RADCOM Second Quarter 2026 Financial Results Conference Call

Management's Prepared Remarks

August 12, 2026

Safe harbor provision

This conference call will contain forward-looking statements. Forward-looking statements in the conference call involve known and unknown risks and uncertainties, including, but not limited to, the Company's statements about its momentum, strategic direction and goals, market position and trajectory, future execution and delivery of value to customers and stakeholders, expansion within its existing customer base and broader footprint, development and enhancement of strategic partnerships and the expected benefits and revenues from collaborations, the success and expected benefits of new technologies, including AI, RADCOM ACE, RADCOM Neura, RADCOM ADM and RADCOM RASE, including to enhance automation, opportunities and customer engagements and the timing thereof, demand for its products and solutions and the ability to address new customer segments and expand its market reach, trends in the telecom market, including the expected growth of 5G, AI, cloud-native deployments, network automation and autonomous networks; the timing, scope and sequencing of customer deployment programs, the effect of server infrastructure costs and supply constraints, and the timing and extent to which deferred deployments may move forward or return to a normalized cadence, customer relationships, competitive position, sales pipeline, commercial discussions, conversion of opportunities, and expansion within existing accounts, the anticipated scope, timing, implementation, benefits, customer transition and expansion potential of the Company's contract with a European operator, expectations with respect to gross margins, research and development, sales and marketing expenses, cash flow, non-GAAP profitability, free cash flow positivity, full-year 2026 revenue outlook, future growth, including double-digit percentage revenue growth in 2027, the impact of foreign exchange rates and hedging, resilience, long-term commitment and continued investments; and the establishment, size, timing, initiation and implementation of the intended share repurchase program and the Company’s ability to return capital to shareholders while continuing to invest in its platform and AI roadmap. 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 non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718, financial income (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, www.radcom.com.
Thank you all for joining us today to review RADCOM's results for the second quarter of 2026.

Benny Eppstein, RADCOM's Chief Executive Officer

Slide 7 - Q2-26 results and revised outlook

On July 30, we announced our preliminary second-quarter revenue expectations and revised our full-year 2026 outlook. I would like to provide more specific context on what has changed within several customer deployment programs and why we remain confident in the underlying opportunities.

The affected projects are primarily planned expansion phases with a limited number of existing Tier-1 customers. These customers continue to use RADCOM solutions in their production networks, and the projects remain part of the longer-term deployment roadmaps we have developed with them.

The delays do not reflect any weakening of our customer relationships, unhappiness with RADCOM's solutions or pricing, project cancellations, or business lost to competitors.

The main issue is cost. Across the industry, the price of the server infrastructure needed for private-cloud and on-premises deployments has risen sharply. In some cases, comparable server configurations now cost multiples of their previous levels, and this increase has occurred over several months, not several years.

A large deployment may require dozens of servers across multiple sites. So these increases can add up to a substantial infrastructure commitment for the customer.

As a result, some customers are rethinking the timing, scope, and order of their infrastructure investments. They may need to rebalance budgets, prepare additional sites, or move portions of an expansion into a later budget period before approving the next deployment phase.

RADCOM does not manufacture these servers. Our strategic value and profitability are derived from our software, analytics, and automated assurance capabilities.

Still, our software must be deployed within an operating environment that is ready to support it. A project cannot move forward until the customer's infrastructure is prepared for installation.

We have taken steps to reduce the risks within our control. For certain anticipated deployments, we have already secured hardware so that RADCOM can begin execution once the customer gives the green light and the site is ready. Any further delay simply reflects the time customers need to prepare their infrastructure before they can install our product.

These effects are primarily concentrated in private-cloud and on-premises deployments. Public-cloud projects are less dependent on the purchase, shipment, and installation of physical infrastructure and therefore have been less affected.

Based on our current customer discussions and project roadmaps, we believe that the first quarter of 2027 is the first period in which deployment activity could begin returning to a more normal pace. One or more projects could potentially begin moving forward sooner, including during the fourth quarter of 2026.

Some customers are also working through their 2027 budgeting processes, which should provide greater clarity on the timing and order of these projects. We have already secured hardware to support part of this activity. So RADCOM will be ready to execute as soon as customers finish their infrastructure planning and give us the go-ahead.

The key point is that so far these projects have been delayed, not displaced. They remain associated with active customer relationships and established expansion roadmaps. However, customers must first fund and establish the underlying network and computing infrastructure on which our software will operate.

Our customer relationships remain strong, our competitive position remains intact, and we are not seeing customers move away from our solutions. As customers finish their infrastructure preparations and authorize these expansion phases, we believe deferred deployment activity should return.

Together with long-term demand for AI-driven assurance, 5G visibility and network automation, we believe that can support a return to stronger growth in 2027.

Furthermore, our sales pipeline and our medium-to-long-term customer deployment plans remain unchanged. In fact, the pipeline continues to improve in quality, and a number of opportunities are now advancing to commercial discussions.

We believe RADCOM will remain profitable on a non-GAAP basis in 2026. We also expect to return to double-digit growth in 2027.

Slide 8 - Financial highlights

Total revenues for the second quarter of 2026 were $11.8 million. That is down 33.4% year over year, from $17.7 million a year ago.

Slide 9 - Recent wins

A few weeks after the quarter ended, we secured three new contracts. Two were new customers, and the third was a renewal at an existing customer.

First, as announced yesterday, we expanded our European presence by winning a multi-year contract with new customer CETIN Networks in Slovakia.

CETIN Networks selected RADCOM to deploy end-to-end, AI-driven assurance across its mobile network, from the radio access network to the core. CETIN is replacing its incumbent assurance provider with a single, subscriber-aware platform built on RADCOM ACE.

We were selected following a competitive multi-vendor RFP. We believe that this selection is evidence of our technology's strength and the growing preference for our platform among European operators.

CETIN is part of CETIN International and the wider e-and PPF Telecom Group. Together, they serve more than 12 million customers across four countries, which gives us a foundation to potentially expand across the broader group over time.

Second, in Asia-Pacific, we won a new customer through a competitive tender with a tier-one operator and replaced the long-time incumbent. The deal is small, but it is an important reference win. It puts us in a strong position to compete for a much larger, network-wide project with this operator.

Third, we renewed a contract with an existing European customer for RADCOM Network Visibility. All of these deals closed only a few weeks after the quarter ended. This shows the pattern behind our second-quarter results. With operators, deal timing can shift. Demand for our solutions, and our competitive position, do not.

Slide 10 - Strategy

Our priorities remain unchanged: expanding our Tier-1 footprint, deepening our installed base, and advancing AI-native assurance for autonomous networks. And we will do all of this while keeping the operating discipline that supports our profitability.

Our partner-led model works alongside NVIDIA, ServiceNow, AWS, and leading system integrators. It efficiently extends our reach and meets operators wherever they are in their AI and cloud journey.

A key advantage for us is the significant reduction in total cost of ownership, or TCO, that we offer. Our platform is fully cloud-native and highly efficient. So it delivers far lower TCO than legacy solutions. That means lower capex and opex than our competitors.

Also, our software can run on incumbent hardware and deliver much more efficient performance per watt. This means it can be deployed on the very same hardware an operator already uses with the incumbent assurance vendor.

Reusing the same infrastructure means an easier migration, with no costly rip-and-replace. It delivers real savings and better performance.

Combine this with our TCO advantage and the data that telco AI depends on, and we believe we are well positioned for long-term, profitable growth.

We also remain financially strong, with a solid cash position and no debt, enabling continued investment in our differentiated agentic AI capabilities and in the expansion of our strategic partnerships throughout this period.

Slide 11 - Telecom market

Operators continue to transition to 5G standalone and cloud-native deployments. At the same time, they are embedding AI deeper into their networks to automate operations, enhance the subscriber experience, and reduce operating costs.

All of this is happening while data volumes and network complexity keep growing. Yet a gap remains between AI ambition and AI readiness. Most operators still lack the reliable, subscriber-level data that these AI use cases depend on.

We saw a shift in operator spending this quarter, as some adjusted the timing and mix of their investments, which impacted our results. But near-term spending patterns can fluctuate without changing the market's underlying direction.

That direction still points to what we provide: the data operators need to automate their networks and run them more efficiently. That gap is exactly where RADCOM adds value.

As operators shift from proof of concept to commercial AI deployments, they demand unified, end-to-end intelligence. This trend only increases the need for cloud-native, AI-enabled service assurance solutions such as RADCOM ACE and RADCOM Neura.

We believe our position as a leading assurance provider for 5G will continue to drive positive returns.

Slide 12 - Installed base

Alongside new opportunities, our installed base remains an important validation of our strategy and the durability of our technology in live, large-scale networks. Work with 1Global continues to progress as RADCOM ACE is deployed to monitor its 4G and 5G services.

We continue to support key accounts, including AT&T and Rakuten Mobile, where our assurance solutions remain embedded in production networks serving millions of subscribers.

Taken together, these deployments indicate that demand among our existing customers remains strong and that expansion opportunities are progressing, And that is true even as operators work through longer infrastructure lead times across the market.

Slide 13 - Launch of RADCOM ADM

During the quarter, we also launched RADCOM ADM, the Analytics Designer Module, a new addition to the RADCOM ACE platform. It puts operators in control of their own analytics. What was once a months-long request to a vendor is now something their teams can do themselves, in real time.

As networks become more automated, that speed becomes essential, and delivering it at scale requires engineering expertise that is hard to copy.

ADM also strengthens our AI strategy. It feeds real-time data directly into RADCOM Neura, our agentic AI layer, making those agents more accurate and reliable. ADM will be generally available to existing and new customers later this quarter, and we see it as a clear path to expand within existing accounts through new use cases and higher-value tiers.

Slide 14 - Industry recognition

In February, we released RADCOM Neura, our suite of AI agents designed to work within the AI agent ecosystem. I am pleased to share that RADCOM Neura has since earned industry recognition. RADCOM is a finalist in the 2026 Light Reading Leading Lights Awards for Most Innovative Telco AI/ML Product.

As operators embrace AI to manage increasingly complex networks, we are proud that RADCOM Neura has been recognized for helping transform real-time network intelligence into smarter, more proactive operations.

That recognition extended to our collaborative work across the ecosystem. At Digital Transformation World, or DTW Ignite, in Copenhagen, we were proud to be part of the winning team at the Catalyst Awards.

Our catalyst was named Outstanding Catalyst in the AI and Automation category. It showed that multi-vendor AI agents can collaborate to accelerate fault resolution, improve the customer experience, and advance Level **Four** Autonomous Networks.

RADCOM contributed AI-driven assurance agents that rank issues by real customer impact. We also contributed RADCOM Governance, our framework for managing how agents interact and for building trust through policy-based oversight.

Slide 15 - Go-to-market activity

From a go-to-market perspective, we also remained highly active throughout the quarter. We participated in DTW Ignite in Copenhagen, FutureNet World in London, and Network X Americas in Dallas, where we showcased our AI-native assurance solutions and AI agent capabilities.

Our executives also took the stage at these events, sharing our perspective on how operators can use AI, automation, and network data to build demand-driven networks. They also spoke to the opportunity that agentic AI now presents.

Customer and partner responses to our AI agent capabilities and AI-native assurance solutions were very encouraging. We also held productive meetings with operators and ecosystem partners that we believe could translate into additional sales opportunities over time.

Slide 16 - Pipeline

As I mentioned, we are actively engaged across a healthy set of opportunities, several of which advanced during the quarter from technical evaluation and proof of concept to commercial discussions. The pipeline is steady, healthy, and progressing.

We remain confident in our ability to convert this pipeline into both new business and continued expansion within our existing customer base.

Slide 17 - Closing summary

To summarize, while our second-quarter results and our revised full-year guidance were disappointing, our long-term fundamentals remain solid, and our strategy is unchanged.

We offer a lower cost of ownership, and operators can run our software on hardware they already own. In a tighter spending environment, that makes us an easier decision.

Our customer relationships are strong, and our pipeline is broad and progressing. Several opportunities advanced to commercial discussions during the quarter.

A few weeks after the quarter ended, we won three new deals. We also launched RADCOM ADM and earned industry recognition for RADCOM Neura.

Financially, we remain debt-free, and we expect to remain profitable on a non-GAAP basis in 2026. We also continue to invest in the AI capabilities operators need to run their networks efficiently.

Slide 18 - Capital allocation

Before I hand over to Hod, a word on capital allocation.

We remain confident in the company's long-term prospects and believe that repurchasing our shares represents a compelling use of capital at current valuation levels.

So the board and management have decided to move forward. We will take the required steps to establish a share repurchase program of $20 to $25 million.

We have already started this process and plan to finish it as fast as the applicable rules allow. Once the required steps are done, we will start the buyback.

As a reminder, unless otherwise noted, I will refer to non-GAAP results. Reconciliations between GAAP and non-GAAP measures are provided in our press release and presentation. All comparisons are year-over-year.

Hod Cohen, RADCOM's Chief Financial Officer

Slide 20 - Quarterly financial highlights

Revenues for the second quarter were $11.8 million, down 33.4% year-over-year from $17.7 million.

Gross margin in the second quarter was 76.3%. We recorded an operating loss of $2.2 million, or negative 18.5% of revenue.

Net loss was $1.5 million, or $0.09 per diluted share. That compares with net income of $4.2 million, or $0.25 per diluted share, in the same quarter last year. The decline was driven primarily by lower revenue in the second quarter of 2026.

In the first half of 2026, operating income was $1.6 million, or 5.1% of revenue, and we expect to remain profitable on a non-GAAP basis for the full year.

Slide 21 - R&D and S&M expenses

Our net R&D expenses for the second quarter totaled $5.3 million, up 15.9% year-over-year.

This growth reflects two things. First, our continued investment in R&D to drive innovation and expand our product portfolio. Second, currency headwinds from the shekel-dollar exchange rate. To reduce currency exposure, RADCOM initiated a short-term hedging program for shekel expenses through the end of 2026.

We plan to continue our strategic R&D investments to deliver advanced intelligent solutions. The focus is on agent-to-agent and multi-model workflows, while supporting our strategic partnerships and bringing new features to market.

Sales and marketing expenses for the second quarter totaled $4.7 million, an 8.8% year-over-year increase mainly due to FX headwinds. We continue to invest in our sales capabilities to support pipeline growth and expansion in high-value regions.

Slide 22 - GAAP results

On a GAAP basis, our net loss for the second quarter of 2026 was $3.1 million, compared with net income of $2.4 million in the same quarter last year. GAAP loss per diluted share was $0.18, compared with earnings of $0.15 per diluted share a year ago.

The year-over-year move from GAAP net income to a GAAP net loss is driven by the lower revenue in the quarter. It also reflects our continued investment in R&D and in sales and marketing.

We ended the second quarter of 2026 with 331 employees.

Slide 25 - Balance sheet

We closed the quarter with $109.7 million in cash, cash equivalents, and short-term bank deposits, reflecting positive cash flow of $1.3 million for the quarter.

For the second half of 2026 as a whole, we aim to remain free cash flow positive.

As Benny mentioned, we are confident in RADCOM's long-term outlook. So we view a buyback at current levels as an attractive use of capital, through a share repurchase program of $20 to $25 million.

That process is already underway, and we expect to complete it as quickly as the applicable rules permit. Once the required steps are done, we will start the buyback.

Guidance

We are reaffirming our revised full-year 2026 revenue outlook of $57 to $63 million, with a midpoint of $60 million, as announced on July 30, 2026.

Question-and-Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press star 1. If you wish to cancel your request, please press star 2. If you are connected by Zoom, please use the raise-hand button at the bottom of your screen. Please state your name and company name before your question.

Operator: The first question is from Alinda Lee of William Blair. Please go ahead.

Alinda Lee (William Blair): Thank you. Of the three contracts that closed shortly after quarter-end, it seems these opportunities were already included in the second-quarter pipeline. Can you give us more color on what ultimately caused them to close in early Q3 rather than late Q2?

Benny Eppstein: Hi Alinda. It was the course of negotiation, legal work, compliance, and so on. The reason they didn't close within the quarter and instead landed at the beginning of Q3 was more of a technical, process-related matter than anything else. The negotiations themselves were largely completed within Q2.

Alinda Lee (William Blair): Got it, that's helpful. And how should investors think about the relationship between bookings activity and revenue recognition over the next several quarters, given the deployment-related delays from this past quarter?

Benny Eppstein: For those specific wins, the customer readiness is more mature than the typical customer readiness, and I believe some of it could be recognized during 2026.

Alinda Lee (William Blair): Got it. Thank you.

Benny Eppstein: Thank you.

Operator: The next question is from Ryan Koontz of Needham & Company. Please go ahead.

Ryan Koontz (Needham & Company): Good morning. I wanted to ask about these push-outs. Are these situations where a customer has a limited budget and is spending it on more expensive hardware, and therefore buying less of your software? Or are these complete push-outs of your software along with the hardware, driven by their hardware costs?

Benny Eppstein: Hi Ryan. It's a combination. Some of it is due to site readiness, along with hardware shortages and pricing. Some of it is due to budget: what was allocated initially was not sufficient for this year, so it has been pushed to next year. That comes down to the specific group we are working with and the budget originally allocated to this.

Ryan Koontz (Needham & Company): Got it. And are these push-outs all related to 5G standalone?

Benny Eppstein: Some of it is standalone and some is 5G-related more broadly, but it is all 5G.

Ryan Koontz (Needham & Company): Great. And you mentioned some procurement of hardware. I know you bundle some hardware with certain products. What has that been like? And have you considered redesigning the software to require lower-cost hardware or less memory?

Benny Eppstein: We have actually redesigned the software, and it is quite efficient compared with our competitors, to the point where we can reuse some of the competitors' hardware to run our solution. So the design is largely ready. That said, for these delayed deployments we acquired some of the hardware ourselves to mitigate the risk, and we managed to secure some of the older pricing for our customers. Even though we secured the hardware, in some cases the site was not ready, so there is a ripple effect on our overall deployment.

Ryan Koontz (Needham & Company): Understood. Thanks very much, that's all I have.

Benny Eppstein: Thank you, Ryan.

Operator: The next question is from Tom Jakobi. Please go ahead.

Tom Jakobi: Thank you for taking my questions, and thank you for the new format that lets us ask over Zoom. I have two. First, the weaker second-quarter results came as quite a surprise, as there was no indication after the Q1 call, so I imagine it was a surprise for you as well. Is there more visibility for the third and fourth quarters, or could this happen again?

Benny Eppstein: We do have better visibility for Q3 and Q4, and I believe the risk is reflected in the revised guidance we have provided. We have pretty good visibility on the remainder of the year, and the revised guidance reflects the risk embedded in those numbers.

Tom Jakobi: My second question is about the share buyback process. When you buy the shares on a stock exchange, which exchange would that be, or would you make a direct offer? It seems it would be quite hard to buy that many shares. How are you thinking about that process?

Hod Cohen: Hi, it's Hod Cohen, RADCOM's CFO. Regarding the share buyback, as we said, we are planning to establish a plan for a share repurchase of $20 to $25 million. The duration is not yet fixed, but it will of course be spread over several months, likely around a year or two, because the trading volume in our stock is not very high, so it will be a little complex. We will buy the shares in the market, and we will apply a 10b5-1 program. That is how we intend to do this.