Q3-19 Financial results conference call

Management's prepared remarks and Q&A

November 7, 2019

Operator:

Ladies and gentlemen, thank you for standing by. Welcome to the RADCOM Ltd. Third quarter 2019 results conference call. 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 start zero.

As a reminder, this conference is being recorded and will be available for a replay from the company's website at www.radcom.com, from November 7th, 2019. On the call today are Yaron Ravkaie, RADCOM's CEO, Eyal Hararai, CEO of RADCOM North America, and Amir Hai, 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 on the investor section of RADCOM's website, at www.radcom.com/investor-relations.

Before we begin, I will like to review the Safe Harbor provision. Forward looking statements in the conference call involve a number of risks and uncertainties including but not limited to the company's statements about its 2019 revenue and other performance guidance, including statements that are anticipated gross margins, statements about the company's strategy, growth, leadership position, opportunities and momentum, visibility, headcount and backlog. Statements about continued investment in research and development and statements about the future of NFV industry trends and the future market conditions, including 5G deployment and future plans of industry participants and customers. 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 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 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 which are included in the quarter's earnings release, which is available on our website. I would like to repeat the information about the presentation. If you have not downloaded yet you may do it so through the link on the investor section of RADCOM's website, at www.radcom.com/investor-relations.

Now I would like to turn over the call to Yaron, please go ahead.

Yaron Ravkaie:

Thank you operator and thank you all for joining us today.

By now I assume you've seen the press release issued earlier today regarding upcoming changes to RADCOM' management. As reported, effective January 1, 2020, I will transition from my role as

CEO to the company's board of directors. It has been nearly 4 years since I first joined RADCOM as CEO.

During this time the company has grown, and our technology has significantly advanced. During this spirit we've established RADCOM as a world leading provider of NFV service assurance and network intelligence solutions. We are now seeing the fruits of our efforts with new key engagements and expanding deployments with existing customers. We are set up today to take advantage of current and future market conditions, and we expect the roll-out of 5G to spark the adoption of our platform and solutions.

With this I look forward to my role on the board of directors and actively participating in shaping the company's strategy as we aim to capture more business as 5G adoption increases. Eyal Harari will be replacing me as CEO after many years with RADCOM, including his role as CEO of RADCOM North America, and as COO of the company. Eyal has partnered with me over the last 4 years running the company, and this transition has been part of our succession planning.

Eyal has made significant contributions to RADCOM's success, including leading the company's NFV strategy, and has been instrumental in our close relationship with AT&T and other key customers. With Eyal's experience over the years and our shared journey together, I am confident in Eyal's ability to lead the company forward, as the industry transitions to 5G and virtualized solutions. I will now turn the call over to Eyal for a few comments, after which we will get to the core of the updates and results, Eyal.

Eyal Harari:

Thank you Yaron. As Yaron mentioned, the past 4 years have been transformative for RADCOM, as we shifted to cloud-native solutions, and offered first-to-market NFV solutions and two critical customers such as AT&T and Rakuten Mobile.

During this period, we have assembled strong and experienced team that has developed the most advanced virtualized solutions. I want to thank Yaron for being a great partner and a leader during these years. I am pleased that we will be able to continue to work together as he joins the board of directors. I look forward to stepping into the role of CEO in such exciting times for RADCOM.

I believe we are well positioned for continued growth, as the pace for 5G adoption picks up, and as virtualization solutions become industry standard. Yaron.

Yaron Ravkaie:

Thank you Eyal, I wish you all the best in your new role. Let's now turn to the financial results for the third quarter of 2019.

We are pleased to report increased revenue this quarter of 9.4 million dollars, as we continue the upward momentum that we have seen this year. This growth reflects the progress made in adding Rakuten Mobile as a significant strategic customer, as well as our strong relationships with our current customer base such as AT&T, Globe, and others.

As we announced, at the beginning of October, we signed a multi-year agreement with PJSC Vimpel-Communications, a wholly owned subsidiary of Vion. VimpelCom is a top tier operator in

Russia, with over 50 million customers under it's Beeline brand. VimpelCom is a very innovative customer-oriented company, operating a highly competitive environment, so they need to monitor all their services at scale in a highly automated cost-efficient way.

We will provide our virtualize solution and integrate it into VimpelCom's virtualized platform so they can monitor their services automatically and ensure the highest level of customer experience to their subscribers. Also, we continue to make progress on our deployment with Rakuten Mobile, where we are deploying a fully virtualized RADCOM Network Intelligence solution for the world's first end-to-end fully virtualized mobile network.

This partnership emphasizes and strengthens our position as a market leader for virtualized assurance and has gained lots of attention within the telecom industry. Our advanced technology and virtualization know-how provide operators with unparalleled capabilities to enhance their customer experience as they transition to NFV and 5G.

In addition, we continue to have a healthy relationship with AT&T as we deliver cutting edge software releases and provide support for the evolution of their advanced cloud network. AT&T continues to proceed rapidly with its transition to the cloud, which is a critical component of 5G rollout and future service innovation. With AT&T and Rakuten, undertaking the most exciting NFV transformations in the industry, we are proud that RADCOM is playing a central role in both of these transformations, as we continue adding more and more advanced technology and capabilities into our virtualized assurance portfolio.

As we plan for 2020, and with the progress already made this year, we expect to enter 2020 with high visibility and back-log, and a strong potential for growth. Our strategies to continue investing in R&D, to capitalize on the increasing momentum that we expect to see with the migration to 5G. In light of our relationship with AT&T, the execution of our contract with Rakuten for the world's first fully virtualized network, current market conditions and our results today, our current revenue guidance for this year is between 31 and 33 million dollars. With that, I will turn the call over the Amir Hai, our CFO, he will discuss the finance results in detail. Amir, please go ahead.

Amir Hai:

Thank you Yaron and good morning everyone. Please turn to slide 6 for our financial highlight. To help you understand the results, I will be referring mainly to non-GAAP numbers, which exclude share-based compensation.

Revenues for the quarter were 9.4 million dollars, up by 10% year over year. As a reminder, our quarterly revenue can be become lumpy due to specific project milestones. Our gross margin for the quarter was 65.7% on a non-GAAP basis. This lower than usual gross-margin reflect product mix, including more hardware than usual due to specific projects. Note that our gross margin can fluctuate depending upon the level of revenues and revenue mix. Our gross R&D for the quarter, for the non-GAAP basis, increased to 4.5 million dollars, from 3.7 million dollars in the third quarter of 2018. This increase results from our continued investment in R&D to maintain our extent on technological leadership and capabilities. The R&D level for this quarter is approximately the same in the previous two quarters. Also, during the third quarter we received 597 thousand dollars from the Israeli Innovation Authority, compared to 528 thousand dollars in the third quarter of 2018.

Other results, our net R&D for the quarter was 3.9 million dollars, an increase from 3.2 million dollars in the same period last year. Sales and marketing expenses for the quarter were 2.6 million dollars on a non-GAAP basis, an increase from 2.3 million dollars in the third quarter of 2018. This increase is primarily attribute to increased sales commissions.

G&A expenses for the quarter, on a non-GAAP basis totaled, 812 thousand dollars, compared to 647 thousand dollars in the third quarter of 2018. G&A expenses levels were approximately the same as in the previous two quarters. Operating loss on a non-GAAP basis for the quarter was 1.1 million dollars, compared with an operating profit of 762 thousand dollars for the third quarter of 2018. Net loss for the quarter on a non-GAAP basis, was 1 million dollars, or a lost per share of 7 cents per diluted share, compared to a net income of 1 million dollar, or 7 cents per diluted share for the same period, last year. On a GAAP basis, as you can see, on slide 5, we reported a net loss for the quarter of 1.7 million dollars, or a lost per share of 12 cents per diluted share, compared to a profit of 634 thousand dollars, or 5 cents per diluted share last year. At the end of the third quarter of 2019, our headcount was 259.

We expect our headcount to remain around the current level in the near term. According to the balance sheet, we are at the cash balance which place us on a solid footing to execute on the opportunities in front of us. Our cash and cash equivalents and short-term bank deposits at the end of the quarter were 68.1 million dollars as noted on slide 9. I will now turn the call back to the operator for your question. Yaron will make closing remarks after the Q&A session.

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 1. If you wish to cancel your request, please press star 2. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by while we poll for your questions.

The first question is from Bhavan Suri of William Blair. Please go ahead.

Matt Stahl:

Hi this is Matt Stahl, on for Bhavan. First off, Yaron, it's been great working with you and hope to continue to speak with you in the future, and Eyal, congrats on the move to CEO, and thanks for taking the questions.

So, first. As far as the revenue run-rate, you know, we've seen a step up in the quarterly revenue run-rate over the past couple quarters, the guidance suggests to step down in Q4. Just curious if you can flash out what's been driving that step-up, and you know, this is just kind of coming from, you know, … and Rakuten, or other customers as well, and what assumptions are behind the step-down expected in Q4 as far as the quarterly run-rate goes.

Yaron Ravkaie:

So, first of all, thanks, and for sure you know we will be in touch and I think you guys will continue to feel me and see me.

I would say that, we're making, you know, very good progress, also with Rakuten project. We have the stable revenue that's coming from AT&T, all of that and now Rakuten now representing a full quarter, it stepped up the revenue, and we have of course some other healthy activity from our other key customers, including Globe Telecom, etcetera.

So, as for the guidance and finishing the year, you know, it's not now to do the math on hundreds of thousands of dollars, remember that we are dependent on project milestones and things that will happen, so there is no, there is no like real for sure downward momentum in the business, so we see upward momentum, and any modeling between quarters is just influences by our rubric.

In general, I think, what you should take from this call, is that we have a very good year, you know, the year is not done yet, but until, to date we have a very good year from a booking perspective, and you saw in the prepared remarks and also in the PR that we released, we will be entering 2020 with a very nice revenue back-log and I think, you know, you need to be patient as we set up to guide Eyal, we will guide 2020 when we finish the year, and I think it, as we see it now we are gearing up for growth year next year.

So, everything looks positive, we are building on top of everything that we're doing, healthy pipeline, good performance this year, exactly like, you know, we want to see in a business.

Matt Stahl:

Right, absolutely. Okay, just one follow-up. If I remember correctly, obviously you guys talked about 5G as being the sustainable long-term driver for you know, for the virtualized, part of this business, but if I remember correctly, the Beeline deal, VimpelCom is for 3G and 4G networks and not for 5G.

Just wondering, I mean, look at your pipeline, how much of that is being driven by virtualization of 3G and 4G networks versus next gen and 5G, at this point? Thank you.

Yaron Ravkaie:

Beeline is basically contracting us to do all of their network, so the way to look at Beeline is that we will be doing everything, they will be basically swapping their existing vendor with us, and at this stage, you know, we're starting the planning stage and primarily it, probably not going to impact this year, okay? I am saying it with a grain of a salt, but the way we are looking at it, the main impact, financial impact of Beeline will be for next year's revenue and I think you will see it as we finish the planning and you know show you the plan for next year.

When you look at the market and you look what's driving demand, we see more activity around 5G. Remember that, you know, last year we came from a slow-down end of last year, so it's not like everybody is like issuing and tomorrow morning we'll have 20 contracts, but we see a pick-up of activity as the carriers are starting to roll out 5G.

Now the way that they rolling it out, they are rolling it out first 5G, which is basically a building block on top of the 4G network, so they are rolling out like 5G radio, and they are staying with, doing some changes to their 4G core and that way they giving a very high speed, but it's still not the end result of 5G architecture.

We now see more pipe-line activity and discussions with the customers, both, by the way, existing and new logos, around the 5G evolution, by the way, short term and long term. So, it gives us a good engagement and good starting point for the coming quarters that we expect to see this increase and we expect the pipeline to turn into deals as they roll out this technology.

So we might still see, you know, next year, someone coming in and I think you remember me talking about this in the past, and saying okay, look, I have my current legacy technologies obsolete, I have been running it with, I don't know, with 5 years 7 years, whatever, and I want to do a refresh, and we might see a refresh and they need me to support you know 4G, 3G, 2G I think we'll see disappear and they are going to use the 2G frequencies for 5G, maybe even the 3G frequencies for 5G.

So, all of this will be our world, and you know, to connect all of this, just remember that we live in a hybrid world. Telcos, outside of Rakuten, which makes Rakuten you know special and exciting, outside of Rakuten and if we'll see, you know we are starting some activity of perhaps some others experimenting with maybe becoming a green-field operator, if you're not a green-field operator, then you're rolling out 5G, you're rolling out it together with your current network and you will want assurance that shows you end to end. That's I think how everything fits together.

Matt Stahl:

Right, right. Very helpful. Thank you very much, and a solid quarter.

Yaron Ravkaie:

Okay, thanks, Matt.

Operator:

The next question is from Alex Henderson of Needham and Co. Please go ahead.

Alex Henderson:

Thanks. I am getting a little bit of static on my line, I hope that's not my phone line, but I was hoping you could talk a little bit about the structure of the trials that you've got in place, you know, how many companies are currently in that pipeline, any sense of scaling within that pipeline, and then the other question.

Obviously the third quarter was a little bit more slanted towards hardware, that sounds likes it's more the legacy products, than the forward peer software products, to that extent, should we expect a rebound to a more normalized gross-margin with a more software mix in 4Q?

Yaron Ravkaie:

Okay, hi Alex. We hear you fine by the way, so static is not on our side. Let's start maybe from the second question.

This quarter we had, first of all just a recap on the way that the company operates. We have one product, okay? We know how to install it, it's an NFV based product, it's fully virtual, and this is a product that we have with all of our key customers, including customers that have not migrated fully to virtual. Now, specifically, this quarter, and then what do we do, we just take the same software and we provide the company in the business margins we operate with some of our longer standing customers, we also ship them regular cut servers and we install the software on that, and we even install part of it in a cloud session that for us it's easier to maintain, etcetera. So, this is what's happening technically.

Now, financially, what does it mean, it means you might see a quarter where we're shipping just regular like HP servers or Dell servers or something like that to customers, and the margins on those servers are very low, you know it's basically almost like a pass-through, and that takes the gross margin down, and that's been going on for a while now.

At this quarter we've had such an event and this you see. It's not any of course, you know, evidence, or something in the strategy of the company, on the contrary. Now, specifically, here we do expect next year to have less of this, because what we see is our current customers that are still using this model have started to migrate to virtual, and we have already migrated some of their network to virtual, so we expect the growth as their traffic grows in next year, not to ship them servers. We might still have occasions here and there, but less than this year, and you will see a trend that we all like in the right direction of increased gross margin. And the question of what do we see from a pipeline perspective, I would say…

Alex Henderson:

Before you go on, the fourth quarter comment, is it going to rebound in 4Q? You talked about gross margin for next year, but you didn't address the 4th quarter.

Yaron Ravkaie:

Yeah, it's going to rebound.

Alex Henderson:

Perfect, thanks.

Yaron Ravkaie:

When we look at the activity with the customers and the pipeline etcetera, just to give you a feel with our side of the company in the tier 1, at any given time we have around a handful of trials and engagements going on that are real engagements, okay? That are lab and trials and things like that.

Now I think you have seen in the past that it's very hard to understand in this market, and I still unfortunately don't have the best crystal ball, what will be the sales cycle, and what will be, you know, how it would advance some of them. From the past situation we saw some of them advance, and by the way, Veon is one of them, and it took a lot of time, it was in the pipeline for a long time, I am not going to give too much color why, it's their own buying process, and I can tell you that, and we have talked about it in the past, Rakuten Mobile was very very fast because their need was fast.

We, what we are going to do, we're going to, you know, very closely work with the customers, and as this 5G momentum grows, we are hopeful that it will shorten the sales cycle, but we don't know yet to date.

Alex Henderson:

So, if I could, the contract that you did with Rakuten, their network launched, as I understand it, in October, so just launching now. I assume that the majority of that deploy occurred over the summer in order to set up that network, and it sounds like VimpelCom is more of a 2020.

So, is that part of the reason that the timing of that launch that sequentially downed a little bit in the 4th quarter, and to that extent, how are those structured? Are they structured as subscriptions or are they structured as one-time payments?

Can you talk a little bit about, you know, to what extent those two contracts are on-going revenue at a steady rate or whether there is growth to them to, or what?

Yaron Ravkaie:

Okay, let's start from Rakuten. Rakuten is a multi-year engagement, and looks, I want to be accurate with the words, it looks and it's as close as possible that you can get in our world to a subscription model.

This is my recommendation, this is how you should model it, this is how we're modeling it, and this is how we are seeing. It's a stable revenue, and with a potential upside to grow that recurring revenue on a recurring basis, and we've already we're at the tail end of receiving some additions to this contract which are meaningful, and there's also additional positive activity going on with Rakuten that you know can increase the relationship with them, and the relationship with them is meaningful, they have become our number two customer. We, so that's Rakuten.

Alex Henderson:

Let's stop there for a second. So the extent that Rakuten is targeting 170 million population and just launched a network, if they add subscribers, is there a, you know, certain levels of additional subscribers that then culminate in revenue sharing or is it just a subscription based on footprint and features, how does it scale up?

Yaron Ravkaie:

It scales up if they launch 5G and if they launch more technologies. It's unlimited for Japan for their subscribers, so as they add more subscribers, it's not going to generate more revenue for us. If they do launch, which they have desire to launch beyond Japan, then it will add significantly more revenue to us.

Alex Henderson:

Very good, thank you for clearing that up. And VimpelCom?

Yaron Ravkaie:

Okay, now Veon is, it's a little bit complicated because we have not gone through the full planning stage but we expect the revenue to materialize primarily in the next two years. It's more of a traditional license and maintenance model.

They, you know, as we migrate to more of a cloud SAAS model, and I mentioned this I think several times, we are not going to be religious on it and if the customer forces us or really insists on having a license model, we will remain flexible to work with.

So that's what is standing behind this, although I expect more and more to see new logos coming with a subscription model because of the fact that it's cloud software etcetera and they get the benefit of a cloud model which is a, you know ongoing releases and you know getting the latest and greatest all the time, and they basically get RADCOM as a partner for the subscription period, for the multi-year period, and you'll see these milestones basically split on this, and you can, and it will contribute, you know, we didn't disclose the numbers, we contribute a percentage of the revenue going up next year and you know into the year after.

Alex Henderson:

So if we excluded VimpelCom, is it reasonable to think that your revenues will be fairly steady, and that's all upside to the 2020 or is it, you have some pings and pongs and some declining, and some increasing, and then the other piece of that question, what happened to the other tier 1 in the US that you guys were talking to?

Yaron Ravkaie:

Okay, so specifically, I would say that the company, with the booking that we did this year and with the main contract that we have with our, you know, and with the visibility which is very good that we enter next year, even without VimpelCom we would be growing, and with VimpelCom we will be growing more, and you see it when we come out with the numbers.

When we look at the North America, and you remember that we won a North America customer, you know, we are in active discussions with them, but they are going through a major re-assessment of their strategies, 5G and NFV, so we don't know the outcome of that yet and how it's going to impact 2020 and beyond. We will be recognizing very small amounts of revenue this year from them.

Alex Henderson:

I see. Thank you very much.

Yaron Ravkaie:

They are primarily going to a full re-planning of their strategy, so I feel they are a bit behind, they are significantly behind and I think it's impacting us.

You know, it's, they can also shift to become a big potential and a positive surprise next year, but I am cautious until they finish that effort and we are engaging with them and we figured it out things like that.

Outside of that, they are on-going activities in all continents by the way, including North America, and we'll see this materialize, you know, into a pipeline-activities with new logo.

Alex Henderson:

Great, then, just one last question. How many 10 percent customers did you have in the quarter?

Yaron Ravkaie:

Three.

Alex Henderson:

Great. And Yaron, I appreciate working with you over the time, and Eyal I look forward to working with you even more closely as we go forward. Thanks.

Yaron Ravkaie: Thanks, Alex.

Operator:

Yes, if there are any additional questions, please press star 1. If you wish to cancel your request, please press star 2. Please stand by while we poll for more questions. The next question is from Josh Goldberg of G2 Investment Partners. Please go ahead.

Josh Goldberg:

Hi Yaron, how are you? Can you hear me okay?

Yaron Ravkaie:

Yeah, I hear you fine. Doing good.

Josh Goldberg:

Okay. Listen, I just wanted to first, you know, recognize publicly everything that you've done in the last 4-5 years. You know, when you started, this company had 1 customer in the tier 1, it just landed a contract.

In the last 4 years I think, I believe you've landed 5 more tier 1, one more in the US, 2 in Europe, now Rakuten, I'm including VimpelCom in Europe, and it's just an indication what you were able to do while it wasn't easy, you know? People were not buying 5G equipment the last 5 years, now they are.

Now the good times are starting to roll, and I just really wanted to thank you, and really how much you've committed and drove this business to a sign this was nowhere near this 5 years ago, and you know, don't need to bring this up as well, but the stock is significantly under-valued, versus where it was just a couple years ago.

So I just wanted anyone who is hearing this call to recognize how much you did and how much you provided to this company, to put it on such solid footing, with a big back-log, entering 2020, when all these 5G operators are looking for a solution and you've proven yourself to be the number one solution in the market, and I didn't know if you wanted to maybe talk about what you're seeing in the future, now that you're on a board of directors, and if you can as well, maybe we can hear a little bit from Eyal about what he sees in the next 12 months, just so he can introduce his visions for the company, to the investors. Thank you.

Yaron Ravkaie:

Okay, so, first, Josh, thanks so much for the kind words and the color for the company, and I am sure you will continue to see me and feel me and everybody will. It's not by chance that I am joining the board of directors, both on a personal level and of course on a professional level.

The journey, while the company is like a significant different and much better company than from you know before 2015, and there is still a lot to do as you mentioned and it's going to be a very exciting times for Rakuten and I am going to continue to invest my personal time, and all my expertise to continue this journey, so you know, that's from my angle.

I would say that when you look at it from how the journey that we've done, we went and we took a gamble back in 2013, that gamble turned out that we were visionaries, you know, when you're visionary the gamble can turn out the other direction, that we are visionaries and we were able to foresee that this migration to virtual before other players in the market.

That got us to the position that we won AT&T, it wasn't by chance, okay, and AT&T, together with AT&T and the fact that we had a long term contract we are able to start and really gain the real world expertise, the tons of expertise that you need in the telecom market in order to do this major shift in technology. I think when you hear the investment calls and you try to understand what's happening in the company, AT&T is a 150 million subscriber strong, one if not the largest network in the world, okay? And RADCOM, which was back in 2015, how many people were we? 100? Less? 120 people were able to land it based on the superior technology. Since then, and since AT&T took this position that they are going to be very innovative and are going to push the entire industry along and really set the pace, because you know, in this industry, the networks, the traditional equipment providers were fighting the change to virtual because it was cannibalizing themselves, they took this very strong stand in pushing this along, and over the course of this we were able to really, you know, get to a technology that is second to none, okay?

So, what we are able to do with the product today, and where AT&T and all of our R&D that took us is really amazing, and not by chance we won the second significant logo which we talked about in North America. Unfortunate, but also shows you that when you are dealing with tough transformations you need a very innovative company to help you and work with it, but they had problems on their overall network and how they are transforming and re-setting, you know, the strategy.

I am positive that we will see activity come back with them because you know, what fits AT&T fits them too, and more to come on that, and then this year, this amazing win with Rakuten Mobile, okay? That where they looked, when they chose the technology they looked at the entire market, and by the way, they also didn't look only at the traditional players around direct competitors, they also looked at very innovative approaches of how to do the assurance and how to launch etcetera, things like that.

So, I think when we look now at where the company is positioned, we've got, AT&T continue to work with us and scale with us. We have, you know, major customers like Globe that we are rolling out a lot of stuff and they are enjoying, you know, everything that we came up with virtualizations as they virtualize their network. We have Rakuten Mobile, that you know, in these times where the technology is shifting so much, the Amazon of the far east of Japan decided to launch a mobile network, this is just the beginning of what we are going to hear from them. And this is why we are so excited about the future of the company and where it's going to go. When you have such customers and you see the journey, you know, the journey will continue to be positive and we will continue to come with these innovative solutions. We are ready for the 5G, okay, let's put it in perspective, didn't explode yet, and we're ready for that explosion, now let's see how this explosion manifests itself.

We've saw many things happen in telco in the past, and we saw also that things in the future not always happen as they do in the past. You hear a lot of, you know, the CO's, AT&T, T-Mobile, you know, others, talk about the 5G evolution revolution. It's going to be very interesting. It brings to the table things that are going to change our lives, and it's being looked at the next evolution, or revolution, not almost, but at the same energy and the same size of the smartphone revolution, and if we all look back, we had the day before the smartphone, and then all these days after smartphones, and our lives changed.

So, we're ready to, you know, to capitalize on that. We are already starting to capitalize, we are already implementing 5G projects with these new wins and AT&T and existing customers, and our expertise will be very valuable there, so I think this is how it all ties together.

Eyal is going to reserve, you know, the right to give you the color on the next call, he is going now through the transition with me and we are going to give him enough time to get his strategy and plans in place, we are going to exactly now our budget planning for next year and some strategy discussion with the board, you want to say something, Eyal?

Eyal Harari:

Yeah, maybe. First of all, Josh, thank you. As you know, I know the company, I know the team, I know what we can do. I believe that we have a very healthy situation today and we can definitely grow the company moving forward with 5G, and I am excited with this new journey as the CEO of the company, so give me the time to plan 2020 before we pour some color on what we expect there.

Josh Goldberg:

Okay, great. If you could just give me, or give us, some comfort on this backlog that I think that you talked about, where do you have visibility towards some growth in 2020 besides your pipeline? Because we know pipelines do come and go.

Eyal Harari:

I think the way you need to look at it is that without new bookings we are already going to grow in 2016, 2020, sorry, back to, I apologize. So, we are very comfortable. So, you do the numbers, okay? Where at 31 to 33 we see already a number higher than that, that is already contracted and we don't need to sell beyond that, It's just for that number. Of course, we're selling, yeah?

Josh Goldberg:

Do you think that you're going to need to use your cash at all to buy acquisitions of any sort, or do you feel like your product stack is ready for next year without the cash usage?

Eyal Harari:

It's a good question and we've been asked this over the quarter. The company is in a very strong cash position. The primary reason we wanted and we still want this very strong cash position, everybody needs to understand that we deal directly with these tier 1 telecoms in the world, and when you're a company without a strong balance sheet, you can't do business with them, they are afraid that you will disappear, you know, in the course of a couple of quarters, and I think you see the numbers here, we are not going to disappear, and this is the comfort level, and this is what we need to give them that comfort level.

Now, I am separating the cash from the desire to look at M&A. I can tell you that we are keeping our eyes open and in some cases we are doing some call it discovery and corporate development activity but at a discovery phase, to see if we can accelerate growth through M&A, and it can have any flavor that we will need, so there is nothing to report today, but I can tell you that we are keeping our ears and eyes open and once in a while we look at a company and we get our thinking straight, etcetera.

Josh Goldberg:

Okay, great. Thanks so much.

Operator:

There are no further questions at this time. I will now return the call over back to Yaron for closing remarks. Please go ahead.

Yaron Ravkaie:

Okay, thank you. So, as you've heard on today's call we've made very good progress today. The company's strong and growing with a very healthy balance sheet and strong backlog. With this solid foundation for continued success, I will be transitioning the company over to Eyal's very capable hands, while at the same time staying very involved in my board position.

I enjoyed working and interacting with all of you, and except RADCOM to continue doing great things.

This ends our prepared remarks, I will now return the call back to the operator.

Operator:

This concludes the RADCOM Ltd., 3rd quarter, 2019 results conference call.

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

[End of conference call]