

RADCOM

REFERENCE SLIDES

EARNINGS CALL FOR Q3-20



# 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, when the Company discusses its continued investment in technology and R&D, the expected transition to and roll out of 5G networks and other market trends, the Company’s market position, cash position, expected gross margins and potential growth, the Company’s expectations with respect to its contact with Rakuten and continued relationship with AT&T, the potential in the RADCOM ACE product, the Company’s expectations regarding the impacts of COVID-19, and its revenue guidance, it is using forward-looking statements. 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 its 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 the Company’s website at [www.radcom.com](http://www.radcom.com), the content of which does not form a part of this presentation.

# OVERVIEW

- Revenues for the third quarter of 2020 were \$9.8 million
- Cash and cash equivalents and short-term bank deposits of \$65 million and no debt
- Reiterating 2020 revenue guidance range of \$35-\$38 million

# Third Quarter 2020 Financial Results

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# CONSOLIDATED STATEMENTS OF OPERATIONS (GAAP)

## Radcom Ltd.

Consolidated Statements of Operations  
(thousands of U.S. dollars, except per share data)

### UNAUDITED

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues	9,829	9,389	27,316	23,981
Cost of revenues	2,390	3,283	7,642	7,274
Gross profit	7,439	6,106	19,674	16,707
Gross profit %	76%	65%	72.0%	69.7%
Research and development, gross	4,884	4,699	14,384	13,921
Less - royalty-bearing participation	478	597	1,050	1,413
Research and development, net	4,406	4,102	13,334	12,508
Sales and marketing	2,474	2,758	7,208	7,821
General and administrative	1,008	1,064	2,937	2,711
Total operating expenses	7,888	7,924	23,479	23,040
Operating loss	(449)	(1,818)	(3,805)	(6,333)
Financial income, net	120	217	440	698
Loss before taxes on income	(329)	(1,601)	(3,365)	(5,635)
Taxes on income	(113)	(59)	(166)	(105)
Net loss	<u>\$ (442)</u>	<u>\$ (1,660)</u>	<u>\$ (3,531)</u>	<u>\$ (5,740)</u>
Basic and diluted net loss per ordinary share	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>	<u>\$ (0.25)</u>	<u>\$ (0.42)</u>

# CONSOLIDATED STATEMENTS OF OPERATIONS (NON-GAAP)

## Radcom Ltd.

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

### UNAUDITED

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<b>NON-GAAP (1)</b>			
Revenues	\$ 9,829	\$ 9,389	\$ 27,316	\$ 23,981
Cost of revenues	2,361	3,222	7,571	7,118
Gross profit	7,468	6,167	19,745	16,863
Gross profit %	76%	66%	72%	70%
Research and development, gross	4,600	4,488	13,682	13,353
Less - royalty-bearing participation	478	597	1,050	1,413
Research and development, net	4,122	3,891	12,632	11,940
Sales and marketing	2,309	2,610	6,856	7,343
General and administrative	798	812	2,440	2,276
Total operating expenses	7,229	7,313	21,928	21,559
Operating income (loss)	239	(1,146)	(2,183)	(4,696)
Financial income, net	120	217	440	698
Income (loss) before taxes on income	359	(929)	(1,743)	(3,998)
Taxes on income	(113)	(59)	(166)	(105)
Net income (loss)	<u>\$ 246</u>	<u>\$ (988)</u>	<u>\$ (1,909)</u>	<u>\$ (4,103)</u>
Basic net income (loss) per ordinary share	<u>\$ 0.02</u>	<u>\$ (0.07)</u>	<u>\$ (0.14)</u>	<u>\$ (0.30)</u>

(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**

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Research and development, gross	\$ 4,884	\$ 4,699	\$ 14,384	\$ 13,921
Less - royalty-bearing participation	478	597	1,050	1,413
Research and development, net	4,406	4,102	13,334	12,508
Sales and marketing	2,474	2,758	7,208	7,821
General and administrative	1,008	1,064	2,937	2,711
Total operating expenses	<u>\$ 7,888</u>	<u>\$ 7,924</u>	<u>\$ 23,479</u>	<u>\$ 23,040</u>

# OPERATING EXPENSES (NON-GAAP)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	<b>NON-GAAP (1)</b>			
Research and development, gross	\$ 4,600	\$ 4,488	\$ 13,682	\$ 13,353
Less - royalty-bearing participation	478	597	1,050	1,413
Research and development, net	4,122	3,891	12,632	11,940
Sales and marketing	2,309	2,610	6,856	7,343
General and administrative	798	812	2,440	2,276
Total operating expenses	<u>\$ 7,229</u>	<u>\$ 7,313</u>	<u>\$ 21,928</u>	<u>\$ 21,559</u>

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

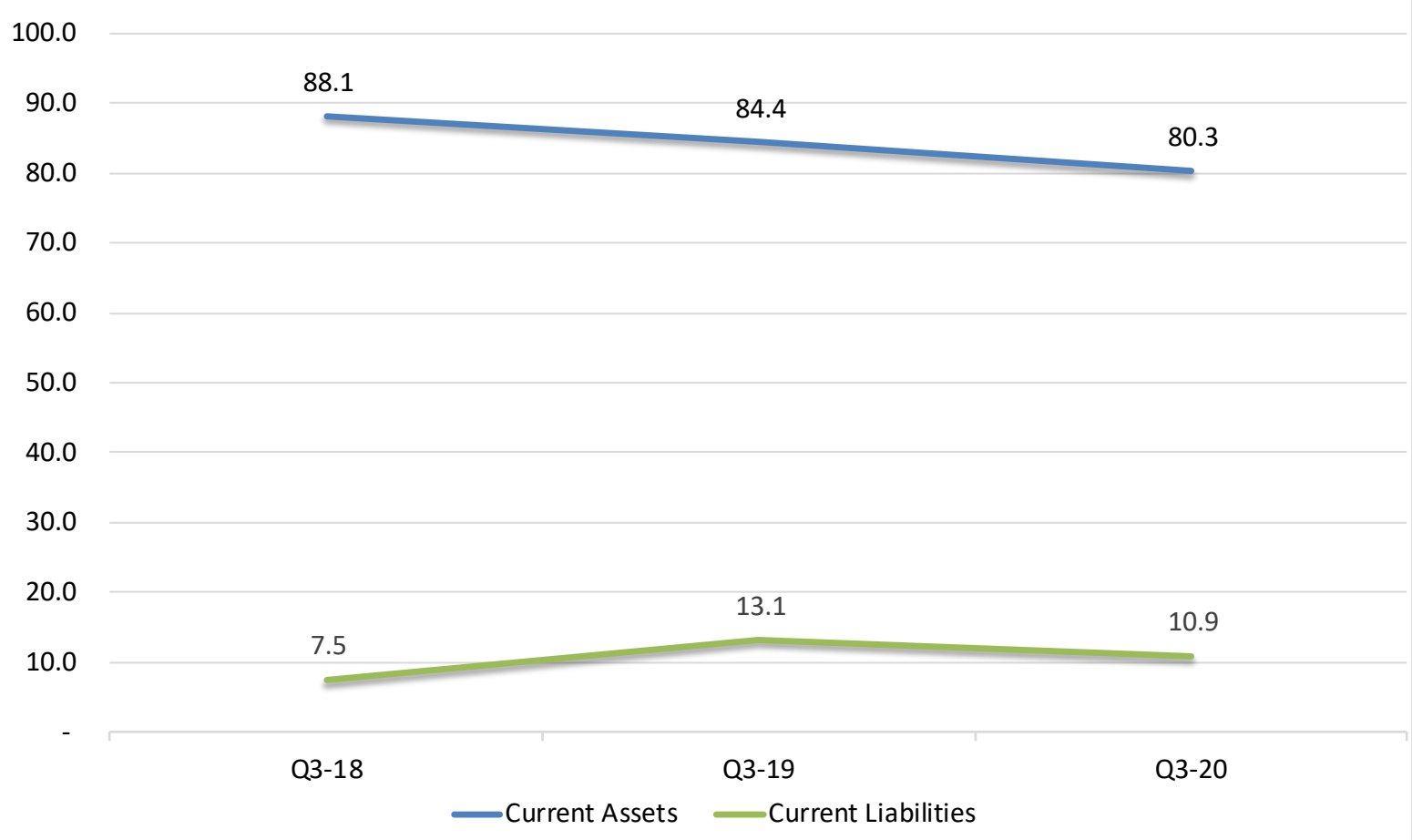


# CONSOLIDATED BALANCE SHEETS

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

	<b>As of</b> <b>September 30,</b> <b>2020</b>	<b>As of</b> <b>December 31,</b> <b>2019</b>
	<u>(Unaudited)</u>	<u>(audited)</u>
Cash and cash equivalents	\$ 8,060	\$ 6,201
Short-term bank deposits	56,793	63,080
Trade receivables, net	13,954	11,039
Inventories	359	1,356
Other accounts receivable and prepaid expenses	1,145	1,536
<b>Total Current Assets</b>	<b>80,311</b>	<b>83,212</b>
Severance pay fund	3,454	3,365
Other long-term receivables	1,445	2,314
Property and equipment, net	1,405	1,669
Operating lease right-of-use assets	4,855	5,842
<b>Total Non-Current Assets</b>	<b>11,159</b>	<b>13,190</b>
<b>Total Assets</b>	<b>\$ 91,470</b>	<b>\$ 96,402</b>
Trade payables	\$ 1,651	\$ 2,452
Deferred revenues and advances from customers	697	828
Employee and payroll accruals	4,119	4,132
Operating lease liabilities	1,172	1,263
Other liabilities and accrued expenses	3,309	4,050
<b>Total Current Liabilities</b>	<b>10,948</b>	<b>12,725</b>
Deferred revenues	63	100
Accrued severance pay	4,116	3,904
Operating lease liabilities	4,030	4,967
Other liabilities and accrued expenses	366	836
<b>Total Non-Current Liabilities</b>	<b>8,575</b>	<b>9,807</b>
<b>Total Liabilities</b>	<b>\$ 19,523</b>	<b>\$ 22,532</b>
Shareholders' Equity	71,947	73,870
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 91,470</b>	<b>\$ 96,402</b>

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



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