

RADCOM



Reference Slides  
Earnings Call for Q3-17 Results

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# 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’s statements about its 2017 financial guidance, including revenues, gross margins, quarterly fluctuations and profitability, the expected impact of changes in Israel Innovation Authority grants, cash available for new opportunities, strategy, market share growth and extension of its leadership position, potential pipeline and opportunities, investments in infrastructure and research and development to support the Company’s growth, expected continuance of the Company’s momentum in the fourth quarter of 2017, AT&T’s continuance as an important customer and key reference and its plans to virtualize approximately 55% of their network by the end of 2017 and 75% in the longer term, industry trends, and projected sales cycles, orders, engagements and expanding relationships with top-tier, all constitute forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from those that may be expressed or implied by such statements, including, among others, changes in general economic and business conditions and specifically, decline in the demand for the Company’s products, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on prices resulting from competition. For additional information regarding these and other risks and uncertainties associated with the Company’s business, reference is made to the Company’s reports filed from time to time with the United States Securities and Exchange Commission.

The Company does not undertake to revise or update any forward-looking statements for any reason.

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 non-cash stock-based compensation, non-GAAP results provide information that is useful in assessing the Company'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 are available on the Company’s website at <http://www.radcom.com/investor-relations>

# OVERVIEW

- Q3 Revenues up 25% YoY to \$9.6M
- Updating 2017 revenue guidance range to \$36.6-\$37.8 million

Third Quarter 2017

Financial Results

# CONSOLIDATED STATEMENT OF OPERATIONS FOR Q3-17 and 9M-17 (GAAP)

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenues	\$ 9,645	\$ 7,726	\$ 26,602	\$ 21,473
Cost of revenues	3,163	2,357	7,828	6,186
Gross profit	6,482	5,369	18,774	15,287
Gross profit %	67%	69%	71%	71%
Research and development, gross	2,280	1,985	7,507	5,453
Less - royalty-bearing participation	155	385	467	1,141
Research and development, net	2,125	1,600	7,040	4,312
Sales and marketing, net	2,333	2,352	8,219	5,611
General and administrative	991	1,436	3,149	3,463
Total operating expenses	5,449	5,388	18,408	13,386
Operating income (loss)	1,033	(19)	366	1,901
Financial income, net	175	39	325	775
Income before tax	1,208	20	691	2,676
Taxes	(25)	(18)	(48)	(24)
Net income	\$ 1,183	\$ 2	\$ 643	\$ 2,652
Basic net income per ordinary share	\$ 0.10	\$ 0.00	\$ 0.05	\$ 0.26
Diluted net income per ordinary share	\$ 0.10	\$ 0.00	\$ 0.05	\$ 0.26

# CONSOLIDATED STATEMENT OF OPERATIONS FOR Q3-17 and 9M-17 (NON-GAAP)

## Radcom Ltd.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	<b>NON-GAAP (1)</b>			
Revenues	\$ 9,645	\$ 7,726	\$ 26,602	\$ 21,473
Cost of revenues	3,096	2,318	7,694	6,105
Gross profit	6,549	5,408	18,908	15,368
Gross profit %	68%	70%	71%	72%
Research and development, gross	2,183	1,830	7,168	5,059
Less - royalty-bearing participation	155	385	467	1,141
Research and development, net	2,028	1,445	6,701	3,918
Sales and marketing, net	2,211	2,279	7,825	5,487
General and administrative	791	690	2,290	2,362
Total operating expenses	5,030	4,414	16,816	11,767
Operating income	1,519	994	2,092	3,601
Financial income, net	175	39	325	775
Income before tax	1,694	1,033	2,417	4,376
Taxes	(25)	(18)	(48)	(24)
Net income	\$ 1,669	\$ 1,015	\$ 2,369	\$ 4,352
Basic net income per ordinary share	\$ 0.14	\$ 0.09	\$ 0.20	\$ 0.43
Diluted net income per ordinary share	\$ 0.14	\$ 0.09	\$ 0.20	\$ 0.42

(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,	
	2017	2016	2017	2016
Research and development, gross	\$ 2,280	\$ 1,985	\$ 7,507	\$ 5,453
Less - royalty-bearing participation	155	385	467	1,141
Research and development, net	2,125	1,600	7,040	4,312
Sales and marketing, net	2,333	2,352	8,219	5,611
General and administrative	991	1,436	3,149	3,463
Total operating expenses	<u>\$ 5,449</u>	<u>\$ 5,388</u>	<u>\$ 18,408</u>	<u>\$ 13,386</u>

# OPERATING EXPENSES (NON GAAP)

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>NON-GAAP (1)</b>			
Research and development, gross	\$ 2,183	\$ 1,830	\$ 7,168	\$ 5,059
Less - royalty-bearing participation	155	385	467	1,141
Research and development, net	2,028	1,445	6,701	3,918
Sales and marketing, net	2,211	2,279	7,825	5,487
General and administrative	791	690	2,290	2,362
<b>Total operating expenses</b>	<b>\$ 5,030</b>	<b>\$ 4,414</b>	<b>\$ 16,816</b>	<b>\$ 11,767</b>

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

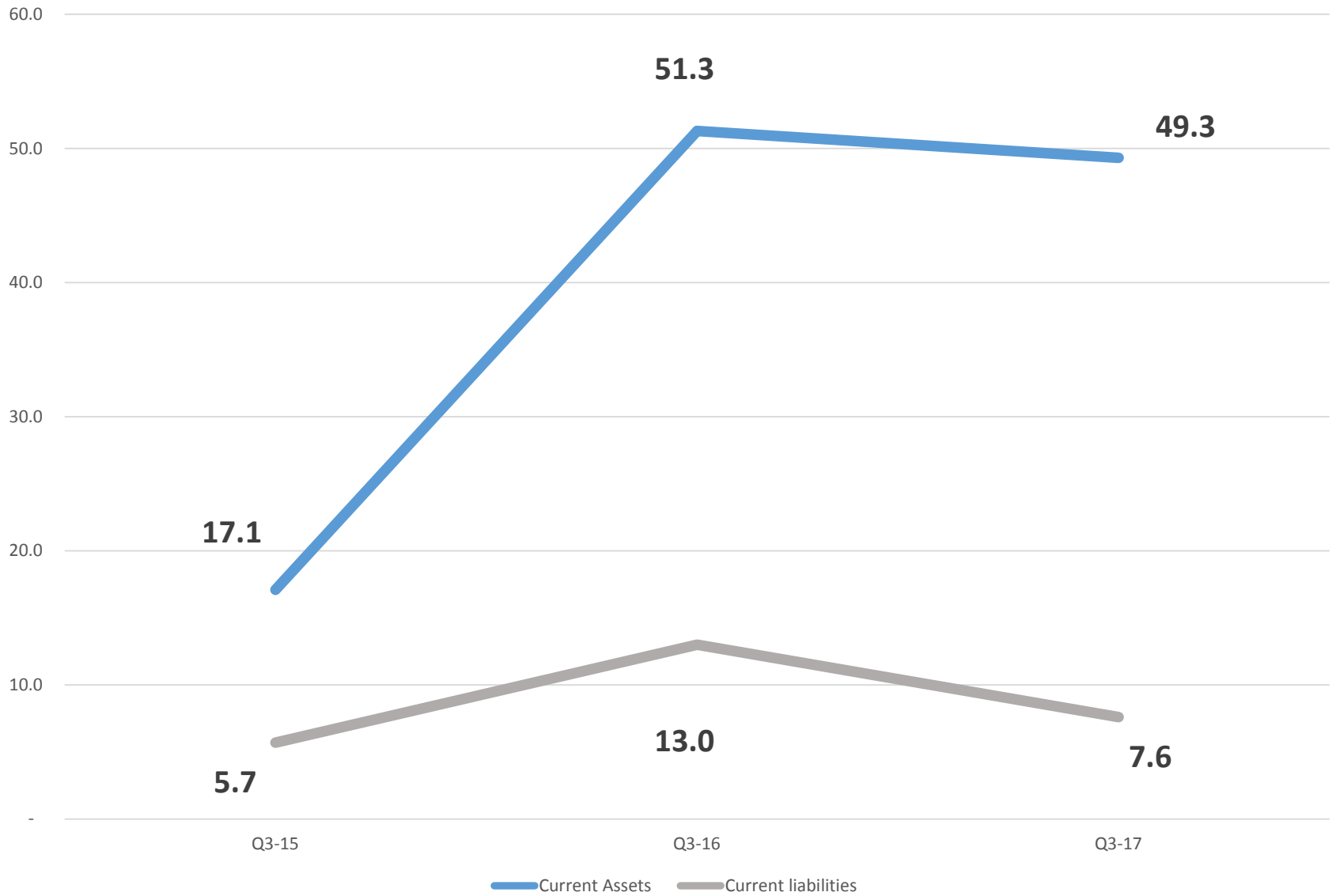


# CONSOLIDATED BALANCE SHEETS

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
Cash and cash equivalents	\$ 33,563	\$ 42,886
Restricted bank deposits	35	32
Trade receivables, net	13,835	4,388
Inventories	275	623
Other receivables	1,599	1,960
<b>Total Current assets</b>	<b>49,307</b>	<b>49,889</b>
Severance pay fund	3,065	2,788
Other long-term receivables	335	375
Property and equipment, net	1,855	1,516
<b>Total Assets</b>	<b>\$ 54,562</b>	<b>\$ 54,568</b>
Trade payables	1,336	2,820
Deferred revenue	583	2,593
Employee and payroll accruals	3,691	3,541
Other payables and accrued expenses	2,018	2,081
<b>Total Current Liabilities</b>	<b>7,628</b>	<b>11,035</b>
Deferred revenue	48	123
Accrued severance pay	3,603	3,267
<b>Total Liabilities</b>	<b>\$ 11,279</b>	<b>\$ 14,425</b>
Shareholders' Equity	43,283	40,143
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 54,562</b>	<b>\$ 54,568</b>

## CURRENT ASSETS VS. CURRENT LIABILITIES



RADCOM



THANK YOU