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# Reference Slides Earnings Call for Q4-18

# SAFE HARBOR PROVISION

Certain statements made herein that use words such as “estimate” , “project” , “intend” , “expect” , “believe” , “may” , “might” , “predict” , “potential” , “anticipate” , “plan” or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. For example, the Company is using forward-looking statements when it discusses its 2019 revenue and other performance guidance, including statements about anticipated gross margins, statements about the Company’s strategy, leadership position, potential sales and status of negotiations, pipeline, sales cycles, or long-term prospects, statements about continued investment in research and development, and statements about the future of NFV, industry trends including 5G deployment, and future plans of industry participants and customers such as AT&T. 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 company’s SEC filings.

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 that is useful in assessing RADCOM's core operating performance, and in evaluating and comparing our results of operations on a consistent basis 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 which are included in the quarter’s earnings release, which is available on our website.



## OVERVIEW

- Cash and Cash Equivalents of \$62 million and No Debt
- Revenues for the full year 2018 were \$34.1 million, down 8% compared to \$37.2 million in full year 2017
- 2019 revenue guidance range of \$28-\$32 million

# Fourth Quarter 2018 Financial Results

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# CONSOLIDATED STATEMENT OF OPERATIONS (GAAP)

**Radcom Ltd.**  
Consolidated Statement of Operations  
(thousands of U.S. dollars, except per share data)  
Unaudited

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Revenues	\$ 3,989	\$ 10,631	\$ 34,050	\$ 37,233
Cost of revenues	1,439	2,660	8,866	10,488
Gross profit	2,550	7,971	25,184	26,745
Gross profit %	63.9%	75.0%	74.0%	71.8%
Research and development, gross	4,074	3,055	15,503	10,562
Less - royalty-bearing participation	366	1,132	1,648	1,599
Research and development, net	3,708	1,923	13,855	8,963
Sales and marketing, net	2,701	2,777	11,426	10,996
General and administrative	744	1,042	3,391	4,191
Total operating expenses	7,153	5,742	28,672	24,150
Operating income (loss)	(4,603)	2,229	(3,488)	2,595
Financial income, net	481	64	1,136	389
Income (loss) before taxes on income	(4,122)	2,293	(2,352)	2,984
Taxes on income	(6)	(35)	(63)	(83)
Net income (loss)	<u>\$ (4,128)</u>	<u>\$ 2,258</u>	<u>\$ (2,415)</u>	<u>\$ 2,901</u>
Basic net income (loss) per ordinary share	<u>\$ (0.30)</u>	<u>\$ 0.17</u>	<u>\$ (0.18)</u>	<u>\$ 0.24</u>
Diluted net income (loss) per ordinary share	<u>\$ (0.30)</u>	<u>\$ 0.17</u>	<u>\$ (0.18)</u>	<u>\$ 0.23</u>



# CONSOLIDATED STATEMENT OF OPERATIONS (NON-GAAP)

## Radcom Ltd.

Non-GAAP Consolidated Statement of Operations  
(thousands of U.S. dollars, except per share data)  
Unaudited

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
	<b>NON-GAAP (1)</b>			
Revenues	\$ 3,989	\$ 10,631	\$ 34,050	\$ 37,233
Cost of revenues	1,429	2,605	8,754	10,299
Gross profit	2,560	8,026	25,296	26,934
Gross profit %	64.2%	75.5%	74.3%	72.3%
Research and development, gross	3,887	2,921	14,695	10,089
Less - royalty-bearing participation	366	1,132	1,648	1,599
Research and development, net	3,521	1,789	13,047	8,490
Sales and marketing, net	2,586	2,672	10,728	10,497
General and administrative	643	846	2,888	3,136
Total operating expenses	6,750	5,307	26,663	22,123
Operating income (loss)	(4,190)	2,719	(1,367)	4,811
Financial income, net	481	64	1,136	389
Income before taxes on income (loss)	(3,709)	2,783	(231)	5,200
Taxes on income	(6)	(35)	(63)	(83)
Net income (loss)	\$ (3,715)	\$ 2,748	\$ (294)	\$ 5,117
Basic net income (loss) per ordinary share	\$ (0.27)	\$ 0.21	\$ (0.02)	\$ 0.43
Diluted net income (loss) per ordinary share	\$ (0.27)	\$ 0.21	\$ (0.02)	\$ 0.41

(1) Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718.



# OPERATING EXPENSES (GAAP)

**Radcom Ltd.**  
Operating Expenses  
(thousands of U.S. dollars)  
Unaudited

	<b>Three months ended</b>		<b>Twelve months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Research and development, gross	\$ 4,074	\$ 3,055	\$ 15,503	\$ 10,562
Less - royalty-bearing participation	366	1,132	1,648	1,599
Research and development, net	3,708	1,923	13,855	8,963
Sales and marketing, net	2,701	2,777	11,426	10,996
General and administrative	744	1,042	3,391	4,191
Total operating expenses	<u>\$ 7,153</u>	<u>\$ 5,742</u>	<u>\$ 28,672</u>	<u>\$ 24,150</u>



# OPERATING EXPENSES (NON-GAAP)

**Radcom Ltd.**  
 Non-GAAP Operating Expenses  
 (thousands of U.S. dollars)  
 Unaudited

	Three months ended December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
	<b>NON-GAAP (1)</b>			
Research and development, gross	\$ 3,887	\$ 2,921	\$ 14,695	\$ 10,089
Less - royalty-bearing participation	366	1,132	1,648	1,599
Research and development, net	3,521	1,789	13,047	8,490
Sales and marketing, net	2,586	2,672	10,728	10,497
General and administrative	643	846	2,888	3,136
<b>Total operating expenses</b>	<b>\$ 6,750</b>	<b>\$ 5,307</b>	<b>\$ 26,663</b>	<b>\$ 22,123</b>

**(1)** Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718.





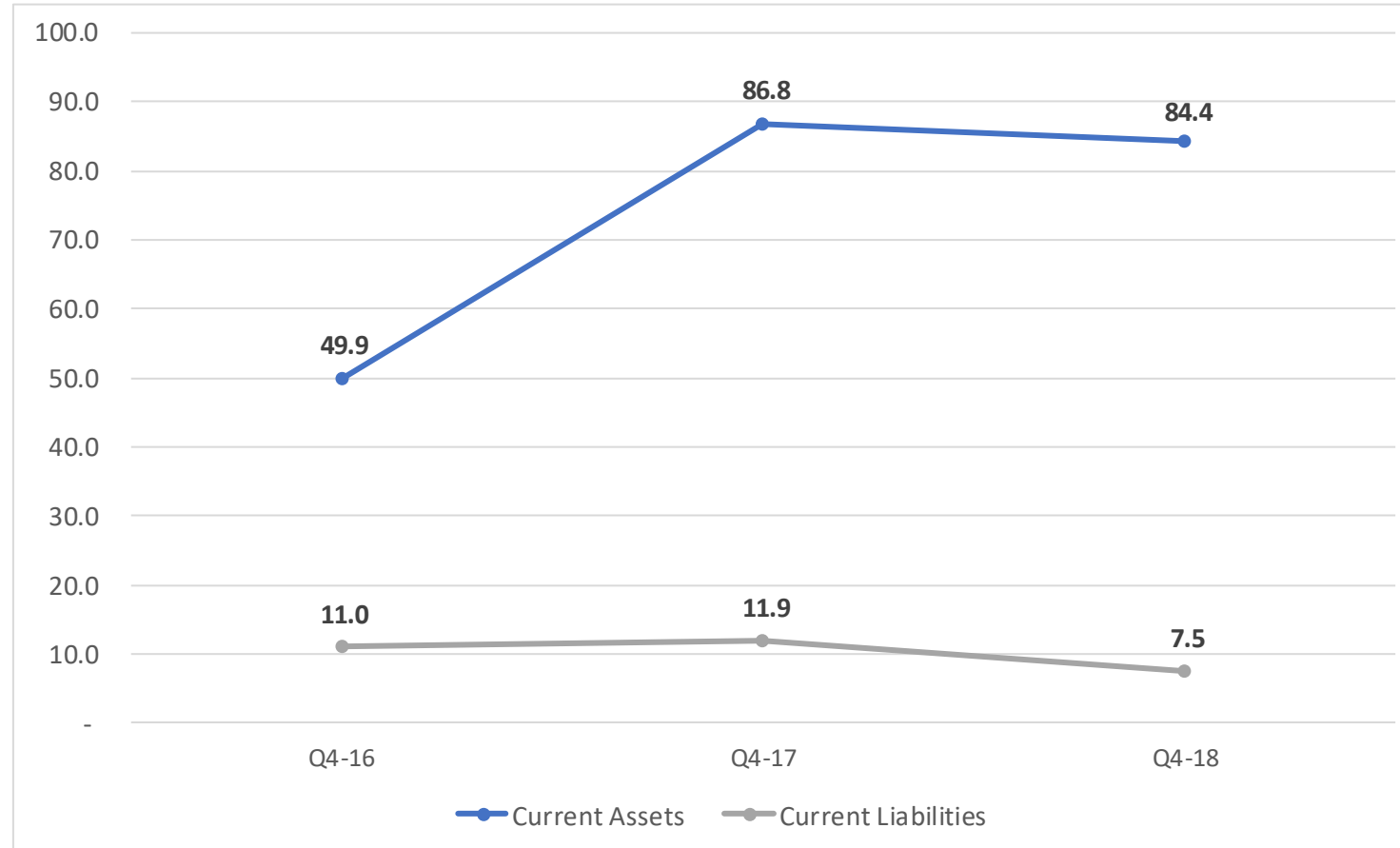
# CONSOLIDATED BALANCE SHEETS

**Radcom Ltd.**  
Consolidated Balance Sheets  
(thousands of U.S. dollars)  
Unaudited

	<b>As of December 31, 2018</b>	<b>As of December 31, 2017</b>
Cash and cash equivalents	\$ 61,988	\$ 22,575
Restricted bank deposit	-	36
Short term bank deposit	-	40,000
Trade receivables, net	20,381	20,266
Inventories	251	1,199
Other receivables	1,766	2,685
<b>Total Current Assets</b>	<b>84,386</b>	<b>86,761</b>
Severance pay fund	2,967	3,052
Other long-term receivables	346	172
Property and equipment, net	1,832	1,924
<b>Total Assets</b>	<b>\$ 89,531</b>	<b>\$ 91,909</b>
Trade payables	\$ 1,559	\$ 1,828
Deferred revenue	266	2,601
Employee and payroll accruals	3,420	4,062
Other payables and accrued expenses	2,281	3,428
<b>Total Current Liabilities</b>	<b>7,526</b>	<b>11,919</b>
Deferred revenue	100	21
Accrued severance pay	3,425	3,573
<b>Total Liabilities</b>	<b>\$ 11,051</b>	<b>\$ 15,513</b>
Shareholders' Equity	78,480	76,396
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 89,531</b>	<b>\$ 91,909</b>



# CURRENT ASSETS VS. CURRENT LIABILITIES (\$M)



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