

FIRST



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Reference Slides
Earnings Call for Q4-17
and Full Year 2017 Results

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 2018 revenue and other performance guidance, momentum, sufficiency of capital resources and plans to expand the company’s workforce, strategy, launching new products and potential sales of such products, market share growth and extension of its leadership position, potential pipeline and opportunities as well as success in trials, AT&T’s continuance as an important customer and key reference and its plans to virtualize approximately 75% of their network over the longer term, industry trends, and projected sales cycles, orders, engagements and expanding relationships with top-tier carriers and entering into new contracts, including with a tier 1 multi-carrier operator.

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 and non-cash write-offs of importation taxes, non-GAAP results provide information that is useful in assessing RADCOM'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 is available on our website.



OVERVIEW

- Q4 Revenues up 32% YoY to \$10.6M
- Revenues for the full year 2017 were \$37.2M, up 26% compared to \$29.5M in full year 2016
- 2018 revenue guidance range of \$43-\$47 million

Fourth Quarter &
Full Year 2017
Financial Results

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CONSOLIDATED STATEMENT OF OPERATIONS FOR Q4-17 AND FULL YEAR 2017 (GAAP)

Radcom Ltd.

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Revenues	\$ 10,631	\$ 8,037	\$ 37,233	\$ 29,510
Cost of revenues	<u>2,660</u>	<u>2,796</u>	<u>10,488</u>	<u>8,982</u>
Gross profit	7,971	5,241	26,745	20,528
Gross profit %	75%	65%	72%	70%
Research and development, gross	3,055	2,594	10,562	8,047
Less - royalty-bearing participation	<u>1,132</u>	<u>552</u>	<u>1,599</u>	<u>1,693</u>
Research and development, net	1,923	2,042	8,963	6,354
Sales and marketing, net	2,777	2,917	10,996	8,528
General and administrative	<u>1,042</u>	<u>1,060</u>	<u>4,191</u>	<u>4,523</u>
Total operating expenses	<u>5,742</u>	<u>6,019</u>	<u>24,150</u>	<u>19,405</u>
Operating income (loss)	2,229	(778)	2,595	1,123
Financial income, net	<u>64</u>	<u>41</u>	<u>389</u>	<u>816</u>
Income (loss) before tax	2,293	(737)	2,984	1,939
Taxes on income	<u>(35)</u>	<u>-</u>	<u>(83)</u>	<u>(24)</u>
Net income (loss)	<u>\$ 2,258</u>	<u>\$ (737)</u>	<u>\$ 2,901</u>	<u>\$ 1,915</u>
Basic net income (loss) per ordinary share	<u>\$ 0.17</u>	<u>\$ (0.06)</u>	<u>\$ 0.24</u>	<u>\$ 0.18</u>
Diluted net income (loss) per ordinary share	<u>\$ 0.17</u>	<u>\$ (0.06)</u>	<u>\$ 0.23</u>	<u>\$ 0.18</u>



CONSOLIDATED STATEMENT OF OPERATIONS FOR Q4-17 AND FULL YEAR 2017 (NON-GAAP)

Radcom Ltd.

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	NON-GAAP (1)			
Revenues	\$ 10,631	\$ 8,037	\$ 37,233	\$ 29,510
Cost of revenues	2,605	2,371	10,299	8,476
Gross profit	8,026	5,666	26,934	21,034
Gross profit %	75%	70%	72%	71%
Research and development, gross	2,921	2,363	10,089	7,422
Less - royalty-bearing participation	1,132	552	1,599	1,693
Research and development, net	1,789	1,811	8,490	5,729
Sales and marketing, net	2,672	2,842	10,497	8,329
General and administrative	846	632	3,136	2,994
Total operating expenses	5,307	5,285	22,123	17,052
Operating income	2,719	381	4,811	3,982
Financial income, net	64	41	389	816
Income before tax	2,783	422	5,200	4,798
Taxes on income	(35)	-	(83)	(24)
Net income	\$ 2,748	\$ 422	\$ 5,117	\$ 4,774
Basic net income per ordinary share	\$ 0.21	\$ 0.04	\$ 0.43	\$ 0.46
Diluted net income per ordinary share	\$ 0.21	\$ 0.04	\$ 0.41	\$ 0.44

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



OPERATING EXPENSES (GAAP)

Radcom Ltd.

Operating Expenses
(thousands of U.S. dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Research and development, gross	\$ 3,055	\$ 2,594	\$ 10,562	\$ 8,047
Less - royalty-bearing participation	1,132	552	1,599	1,693
Research and development, net	1,923	2,042	8,963	6,354
Sales and marketing, net	2,777	2,917	10,996	8,528
General and administrative	1,042	1,060	4,191	4,523
Total operating expenses	<u>\$ 5,742</u>	<u>\$ 6,019</u>	<u>\$ 24,150</u>	<u>\$ 19,405</u>



OPERATING EXPENSES (NON-GAAP)

Radcom Ltd.

Non-GAAP Operating Expenses
(thousands of U.S. dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
	NON-GAAP (1)			
Research and development, gross	\$ 2,921	\$ 2,363	\$ 10,089	\$ 7,422
Less - royalty-bearing participation	1,132	552	1,599	1,693
Research and development, net	1,789	1,811	8,490	5,729
Sales and marketing, net	2,672	2,842	10,497	8,329
General and administrative	846	632	3,136	2,994
Total operating expenses	<u>\$ 5,307</u>	<u>\$ 5,285</u>	<u>\$ 22,123</u>	<u>\$ 17,052</u>

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



CONSOLIDATED BALANCE SHEETS

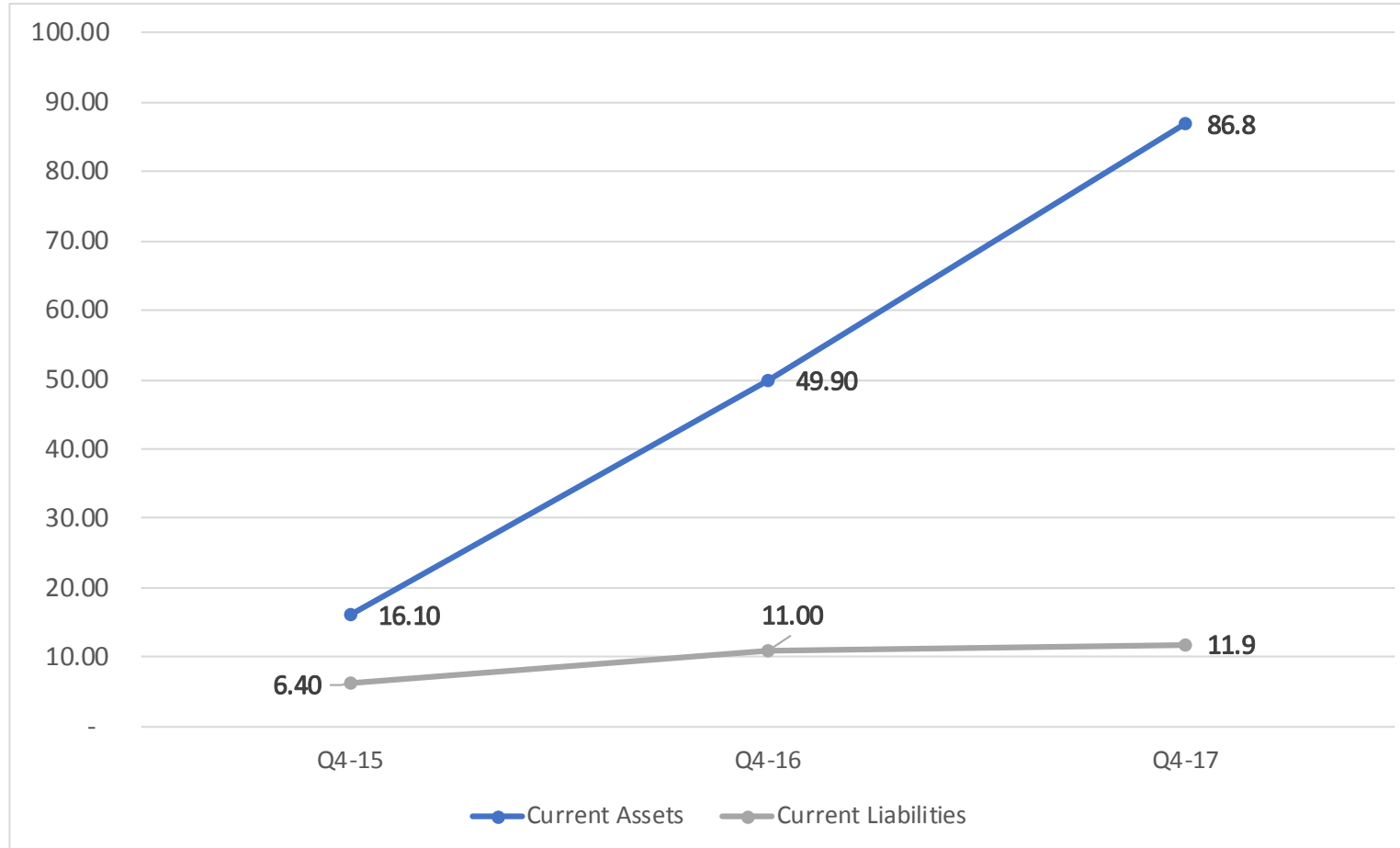
Radcom Ltd.

Consolidated Balance Sheets
(thousands of U.S. dollars)

	<u>As of December 31, 2017</u>	<u>As of December 31, 2016</u>
Cash and cash equivalents	\$ 22,575	\$ 42,886
Restricted bank deposits	36	32
Short term bank deposits	40,000	-
Trade receivables, net	20,266	4,388
Inventories	1,199	623
Other receivables	2,685	1,960
Total Current assets	86,761	49,889
Severance pay fund	3,052	2,788
Other long-term receivables	172	375
Property and equipment, net	1,924	1,516
Total Assets	\$ 91,909	\$ 54,568
Trade payables	1,828	2,820
Deferred revenue	2,601	2,593
Employee and payroll accruals	4,062	3,541
Other payables and accrued expenses	3,428	2,081
Total Current Liabilities	11,919	11,035
Deferred revenue	21	123
Accrued severance pay	3,573	3,267
Total Liabilities	\$ 15,513	\$ 14,425
Shareholders' Equity	76,396	40,143
Total Liabilities and Shareholders' Equity	\$ 91,909	\$ 54,568



CURRENT ASSETS VS. CURRENT LIABILITIES (\$M)



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