



***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 third 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 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.

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

This conference call will contain forward-looking statements. Forward-looking statements in the conference call involve several risks and uncertainties, including, but not limited to, the Company's statements about the 5G market and industry trends, sales opportunities, sales cycles, and pipeline, the Company's market position, cash position, potential and expected growth, profitability, and shareholder value, its expectations with respect to research and development and sales and marketing expenses, headcount and gross margins, as well as grants from the Israel Innovation Authority, the Company's expectations with respect to its relationships with AT&T, DISH, and Rakuten, its expectation to continue enhancing its software

solutions and demand for its solutions, deployment of its 5G solutions in multiple cloud environments and the potential benefits to its clients and ability to meet the needs of the market and increase market share, the use of artificial intelligence in its products, potential mergers and acquisitions and its revenue guidance. The Company does not undertake to update forward-looking statements.

The full safe harbor provisions, including risks that could cause actual results to differ from these forward-looking statements, are outlined in today's press release 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, financial income (expenses), acquisition-related expenses, and amortization of intangible assets related to acquisitions, non-GAAP results provide information helpful in assessing RADCOM's core operating performance and evaluating and comparing the results of operations consistently from period to period.

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

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

Hilik Itman – CEO

Thanks operator, good morning, everyone and thank you for joining us for our third quarter 2024 earnings call.

Before discussing the third quarter results, I'm excited to welcome Benny on board as a new CEO on December 1st, as you have probably seen in our earlier announcement.

Having gotten to know him, I'm confident that he is the right leader for RADCOM and will excel in his role as our CEO.

As a seasoned telecom industry veteran with a great record and over 20 years of sales experience with top-tier operators across North America and Japan, I'm sure we will successfully lead the company toward its future success.

Benny's residency in the US, where many of our key customers are located, combined with his sales expertise in sales into operators like Sprint, T-Mobile and Softbank Mobile, positions him well to drive the company's success into 2025 and beyond.

His strong C-level relationship will be invaluable while his cultural understanding of North American and Japanese markets and his experience in managing large organizations and substantial sales will significantly contribute to our growth strategy.

With Benny starting his role as CEO, I will resume my previous role as a Chief Operating Officer.

Focusing more on product development, continue leading R&D, participating in sales processes and ensuring customer satisfaction.

My goal is to focus on product innovations that drive the company's success, align with key market trends, address our customers' needs and partner with Benny to ensure RADCOM's continued growth.

Now, let me turn to the results.

We achieved record quarterly revenues of \$15.8 million and I'm grateful to the RADCOM team for their unwavering dedication and exceptional execution as we propelled the company to new heights by delivering innovative products that meet customer requirements and needs.

During the last quarter, we secured a seven-figure multi-year contract with the North American operator for our Advanced Mobility Experience Analytics.

RADCOM secured this contract after a competitive multi-vendor tender process, during which the operator assessed various vendors' run capabilities.

Our success was fueled by the synergy between our innovative assurance technology and the advanced analytics capabilities from the continual acquisition, which we have seamlessly integrated into our core technology, turning to the telecom market.

From sales processes and interactions with customers, I see that operators are continuing to invest in their networks and advancing their 5G deployments, including 5G standalone.

There is a wide customer interest and sales activity for our enhanced RADCOM ACE platform across multiple regions, both among new customers and within our existing install base.

The transition to 5G standalone has presented challenges, particularly for operators lacking the necessary skills and knowledge for cloud migration.

However, we are witnessing increased maturity with more operators, especially in North America and Europe, moving towards 5G standalone solutions.

I am confident that our position as the leading provider of best-in-class cloud-based assurance for 5G will continue to generate positive returns.

We see sales opportunities that can lead to additional multi-year contract and increased revenue.

Demand for our cloud-based automated assurance and built-in AI capabilities are strong and reflected in our healthy pipeline.

Customer feedback is positive as we engage with multiple prospects across various sales cycle stages.

While these sales processes can be time-consuming and unpredictable, I believe we are well aligned with operators' needs, helping to address our customers' requirements.

By delivering unique value and tackling critical network challenges, we are setting the stage for future business growth.

With conversations with customers, I see that in today's telecom landscape, operators seek solutions that reduce costs, drive efficiencies, and allow them to operate with linear teams.

We have invested in AI that enables operators to achieve these cost-efficiency goals, answering key market requirements and creating opportunities for us to monetize our investments.

By leveraging AI capabilities, we enable operators to identify network issues more rapidly and with less manual intervention.

Operators are asking for more automated, intelligent solutions driven by AI technology.

Turning to our install base, AT&T and DISH remain key strategic customers, and we believe our business with these operators will remain strong.

We know our customer requirements and are attuned to their needs, and we continue to provide new software releases to help them manage their network.

In the second quarter, we announced the extension of our close partnership with Rakuten Mobile in Japan.

This extension is a statement to the innovative solutions we offer and underscore how we assist the operator in maintaining service quality and driving efficient network operations.

Recently, Rakuten Mobile announced that it had reached a milestone of 8 million subscribers in just four and a half years since its full-scale launch as a mobile network operator.

We are excited about this milestone and are pleased to contribute to their success by helping them manage their network efficiently and ensuring high-quality services.

We achieve high satisfaction level within our install base by delivering innovative products that meet customer requirements and needs.

This approach drives growth and recurring revenue.

We remain committed to ensuring customer satisfaction and continuously enhancing our offering to address the evolving needs of our customers.

The focus on innovation is ingrained in RADCOM's DNA and our many years of telecom expertise coupled with the application of our RADCOM ACE platform to telecom operators has enabled us to deliver continued revenue growth and improve our profitability KPIs.

We understand the operators' pain points and know how to help them, which is how we approach AI and how we leverage this technology to benefit our customers.

GenAI technology continues to evolve and is increasingly used for customer service and support to understand customer experience and intent.

RADCOM can provide operators with real value in this area by offering critical insight into customer experience and the network's impact.

During the quarter, we released several product announcements aligned with key 5G technology trends that help address our customers' needs.

We announced that a North American operator has selected RADCOM to provide its leading radio access network analysis solution.

This includes sophisticated analysis that empowers hundreds of engineers to deliver a superior 5G voice experience by providing precise real-time insights into the network's performance.

Our solution also integrates with the operator's service management system to help their teams prioritize and resolve issues more efficiently, significantly reducing workload, cutting costs, and enhancing customer satisfaction.

In the quarter, we were recognized in the Best AI/ML Innovation category for a Global Connectivity Award that showcases companies for outstanding achievements and innovations within the telecom sector.

To summarize, we have made significant progress in expanding our business and are confident in our ability to continue our growth journey and increase market share by leveraging our healthy sales pipeline.

Our best-in-class 5G assurance platform, integrated with advanced AI capabilities, positions us well to meet the evolving needs of customers in the 5G market.

We remain confident in achieving a fifth consecutive year of revenue growth and increased profitability.

This confidence enabled us to raise our 2024 revenue guidance to \$59-62 million.

With the appointment of our new CEO Benny Epstein, I look forward to partnering with him to accelerate revenue growth, enhance profitability, and increase shareholders' value into 2025.

My focus will be on driving product innovations that fuel the company's success, aligning with the market trends and customer requirements.

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 that Hilik has taken you through a few of the third-quarter highlights let me take you through some financial details.

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 Hilik mentioned, the successful acquisition of Continual in May 2023, enabled us to secure a seven-figure, multi-year contract this quarter with a North American operator.

This acquisition has been successful as we integrated Continual's core technology to enhance our solution portfolio, and assimilated the teams into the company, contributing to our revenues and helping generate pipeline opportunities for RADCOM.

Just as the incorporation of GenAI into our solutions has done, integrating Continual's technology opens new sales opportunities for our RADCOM ACE platform. Customers often are initially drawn to our innovations and subsequently appreciate the comprehensive value our offerings provide.

Looking ahead to future mergers and acquisitions, the acquisition of Continual has reinforced our confidence in executing additional transactions. We have been open to pursuing further acquisitions for several years, and we continue to seek opportunities that expand our solution portfolio, enhance customer value, and deliver greater returns to our shareholders.

With adequate cash reserves at our disposal, we are ready to act on promising opportunities. However, we will adopt a measured and strategic approach to ensure alignment and value creation.

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

Third-quarter revenue grew by 20% (twenty percent), reaching a new record of 15.8 (fifteen point eight) million dollars.

Non-GAAP net income for the third quarter was 3.7 (three point seven) million dollars, and the non-GAAP net margin was 24% (twenty-four percent), which grew by 6% (six percent) compared to the third quarter of 2023.

GAAP net income was \$2.3 million, up from a net loss of \$0.3 million compared to the third quarter of 2023.

In the third quarter of 2024, our non-GAAP gross margin was 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 fourth quarter will remain at a similar level.

On a non-GAAP basis, our gross R&D expenses for the third quarter of 2024 were 4.2 (four point two) million dollars, with no significant change from the third quarter of 2023.

In the fourth quarter, as we support the increasing revenue from top-tier operators we expect a gradual increase of R&D expenses as we continue investing in our innovative solutions with AI and automation, ensuring customer satisfaction as we enhance our offerings to address the evolving needs of our customers.

During the quarter, we received a grant of 182 (one hundred and eighty-two) thousand dollars from the Israel Innovation Authority, which increased by 75% compared to the third quarter of 2023. We expect the grant to be approximately 100 (one hundred) thousand dollars in the fourth quarter.

In the third quarter of 2024, sales and marketing expenses reached 4 (four) million dollars on a non-GAAP basis, an increase of 19% (nineteen percent) compared to the third 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 third quarter of 2024 were 1.3 (one point three) million dollars on a non-GAAP basis, an increase of 298 (two hundred and ninety-eight) thousand dollars from the third quarter of 2023.

Turning to the company's profitability

Thanks to higher revenues and careful expense management, operating profit on a non-GAAP basis reached 2.6 (two point six) million dollars, growing by 92% (ninety-two) or 1.3 (one point three) million dollars from the third quarter of 2023.

Our non-GAAP operating margin was 17%, growing by 7% (seven) compared to the third quarter of 2023.

Net income on a non-GAAP basis was 3.7 (three point seven) million dollars, growing approximately 55% by more than 1.3 (one point three) million dollars compared to the third quarter of 2023.

Diluted EPS for the quarter was 0.23 (twenty-three cents), growing by 0.08 (eight cents) from the third quarter of 2023.

As shown in Slide 7, our GAAP net income for the third quarter of 2024 was 2.3 (two point three) million dollars.

Diluted EPS was 0.14 (fourteen cents), compared to a loss of two cents from the third quarter of 2023.

Turning to the balance sheet.

As shown on Slide 11, we continued generating cash and ended the second quarter with 90.2 (ninety point two) million dollars in cash, cash equivalents, and short-term bank deposits.

Our headcount was 313 (three hundred and thirteen) at the end of the third quarter of 2024. We expect our headcount to remain similar in the fourth quarter.

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