

RADCOM



Reference Slides  
Earnings Call for Q4-16 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, statements about the company’s 2017 financial guidance, market share growth and extension of its leadership position, potential new projects pipeline, investments to support the Company’s growth, meeting market demand for the Company’s solutions, coordination with and executing on customer commitments, AT&T continuance as an important customer and key reference and its plans to virtualize approximately 75% of their network by 2020, projected sales cycles with top-tier carriers, whether the Company’s activities will materialize into new deals, strengthening the Company’s positioning within the NFV ecosystem, scaling up workforce with a focus on engineering, expected gross margin, R&D hiring and increased capabilities to support customers and widening the gap with competitors, expected expenses, continued engagement with top-tier CSPs on potential projects and ramping up North America office, presence and activities 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, inventory write-off and non-cash write-off of importation taxes, 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

- Q4 Revenues up 196% YoY to \$8M
- Revenues for the full year 2016 were \$29.5M, up 58% compared to full year 2015
- 2017 Revenue Guidance range of \$36-\$39 million

## Fourth Quarter and Full Year 2016 Financial Results

# INCOME STATEMENT FOR Q4 AND FULL YEAR (GAAP, US\$ 1000S)

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Sales	8,037	2,715	29,510	18,673
Cost of sales	2,796	1,137	8,982	4,326
Gross profit	5,241	1,578	20,528	14,347
Gross profit %	65%	58%	70%	77%
Research and development, gross	2,594	1,620	8,047	6,071
Less - royalty-bearing participation	552	576	1,693	1,582
Research and development, net	2,042	1,044	6,354	4,489
Sales and marketing, net	2,917	2,054	8,528	7,834
General and administrative	1,060	652	4,523	2,393
Total operating expenses	6,019	3,750	19,405	14,716
Operating income (loss)	(778)	(2,172)	1,123	(369)
Financial income (expenses), net	41	48	816	(433)
Operating income (loss) before tax	(737)	(2,124)	1,939	(802)
Taxes on Income	-	-	(24)	(121)
Net income (loss)	(737)	(2,124)	1,915	(923)
Basic net income (loss) per ordinary share	(\$0.06)	(\$0.25)	\$0.18	(\$0.11)
Diluted net income (loss) per ordinary share	(\$0.06)	(\$0.25)	\$0.18	(\$0.11)

# INCOME STATEMENT FOR Q4 AND FULL YEAR (NON-GAAP, US\$ 1000S)

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2016	2015	2016	2015
<b>NON-GAAP (1)</b>				
Sales	8,037	2,715	29,510	18,673
Cost of sales	2,371	963	8,476	4,123
Gross profit	5,666	1,752	21,034	14,550
Gross profit %	71%	65%	71%	78%
Research and development, gross	2,363	1,524	7,422	5,542
Less - royalty-bearing participation	552	576	1,693	1,582
Research and development, net	1,811	948	5,729	3,960
Sales and marketing, net	2,842	2,000	8,329	7,454
General and administrative	632	458	2,994	1,926
Total operating expenses	5,285	3,406	17,052	13,340
Operating income (loss)	381	(1,654)	3,982	1,210
Financial income (expenses), net	41	48	816	(433)
Operating income (loss) before tax	422	(1,606)	4,798	777
Taxes on Income	-	-	(24)	(121)
Net income (loss)	422	(1,606)	4,774	656
Basic net income (loss) per ordinary share	\$0.04	(\$0.19)	\$0.46	\$0.08
Diluted net income (loss) per ordinary share	\$0.04	(\$0.19)	\$0.44	\$0.07

(1) Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718, inventory write-off and non-cash write-off of importation taxes.

# OPERATING EXPENSES (GAAP, US\$ 1000S)

	Three months ended		Twelve months ended	
	2016	2015	2016	2015
Research and development, gross	2,594	1,620	8,047	6,071
Less - royalty-bearing participation	552	576	1,693	1,582
Research and development, net	2,042	1,044	6,354	4,489
Sales and marketing, net	2,917	2,054	8,528	7,834
General and administrative	1,060	652	4,523	2,393
Total operating expenses	6,019	3,750	19,405	14,716

# OPERATING EXPENSES (NON GAAP, US\$ 1000S)

	Three months ended		Twelve months ended	
	2016	2015	2016	2015
	<b>NON-GAAP (1)</b>			
Research and development, gross	2,363	1,524	7,422	5,542
Less - royalty-bearing participation	552	576	1,693	1,582
Research and development, net	1,811	948	5,729	3,960
Sales and marketing, net	2,842	2,000	8,329	7,454
General and administrative	632	458	2,994	1,926
Total operating expenses	<u>5,285</u>	<u>3,406</u>	<u>17,052</u>	<u>13,340</u>

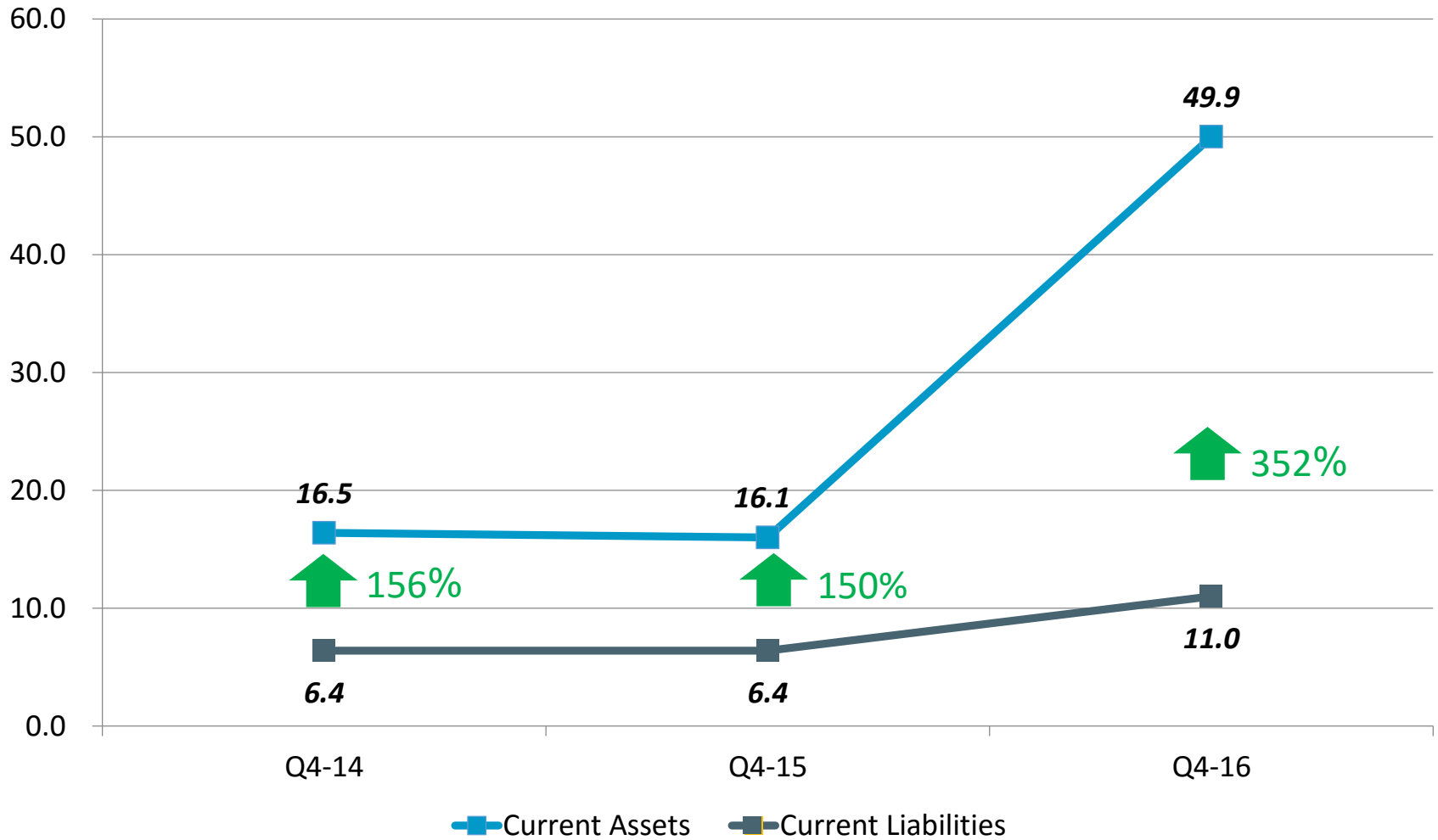
(1) Amounts exclude non-cash stock-based compensation that has been expensed in accordance with ASC Topic 718, inventory write-off and non-cash write-off of importation taxes.



# BALANCE SHEET (US\$ 1000S)

	As of December 31, 2016	As of December 31, 2015
Cash and cash equivalents	42,886	8,727
Restricted bank deposits	32	32
Trade Receivables, net	4,388	3,684
Inventories	623	1,532
Other receivables	1,960	2,087
<b>Total Current assets</b>	<b>49,889</b>	<b>16,062</b>
Severance pay fund	2,788	3,181
Other long-term receivables	375	508
Property and equipment, net	1,516	384
<b>Total Assets</b>	<b>54,568</b>	<b>20,135</b>
Trade payables	2,820	1,465
Deferred revenue and advances from customers	2,593	931
Employee and payroll accruals	3,541	2,533
Other payables and accrued expenses	2,081	1,490
<b>Total Current Liabilities</b>	<b>11,035</b>	<b>6,419</b>
Deferred revenue	123	197
Accrued severance pay	3,267	3,656
Shareholders' Equity	40,143	9,863
<b>Total Liabilities and Shareholders' Equity</b>	<b>54,568</b>	<b>20,135</b>

# CURRENT ASSETS VS. CURRENT LIABILITIES



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THANK YOU