



***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.

Management's Formal Presentation

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 am excited to welcome Benny onboard as our new CEO on December 1st, as you have probably seen in our earlier announcement.

Having gotten to know him, I am confident he is the right leader for RADCOM and will succeed as our CEO. As a seasoned telecom industry veteran with an excellent track record and over 20 years of sales experience with top-tier operators across North America and Japan, I am sure he will successfully lead the company toward its future success.

Benny's residency in the U.S., where many of our key customers are located, combined with his sales expertise in selling to 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 relationships will be invaluable, while his cultural understanding of North American and Japanese markets and experience selling to top-tier operators will significantly contribute to our growth strategy.

With Benny starting his role as CEO, I will resume my previous role as Chief Operating Officer, focusing more on product development, continuing to lead R&D, participating in sales processes, and ensuring customer satisfaction.

I will partner with Benny to ensure RADCOM's continued growth while focusing on product innovations that will contribute to the company's next level of accomplishments, align with key market trends, and address our customers' needs.

Now, let me turn to the results.

We achieved record quarterly revenues of 15.8 (fifteen point eight) million dollars. I am grateful to the RADCOM team for their tremendous dedication and exceptional execution as we drive the company to new heights by delivering innovative products that meet customer requirements and needs.

During the quarter, we secured a seven-figure, multi-year contract with a 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' RAN 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 fully integrated into the company and our solutions.

Turning to the telecom market

From sales processes and customer interactions, operators continue investing in their networks and advancing their 5G network deployments, including 5G standalone. There is wide customer interest that is generating sales activity for our enhanced RADCOM ACE platform across multiple regions, both among new customers and within our existing installed base.

The transition to 5G standalone has presented challenges, particularly for operators needing more skills and knowledge for migration to the cloud. However, we are witnessing increased maturity, with more operators, especially in North America and Europe, moving towards 5G standalone solutions. I believe our position as a leading provider of best-in-class cloud-based assurance for 5G will generate more future business.

We see sales opportunities that can lead to additional multi-year contracts and increased revenue. Demand for our cloud-based automated assurance and built-in AI capabilities is 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 the operators' needs and help address our customers' requirements. By delivering unique value and tackling critical network challenges, we are setting the stage for future business growth.

Based on conversations with customers, I have seen that in today's telecom landscape, operators seek solutions that reduce costs, drive efficiencies, and allow them to operate with leaner teams while maintaining the highest level of their subscriber experience.

We have invested and will continue to invest in AI that will enable operators to achieve these cost and 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 AI technology-driven solutions that deliver a high-quality, consistent subscriber experience.

Turning to our installed base

AT&T and DISH remain key strategic customers, and we believe our business with these operators will remain strong. We know our customers' requirements and are attuned to their needs, and we continue to provide new software releases to help them achieve their needs.

In the second quarter, we announced the extension of our close partnership with Rakuten Mobile in Japan, which is a testament to 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 (eight) 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 networks effectively and ensuring high-quality subscriber experiences.

High satisfaction levels within our customer base are achieved by RADCOM delivering innovative products that meet their requirements and needs. This approach drives growth and recurring revenue. We remain committed to ensuring customer satisfaction and continuously enhancing our offerings 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, which are the foundation of our RADCOM ACE platform, enabled us to deliver continued revenue growth and improve our profitability key performance indicators, as demonstrated over the last four years of the company's development.

Our approach to AI is based on our understanding of the operators' pain points, how to help them, and how to leverage AI technology to benefit our customers.

Generative AI or Gen AI technology continues to evolve and is increasingly used for customer service and support to understand the customer experience level. RADCOM can provide operators with real value in this area by offering critical insights into the customer experience and the network's impact.

During the quarter, we released several product enhancements aligned with key 5G technology trends that help address our customers' needs. One of the major product enhancements was the basis of our announcement that a North American operator had 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 performance of their RAN network.

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

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

To summarize.

Over the last five years, we have made significant progress in expanding our business. We 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 customers' evolving needs in the 5G market.

We are confident in achieving our fifth consecutive year of revenue growth and increased profitability, which will enable us to raise the lower end of our 2024 revenue guidance to 59 (fifty-nine) to 61 (sixty-one) million dollars.

With the appointment of our new CEO, Benny Eppstein, I look forward to partnering with him to accelerate revenue growth further, enhance profitability, and increase shareholder value in 2025 and beyond. I will focus on driving product innovations that fuel the company's growth and ensure our customer satisfaction.

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.

Operator:

Thank you. Ladies and gentlemen, at this time, we will begin the question and answer session. If you have a question, please press star one. If you wish to cancel your request, please press star two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. [pause] The first question is from Bhatia Rosen [sic] of William Blair. Please go ahead.

Arjun Bhatia:

Hello. Hi, guys. Thank you, and congrats on a on a strong quarter here. Can I start with the new seven-figure deal with the North American operator? If I understand correctly, it sounds like Continual was a big contributor to the win. And is it fair to say that they're mostly using Continual capabilities today? And – and if so, just how do you think about the expansion path for that customer, from here to get them to broader platform adoption over time?

Hilik Itman:

Yes. Hi. So actually, the Continual acquisition is something that are complementary to our platform. It's not – it's something that it's – that we add to – to our portfolio and offering to increase the ability of customers to get more advance and sophisticated insight from the network, but actually from our data. The data that the ACE platform is produces, actually, is the – is matching between the – the two platforms. And we – and if I'm looking forwarded, I think that it will be – it contributed a lot for – for new opportunities and new logos, because the matching between the two platforms. So, this is the main plan for – for Continual.

Arjun Bhatia:

Okay. Understood. So, it sounds like they're using both. And then, can you just, maybe, to follow up on that, what does the expansion path look like for that customer? Is there more room to go beyond where they are now? Is it a typical ramp in the contract? Or is there anything special that we should know about the structure of that deal?

Hadar Rahav:

So, this is a multi-year contract. We will start recognizing revenues in 2025. As we mentioned in the call, it's about a seven-figure contract, which includes an annual license. And upon the delivery and the acceptance, we will start to recognize revenue.

Arjun Bhatia:

Okay. Perfect. Very helpful, thanks, Hadar. Actually – and if I can follow up on one more thing? So, I think you had quite a few new deal signings this year, and for a lot of them, like this contract, the rev rec doesn't start until 2025. Can you, maybe, just help us level set how to think about 2025's growth potential in relation to – I think your implied guide is about 10% in the fourth quarter. Is that kind of a fair starting point? Or are there any other, kind of, dynamics that we should think about as we look to 2025 revenue?

Hadar Rahav:

Okay. So, we expect to continue to grow our business over time, so you should expect a continuation of our operating profit growth over time. Yes, we are really pleased with how we have been performing, and I believe that it's one that we can sustain it. We continue to seek organic and inorganic opportunities that expand our solution portfolio and drive additional growth. And, you know, we have a business model which I think is incredibly powerful. Most of our contracts are multi-year contracts, and about 70% of our revenue is recurring revenue. So, you understand that we have a healthy backlog, and this puts us in a solid position ending – heading into the fourth quarter and 2025. And, yes, I am really and truly confident that we can deliver additional revenue growth, and we may increase our operating expenses to support its revenue growth, but excluding any FX impact, we believe that we will sustain our current profitability. So, your assumption is definitely something that is reasonable.

Arjun Bhatia:

All right. Perfect. Thank you very much.

Hilik Itman:

Thank you.

Hadar Rahav:

You are welcome.

Operator:

If there are any additional questions, please press star-one. If you wish to cancel your request, please press star two. Please stand by while we poll for more questions. The next question is from Ryan Koontz of Needham & Company. Please go ahead.

Ryan Koontz:

Hoping you can, maybe, step back a bit and maybe speak to the different geographies, and the state of the, you know, each of the kind of, continental geographies as it relates to your sell-in opportunity. You know, maybe there're, you know, still, you know, limited deployments of 5G, or maybe some of them are more advanced deployments of 5G, but they're still standing up their 5G standalone cores, I assume, in some of places like North America. But, if you could just, maybe, characterize the different geographies, that would be helpful for understanding the opportunity at hand. Thank you.

Hilik Itman:

Okay. So, as you said, the main – our main focus in terms geographically is, for sure, is North America, and also in Europe. We see – we definitely see there the progress of the 5G standalone and migration to – to cloud technologies. And by the way, we see now migration for different kind of – of cloud platforms. Part of that it's public, part of that it's private, and we – we still see and continue to see that our platform is – is very well positioned to this trend. And also the – all the investment that we are doing in AI, GenAI, and the example of Continual is a great example for investment of – in analytics that, you know, provide us to be much more attractive now, in addition to the – to the core technology of Radcom, in assurance, in – especially in cloud, but the combination with the analytics capabilities for ready – for RAN and

core, and user of experience, is well positioned now for – for these areas. But we see also, few opportunities in another regions also, but for sure, in North America, in Europe, it's more advance, in terms of 5G transition.

Ryan Koontz:

Got it. And is – is most of the demand coming from voice over new radio, so voice over 5G? Or is it primarily still for – for data applications you're seeing the most interest?

Hilik Itman:

I think the most – for sure the most interest is the voice over new radio. Because the – the need of our tools is much more critical in these transitions.

Ryan Koontz:

Mm-hmm.

Hilik Itman:

But we still see also in data, but for sure the voice over new radio, which is, you know, a new – new services and new technology that's – we see that it's – they start to come up in Europe and North America is – position us very well.

Ryan Koontz:

Got it. And you think you'll see some voice over new radio deployments in '25?

Hilik Itman:

Yeah.

Ryan Koontz:

Got it. Great. That's all the questions I have. Thank you.

Hilik Itman:

Thank you.

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

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