



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

Veidan Operator

Ladies and gentlemen, thank you for standing by. Welcome to the **RADCOM Limited Results Conference Call for the Second Quarter of 2022.**

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 a replay on the Company's website at www.radcom.com later today. On the call are **Eyal Harari, RADCOM's 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.

Forward-looking statements in the conference call involve several risks and uncertainties, including, but not limited, to the Company's statements about its full-year 2022 revenue guidance, expected growth in 2023, expectations regarding the enterprise market for telecom operators, continued investment in and benefits from research and development, its expectation to gain further interest from operators and play an important role in facilitating the transition to 5G, its expectations about its pipeline and momentum, further demand for its products and growth, levels of expenses and keeping them below revenues, the potential for additional multi-year contracts, engagements and expansion of opportunities, the Company's expectations with respect to its relationships with Rakuten and AT&T and potential grants from the Israeli Innovation Authority. 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.

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In this conference call, management will be referring 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 **Eyal**. Please go ahead.

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Eyal Harari – CEO

Thanks, operator. Good morning, everyone, and thank you for joining us for our second-quarter 2022 earnings call.

We achieved another strong quarter with solid financial results. Also, as recently announced, we won two new 5G assurance contracts and extended our multi-year agreement with AT&T. Total revenue for the second quarter was 11.1 (eleven-point one) million dollars, representing a twelfth consecutive quarter of year-over-year revenue growth, up 14% compared to the second quarter of 2021.

I am pleased with the strong demand for our innovative solutions as we win new customer logos and expand business with our installed base. The 5G market is ramping up, reflected in the momentum of our business. In the first six months of 2022, revenue grew by over 15 percent compared to the first six months of 2021.

With the growth in our business and the efficient management of costs, we have generated over \$3 million in cash since the beginning of 2022, resulting in cash and short-term deposits reaching \$73.1 million, a 4-year high.

Since the beginning of the year, we have been at a breakeven point, and we believe the positive momentum will continue into the year's second half.

As we announced in May, DISH selected Radcom to monitor America's first 5G smart network. It started its nationwide rollout in May, launching in Las Vegas. After a month of testing, DISH's 5G network was made available to the public in over 120 US cities, covering 20 percent of the US population.

We feel proud to be DISH's assurance partner as they roll out their 5G network. DISH chose RADCOM ACE to monitor their standalone 5G network, the first fully deployed on the public cloud. RADCOM was selected because DISH wanted a best-in-class assurance solution that seamlessly integrates into the cloud and provides network-wide visibility.

Our previous R&D investments with partners like AWS to integrate Radcom ACE with public cloud providers have borne fruit. Our integration with AWS enables DISH to use the AWS Cloud along with Radcom ACE to simplify 5G rollouts and smartly manage network services more automatically.

As DISH moves forward with its nationwide rollout, it is expected to have more flexibility and capabilities to be leveraged to generate new revenue.

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In a recent Analyst Day hosted by DISH, they stated that the enterprise would be a significant opportunity for attaining new revenue streams with its smart 5G cloud platform. DISH can offer enterprise customers different flavors of private networks for advanced 5G connectivity and services.

This is where our cloud assurance technology can help. DISH can offer enterprise customers our assurance solution to monitor these private networks to ensure service quality and certify SLAs. As a result, they could provide “Service Assurance as a Service” as part of their managed services to the enterprise. We believe the enterprise market for telecom operators has much potential, with operators taking their 5G cloud and selling premium services for new revenue across multiple verticals.

We also announced a new multi-year 5G assurance contract win with a European mobile network. This new order covers assurance for this European operator's 5G network. Radcom ACE will enable the operator to monitor its end-to-end 5G network performance and provide end-to-end visibility that helps the operator make real-time, data-driven decisions and proactively improve its network performance, ensuring top-quality services are delivered to its customers.

We are excited about these new wins and the progress we are making in integrating our assurance solution into these networks.

Like with DISH, we continue seeing lots of collaboration between telecom operators and public cloud providers like Amazon Web Services. For example, Telefónica Brazil recently validated AWS as an option for their 5G SA core. Telefónica wants to increase automation and drive new revenues with cloud-based 5G platforms. The ease of use and speed with which operators can roll out new networks and services with these public cloud providers continues to gain traction, reflected in recent cloud providers’ earnings results that have beaten analyst expectations.

We believe that our integration into several cloud providers will continue generating additional opportunities. In addition, we will continue working with technology partners to integrate Radcom ACE with other platforms to help operators manage the complexity of launching 5G and ensuring the customer experience.

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Last month we announced RADCOM ACE's integration into another cloud platform. Rakuten Symphony selected our cloud assurance technology as its service assurance solution that will be globally available in their Symworld™ marketplace.

Rakuten Symphony is a business dedicated to selling the Rakuten Communications Platform and managed services to telecom operators worldwide. Symworld™ provides a single platform, which includes all the applications, cloud, and operational data that telecom operators need to run their networks more efficiently and launch services fast.

Making RADCOM ACE available in the Symworld™ marketplace with easy click and deploy access will increase our solution availability and comes with built-in workflows and unified data analytics to help more operators rapidly deploy and roll out 5G with Rakuten Symphony. We believe that being part of this platform will open significant opportunities for us in the future.

We remain confident that our product offerings are best-in-class and will play an essential role in the 5G transformations as more opportunities evolve.

We continue to enhance our software solutions with expanded automation and intelligence AI-based capabilities to bring value to our customers as they roll out 5G and move to launch advanced services. In addition, we are working with the Israeli Innovation Authority and academic institutions to push cutting-edge technology forward within the telco space.

Our solution automatically analyzes millions of user sessions in real time and reveals underlying faults that otherwise would be unlikely to be identified quickly in 5G networks. Furthermore, with the amount of data crisscrossing the network increasing monthly, our solution continually evolves to help operators overcome the challenges of operating complex networks to ensure the quality of services.

As we grow the business, we maintain our laser focus on retaining and nurturing top talent. Our employee retention efforts are bearing fruit as we have kept a similar headcount since the beginning of the year.

We place a high priority on creating a culture that fosters success for our employees. We aim to provide attractive career paths and promote internal talent. Our team is composed of talented people with unique knowledge and expertise driving our success. I wish to take this opportunity to thank all of RADCOM's employees as they continue to help us meet our business commitments.

The strong demand for RADCOM ACE and the 5G market ramp-up is reflected in the momentum of our business and our healthy pipeline of opportunities.

We are engaged with operators worldwide looking to provide their customers with exciting new 5G services and use our solution to make their networks more intelligent and automated. As a result, we see the number of engagements, the level of engagements, and RADCOM win

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rates very positively. At the same time, we continue to manage our expenses while investing in the business strategically and efficiently.

To summarize, I am pleased with our performance in the second quarter. Revenues are up, and our bottom line continues to improve.

We see solid demand for our solutions and remain focused on executing our strategy as more operators transition to 5G and look for innovative assurance solutions to support their network transformation. As a result, we remain confident in our business strategy and the role we expect to play in the 5G evolution.

Thanks to the recent wins, our growing business in our installed base, and our ongoing sales engagements, we have good visibility, and we are raising our revenue guidance to \$45 million-\$48 million, a second consecutive rise this year.

We believe this accelerated momentum will continue into 2023, to deliver a fourth successive year of growth.

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, Eyal, and good morning, everyone.

Now please turn to Slide 8 for our financial highlights. To help you understand the results, I will refer mainly to non-GAAP numbers, which exclude share-based compensation. We ended the second quarter of 2022 with \$11.1 (eleven point one) million dollars in revenue, increasing from \$9.8 (nine point eight) million dollars in the second quarter of 2021.

At the same time, as we increased revenue by over 14%, we managed costs and maintained the same operational expenses as in the second quarter of 2021. This contributed to us reaching a breakeven point and improving the bottom line.

Our gross margin in the second quarter of 2022 on a non-GAAP basis was 72% (seventy-two) percent. Please note that our gross margin can fluctuate depending on the revenue mix.

We are pleased with our consistent growth trend and believe the positive momentum will continue into the year's second half.

Our gross R&D expenses for the second quarter of 2022 on a non-GAAP basis were 4.7 (four-point seven) million dollars, a decrease of 196 (one hundred ninety-six) thousand dollars compared to the second quarter of 2021.

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We received a grant of 197 (one hundred ninety-seven) thousand dollars from the Israel Innovation Authority during the quarter, compared to 70 (seventy) thousand dollars in the second quarter of last year.

As a result, our net R&D expenses for the second quarter of 2022 on a non-GAAP basis were 4.5 (four point five) million dollars, compared to 4.8 (four point eight) million dollars in the second quarter of 2021.

We expect the Israel Innovation Authority grant in the third quarter to be at a similar level as in the second quarter.

Sales and marketing expenses for the second quarter of 2022 were 2.5 (two-point five) million dollars on a non-GAAP basis, an increase of 221 (two hundred twenty-one) thousand dollars compared to the second quarter of 2021.

G&A expenses on a non-GAAP basis were 841 (eight hundred forty-one) thousand dollars, in both the second quarter of 2022 and 2021.

Operating income on a non-GAAP basis for the second quarter of 2022 was 176 (one hundred seventy-six) thousand dollars compared to an operating loss of 646 (six hundred forty-six) thousand dollars for the second quarter of 2021.

Net income for the second quarter of 2022 on a non-GAAP basis was 15 (fifteen) thousand dollars or a net income of 0.00 (less than a cent) per diluted share compared to a net loss of 304 (three hundred four) thousand dollars or a net loss of 0.02 (two cents) per diluted share for the second quarter of 2021. The positive net income was due to the increase in revenue and a decrease in operating expenses offset by the unfavorable impact of changes in foreign exchange rates.

On a GAAP basis, as you can see on Slide 7, our net loss for the second quarter of 2022 was 1.2 (one point two) million dollars, or a net loss of 0.09 (nine cents) per diluted share. Compared to a net loss of 1.1 (one-point one) million dollars, or a net loss of 0.08 (eight cents) per diluted share, for the second quarter of 2021.

At the end of the second quarter of 2022, our headcount was 284 (two hundred eighty-four).

Turning to the balance sheet.

As you can see on Slide 11, our cash, cash equivalents, and short-term bank deposits as of June 30, 2022, were 73.1 (seventy-three point one) million dollars.

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