# Q4-19 and Full Year 2019 financial results conference call

## Management's prepared remarks and Q&A

## February 13, 2020

Operator:

Ladies and gentlemen, thank you for standing by. Welcome to the RADCOM Ltd. Results Conference Call for the Fourth Quarter and Full Year 2019.

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 from the company's website at www.radcom.com from February 14th, 2020. On the call today are Eyal Harari, RADCOM's CEO, 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 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 2020 revenue guidance, anticipated gross margins, intended expenditures, in research and development, the company's strategy, growth, leadership position, opportunities and momentum, visibility, headcount and backlog, as well as statements about future market conditions and trends, including 5G pace of adoption, benefits and 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 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 it yet, you may do so through the link on the Investor section of RADCOM's website at www.radcom.com/investor-relations.

Now, I'd like to turn the call over to Eyal. Please go ahead.

Eyal Harari:

Thank you, Operator, and thank you all for joining us today.

Earlier this morning, we issued a press release stating our results for the fourth quarter and full year 2019.

As you may have seen, total revenue was 9 million dollars for the fourth quarter of 2019, bringing our total revenue for the year to 33 million dollars, which was at the high-end of our 2019 revenue guidance.

The solid end of the year reflects the progress made during 2019 in which we expanded our customer base into new markets by adding VimpelCom and Rakuten Mobile and maintain strong relationship with our current customers, including AT&T and Globe. Our recent customer engagements are aligned with our strategy of entering multi-year contracts with recurring revenues which provide us with good visibility into the coming year. Considering our good visibility into 2020 and the current engagements, we are providing an annual revenue guidance of 35 to 38 million dollars.

Heading into 2020, we believe that 5G revolution has begun as more operators are beginning to launch their commercial 5G services, and we are continuing our work to make sure that RADCOM is in position to benefit from this technological transformation. As 5G sets out to be such transformative technology, I would like to spend few moments explaining about this technology and the expected stages of its rollout.

In initial 5G rollouts, compatible handsets connect to both 5G and 4G radios that in turn connect the subscriber to the same existing 4G call network. Today, we are at this stage of 5G, also known as first phase of 5G, and we see more and more of these limited scope 5G deployments. So far, just over 60 operators in 30 countries have launched 5G. In this type of mobile network, operators may use their current service assurance solutions to monitor 5G services.

Long-term we agree with industry consensus that the fifth-generation mobile network is expected to lead the fourth industrial revolution, in which technology is always connected and deeply embedded into society. 5G will seamlessly connect billions of IoT devices while delivering mission critical communication that is ultra-reliable and low latency, such as remote control of driverless equipment for mining and construction as well as remote surgery, and fleets of drones connecting to the mobile network for service and disaster relief.

Later, we feel, the second phase of 5G standard is expected to be finalized by the 3GPP. In this network environment, operators will deploy an entirely new network core and will need a new assurance solution to monitor mission critical always connected services. In prior iterations of mobile network, low network performance would have meant a dropped call. In the second phase of 5G, low network performance can affect the success of a remote surgery, or whether remote control drones fly safely. This means that RADCOM will be even more essential to operators, as they need to know what is happening in the network all the time, to monitor mission critical services delivered using dynamic cloud native network. Last year, we announced our initial 5G ready portfolio, and this year, we will continue to enhance our solution to answer the needs of our customers in the 5G era.

We expect that R&D expense will continue to be significant part of our operating expense, as we maintain our high level of investment in R&D to maintain our technological leadership. We expect that this investment will provide us an advantage as we seek to benefit from the expected increased momentum of 5G migration. We expect 5G adoption to pick up pace over the year and we want to leverage our position as market leader for virtualized assurance solution to engage with early adopters. As more advanced 5G use cases such as remotely operated equipment and remote surgery are introduced into the network, they will require more advanced assurance capabilities and features that we can offer.

During the fourth quarter, we announced that we signed a new multi-year contract with VimpelCom to provide them with our fully virtualized network intelligent solution and assure their end-to-end customer experience across their customer base. We are making good progress with this implementation and are excited about working with VimpelCom. VimpelCom is a customer-oriented operator in Russia with over 50 million customers under its Beeline brand. Since VimpelCom operates in a competitive environment, the company is relying on our virtualized solution to monitor its services and ensure high level of customer experience while managing costs.

Earlier in the year, we signed a high profile multi-year agreement with Rakuten Mobile to deploy a fully virtualized RADCOM network intelligent solution for Rakuten's unique mobile network, which will be the world's first fully virtualized end-to-end cloud native mobile network that adopts a 5G system architecture from launch. Rakuten plans to perfect its cloud connectivity platform in Japan, and then take the same platform to other markets worldwide. Rakuten's decision to partner with RADCOM demonstrates our industry leadership. Rakuten Mobile announced that it expects to launch fully commercial services in April of this year, and we are proud to be part of this exciting effort. Rakuten's new network architecture allow flexible deployment of new services and lays the groundwork for speedy and straightforward implementation of 5G. We continue to work closely with Rakuten as they prepare for the full commercial launch of the content rich customer driven network.

Additionally, we continue to execute on our strategic engagement with AT&T, our cutting-edge software and support play an important role as AT&T continues to move forward with network virtualization to prepare for their expected nationwide rollout of 5G. At the end of 2019, AT&T announced they had virtualized 65% of their network and were on target to reach 75% at the end of this year.

I am encouraged by our progress to date and excited by the fact RADCOM is key participant in some of the most exciting network transformation in the industry today. Looking to 2020, we expect a growth year. We plan to continue to invest in R&D to support our customers' needs as they transition to 5G and believe we are well positioned to benefit from the migration to 5G. We expect the rollout of 5G to spur the adoption of our innovative solutions.

With that, I will turn the call over to Amir Hai, our CFO, who will discuss the financial results in detail. Amir, please go ahead.

Amir Hai:

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

We ended the fourth quarter with total revenues of 9 million dollars. Our gross margin was 71.3% represented our average gross margin for the full year of 2019 on a non-GAAP basis. Our gross margin can fluctuate depending upon the level of revenues and revenue mix. Our operating expenses for the quarter on a non-GAAP basis were 7.3 million dollars, the same level in the third quarter of 2019.

Our operating expenses are comprised mostly of R&D expenses. Adding the financial income of 0.3 million dollars net of tax expenses, the net loss for the quarter was half a million dollars on a non-GAAP basis. Revenues for the quarter represent an increase from 4 million dollars in the fourth quarter of 2018. The increase was due to new contract we announced and related revenue recognized during 2019. Our gross R&D expenses for the quarter on a non-GAAP basis increased to 4.5 million dollars from 3.9 million dollars in the fourth quarter of 2018. The increase is attributable to the investment in R&D required to maintain our technological leadership. R&D expenses for the quarter were approximately the same as in the third quarter of 2019. Also, during the fourth quarter we received 425 thousand dollars from the Israel Innovation Authority compared to 366 thousand dollars in the fourth quarter of 2018. Our net R&D for the quarter was 4.1 million dollar on a non-GAAP basis compared to 3.5 million dollars in the fourth quarter of 2018.

Sales and marketing expenses for the quarter were 2.5 million dollars on a non-GAAP basis compared to 2.6 million dollars in the fourth quarter of 2018. G&A expenses for the quarter on a non-GAAP basis were 741 thousand dollar compared to 643 thousand dollars in the fourth quarter of 2018. Operating loss on a non-GAAP basis for the quarter was 911 thousand dollars compared to an operating loss of 4.2 million dollars for the fourth quarter of 2018 and to an operating loss of 1.1 million dollars for the third quarter of 2019. Net loss for the quarter on a non-GAAP basis was 501 thousand dollars or a net loss of 4 cents per diluted share compared to a net loss of 3.7 million dollars or a net loss of 27 cents per diluted share for the fourth quarter of 2018. This compared to a net loss of 988 thousand dollar or a net loss of 7 cents per diluted share for the third quarter of 2019. On a GAAP basis, as you can see on slide 5, we reported a net loss for the quarter of 1.1 million dollar or a net loss of 8 cents per diluted share compared to a loss of 4.1 million dollars or a net loss of 30 cents per diluted share in the fourth quarter of 2018.

At the end of the fourth quarter of 2019, our head count was 262. I will now highlight our results for the full year 2019. Total revenues were 33 million dollars compared to total revenues of 34 million dollars in 2018. Operating expense on a non-GAAP basis for the full year 2019 was 28.9 million dollars including 17.8 million dollars in R&D gross expense. This compares to an operating expense on a non-GAAP basis of 26.7 million dollars in 2018 including 14.7 million dollars in R&D gross expense.

During the full year 2019, the non-GAAP gross margin was 70.6% compared to a non-GAAP gross margin of 74.3% in 2018. Non-GAAP operating loss for the full year 2019 increased to 5.6 million dollars compared to an operating loss of 1.4 million dollars for the full year 2018, mainly due to decrease in revenues and an increase in R&D expenses. Non-GAAP net loss was 4.6 million dollars or a net loss of 33 cents per diluted share calculated on the basis of 13.8 million diluted shares compared to a non-GAAP net loss of 300 thousand in 2018 or a net loss of 2 cents per diluted share.

Turning to the balance sheet. As you can see on slide 9, our cash, cash equivalent, and short-term bank deposits at the end of the quarter were 69.3 million dollars. We believe that our strong balance sheet provides us solid footing to execute the opportunities ahead of us.

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

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-one. If you wish to cancel your request, please press star-two. 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 we poll for questions. [pause] The first question is from Alex Henderson of Needham and Company. Please go ahead.

Alexander Henderson:

… very much. I was hoping you could talk a little bit about the outlook for 2020 at this point. Obviously, you gave some guidance on the revenue. What portion of that, you know, guidance do you think you currently have, you know, a high degree of line of sight to – relative to contracts that you've already won, and how much of it comes from contracts that you need to, you know, to bring in. And, could you talk a little bit about what kind of pipeline you have relative to, you know, potentially getting upside to those numbers?

Eyal Harari:

Good morning, Alex. I think I would start with a summary of what we did in 2009 in terms of customer wins. And as you recall, we extended our logos with two new tier-1 accounts. And this, mixed with a strategy to go into a multi-year contracts, give us very good visibility into 2020. We started the year with a significant revenue in our backlog. And this give us good confidence that we could meet this guidance. Along the year, we are – you ask about the pipeline, we are currently engaged with multiple additional customers as well as additional opportunities within our install base. And obviously, this should be materialized along the year. But I think the main change done in 2019 that we managed to enlarge our customer base, get more multi-year agreements, and by that, increase the visibility into the 2020 revenue significantly.

In terms of the opportunity we see, as we – our strategy is still to focus on the tier-1. We are engaged in multiple processes with different tier-1s globally. But as we know those processes are – and sales cycles are taking a long time and it's very hard to anticipate where they are going to materialize. Most of the revenue is based on our existing install base and by that gives us this visibility. A smaller part is still unsecured and based on our success with winning more projects, either within the existing install base or new accounts.

Alex Henderson:

So, given it's fairly early in the year, there's still obviously enough time to win an account and get some revenue from it this year. But it seems likely that any accounts that were won later in the year would probably be more 2021 numbers.

So it sounds like, if I were to summarize what I hear you saying, and tell me if I'm mischaracterizing it, you have in hand the vast majority of what you need to get to the 2020 numbers, and you have a solid pipeline which should then give you some visibility to increasing the numbers in '21 given the multi-year contracts nature of the current base and the fact that the AT&T is now more of a subscription and less perpetual in nature. Is that the right characterization?

Eyal Harari:

Generally speaking, yes. And I would just add that still new wins in the first part of the year, like we announced Rakuten mid-2019, can materialize into revenue in 2020, like Rakuten was materialized in 2019. And – but if revenues – sorry, orders from the last part of the year might probably take some time to implement and will impact 2021.

We have good visibility as I said to the revenue, if I start – as you said, we are early in the year, and we have this good confidence to set this guidance of – that reflect a growth. And some parts obviously are still to be executed along the year, which is, as I mentioned, could be mix of new wins and upside on existing accounts.

Alex Henderson:

So, given that … the … it's good news on the revenue, and we can forecast that reasonably easily. But we have a little bit more difficulty dealing with what is … – can you give us some granularity around, you know, whether we should expect gross margins to be stable or improve, given the mix. And to what extent you intend to spend, you know, increased spending over the course of the year. How should margins track, and can we anticipate any improvement in the – in the operating losses? Thanks.

Eyal Harari:

So overall, the gross margin in – the range that we are working with is in the range of 70% to 75% yearly. As you recall, it might fluctuate quarterly, depends on the product mix. But overall, we are seeing more and more software-based solutions. As you recall, we have some customer that require us to deliver the service which impacts the product mix.

When we look on the expense, we are looking to do similar level of expense in 2020 and grow significantly on the revenue. So, by that, I would say, gives you some color on the direction.

Alex Henderson:

I see. And, just, you know, going down the line items. So, one of the critical areas for your cost structure has been, you know, the NRE on the gross margins, or on the R&D, excuse me. Are you expecting a similar amount, less, more? Again, that's impossible for us to forecast independently.

Eyal Harari:

It's – you know, if we look on the last few years, we are looking on a similar number. Obviously, we cannot forecast exactly. But if we take the last three years, we were in around the same numbers. So, you can take this as a base.

Alex Henderson:

Great. And just one last one. So, you've had some very good success with Rakuten, obviously, it's a huge win and an indication of just how superior your technology is, because they are definitely picking the most advanced companies to partner with.

That program was pushed out from the launch time, I think from October into the April timeframe, if I remember correctly. Can you talk about how that, you know, changes the trajectory of the business? Does it slow it down for you? How do we think about the impact of that on your – on your operations?

Eyal Harari:

So, first of all, the bottom line we don't see or expect any impact. The revenue and business model we had – we have with Rakuten is not based on milestones, but it's more like a subscription. So, we are not relied on their milestones.

That being said, Rakuten has launched a soft launch in late last October. And are – if you follow – most of their milestones are public, they are progressing rapidly on their implementation of their cloud native network, And we are going hand to hand with them on implementing our solution, and evolving with them with more use cases, more services, and more capacity. Their current announcement was that on April, they are going to do a full launch, which is just in couple of months. And for us, it's mainly exciting to see the technology comes to play and the key role of service assurance in – when operators try to build a new virtual network, how critical is the component of the service assurance to give them the visibility into issues, as obviously building a new network is not easy.

Most of the telecom today are established networks of 4G that are built for like 10 years or so. But when you look on companies like Rakuten, they just started to build their network, probably, like six to nine months ago, they are evolving and changing. And the fact that they have the eyes into their network and they see the transformation, they see the statistics, they see the issues, and they get insights on how to improve it, is really exciting, and making us confident that while more operators will start to build new networks, either it's Greenfield's or 5G new networks, our technology advantage will come to play.

Alex Henderson:

Is there any – in that Rakuten, you know, ramp, is there any opportunities beyond what you, you know, licensed so far, to ramp with them, or is it just a fixed license agreement, a subscription agreement?

Eyal Harari:

So, yes, there is some increment, some of them already, small increments already received, there is a bigger potential on two dimensions. One is on the 5G, on the longer term, there could be an upside to the subscription cost. And as Rakuten mentioned, they are now looking to go global. And by working with them in Japan, and both them successful and us successful in the implementation, it gives us the opportunity to work with them once they are implementing in other sites.

Now, this, my personal belief, I don't think they are – they mentioned any time on that, will take some time. Because they are mainly focusing now on Japan. But I think in Q4, they started to be more vocal and that they are going global. For us, it's an opportunity that we have them as our partners. And if their plans will come through, this will give us an opportunity to replicate the same software stack into additional countries as they will implement more virtual networks globally.

Not – nothing yet was announced, no new operation in another country. I do believe that the coming quarters will be focused on excellent execution in Japan. This is what I would expect, and we are also focused on their success would come, once the network is up and running, and operational, and shows the high quality. And if all goes well, this could start to become multiple projects.

Alex Henderson:

Right. Thank you very much for those lucid answers. I appreciate it.

Eyal Harari:

Thank you, Alex.

Operator:

If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by we poll for more questions. [pause] The next question is from Bhavan Suri of William Blair. Please go ahead.

Bhavan Suri:

Hey guys, thanks for taking my question, and nice to see growth coming back this year.

So that's exciting. Eyal, I just wanted to touch base here a little bit at a high level before we get to detail here. You know, you've been CEO for a month and a half, you've obviously been at the company for a long, long time. You've talked about what's changing this year versus last year. Do you see an inflection in the pace of change? Because it still feels like outside of AT&T, the 5G rolls are still pretty small, pretty sporadic, they're sort of tests, and sort of, you know, sub-services, as you said. How should we think about what's changing between, you know, maybe '18-'19, and what you're seeing today from the end markets, that sort of gives you guys sort of confidence in the growth?

Eyal Harari:

So, as you see our guidance, we expect significant growth, but we are not expecting to double the revenue in 2020. So, the inflection point is, it might take time. If we follow the analyst of the 5G, the expectation is that 2020 will be the year of the standalone implementation of 5G. The real network change where you will need to do a refresh to your service assurance, just to start during late 2020 or even 2021. And keep – and start to accelerate with more operators in – around the next couple of years.

We do see that by winning more accounts, we manage to get and create growth. We see that the strategy to work on multi-year agreements and work very closely with our tier-1 accounts as partners and as strategic advisors, pays off and allow us to get this good visibility to 2020 and give this guidance. I believe that the 5G is a long-term play. It's not that the market will happen all at once in 2020. And I'm building the company towards that.

Today the main focus in 5G is investment in R&D. We started that in 2019, and we continue in a higher pace 5G investment in the product. We believe as a technology company that our growth will come with a technology advantage. That we build, we had virtualization capabilities that were helping us to win AT&T and Rakuten and others.

Now we are keeping and investing to create unique capabilities into the 5G market that allow us, once transformation will happen, to secure new wins. Now, about the inflection point, again, I can't exactly foresee if and when it will happen. But we believe in our technology.

The feedbacks on the technology we get is very good. And it's all depends on the investment of the operators in 5G. We see a very encouraging fact that, as I mentioned before, 60 plus operators already in production with the 5G initial phases. This is not yet a full blown 5G networks, but it's a first important step. And for those of us – as you mention, I have a lot of experience in this market. I recall the first days of the 4G, it's always starts with tactical and initial implementations. But this is a good sign that we are on the right path into full blown implementation in the coming years. So, if there were some question marks about the pace of 5G, I think 2019 was giving more confidence that the market is growing.

Obviously, the telco is still suffering from ARPU decrease, and they are still slow in their investment. But I think it's a consensus today that 5G network is going to come and it's all going to be virtualized and containerized, where our investment in the last five years will create a technology advantage.

Today we are mainly working in our R&D to continue and create more and more advantages, as we believe the 5G networks introduce new requirement, new challenges, that we want to make sure we keep our differentiation in this case. And, now, we are mainly dependent on the operators to adopt it – to adapt it, and, obviously, winning the accounts.

So, we have the opportunities with our existing install base which grew over 2019. But we are looking to go into more accounts in the next few years. And if all goes well, 5G is definitely an opportunity, because it's a total refresh in the telecom, it's a global trend, it's bigger than just service assurance. But it's a trend that change the network so much, that it's clear that the service assurance will have to go through a refresh.

So, it will open new opportunities, it will be based on virtualization technology. And we believe that this gives us a good position, once it's comes to the opportunities.

Bhavan Suri:

That's helpful. Thanks for the color.

I've got one more strategic one, and then I'll dive into sort of more tactical ones. But given the, sort of, the delay or the slower uptake, or the slower shift to 5G, do you worry the competition has had time to sort of start catching up?

Are you seeing any change in the competitive environment, any of the competitors building sort of a software-only virtual service capability for intrusion detection, things like that? Or are they still, sort of, still relatively behind, still focused on a hardware-based world?

How should we think about that competitive environment, given there's been some more time for these guys to, sort of, maybe, think about updating their legacy stacks?

Eyal Harari:

So, I would say that definitely in the last five years since we launched the first virtualized assurance, competitors had time to invest and move to more components to software. But we didn't stay still, we invested in the last five years significant amount of R&D resource to continue and improve, crystallize and innovate a lot around this product. I can just share that most of the customer that we meet are giving us a feedback that we still have a significant advantage compared to most competitors.

I wouldn't underestimate any of our competitors, because some of them are big companies that can invest. So far, and both in VEON and Rakuten, it's was a competitive RFPs. They looked on all the market and all the players, and we managed to win due to – to our unique technology. So, I'm – for one, I'm confident that that we have this advantage. But it's definitely not – the market is not where we were five years ago. When we announce it five years ago, everyone told you that what RADCOM is doing, software is bullshit, let's spend on hardware.

Now everyone understands this is the right direction, and everyone invest in software. So, we always need to keep and invest and innovate and create an edge, and this is what we are busy these days.

Bhavan Suri:

Got it, got it. No, that's helpful, thank you. And then, and then, a little more tactically, you know, you talked about, the company has talked about in the past, the PoCs, the tier-1 workshops – just an update in terms of how the PoCs of the large tier-1s are progressing.

Obviously, AT&T being a separate one. And then, sort of, workshops and things like that. And this is obviously tying to, not revenue this year, but, sort of, revenue next year. Just want to give some color to the numbers there, number of PoCs, how they're progressing, number of workshops how they're progressing?

Eyal Harari:

So, what I can tell you, that, you know, we are now – we are, in any given time engage with multiple accounts in both workshops and PoCs. I don't want to get into exact numbers, I think it's – we are very busy on marketing our technology, mainly now with everyone very curious on how to address 5G.

So, in any given time, we are active with multiple tier-1s. Eventually, as I mentioned before, sales cycle is long, and it's a process, it's very hard to anticipate when those processes will materialize. But we are busy today not only on the wins for 2020 revenue but, as you mention rightly, we are busy also in 2021, because we're talking about multi-year long-term processes.

I think it's – the message we get from the market is our technology is exciting, which is what's important. And when and if and how this will materialize to business, this, you know, we are in February. Hopefully along the year, we'll see more progress and we'll have more announcements, as we progress with the business.

Bhavan Suri:

Got it, got it. One last one from me. Renewal. Any major renewals coming up in 2020? And if there are can you talk about what that expansion could look like, or reduction, could look like, if there are any, coming up in 2020.

Eyal Harari:

Most of our proj – contracts are multi-years in a scale of three to four, five years. Most of them are not ending in 2020. Some of them do.

We are working closely with those customers and working to secure those renewals. It's not most of the contracts, but some, it's not insignificant. But, you know, if contracts are three to five years, you can estimate the range of what's relevant.

I would say that Rakuten that was just announced, VEON that was just announced, and AT&T just, we announced late April that we are multi-year, give us a lot of confidence for 2020.

Bhavan Suri:

Got it. Thank you, gents. Appreciate it. Thanks for taking my questions, and for the color

Eyal Harari:

Sure. Thank you, Bhavan.

Operator:

If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. Please stand by we poll for more questions. [pause] We have a follow-up question from Alex Henderson of Needham & Company. Please go ahead.

Alex Henderson:

Hey guys.

Eyal Harari:
Hi, Alex.

Amir Hai:
Hi.

Alex Henderson:

… and, it seems that there's a potential for pretty nice improvement in margins, if you're holding the cost fairly stable, you have a little bit of improvement in mix on gross margins and your revenue grows. It – given the near break-even fourth quarter, is it reasonable to think more than half the losses you posted in '19 and maybe even get you to, you know, break even or stay profit at some point during 2020? Or is that too aggressive?

Eyal Harari:

So, as we gave our guidance to the revenue, we didn't give any guidance on profit. We know that there could be fluctuations, depend on the product mix and the projects, and we focus today on the growth.

We do keep the investment of the – on the technology high. And our intent is to mainly secure the growth and the wins on the 5G.

That being said, as you hinted out, it looks that if we will keep the same range of gross margin, then we are getting closer, I would say, to the break-even point. And it depends eventually on the fluctuation on the exact wins and the product wins in this mixture.

Alex Henderson:

Looks good. Thank you very much. Good progress. Thanks, guys.
Operator:

[pause] There are no further questions at this time. This concludes the RADCOM Ltd. fourth quarter and full-year 2019 results conference call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call]