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

**Veidan Conference Coordinator**

Ladies and gentlemen, thank you for standing by. Welcome to the **RADCOM Limited Results Conference Call for the Second Quarter of 2024.**

All participants are present in a listen-only mode. Following management's formal presentation, instructions will be given for the question-and-answer session. For operator assistance during the conference, please press star zero.

As a reminder, this conference is being recorded and will be available for replay on the Company's website at [www.radcom.com](http://www.radcom.com) later today. On the call are **Hilik Itman, RADCOM's Interim CEO, and Hadar Rahav, RADCOM's CFO.**

Please note that management has prepared a presentation for your reference that will be used during the call. If you have not downloaded it yet, you may do so through the link in the investors section of RADCOM's website at [www.radcom.com/investor-relations](http://www.radcom.com/investor-relations).

Before we begin, I would like to review the safe harbor provision.

Forward-looking statements in the conference call involve several risks and uncertainties, including, but not limited to, the Company's statements about 5G and launches, demand for the Company's products and services, sales opportunities, sales cycles, and pipeline, momentum, maintaining and increasing profitability and growth, its ability to provide value to customers and shareholders, the Company's expected growth, its expectations with respect to

expenses and headcount, as well as grants from the Israel Innovation Authority, the Company's expectations with respect to its relationships with its customers, the potential of the Company's long term vision and the use of artificial intelligence in its products, levels of gross margin, the Company's revenue guidance, and the search for a permanent chief executive officer. The Company does not undertake to update forward-looking statements.

The full safe harbor provisions, including risks that could cause actual results to differ from these forward-looking statements, are outlined in the presentation and the Company's SEC filings.

In this conference call, management will refer to certain non-GAAP financial measures, which are provided to enhance the user's overall understanding of the Company's financial performance. By excluding certain non-cash stock-based compensation expenses, non-GAAP results provide information helpful in assessing RADCOM's core operating performance and evaluating and comparing the results of operations consistently from period to period.

The presentation of this additional information is not meant to be considered a substitute for the corresponding financial measures prepared in accordance with generally accepted accounting principles. Investors are encouraged to review the reconciliations of GAAP to non-GAAP financial measures included in the quarter's earnings release, available on our website.

Now, I would like to turn over the call to Hilik. Please go ahead. Now, I would like to turn over the call to **Hilik**. Please go ahead.

### **Management's Formal Presentation**

## **CEO – Hilik Itman**

Thanks, operator. Good morning, everyone, and thank you for joining us for our second-quarter 2024 earnings call.

Before diving into our results, I want to provide an update on the CEO search process.

The board has engaged a top executive recruitment firm and established a committee to appoint the next CEO. Significant progress has been made, and the committee is now in the advanced stages of candidate selection.

The committee has evaluated candidates from Israel and abroad, particularly the US, who has the necessary leadership qualities, and experience to drive RADCOM's next phase of growth and success.

I have full confidence in the board's ability to appoint the right candidate. Hopefully, this process will be finalized soon.

As the company's COO, I'll continue focusing on R&D, product innovation, and customer success when a permanent CEO has been appointed. Then, I will be able to invest more time in driving innovation and taking the company to the next level of our growth journey alongside the new CEO.

Now, turning to the results.

I'm excited to share our strong performance and execution in this quarter. Our results highlight the benefits of our customers' trust and our ability to deliver value through our carrier-grade and innovative solutions. We achieved solid growth momentum in both our top and bottom lines.

We reached record quarterly revenues of 14.8 (fourteen point eight) million dollars, up 20% (twenty percent) from the second quarter of 2023. We generated a positive cash flow, hitting a new record of 86.1 (eighty-six point one) million dollars in cash, cash equivalents, and bank deposits. We achieved record half-year revenue and profitability for the first six months of 2024.

Since the start of the year, we have secured over \$50 million in new contracts, including several seven-digit contracts across various geographic markets, while maintaining significant recurring revenues. This shows the demand for our leading solutions and boosts our revenues as operators transition to 5G.

Our entire organization remains committed to delivering profitable growth, increasing our market share, and driving ongoing technology innovation as we look to provide long-term value to our customers and shareholders.

Turning to the telecom market.

### **Market opportunities**

Customer interest and sales activities are noticeably increasing in the US and other regions. This upturn is evident in the number of opportunities our teams are currently pursuing and the 5G tenders issued by operators.

As the interim CEO, my primary focus is driving existing sales activities. In this role, I provide executive-level support for our sales efforts and spearhead future innovations.

The heightened interest in automated assurance and intelligent analytics results from several key factors.

First, most US operators are progressing in their transition to 5G standalone networks, requiring the adoption of cloud-based automated assurance and intelligent analytics solutions.

Additionally, as legacy assurance systems age or reach the end of life, operators must replace outdated equipment as part of the natural upgrade cycle.

Further, some competitors have not developed a cloud-native automated assurance and intelligent analytics solution, which requires significant R&D investment—an investment that RADCOM has made.

This process leads operators to conduct thorough due diligence, evaluating the available options in the market to identify new best-in-class automated assurance and intelligent analytics solutions.

Given these market factors, we see significant opportunities to increase our market share in the US and other regions, driving sustainable and continued growth while delivering more value to our shareholders.

Turning to the cloud

## **Cloud**

Adopting a cloud architecture is part of operators' transition to more efficient and dynamic software-centric network operations. We continue to see increasing cloud adoption, with operators replacing legacy with modern cloud-based networks. Our solution helps operators manage this transition efficiently and with a customer-centric focus by gathering all the analytics across the cloud networks.

In previous calls, we mentioned the importance of generative artificial intelligence (GenAI) and that all the leading public cloud providers or hyperscalers are emerging as having a pivotal role in the Gen-AI ecosystem. During the second quarter, we announced that RADCOM NetTalk™, our generative artificial intelligence (AI) application, was now available on Amazon Web Services (AWS).

Although GenAI is in the innovation stage, customers see our innovation and thought leadership in this space, which can be a door opener that leads to sales opportunities.

As demonstrated in our support for GenAI on AWS and the contract win to offer our solution as SaaS in the US, we continue engaging with operators and the cloud-based ecosystem.

As a reminder, we offer potential customers integration with all three leading public cloud providers, Amazon Web Services, Microsoft Azure, and Google Cloud, and we believe our integration into cloud providers will help generate additional opportunities.

## **Turning to the pipeline**

### **Pipeline**

We see positive market momentum that can drive growth, increase sales engagements, and lead to additional multi-year contracts.

The more robust demand for cloud-based automated assurance and intelligent analytics technology is reflected in our increased pipeline as we engage with multiple prospects across various sales cycle stages. While these sales processes can take time and are unpredictable, we believe our solutions align with operators' needs, deliver unique value, and address critical network challenges. This sets the stage for future business growth.

In today's telecom macroeconomic landscape, operators seek solutions that help them reduce significant costs while ensuring a seamless transition to 5G cloud network infrastructure and technologies. These are essential use cases for assurance and network analytics.

This presents a significant opportunity for RADCOM, and we believe our position as an innovative automated assurance and intelligent analytics provider will continue to drive positive returns.

Turning to our installed-base

### **Customers**

AT&T and DISH remain key strategic customers, and we believe our business with these operators will remain strong. We continue to provide software enhancements and new releases to help them manage their networks.

In the second quarter, we were selected to provide a SaaS Service Assurance Solution on AWS in the US for an existing customer.

Deploying RADCOM ACE on AWS will enable this operator to achieve high levels of automation and flexibility when using their automated assurance and intelligent analytics solution to gain real-time insights and analytics into the network. This allows the operator to adapt quickly to network capacity changes, ensuring excellent customer experiences and delivering top-quality services.

We also announced that our collaboration with Rakuten Mobile in Japan has been extended due to our strong long-term performance and support. So, business with Rakuten Mobile remains robust following the renewal of our multi-year contract.

We have achieved high satisfaction levels within our install base by offering a robust and innovative product and focusing on customer requirements and needs, driving growth and recurring revenue.

### **Sales and marketing**

We continue to invest in sales and marketing to capitalize on the rising demand for our solutions. We have expanded our sales team to seize these opportunities by recognizing significant growth potential in our pipeline.

We expanded our sales channels during the quarter, particularly in Europe and South America, by strengthening our partnerships with local agencies and distributors. This approach allows us to address potential sales activities and effectively meet growing demand. Our combined indirect and direct sales teams ensure an increased presence on the ground from a sales perspective.

We are also actively participating in numerous industry events worldwide, where the sales team's engagement creates interest in our automated and intelligent analytics. Our executive team frequently speaks at these events, further enhancing interest in our solutions and solidifying our thought leadership in the 5G assurance and analytics space.

These interactions have led to many promising discussions, including significant interest in our new generative AI applications, which could translate into future sales opportunities.

## **Product**

We believe we have a differentiated solution aligned with key market trends and are well-positioned to address telecom operators' needs. We continue to enhance our software with additional automation, intelligence, and AI-based capabilities to add value and expand our customer use cases.

We announced Generative AI Application Support for Amazon Web Services so operators can roll out new services fast on AWS while improving operational efficiencies using RADCOM ACE enhanced by generative AI.

RADCOM is a company with many years of expertise in the telco space. We know how to analyze data and deliver valuable insights to telecom operators. So, we approach all our product innovation from this unique perspective, starting from a foundation of good data and telco-domain knowledge.

We will continue creating value for our customers and shareholders by building upon our strategic position as the leading automated assurance and intelligent analytics platform for 5G and the cloud. Innovative technologies empower our solutions through significant product investments made over the years.

We continue investing in R&D because we believe it is a crucial enabler for future business. We serve as the operators' smart co-pilot to help navigate 5G network complexity. This means continually evolving

our automated assurance and intelligent analytics solution, adding new AI-powered capabilities and use cases to maintain our 5G assurance leadership.

I am excited to announce that the company received industry recognition. We were recently named a finalist for a 2024 Leading Lights award. This telecom-focused program recognizes the industry's top companies' achievements in next-generation communications technology and innovation during the year.

To summarize.

Our strong results demonstrate that our team is executing effectively. Our performance in the second quarter and consistent achievements across multiple quarters position us for a successful 2024.

Our business strategy yields positive outcomes, as evidenced by our profitable growth and consistent positive cash flow. Our momentum remains strong, and we believe the best is yet to come as we aim to elevate the company's evolution and enhance shareholder value.

We are experiencing increasing demand for our innovative assurance and analytics solutions across multiple regions. This growing interest is evident in our expanding sales pipeline, which has the potential to drive further growth.

Our R&D team is continuously innovating and supporting our customers' needs.

Therefore, we remain confident we can deliver a fifth consecutive year of revenue growth and increased profitability. This gives us the confidence to raise our 2024 revenue guidance to a range of \$58 to \$61 million.

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

**Hadar Rahav – CFO**

Thank you, Hilik, and everyone, for joining us today. Now, let's turn to the results.



While the slides contain GAAP and non-GAAP results to review our financial performance, I will mainly refer to non-GAAP numbers, excluding stock-based compensation, acquisition-related expenses, and amortization of intangible assets related to acquisitions.

As noted earlier in the call, since the beginning of the year, we have secured over \$50 million in new contracts, including several seven-digit contracts across various geographic markets. Most of these revenues will be recognized in 2025 and beyond. This influx of contracts underscores the robust demand for our leading solutions and positions us well to capitalize on the industry's transition to 5G, significantly boosting our revenues.

Now, please turn to Slide 5 for our financial highlights.

Second-quarter revenue grew by 20% (twenty percent), reaching a new record of 14.8 (fourteen point eight) million dollars. Our positive start to the year is driven by strong team execution, which has led to good financial performance, revenue and profitable growth, and measurable improvements to our bottom line.

Non-GAAP net income for the second quarter was 3.1 (three point one) million dollars, and the non-GAAP net margin was 21% (twenty one percent), which grew by 4% (four percent) compared to the second quarter of 2023.

GAAP net income for the second quarter doubled to 1.7 (one point seven) million dollars, and EPS was up by 120% (a hundred and twenty percent) compared to the second quarter of 2023.

Our gross margin on a non-GAAP basis in the second quarter of 2024 grew to 75% (seventy-five percent). Note that our gross margin can vary slightly from quarter to quarter, depending on the revenue mix. We expect that the third quarter will remain at a similar level.

Regarding R&D investment, the company's strategy is to continue investing at a similar level as in 2023 to enhance our RADCOM ACE solution, increase our 5G capabilities, expand our AI-driven insights, and seamlessly integrate our solution into the cloud.

Our investment in research and development is vital to extending our technological leadership. This is a key enabler for our future business. We believe that R&D as a percentage of revenue will decrease along with revenue increase.

On a non-GAAP basis, our gross R&D expenses for the second quarter of 2024 were 4.1 (four point one) million dollars.

Excluding any impact from exchange rates, we expect that our R&D expenses will remain similar in the next quarter.

During the quarter, we received a grant of 180 (one hundred and eighty) thousand dollars from the Israel Innovation Authority, the same as in 2023. We expect the Israel Innovation Authority grant to remain at a similar level in the third quarter.

As Hilik mentioned, the transition to 5G presents attractive growth opportunities. We are excited about this potential and will continue to invest incrementally in sales and marketing, mainly by expanding the global sales team.

Additionally, in the last quarter, we expanded our sales channels by partnering with new local agents and distributors, allowing us to capture more opportunities.

In the second quarter of 2024, sales and marketing expenses reached 3.8 (three point eight) million dollars on a non-GAAP basis, an increase of 27% (twenty-seven percent) compared to the second quarter of 2023.

In the following quarters, we expect a gradual increase in sales and marketing expenses to support an increasing pipeline of opportunities.

G&A expenses for the second quarter of 2024 were 1.2 (one point two) million dollars on a non-GAAP basis, an increase of 230 (two hundred and thirty) thousand dollars from the second quarter of 2023. This increase was mainly due to special expenses incurred for the CEO search.

Turning to the company's profitability

Due to higher revenues and careful expense management, operating profit on a non-GAAP basis reached 2.3 (two point three) million dollars, growing by 170% (one hundred and seventy) or 1.4 (one point four) million dollars from the second quarter of 2023.

Our non-GAAP operating margin was 15.4%, doubling our operating margin in the second quarter of 2023.

Net income on a non-GAAP basis was 3.1 (three point one) million dollars, growing approximately 50% by more than 1 million dollars compared to the second quarter of 2023.

Diluted EPS for the quarter was 0.20 (twenty cents), growing 0.07 (seven cents) from the second quarter of 2023.

As shown in Slide 7, our GAAP net income for the second quarter of 2024 was 1.7 (one point seven) million dollars.

Diluted EPS was 0.11 (eleven cents), growing 0.06 (six cents) from the second quarter of 2023.

Turning to the balance sheet.

As shown on Slide 11, we continued generating cash and ended the second quarter with 86.1 (eighty-six point one) million dollars in cash, cash equivalents, and short-term bank deposits.

Our headcount was 307 (three hundred and seven) at the end of the second quarter of 2024. We expect our headcount to remain similar in the third quarter.

That ends our prepared remarks. I will now turn the call back to the operator for your questions.

**OPERATOR / Q&A:**

Thank you. Ladies and Gentlemen, at this time, we will begin the question and answer session. If you have a question, please press \* 1. If you wish to cancel your request, please press \* 2.

If you are using speaker equipment, kindly lift the handset before pressing the numbers.

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

Please stand by while we poll for your questions.

The first question is from.....of..... please go ahead.

[I repeat, if you have a question, please press \* 1.]

If there are any additional questions, please press \* 1. If you wish to cancel your request, please press \*2.

Please stand by while we poll for more questions.

The next question is from..... of ..... please go ahead.

There are no further questions at this time.

This concludes the **Radcom Ltd. Second Quarter 2024 results** conference call.

Thank you for your participation. You may go ahead and disconnect.