses for matching contributions of \$117, \$119 and \$119, respectively.

w. Fair value of financial instruments:

The Company follows the provisions of ASC 820, "Fair Value Measurement" ("ASC 820"), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining a fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing an asset or liability, based on the best information available under given circumstances.

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

Level 1 - Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The financial instruments of the Company consist mainly of cash and cash equivalents, bank deposits, trade receivables, trade payables and other liabilities and accrued expenses. The fair values of the Company cash and cash equivalents, account receivables, and account payables approximate their carrying amounts due to their short-term nature.

x. Legal contingencies:

From time to time, the Company may be involved in various claims and legal proceedings. The Company reviews the status of each matter and assesses its potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a liability for the estimated loss. The Company's estimations and related accruals if any are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events relating to a particular matter.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

## y. Comprehensive income (loss):

The Company accounts for comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income", which establishes standards for the reporting and displays of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income generally represents all changes in shareholders' equity during the period except those resulting from investments by, or distributions to, shareholders. The Company determined that its only item of other comprehensive income relates to foreign currency translation adjustment and gains or losses on intercompany foreign currency transactions that are of a long-term investment nature in connection with its subsidiary in Brazil.

## z. Business combination:

The Company accounts for its business acquisitions in accordance with ASC No. 805, "Business Combinations." The Company uses its best estimates and assumptions as part of the purchase price allocation process to value assets acquired and liabilities assumed at the business combination date. The total purchase price allocated to the tangible and intangible assets acquired is assigned based on the fair values as of the date of the acquisition. During the measurement period, which does not exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Goodwill generated from the business combinations is primarily attributable to synergies between the Company and acquired companies' respective products and services. Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

## aa. Goodwill and Other Intangible Assets:

Goodwill and certain other purchased intangible assets have been recorded in the Company's financial statements as a result of acquisitions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Goodwill represents excess of the purchase price in a business combination over the fair value of identifiable tangible and intangible assets acquired. Goodwill is not amortized, but rather is subject to an impairment test.

ASC No. 350, "Intangible—Goodwill and Other" requires goodwill to be tested for impairment at least annually and, in certain circumstances, between annual tests. The accounting guidance gives the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment includes judgement and considers events and circumstances that might indicate that a reporting unit's fair value is less than its carrying amount. The Company operates as one reporting unit. The Company elects to perform an annual impairment test of goodwill as of December 31 of each year, or more frequently if impairment indicators are present.

For the year ended December 31, 2023, no impairment loss was identified.

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets.

Amortization is calculated using the straight-line method over the estimated useful lives of the assets at the following:

	<u>2023</u>
Technology	4.67 years
Customer relationships	7.67 years

## ab. Reclassification:

Certain comparative figures have been reclassified to conform to the current year's presentation.

## ac. Recently issued accounting standards:

- In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 832): Disclosure by Business Entities about Government Assistance", which improves the transparency of government assistance received by most business entities by requiring the disclosure of: (1) the types of government assistance received; (2) the accounting for such assistance; and (3) the effect of the assistance on a business entity's financial statements. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. The adoption of this standard didn't result in a material impact on the Company's consolidated financial statements.
- In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures", which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. In addition, it provides new segment disclosure requirements for entities with a single reportable segment. The guidance will be effective for the Company for annual periods beginning January 1, 2024 and for interim periods beginning January 1, 2025. Early adoption is permitted. The Company is currently evaluating the impact on its financial statement disclosures.
- In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740), Improvements to Income Tax Disclosures", which requires disaggregated information about the effective tax rate reconciliation as well as information on income taxes paid. The guidance will be effective for the Company for annual periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact on its financial statement disclosures.

**NOTE 3: - REVENUE RECOGNITION**

Revenue is recognized when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. Control is either transferred over time or at a point in time, which affects the revenue recognition schedule.

Costs to obtain contracts:

The Company capitalizes an asset for the incremental costs of obtaining a contract whenever such expenses are expected to be recovered. Capitalized costs derive primarily from sales commissions or incentives granted to employees and partners. The Company's contracts with customers include performance obligations related to products and services, some of which are satisfied at a point in time and others over time. Commission costs related to performance obligations satisfied at a point in time are expensed at the time of sale, which is when revenue is recognized. Commission costs related to long-term service contracts and performance obligations satisfied over time are deferred and recognized on a systematic basis that is consistent with the transfer of the products or services to which the asset relates. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of income (loss).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 3: - REVENUE RECOGNITION (Cont.)**Contract balances:

Deferred commission costs capitalized are periodically reviewed for impairment. As of December 31, 2023 and 2022, the deferred commission costs capitalized included within other long-term receivables in the consolidated balance sheets were \$1,205 and \$2,194, respectively. During the year ended December 31, 2023, the Company recorded new contract acquisition assets in the amount of \$330 and amortized \$1,319 of capitalized contract acquisition costs into sales and marketing expense. No impairment losses were recognized during such period.

The Company receives payments from customers based upon contractual payment schedules. Trade receivables are recorded when the right to consideration becomes unconditional, and an invoice is issued to the customer. Unbilled receivables include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. As of December 31, 2023 and 2022, unbilled receivables balances amounted to \$3,950 and \$4,035, respectively and are included within trade receivables balance in the Company's balance sheets.

As of December 31, 2023, the Company had \$54,278 of remaining performance obligations not yet satisfied or partly satisfied related to revenues. The Company expects to recognize approximately 43% of this amount as revenues during the next 12 months and the rest thereafter.

During the year ended December 31, 2023, the Company recognized \$6,063 that was included in deferred revenues (short-term contract liability) balance on January 1, 2023.

For disaggregation of revenues please see Note 13c2.

**NOTE 4: - INVENTORIES**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Finished products (*)	\$ 246	\$ 795

(\*) Includes amounts of \$64 and \$349 as of December 31, 2023 and 2022, respectively, with respect to inventory delivered to customers for which control has not been transferred.

**NOTE 5: - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Governmental authorities	\$ 581	\$ 429
Prepaid expenses	885	1,443
Others	126	56
	<u>\$ 1,592</u>	<u>\$ 1,928</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 6: - PROPERTY AND EQUIPMENT, NET**

Composition of assets, grouped by major classification, is as follows:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost:		
Computers and electronic equipment	\$ 4,553	\$ 4,399
Office furniture and equipment	422	412
Leasehold improvements	320	314
	<u>5,295</u>	<u>5,125</u>
Accumulated depreciation:		
Computers and electronic equipment	4,107	3,786
Office furniture and equipment	229	200
Leasehold improvements	161	129
	<u>4,497</u>	<u>4,115</u>
	<u>\$ 798</u>	<u>\$ 1,010</u>

Depreciation expenses for the years ended December 31, 2023, 2022 and 2021 amounted to \$393, \$477 and \$540, respectively.

**NOTE 7: - OTHER CURRENT LIABILITIES AND ACCRUED EXPENSES**

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Royalties - IIA payable	\$ 1,180	\$ 1,113
Accrued commissions	1,740	2,454
Accrued expenses	6,620	3,262
	<u>\$ 9,540</u>	<u>\$ 6,829</u>

**NOTE 8: - COMMITMENTS AND CONTINGENCIES**

## a. Royalty commitments:

- The Company receives research and development grants from the IIA. In consideration for the research and development grants received from the IIA, the Company has undertaken to pay royalties as a percentage of revenues from services and products related to research and development projects financed. If the Company does not generate sales of related services and products developed with funds provided by the IIA, the Company is not obligated to pay royalties or repay the grants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 8: - COMMITMENTS AND CONTINGENCIES (Cont.)**

Royalties are payable at the rate of 3% from the time of commencement of sales of all of the Company's products until the cumulative amount of the royalties paid equals 100% of the dollar-linked amounts of the grants received, plus Secured Overnight Financing Rate ("SOFR") interest.

Grants received from the IIA before June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, Grants received from the IIA after June 30, 2017, bear an annual interest rate based on the 12-month LIBOR, until December 31, 2023, and as of January 1, 2024, bear an annual interest rate based on the 12-month SOFR, or at an alternative rate published by the Bank of Israel, with the addition of 0.72%. Grants approved after January 1, 2024 will bear the higher of (i) the 12 months SOFR interest rate, plus 1%, or (ii) a fixed annual interest rate of 4%.

As of December 31, 2023, the Company's total commitment with respect to royalty-bearing participation received or accrued, net of royalties paid or accrued, amounted to \$55,976. The total research and development grants that the Company has received from the IIA as of December 31, 2023 were \$50,226. The accumulated interest as of December 31, 2023, was \$26,726 and the accumulated royalties paid to the IIA were \$20,976.

Royalty expenses relating to the IIA grants included in cost of revenues during the years ended December 31, 2023, 2022 and 2021 were \$1,528, \$1,382, and \$1,209, respectively.

In May 2010, the Company received a notice from the IIA regarding alleged miscalculations of the amount of royalties paid by the Company to the IIA for the years 1992-2009 and the revenues basis on which the Company had to pay royalties. The Company believes that all royalties due to the IIA from the sale of products developed with funding provided by the IIA during such years were properly paid or were otherwise accrued. During 2011, the Company reviewed with the IIA the alleged miscalculations. The Company assessed the merits of the aforesaid arguments raised by the IIA and recorded a liability for an estimated loss.

2. In April 2012 and in April 2014, the MOE approved the Company's application for participation in funding the setting up of the Company's India subsidiary and China branch as part of a designated grants plan for setting up and establishing a marketing agency in India and China. The grant was intended to cover up to 50% from the costs of the office establishment, logistics expenses and hiring employees and consultants in India and China, based on the approved budget for the plan over a period of three years. The total marketing grants received by the Company from the MOE during the years 2012 to 2017 were in the amount of \$668. No further grants are expected to be received from such plans.

The Company is obligated to pay to the MOE royalties of 3% on the increased sales in the target market, with respect to the year during which the grant was approved over a period of five years, but not more than the total linked amount of the grant received.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 8: - COMMITMENTS AND CONTINGENCIES (Cont.)**

No royalties were paid to the MOE during the years ended December 31, 2023, 2022 and 2021.

3. According to the Company's agreements with the Israel-U.S Bi-National Industrial Research and Development Foundation ("BIRD-F"), the Company is required to pay royalties at a rate of 5% of sales of products developed with funds provided by the BIRD-F, up to an amount equal to 150% of the BIRD-F's grant, linked to the United States CPI relating to such products. The last funds from the BIRD-F were received in 1996. In the event the Company does not generate sales of products developed with funds provided by the BIRD-F, the Company is not obligated to pay royalties or repay the grants.

The total research and development funds that the Company has received from the BIRD-F were \$340 (CPI linked amount of \$668). According to the above, as of December 31, 2023, the total royalties commitment the Company may be required to pay is an amount of up to \$1,036 out of which \$ 570 was paid by the Company in previous years. The remaining commitment with respect to royalty-bearing participation received, net of royalties paid or accrued, amounted to \$ 466 as of December 31, 2023.

Since 2003, the Company has not generated sales of products developed with the funds provided by the BIRD-F. Therefore, the Company has not been obligated to pay royalties or repay the grant since such date.

b. Bank guarantees:

1. As of December 31, 2023, the Company issued a bank guarantee to the Israeli Customs Authority that amounted to \$28, which will expire on April 30, 2024.
2. As of December 31, 2023, the Company issued a bank guarantee to a governmental entity in Israel that amounted to approximately \$239, which expired on January 1, 2024.

**NOTE 9: - LEASES**

The Company has entered into various operating lease agreements for certain of its offices and car leases with original lease periods expiring between 2023 and 2028. Most of the lease agreements include one or more options to renew. The Company does not assume renewals in determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement.

Lease payments included in the measurement of the operating lease liability comprise the following: the fixed non-cancelable lease payments and payments for optional renewal periods where it is reasonably certain the renewal period will be exercised. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 9: - LEASES (Cont.)**

The implicit rate within the operating leases is generally not determinable; therefore, the Company uses its Incremental Borrowing Rate ("IBR") based on the information available at commencement date in determining the present value of lease payments. The Company's IBR is estimated to approximate the interest rate for collateralized borrowing with similar terms and payments and in the economic environments where the leased asset is located.

As of December 31, 2023, the Company's assessment for the remaining lease term range between 0.9 years to 4.3 years.

The following table represents the weighted-average remaining lease term and discount rate:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Weighted average remaining lease term	1.20 years	1.51 years
Weighted average discount rate	4.86%	4.09%

The components of lease expense for the year ended December 31, 2023 were as follows:

	<u>Year ended December 31, 2023</u>	<u>Year ended December 31, 2022</u>
Operating lease	\$ 1,108	\$ 969
Short-term lease	28	6
Total lease expense	<u>\$ 1,136</u>	<u>\$ 975</u>

Cash paid for amounts included in the measurement of operating lease liabilities was \$818 and \$730 during the years ended December 31, 2023 and 2022, respectively.

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2023:

	<u>Operating Leases</u>
2024	\$ 1,101
2025	218
2026	195
2027	165
2028	39
Total operating lease payments	<u>\$ 1,718</u>
Less: imputed interest	<u>95</u>
Present value of lease liabilities	<u>\$ 1,623</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 10: - BUSINESS COMBINATION, GOODWILL, AND INTANGIBLE ASSETS, NET.**

On April 30, 2023, the Company acquired certain assets and liabilities of Continual Ltd., an Israel corporation for total gross consideration of \$2,477. Continual is a leading mobility experience analytics company that uses Artificial Intelligence (AI) and Machine Learning (ML) to deliver advanced insights to help telecom operators improve their subscribers mobility experience. The Company expensed the related acquisition costs of \$57 in General and Administrative.

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating Continual's technology into the Company's portfolio. Goodwill is deductible for tax purposes.

Pro forma results of operations have not been presented because the acquisition was not material to the Company's results of operations.

The purchase price allocation for the acquisition has been determined as follows:

	<b>For the Year ended December 31, 2023</b>
Goodwill	\$ 1,243
Technology	1,048
Customer relationships	887
Short term and long term IIA liability	(701)
	<u>\$ 2,477</u>

The following table represent the changes in carrying amount of goodwill:

	<b>Year ended December 31, 2023</b>
Balance as of beginning of the year	-
Goodwill acquired	\$ 1,243
Closing balance	<u>\$ 1,243</u>

The composition of intangible assets is as follows:

	<b>Year ended December 31, 2023</b>
Original amount:	
Technology	\$ 1,048
Customer relationships	887
	<u>1,935</u>
Less - accumulated amortization	228
Intangible assets, net	<u>\$ 1,707</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 11: - TAXES ON INCOME**

## a. Israeli taxation:

Taxable income of the Company is subject to the Israeli corporate tax at the rate of 23% for all years presented.

Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (“the Law”):

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budget Targets for 2013 and 2014), 2013 which includes Amendment 71 to the Law (“Amendment 71”) was enacted. Per Amendment 71, the tax rate on preferred income from a preferred enterprise in 2014-2016 will be 9% in certain areas in Israel (“Development Area A”) and 16% in other areas. In 2017, the tax rate at Development Area A was reduced to 7.5%.

The Company may claim the tax benefits offered by Amendment 71 in its tax returns, provided that its facilities meet the criteria for tax benefits set out by Amendment 71. A company is also granted a right to approach the Israeli Tax Authorities for a pre-ruling regarding its eligibility for benefits under Amendment 71 (and in some cases is required to apply for such approval).

In December 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Law (“Amendment 73”) was published. Amendment 73, which came into effect in January 2017, prescribes special tax tracks for technological enterprises, granting such enterprises a tax rate of 7.5% (in Development Area A) and 12% (in other areas).

Under Amendment 73, any dividends distributed to “foreign companies”, as defined in such law, by companies having over 90% foreign (i.e., non-Israeli) ownership, deriving from income from the technological enterprises will be subject to tax at a rate of 4%.

In order to comply with the new track determined in Amendment 73, a company must meet certain criteria defined within law (among others R&D expenses and employees at a certain rate).

The Company has yet to claim the above-mentioned tax benefits offered and accordingly such reduced taxes were not considered in the computation of the deferred taxes and valuation allowance as of December 31, 2023.

In accordance with the tax laws, tax returns submitted up to and including the 2018 tax year can be regarded as final. As of December 31, 2023, no final tax assessments have been received for such years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 11: - TAXES ON INCOME (Cont.)**

Tax loss carryforward:

As of December 31, 2023, the Company's estimated tax loss carryforward and capital loss were \$38,415 and \$1,726, respectively. Such losses can be carried forward indefinitely to offset any future taxable income of the Company.

As of December 31, 2023, the Company's research and development expenses carryforward for tax purposes in Israel amounted to approximately \$11,277.

b. Foreign subsidiaries:

U.S. subsidiary:

1. The U.S. subsidiary is taxed under United States federal and state tax rules. Income tax is calculated based on a U.S. federal tax rate of 21%.
2. The U.S. subsidiary's estimated federal tax loss carryforward amounted to \$657 as of December 31, 2023. Such losses are available to offset any future U.S. taxable income of the U.S. subsidiary and will expire in the years 2024 to 2026 for federal tax purposes.
3. The U.S. subsidiary has not received final tax assessments since incorporation. In accordance with the tax laws, tax returns submitted up to and including the 2019 tax year can be regarded as final.

Brazilian subsidiary:

1. The Brazilian subsidiary is taxed under Brazilian tax rules. Income tax is calculated based on a 34% rate.
2. The Brazilian subsidiary's tax loss carryforward amounted to \$3,173 as of December 31, 2023, for tax purposes. Tax losses may be carried forward indefinitely but can only be offset up to 30% of the subsidiary's taxable income for a tax period.
3. The Brazilian subsidiary has not received final tax assessments since incorporation. In accordance with the tax laws, tax returns submitted up to and including the 2018 tax year can be regarded as final.

Indian subsidiary:

1. The Indian subsidiary is taxed under Indian tax rules. Income tax is calculated based on a 25% rate.
2. The Indian subsidiary has not received final tax assessments since incorporation. In accordance with the tax laws, tax returns submitted up to and including the 2016 tax year can be regarded as final.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 11: - TAXES ON INCOME (Cont.)**

## c. Deferred taxes:

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Deferred tax assets:		
Carryforward tax losses	\$ 10,449	\$ 10,519
Research and development	2,594	3,901
Operating lease liability	381	577
Accrued social benefits and other	494	533
	<u>13,918</u>	<u>15,530</u>
Less - valuation allowance	<u>(13,478)</u>	<u>(14,865)</u>
Deferred tax Liabilities:		
Operating lease asset	\$ (388)	\$ (580)
Other	(52)	(85)
	<u>(440)</u>	<u>(665)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

The net change in the total valuation allowance for the year ended December 31, 2023 was a decrease of \$1,387. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences and tax loss carryforward are deductible. Management considers the projected taxable income and tax-planning strategies in making this assessment.

In consideration of the Company's accumulated losses and the uncertainty of its ability to utilize its deferred tax assets in the future, management currently believes that it is more likely than not that the Company will not realize its deferred tax assets and accordingly recorded a valuation allowance to fully offset all the deferred tax assets.

- d. Taxes on income are mainly comprised from state tax accrual with regards to the U.S. subsidiary, withholding taxes that were deducted by the Company's customers as well as tax expenses of the Indian subsidiary.
- e. The components of income (loss) before income taxes are as follows:

	<b>Year ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Domestic (Israel)	\$ 2,610	\$ (3,043)	\$ (6,030)
Foreign	1,285	945	891
Loss before income taxes	<u>\$ 3,895</u>	<u>\$ (2,098)</u>	<u>\$ (5,139)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 11: - TAXES ON INCOME (Cont.)**

- f. Reconciliation of the theoretical tax benefit and the actual tax expense:

	Year ended December 31,		
	2023	2022	2021
Loss before income taxes, as reported in the statements of operations	\$ 3,895	\$ (2,098)	\$ (5,139)
Statutory tax rate in Israel	23%	23%	23%
Theoretical tax benefit	\$ 896	\$ (483)	\$ (1,182)
Increase (decrease) in income taxes resulting from:			
Tax rate differential on foreign subsidiaries	(25)	(22)	(31)
Non-deductible expenses and other permanent differences	654	427	631
Differences in taxes arising from foreign currency exchange, net	(81)	(50)	69
Changes in carry forward tax losses and other temporary differences for which valuation allowance was provided	(1,267)	256	481
Other	5	31	156
Income taxes	\$ 182	\$ 159	\$ 124

- g. Accounting for uncertainty in income taxes:

For the years ended December 31, 2023, 2022 and 2021, the Company did not have any unrecognized tax benefits and no interest and penalties related to unrecognized tax benefits have been accrued. The Company does not expect that its position related to unrecognized tax benefits will change significantly within the next 12 months.

**NOTE 12: - SHAREHOLDERS' EQUITY**

- a. The number of Ordinary Shares outstanding at December 31, 2023, and 2022 does not include 5,189 Ordinary Shares issued, which are held by a subsidiary, and 30,843 Ordinary Shares issued which are held by the Company.

Ordinary Shares confer all rights to their holders, e.g. voting, equity and receipt of dividends.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****U.S. dollars in thousands, except share and per share data**

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**NOTE 12: - SHAREHOLDERS' EQUITY (Cont.)**

## b. Share option plan:

## 1. The Company has granted options under an option plan as follows:

## a) The 2013 Share Option Plan:

On April 3, 2013, the Company approved a new share option plan (the "2013 Share Option Plan"). The 2013 Share Option Plan provides for the grant of options to purchase Ordinary Shares to provide incentives to employees, directors, consultants and contractors of the Company. In accordance with Section 102 of the Income Tax Ordinance (New Version) - 1961, the Company's Board of Directors (the "Board") elected the "Capital Gains Route".

On February 19, 2015, the Board adopted an amendment to the 2013 Share Option Plan pursuant to which the Company may grant options to purchase its Ordinary Shares and RSUs to its employees, directors, consultants and contractors. The 2013 Share Option Plan expired on April 2, 2023.

b) During the year ended December 31, 2021, the Company's Board approved the grant of 782,350 RSUs to certain employees and officers of the Company. Such RSUs have vesting schedules of 2-4 years, commencing as of the date of grant.

c) During the year ended December 31, 2022, the Company's Board approved the grant of 418,733 RSUs and 4,906 options to certain employees and directors of the Company. Such RSUs have vesting schedules of 2-5 years, commencing as of the date of grant.

d) During the year ended December 31, 2023, the Company's Board approved the grant of 235,000 RSUs to certain employees and directors of the Company. Such RSUs have vesting schedules of 2-4 years, commencing as of the date of grant under the 2013 Share Option Plan.

## e) The 2023 Equity Incentive Plan:

On March 28, 2023, the Company's Board adopted a new equity incentive plan named the "2023 Equity Incentive Plan" pursuant to which the Company may grant options to purchase its Ordinary Shares and RSUs to its employees, directors, consultants and contractors. The 2023 Equity Incentive Plan expires on March 28, 2033.

f) During the year ended December 31, 2023, the Company's Board approved the grant of 963,500 RSUs to certain employees and directors of the Company. Such RSUs have vesting schedules of 2-4 years, commencing as of the date of grant under the 2023 Equity Incentive Plan.

As of December 31, 2023, the total number of shares reserved under the 2023 Equity Incentive Plan, is 1,500,000, out of which 567,500 Ordinary Shares are still available for future grants under the 2023 Equity Incentive Plan as of that date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 12: - SHAREHOLDERS' EQUITY (Cont.)

Please refer to note 15(a) for January 23, 2024 pool increase and to note 15(b) for January 30, 2024 RSU grant under the 2023 Equity Incentive Plan.

2. Stock options for the year ended December 31, 2023 under the Company's plans are as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of January 1, 2023	40,006	8.02	2.77	117
Granted	-	-		
Exercised	-	-		
Expired and forfeited	(409)	10.99		
Outstanding as of December 31, 2023	<u>39,597</u>	<u>7.98</u>	<u>1.75</u>	<u>16</u>
Vested and expected to vest at December 31, 2023	<u>39,597</u>	<u>7.98</u>	<u>1.75</u>	<u>16</u>
Exercisable as of December 31, 2023	<u>39,597</u>	<u>7.98</u>	<u>1.75</u>	<u>16</u>

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the deemed fair value of the Company's Ordinary Shares on the last day of fiscal 2023 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2023. This amount is impacted by the changes in the fair market value of the Company's Ordinary Shares.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands, except share and per share data

## NOTE 12: - SHAREHOLDERS' EQUITY (Cont.)

3. RSUs for the year ended December 31, 2023 under the Company's 2013 Share Option Plan and 2023 Equity Incentive Plan are as follows:

	Number of RSUs	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding as of January 1, 2023	780,697	1.53	\$ 8,541
Granted	1,198,500		
Vested	(568,650)		
Cancelled	(90,017)		
Outstanding as of December 31, 2023	<u>1,320,530</u>	<u>1.51</u>	<u>\$ 10,643</u>

4. The weighted average fair value of options granted during the year ended December 31, 2022 were \$4.64. No options were granted during the years ended December 31, 2021 and December 31, 2023.
5. The weighted average fair values of RSUs granted during the years ended December 31, 2023, 2022 and 2021 were \$8.43, \$11.68 and \$11.36 per share, respectively.
6. The following table summarizes the allocation of the Company's share-based compensation within the statements of operations:

	Year ended December 31,		
	2023	2022	2021
Cost of revenues	\$ 440	\$ 391	\$ 207
Research and development, net	2,690	2,503	1,368
Sales and marketing	1,819	1,386	865
General and administrative	1,168	894	916
	<u>\$ 6,117</u>	<u>\$ 5,174</u>	<u>\$ 3,356</u>

7. As of December 31, 2023, there are \$9,483 of total unrecognized costs related to non-vested share-based compensation and RSUs that are expected to be recognized over a weighted average period of 1.42 years.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 13: - SELECTED STATEMENTS OF OPERATIONS DATA**

- a. The Company applies ASC 280, "Segment Reporting". The Company operates in one reportable segment (see also Note 1 for a brief description of the Company's business).
- b. Operating segments are defined as components of an entity for which separate financial information is available and is regularly reviewed by the chief operating decision maker in making decisions regarding resource allocation and evaluating financial performance. The Company determined it operates in one reportable segment as the Company's chief operating decision maker is the CEO which makes operating decisions, assesses performance and allocates resources on a consolidated basis.
- c. The following tables present total revenues for the years ended December 31, 2023, 2022 and 2021 and long-lived assets, net as of December 31, 2023 and 2022 by geographic regions:
1. Revenues by geographic region are as follows:

	Year ended December 31,		
	2023	2022	2021
North America	\$ 31,829	\$ 22,943	\$ 21,777
Asia (*)	9,786	12,513	14,686
Latin America	1,266	2,959	1,071
EMEA (including Israel)	8,719	7,636	2,748
	<u>\$ 51,600</u>	<u>\$ 46,051</u>	<u>\$ 40,282</u>

(\*) Includes Japan which accounted for more than 10% of the Company's revenues in all years presented.

Total revenues are attributed to geographic areas are based on the location of the end-customer.

In 2023, 2022 and 2021, the amount of export revenues represented 96%, 97% and 94%, respectively, of the Company's total revenues.

2. Major customer data as a percentage of total revenues:

	Year ended December 31,		
	2023	2022	2021
	%		
A	52	49	52
B (*)	24	28	26
C	(**)	5	10
	<u>76%</u>	<u>82%</u>	<u>88%</u>

(\*) For the year ended December 31, 2023, operating both in Asia and EMEA.

(\*\*) Less than 1%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 13: - SELECTED STATEMENTS OF OPERATIONS DATA (Cont.)**

## 3. Long-lived assets by geographic areas:

	<b>Year ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Israel	\$ 1,573	\$ 2,302
United States	577	746
Other	299	419
Total long-lived assets (1)	<u>\$ 2,449</u>	<u>\$ 3,467</u>

(1) Long-lived assets are comprised of property and equipment, net and operating lease right-of use.

## c. Financial income, net:

	<b>Years ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Financial Income:			
Interest income	\$ 4,304	\$ 1,778	\$ 666
Foreign currency exchange gain	730	1,313	250
	<u>5,034</u>	<u>3,091</u>	<u>916</u>
Financial expenses:			
Bank charges	(135)	(16)	(15)
Foreign currency exchange loss	(342)	(1,059)	(547)
	<u>(477)</u>	<u>(1,075)</u>	<u>(562)</u>
	<u>\$ 4,557</u>	<u>\$ 2,016</u>	<u>\$ 354</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 13: - SELECTED STATEMENTS OF OPERATIONS DATA (Cont.)**

## d. Net loss per Ordinary Share:

The following table sets forth the computation of basic and diluted net income (loss) per Ordinary Share:

	Years ended December 31,		
	2023	2022	2021
Numerator:			
Numerator for basic net income per Ordinary Share	\$ 3,713	\$ (2,257)	\$ (5,263)
Numerator for dilutive net income (loss) per Ordinary Share	\$ 3,713	\$ (2,257)	\$ (5,263)
Denominator:			
Denominator for basic net income (loss) per Ordinary Share - weighted average number of Ordinary Shares	15,098,642	14,525,449	14,124,404
Effect of dilutive securities:			
Share-based compensation granted	199,305	-	-
Denominator for diluted net income (loss) per Ordinary Share - adjusted weighted average number of Ordinary Shares	15,297,947	14,525,449	14,124,404

**NOTE 14: - RELATED PARTY BALANCES AND TRANSACTIONS**

## a. The Company carries out transactions with related parties as detailed below.

- On May 19, 2023, Zohar Zisapel, a co-founder of the Company, a member of the Company's Board of Directors and a major shareholder, passed away. His heirs Mr. Michael Zisapel and Mrs. Klil Zisapel are substantial shareholders.
- Certain premises occupied by the Company and its U.S. subsidiary are rented from related parties in which Mr. Michael Zisapel and Mrs. Klil Zisapel holds an interest (see also Note 9). The aggregate net amounts of lease and related maintenance expenses were \$443, \$684 and \$830 in 2023, 2022 and 2021, respectively. Following the adoption of ASC 842 commencing January 1, 2019, the Company also recorded operating lease right-of use assets and operating lease liabilities related to such lease and maintenance expenses which are presented in Note 14d below. On May 19, 2023, Zisapel properties (1992) Ltd ceased being a related party to the Company.
- Mr. Michael Zisapel and Mrs. Klil Zisapel also holds an interest in and serves as director for various entities known as the RAD-BYNET Group. Certain entities within the RAD-BYNET Group provide the Company and its U.S. subsidiary with administrative and IT services. The aggregate amounts of administrative and IT services provided were \$12, \$33 and \$33 in 2023, 2022 and 2021, respectively. Such amounts expensed by the Company are disclosed in Note 14d below as part of "Expenses" and "Capital expenses".

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 14: - RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)**

4. From time to time, the Company purchases certain products and services from members of the RAD-BYNET Group. In 2023 and In 2022 and 2021, the aggregate amounts of such purchases were approximately \$17, \$44 and \$446, respectively. Such amounts expensed by the Company are disclosed in Note 14d below as part of “Expenses”.

During 2023, there was no purchasing of inventory from RAD-BYNET Group, while during 2022, the Company purchased inventory which amounted approximately \$89.

- b. The executive chairman of the Board, Ms. Rachel (Heli) Bennun (the “Executive Chairman”) was, among other things, Mr. Zisapel’s significant other until he passed away on May 19, 2023. The Executive Chairman is entitled to a fixed monthly salary. During the years ended December 31, 2023, 2022 and 2021 the Company recorded salary expenses with respect to the Executive Chairman in the amount of \$291, \$140 and \$119, respectively. Such amounts expensed by the Company are disclosed in Note 14d below as part of “Expenses”.

In 2023, 2022 and 2021, in addition to the fixed monthly salary, the Executive Chairman earned annual bonuses amounting to approximately \$233, \$106 and \$40, respectively.

- c. Balances with related parties:

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets:</b>		
Other accounts receivable and prepaid	\$ 7	\$ -
Operating lease right-of-use assets	\$ 631	\$ 2,074
<b>Liabilities:</b>		
Trade payables	\$ 5	\$ 130
Other liabilities and accrued expenses	\$ 3	\$ 127
Operating lease liabilities - current	\$ 270	\$ 839
Operating lease liabilities – non-current	\$ 358	\$ 1,270

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

U.S. dollars in thousands, except share and per share data

**NOTE 14: - RELATED PARTY BALANCES AND TRANSACTIONS (Cont.)**

d. Transactions with related parties:

	Year ended December 31,		
	2023	2022	2021
Expenses (1):			
Cost of revenues	\$ 205	\$ 213	\$ 189
Operating expenses:			
Research and development, net	\$ 249	\$ 470	\$ 1,083
Sales and marketing	\$ 119	\$ 166	\$ 194
General and administrative	\$ 545	\$ 360	\$ 212
Capital expenses	\$ -	\$ 13	\$ 29

(1) Including utilities expenses charged to the related party and reimbursed by the Company.

**NOTE 15: - SUBSEQUENT EVENTS**

- a. On January 23, 2024, the Board approved an increase in the number of Ordinary Shares reserved for issuance under the Company's 2023 Equity Incentive Plan by 1,500,000 Ordinary Shares from 1,500,000 to 3,000,000.
- b. On January 30, 2024, the Board approved the grant of 867,814 RSUs to officers and certain employees of the Company. Such RSUs have vesting schedules of 2-4 years, commencing as of the date of grant.
- c. On February 13, 2024, the Company's former Chief Executive Officer retired from his position and was replaced by a new Chief Executive Officer who was appointed by the Board to commence on February 14, 2024.

## ITEM 19. EXHIBITS

The exhibits filed with or incorporated into this Annual Report are listed below.

<u>Exhibit No.</u>	<u>Description</u>
1.1	Memorandum of Association, as amended (incorporated herein by reference to the (i) Registration Statement on Form F-1 of RADCOM Ltd. (File No. 333-05022), filed with the SEC on June 12, 1996, (ii) <a href="#">Form 6-K</a> of RADCOM Ltd., filed with the SEC on April 1, 2008 and (iii) <a href="#">Exhibit 99.2</a> to Form 6-K of RADCOM Ltd., filed with the SEC on November 23, 2015).
1.2	<a href="#">Amended and Restated Articles of Association, as amended (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2016, filed with the SEC on March 30, 2017).</a>
2.1	<a href="#">Form of ordinary share certificate (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2012, filed with the SEC on April 22, 2013).</a>
2.2	<a href="#">Description of rights of the Company's Ordinary Shares (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2019, filed with the SEC on March 31, 2020).</a>
4.1	<a href="#">2013 Share Option Plan, as amended (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2014, filed with the SEC on March 26, 2015).</a>
4.2	<a href="#">RADCOM Compensation Policy for Executive Officers and Directors, approved on July 21, 2022, as amended and restated on August 3, 2023 (incorporated herein by reference to the Form 6-K of RADCOM Ltd., filed with the SEC on June 29, 2023).</a>
4.3	<a href="#">Software and Professional Services Agreement, dated March 29, 2019, by and between AT&amp;T Services, Inc. and the Company (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2018, filed with the SEC on April 18, 2019). *</a>
4.4	<a href="#">Supplement Agreement, dated March 29, 2019, by and between AT&amp;T Services, Inc. and the Company (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2018, filed with the SEC on April 18, 2019). *</a>
4.5	<a href="#">Supplemental Support &amp; Maintenance Agreement, dated March 29, 2019, by and between AT&amp;T Services, Inc. and the Company (incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2018, filed with the SEC on April 18, 2019). *</a>

- 4.6 [Master Software and Professional Services Agreement, dated May 21, 2019, by and between Rakuten Mobile, Inc. and the Company \(incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2019, filed with the SEC on March 31, 2020\).](#)\*
- 4.7 [Rakuten Managed Services Agreement, dated May 22, 2019, by and between Rakuten Mobile, Inc. and the Company \(incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2019, filed with the SEC on March 31, 2020\).](#)\*
- 4.8 [Rakuten 5G NSA/SA Managed Services Agreement, dated October 23, 2019, by and between Rakuten Mobile, Inc. and the Company \(incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2020, filed with the SEC on March 25, 2021\).](#)\*
- 4.9 [RADCOM 2023 Equity Incentive Plan \(incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2022, filed with the SEC on March 30, 2023\).](#)
- 4.10 [Form of Indemnification Agreement \(incorporated herein by reference to Appendix A to the Form 6-K of RADCOM Ltd., filed with the SEC on August 10, 2011\).](#)
- 8.1 [List of Subsidiaries \(incorporated herein by reference to the Form 20-F of RADCOM Ltd. for the fiscal year ended December 31, 2022, filed with the SEC on March 30, 2023\).](#)
- 12.1 [Certification of the Chief Executive Officer pursuant to Rule 13a-14\(a\) \(filed herewith\).](#)
- 12.2 [Certification of the Chief Financial Officer pursuant to Rule 13a-14\(a\) \(filed herewith\).](#)
- 13.1 [Certification of the Chief Executive Officer pursuant to Rule 13a-14\(b\) \(furnished herewith\).](#)
- 13.2 [Certification of the Chief Financial Officer pursuant to Rule 13a-14\(b\) \(furnished herewith\).](#)
- 15.1 [Consent of Kost Forer Gabbay & Kasierer, a member of Ernst and Young Global, dated April 2, 2024 \(filed herewith\).](#)
- 97.1 [Clawback Policy \(filed herewith\).](#)
- 101 The following financial information from RADCOM Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2023 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021; (ii) Consolidated Statement of Comprehensive Income (Loss) for the years ended December 31, 2023, 2022 and 2021 (iii) Consolidated Balance Sheets at December 31, 2023 and 2022; (iv) Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2023, 2022 and 2021; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021; and (vi) Notes to Consolidated Financial Statements (filed herewith).
- 104 Cover Page Interactive Data File. (Formatted as Inline XBRL and contained in Exhibit 101).

\* Certain identified information in the exhibit has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to RADCOM if publicly disclosed.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

RADCOM LTD.

By: /s/ Hadar Rahav

Name: Hadar Rahav

Title: Chief Financial Officer

Date: April 2, 2024



**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Guy Shemesh, certify that:

1. I have reviewed this annual report on Form 20-F of RADCOM Ltd. for the year ended on December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 2, 2024

/s/ Guy Shemesh  
\_\_\_\_\_  
Guy Shemesh  
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Hadar Rahav, certify that:

1. I have reviewed this annual report on Form 20-F of RADCOM Ltd. for the year ended on December 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 2, 2024

/s/ Hadar Rahav

Hadar Rahav

Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of RADCOM Ltd. (the “Company”) for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Guy Shemesh, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2024

/s/ Guy Shemesh  
\_\_\_\_\_  
Guy Shemesh  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of RADCOM Ltd. (the “Company”) for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Hadar Rahav, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 2, 2024

/s/ Hadar Rahav

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Hadar Rahav  
Chief Financial Officer

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-190207) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (2) Registration Statement (Form S-8 No. 333-195465) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (3) Registration Statement (Form S-8 No. 333-203087) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (4) Registration Statement (Form S-8 No. 333-211628) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (5) Registration Statement (Form S-8 No. 333-215591) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (6) Registration Statement (Form S-8 No. 333-260997) pertaining to the 2013 Share Option Plan of Radcom Ltd.,
- (7) Registration Statement (Form S-8 No. 333-270983) pertaining to the 2023 Equity Incentive Plan of Radcom Ltd., and
- (8) Registration Statement (Form S-8 No. 333-276692) pertaining to the 2023 Equity Incentive Plan of Radcom Ltd.;

of our reports dated April 2, 2024, with respect to the consolidated financial statements of RADCOM Ltd. and the effectiveness of internal control over financial reporting of RADCOM Ltd. included in this Annual Report (Form 20-F) of RADCOM Ltd. for the year ended December 31, 2023.

/s/ KOST FORER GABBAY & KASIERER

Tel-Aviv, Israel  
April 2, 2024

KOST FORER GABBAY & KASIERER  
A Member of Ernst & Young Global

## RADCOM LTD. (the "Company")

## CLAWBACK POLICY

**Background**

The Board of Directors of the Company (the "**Board**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy, which provides for the recoupment (or clawback) of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws of the United States (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 promulgated under the Exchange Act ("**Rule 10D-1**") and the listing standards of the Nasdaq Stock Market ("**Nasdaq**") under Nasdaq Listing Rule 5608. In addition, this Policy is designed to comply with the requirements under the Israeli Companies Law 5759-1999 (the "**Companies Law**") with respect to clawback provisions to be included in the Company's Compensation Policy, as may be amended from time to time.

**Administration**

This Policy shall be administered by the Board. Any determinations made by the Board shall be final and binding on all affected individuals. Subject to any limitation under applicable law, the Board may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (the "**Authorized Officers**") (other than with respect to any recovery under this Policy involving such officer or employee).

**Covered Persons**

This Policy applies to the Company's current and former executive officers, as disclosed or required to be disclosed in the Company's Annual Reports on Form 20-F and determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the Nasdaq ("**Covered Persons**"). To the extent that the Company has an Executive Chairman, then such person shall also be deemed a Covered Person. In addition, to the extent required under Israeli law, the other directors shall also be deemed to be Covered Persons.

## **Recoupment; Accounting Restatement**

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Board will require prompt reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Person during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement; provided, however, that this Policy will only apply to Incentive Compensation received on or after October 2, 2023. For example, if the Company determines during fiscal year 2025 that it is required to prepare such a restatement, the Board will require prompt reimbursement or forfeiture of the excess Incentive Compensation, if any, received by Covered Persons during fiscal years 2023 (if received on or after October 1) and 2024. For the sake of clarity, recoupment is required in the event of any restatement that either: (a) corrects an error in previously issued financial statements that is material to the previously issued financial statements; or (b) corrects an error not material to previously issued financial statements, but that would result in a material misstatement if (i) the error was left uncorrected in the then current period; or (ii) the error correction was recognized in the then current period. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed. For purposes of determining the relevant recovery period, the date that the Company is required to prepare an accounting restatement as described above is the earlier to occur of: (A) the date the Board, a committee of the Board, the Authorized Officers or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described above; or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described above. In accordance with Nasdaq Rule 5608(e), this Policy is applicable to Incentive Compensation (as described below) received on or after October 2, 2023.

## **Incentive Compensation**

For purposes of this Policy, "Incentive Compensation" means any of the following, provided that such compensation is granted, earned or vested based wholly or in part on the attainment of a financial reporting measure affected by the restated financial statements:

- Annual bonuses and other short- and long-term cash incentives.
- Share options.
- Share appreciation rights.
- Restricted shares.
- Restricted share units.
- Performance shares.
- Performance units.

Financial reporting measures are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Share price and total shareholder return are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission. The Company's financial reporting measures may include, but are not limited to, the following:

- Company share price.
- Total shareholder return.
- Revenues.

- Net income.
- Earnings before interest, taxes, depreciation and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital, operating cash flow or Free Cash Flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

This Policy applies to all Incentive Compensation received by a Covered Person:

- After beginning service to the Company;
- Who served as an executive officer or employee at any time during the performance period for that Incentive Compensation;
- While the Company has a class of securities listed on a national securities exchange or a national securities association; and
- During the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described in this Policy. In addition to these last three completed fiscal years, this Policy applies to any transition period (that results from a change in the Company's fiscal year), as required by any applicable law or regulation, including Nasdaq Listing Rules.

Incentive Compensation is deemed received in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

**Excess Incentive Compensation: Amount Subject to Recovery**

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Person based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Person had it been based on the restated results, as determined by the Board, and without regard to any taxes paid by or withheld from the Covered Person. If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Person directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement. For Incentive Compensation based on share price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount will be based on a reasonable estimate of the effect of the accounting restatement on the share price or total shareholder return upon which the Incentive Compensation was received. In such case, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

**Method of Recoupment**

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- Requiring reimbursement of cash Incentive Compensation previously paid;
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- Offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Person in accordance with applicable law;



- Cancelling outstanding vested or unvested equity awards; and/or
- Taking any other remedial and recovery action permitted by law, as determined by the Board.

### **No Indemnification**

The Company shall not indemnify any Covered Persons against the loss of any Incentive Compensation recovered under this Policy or from any consequence arising therefrom.

### **Interpretation**

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1, any applicable rules or standards adopted by the Securities and Exchange Commission or Nasdaq and the Companies Law.

### **Effective Date**

This Policy shall be effective as of the date it is adopted by the Board (the “**Effective Date**”) and, in accordance with Nasdaq Rule 5608(e), shall apply to Incentive Compensation that is received by Covered Persons on or after October 2, 2023.

### **Amendment; Termination**

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by Nasdaq. The Board may terminate this Policy at any time.

### **Other Recoupment Rights**

The Board intends that this Policy will be applied to the fullest extent of applicable law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into or amended on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Person to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of: (a) any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement or similar agreement and any other legal remedies available to the Company, including termination of employment or institution of legal proceedings; and (b) any statutory recoupment requirement, including Section 304 of the Sarbanes-Oxley Act of 2002. For the avoidance of doubt, any amounts paid to the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 shall be considered (and may be credited) in determining any amounts recovered under this Policy.

### **Impracticability**

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined in accordance with Rule 10D-1(b)(1)(iv) under the Exchange Act and the listing standards of Nasdaq. In order for the Company to determine that recovery would be impracticable, a majority of the Company's independent directors must conclude the following:

- a) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered after making a reasonable attempt to recover such Incentive Compensation. Note that the attempt(s) to recover must be documented by the Company and such documentation provided to Nasdaq;
- b) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Note that the Company must obtain a legal opinion of home country counsel that such recovery would result in a violation of local law and provide such opinion to Nasdaq; or
- c) Recovery would likely cause an otherwise tax-qualified retirement plan under which benefits are broadly available to Company employees to fail to meet the requirements for qualified pension, profit-sharing and share bonus plans under Section 401(a)(13) of the U.S. Internal Revenue Code or the minimum vesting standards under Section 411(a) of the U.S. Internal Revenue Code.

### **Successors**

This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

### **Exhibit Filing**

A copy of this Policy shall be filed as an exhibit to the Company's annual report on Form 20-F.

**ATTESTATION AND ACKNOWLEDGEMENT OF CLAWBACK POLICY FOR RADCOM LTD. (the "Company")**

By my signature below, I acknowledge and agree that:

- I have received and read the attached Clawback Policy (the "Policy") of the Company.
- I hereby agree to abide by all of the terms of the Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any incorrectly awarded Incentive Compensation to the Company as determined in accordance with the Policy.
- I hereby waive any claim against the Company, its Authorized Officers and the Board in connection with the implementation of the Policy.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_