Q4-16 Financial Results Conference Call Management's Prepared Remarks & Q&A

February 14, 2017

Operator:

Ladies and gentlemen, thank you for standing by. Welcome to RADCOM Ltd. fourth quarter and full year 2016 results conference call. All participants are at 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 *0. As a reminder, this conference is being recorded, February 14th, 2017. On the call today is Yaron Ravkaie, RADCOM's CEO, and Ran Vered, RADCOM's CFO. By now, we assume you have seen the earnings press release, which was issued earlier today.

It is available on all major financial news feeds. Please note that the 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 a link on the investor section of RADCOM's website at www.radcom.com/investor-relations. If you have any trouble, please send Mark Rolston an e-mail at markr@radcom.com, and he will send it to you right away. Before we begin, I'd 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 product demand, pricing, market acceptance, changing economic conditions, product technology development, the effect of the company's accounting policies and other risk factors detailed in the company's SEC filings. The company does not undertake to update forward-looking statements. The full safe harbor provisions are set forth in the presentation.

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 charges, non-GAAP results provide information that is useful in assessing RADCOM's core operating performance and in evaluating and comparing our results of operation 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.

I'd like to repeat the information about the presentation. If you have not downloaded it yet, you may do so through a link on the investor section of RADCOM's website at www.radcom.com/investor-relations. If you have any trouble, send Mark an e-mail at markr@radcom.com, and he will send to you directly. Now, I'd like to turn the call over to Yaron. Please go ahead.

Yaron Ravkaie:

Okay, thank you, operator, and thank you all for joining us today. I hope you have our presentation in front of you and I'm going to begin with **slide 6**.

We're very pleased with our fourth quarter results, which mark a strong end to the year for RADCOM. For the full year 2016, we delivered revenue growth of 58% and increased non-GAAP EPS over six times, highlighting our ability to profitably grow the business while investing for future growth.

During the fourth quarter, we continue to focus on executing our current contracts, expanding the scope of work with existing customers, and moving forward with our new customer engagements. Throughout 2016, we continue to benefit from AT&T using our innovative MaveriQ Product Suite as a service assurance component of their new NFV network.

As a reminder, AT&T is very aggressive and advanced in its NFV program and plans to virtualize approximately 75% of its network by 2020.

On their most recent earnings call, AT&T stated its virtualization plan is ahead of schedule, with 34% of their network already being virtualized at the end of 2016. As a result, we expect AT&T to remain an important customer and key reference for the company as we continue to play a major part of their network virtualization strategy over the coming years.

The NFV market is developing at a record rate as the world's top-tier carriers emulate the virtualization development at AT&T. The market feedback we are receiving is that they don't want to spend valuable CapEx and OpEx on hardware-based solutions.

Consequently, these carriers continue to be very interested in our MaveriQ platform as they recognize RADCOM's proven leadership in the market enabling a path to NFV and future proofing their purchasing decision.

As a result, we continue to feel strongly that our hybrid strategy of running a virtual NFV service assurance solution in a hybrid world of both physical and virtualized network elements is the right one.

Our engagements with leading top-tier carriers about their respective NFV strategies has only accelerated since AT&T's public endorsement of our innovative virtualized solution in August 2016. We remain actively engaged with nine major carriers under NFV strategies, and with four of them we're executing network proof of concept deployment.

Besides these nine carriers during this quarter, we have been engaging with additional carriers and are receiving strong and positive feedback on our highly advanced virtual solution.

We also continue to focus on our existing business. During the fourth quarter, we successfully finished a complex MaveriQ software deployment in a top-tier Latin American customer.

Throughout 2016, we saw limited amount of NFV-related purchasing activity from carriers outside of AT&T. We believe this has created a pent-up demand as they took time to evaluate how to move forward with their NFV strategies.

At the same time, we saw their spending for hardware equipment being reduced to a bare minimum. As a result, we expect some of this pent-up demand to be released in 2017, as carriers start their transition to NFV. We anticipate this to have a positive impact on the entire NFV industry and lead to increasing demand of our leading MaveriQ solution, used to assure customer experience during the critical NFV transformation.

Recently, we saw a public announcement of AT&Ts ECOMP being placed into open source. As a reminder, ECOMP is essentially an automation layer used to facilitate the onboarding, operation and scaling of virtual network functions under a network. Since AT&T announced their intent to open source ECOMP, we've already seen other carriers announce that they would be evaluating this platform, which we expect will lead to additional evaluations and accelerate the adoption by top-tier carriers.

With RADCOM being a key component of the broader ECOMP platform, we believe that we are in position to benefit from this trend. In November 2016, we also announced that we had joined Open Source MANO, OSM, which is an anti-compliant operator-led community focused on delivering an open source management and orchestration MANO.

During Mobile World Congress 2017, that's going to be held at the end of the month, we will be demonstrating our MaveriQ solution running an open source MANO. By working both with ECOMP and OSM, we cover a significant part of the NFV open source activities to-date.

To assure the company is ready for additional projects, we have continued to invest in engineering resources. Specifically, we finished 2016 with an increase of approximately 50% in our workforce. Currently we have almost 200 employees worldwide giving us a strong foundation to assure we deliver on our commitment and scale the number of projects we can execute. We believe this is the right approach to meet market demand for our solution, despite the near-term impact on profitability over the next several quarters.

We also added to our senior management team, with the addition of our newly appointed chief technology officer and head of product, Rami Amit, who was previously director of engineering at Cisco NFV business unit. He is one of the most knowledgeable people in advanced IP technologies, and given his telecom market knowledge, technological and… leadership coupled with proven ability to lead large scale top-tier CSP deployments, I'm confident that he will bring immediate value to the company.

Looking forward, the focus for the first half of 2017 is to optimize our productivity following the increase in the workforce, and we will continue to evaluate our needs throughout the year.

So, in summary, we are very pleased with our progress and continue to focus on execution. Looking forward, we remain excited by our prospects given RADCOM's strong position in the industry.

With that, I'll stop and turn the call over to Ran Vered, our CFO, to discuss the financial results. Ran, please?

Ran Vered:

Thank you, Yaron. Since you have the financial results, I will just go over the highlights in **slide 6**. To help you understand the results, I will be referring mainly to non-GAAP numbers, which exclude share-based compensation, inventory write-off and non-cash importation taxes write-off.

Revenues for the quarter were $8 million, up 196% year-over-year. Our gross margin for the quarter was 71% on a non-GAAP basis, in line with our expectations. As a reminder, we expect gross margin to continue to fluctuate, depending upon the mix of each quarter's revenue. On a long-term basis, we expect the gross margin to be at higher levels, as more carriers will contract with us based on the NFV software license model.

Our gross R&D for the quarter on a non-GAAP basis increased to $2.4 million from $1.5 million last year, which was in line with our ramp-up plan, and highlights our strategy of investing to support future growth. In addition, we received $552,000 from the Israel Innovation Authority during the period, reducing net R&D for the quarter to $1.8 million.

As most of our R&D ramp-up was done in Q4, we expect the gross R&D expenses net total to be roughly at the same level.

Sales and marketing expenses for the quarter increased to $2.8 million on a non-GAAP basis, up from $2 million in the fourth quarter of 2015 due to a headcount increase we had in Q4.

G&A expenses for the quarter on a non-GAAP basis totaled $632,000 compared to $458,000 in the fourth quarter of 2015.

Operating income on a non-GAAP basis for the quarter was $381,000 compared with loss of $1,664,000 for the first quarter of 2015. Net income for the quarter on a non-GAAP basis was $422,000 or $0.04 per diluted shares.

The results included $552,000 or $0.05 per diluted share benefit related to the grants from the Israel Innovation Authority.

During Q4 of 2015, grants from the Israel Innovation Authority were approximately $576,000 or $0.07 per diluted share.

On a GAAP basis, as you can see in **slide 5**, we reported a net loss for the quarter of $737,000 or $0.06 per diluted shares, compared to a loss of $2,124,000 or $0.25 per diluted share during the first quarter of 2015.

I will now quickly highlight our results for the full year of 2016. Total revenue was $29.5 million, an increase of 58% compared to the full year 2015 and at the high-end of our guidance range.

During the year, AT&T accounted for approximately 62% of our total revenue. During the full year 2016, non-GAAP basis gross margin was 75%, non-GAAP operating income was $4 million, and non-GAAP EPS was $0.44 for the year based on 10.8 million diluted shares.

Turning to balance sheet, as you can see on **slide 9**, our cash and cash equivalent as of the end of the quarter were $42.9 million, approximately five times their level at December 31st, 2015. We believe that our strong cash balance places the company on a firm footing for addressing the big Tier 1 opportunities.

Now turning to guidance. We entered the year with good momentum and believe that we are in a position to increase market share and extend our technology leadership as we continue to invest in R&D and expand our presence in key markets.

As a result, we believe we can achieve fiscal 2017 revenues in the range of $36 to $39 million. We view this as a very strong starting point for the year, given the high growth rates delivered in 2016.

This guidance also assumes ongoing traction with AT&T as well as from other existing Tier 1 customers and potential new customers. We have heightened the build into our revenue guidance and we expect growth to be higher in the second half of 2017, as we close some of the opportunities in the pipeline.

In addition, while we don't plan to provide quarterly guidance, we wanted to point out that we expect first-quarter 2017 revenues to be slightly below or similar to the first quarter 2016 due to seasonality. In terms of profitability, while we are not providing specific EPS guidance, what's important for the company now is to have the infrastructure to execute several projects in parallel, so we can capture the disruption that is happening with NFV.

Similar to revenue, we expect our profitability in the second half of 2017 to be better than the first half of the year as a result of the revenue growth in the second half. We also expect profitability for the first quarter of 2017 to be below the first quarter of 2016 due to the continuation of our OpEx run rate, in addition to the timing of anticipated grants from the Israel Innovation Authority.

As a reminder, we view and continue to manage our business on an annual basis, because our quarter results can fluctuate due to the timing of implementation milestones. With that, let me turn back to you, Yaron.

Yaron Ravkaie:

Thank you, Ran. In summary, we are very pleased with our significant progress during 2016 and are well-positioned to maintain the momentum in 2017 and beyond, given the level of activity we see from top-tier carriers globally. And with that, operator, if you can manage the Q&A please.

Operator:

Thank you. Ladies and gentlemen, at this time we will begin the question-and-answer session. If you have a question, please press *1. If you wish to cancel your request, please press *2. If you're 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 Dmitry Netis of William Blair. Please go ahead.

Dmitry Netis:

Nice results. Thank you, gentlemen. A couple of questions. On AT&T for 2017, can you guys give us a sense of what the expectation is? 2016 was $18 million, and are you expecting it to be somewhere in that range, higher? Any color on what AT&T's, sort of what numbers baked in into that guidance would be helpful.

Yaron Ravkaie:

Hi Dmitry, it's Yaron. How are you?

So we're saying two things. One is that in 2018, we expect AT&T to be around 50% of our revenue, 5-0. And I would say that the lower watermark should be in the same run rate as we have this year. Given that there is some opportunity in the pipeline with AT&T it might be higher. So we've modeled something,

Dmitry Netis:

Okay, so,

Yaron Ravkaie:

Similar into the guidance, but we might see growth on top of that.

Dmitry Netis:

Okay. So we are looking at, give or take, 18.5 maybe 19 million, given sort of mid-point of your guidance.

Yaron Ravkaie:

Something like that, yes.

Dmitry Netis:

Okay. Okay, great. And then, so if we do assume that number, let's say we assume 18.5 for AT&T in '17, if I take the guidance at mid-point, you're baking in about, call it 19-19.5 million from non, call it non-AT&T customers.

And that's up from, if I look, if I do my math correctly, it's up from 11 million non-AT&T business you had at 2016. So you're going from 11 to $19-19.5. What I'm trying to get to how is much of that new revenue in 2017 is new NFV deals versus existing customers.

Yaron Ravkaie:

We're expecting that the new NFV deals, you know, will materialize at the second part of the year, so it's several million dollars. I don't think we can give an accurate number now, but that's basically what we are expecting.

Dmitry Netis:

Okay, so it's, it's more backend loaded is what you're hoping for the new NFV opportunities here. Got it.

Yaron Ravkaie:

Yeah. Yeah, and remember that we mentioned previously that we expect these deals to happen in the second half of the year. And once you book them, until you can recognize revenue also takes a bit of time.

Dmitry Netis:

Okay, okay. So in that vein, Yaron, can you comment on the existing business. Just curious if you could walk through some of the opportunities, maybe you had some business in Latin America, there is some business in Asia. How are you feeling about that customer base? Are they spending more with you going into 2017, as it, as it's reflected in the guidance. So I'm just curious to see where the confidence is coming from the existing base of customers.

Yaron Ravkaie:

Okay, so some of it is already business that we've booked in 2016, so we have visibility. I would say that the overall existing business or starting point for 2017 is healthier than we had in 2016.

The company was able to focus in 2016 both on AT&T and on the other existing customers. And starting the trials that we did, that, you know, I mentioned, you know, the nine and the four.

And maybe last, the fact that we've put a big R&D investment in 2016 and we've released several MaveriQ releases that were implemented in AT&T, but they were also implemented in some of our existing customers. The customers saw a very good benefit from it, they saw that they're NFV-ready, which basically is giving them the appetite, you know, to increase the spend with us.

So again, the starting point for 2017 part on the existing is significantly better than in 2016.

Dmitry Netis:

Okay. All right, good, that's helpful. So the bookings, basically what you're saying, are up the same point last year with the existing customer base.

Any color, can you provide any color on the bookings in terms of, you know, what percentage of revenue it represents at this point in time or, you know, whether, I'd assume the book-to-bill is higher than the one, but I don't want to put words in your mouth. If you,

Yaron Ravkaie:

Yeah

Dmitry Netis:

Any color on the bookings business?

Yaron Ravkaie:

Well, we won't disclose the accurate number but, you know, we have good visibility. I would say it's good visibility that we had in the beginning of last year into the numbers, and we feel, you know, we start the year, we feel good with that guidance that we're providing. So, I think you saw our execution last year. We're going to try to do the same.

Dmitry Netis:

Okay, thank you. Maybe one more question for Ran on the guide. You know, two, kind of two things, I guess the bottom line is where I want to hit on quickly.

You ended the year with 13.5% operating margin in 2016. Obviously, there is a lot of spending that's happening. You said profitability will step up in the second half versus, you know, first half and you have the seasonal March quarter to get out of the way. So that would imply, you know, you'll have, I guess, lower operating margin in the first half, but I guess what I'm getting to is what is the margin for the year? Is it, you know, supposedly down what the Street's projecting? I think the Street is somewhere in the 8% kind of operating margin range, maybe 10%. Are you comfortable with that number, you're going to be better or worse than that? Just any color on that, Ran, would be helpful. Thanks.

Ran Vered:

Thanks, Dmitry. Hi. So actually, we are okay with the Street forecast, because we know that in the first half our profitability will be lower because of the OpEx run rate and the impact of the investment that we've done. For now in the model, our internal model, practically in the range of the gross margins, on the operating margins that you indicated.

Dmitry Netis:

Okay. And then gross margin, you feel comfortable with where gross margins are? You're not expecting any sort of step up or step down in gross margin here? I mean, you're staying in that 71% range?

Ran Vered:

Yes.

Dmitry Netis:

Okay, and then lastly on the revenue. Outside Q1, will revenue step up sequentially to get to your guidance for the year or are you expecting anything else along the way? I'd imagine not, given the guidance, but I just want to confirm that.

Ran Vered:

Can you repeat the question, Dmitry?

Dmitry Netis:

You said, you know, you said Q1 will be seasonally lower than Q4 or maybe flat with Q4.

Ran Vered:

Right.

Dmitry Netis:

But other than that, do you expect sequential growth in June, September and December quarters?

Ran Vered:

Yes, yes.

Dmitry Netis:

Okay, okay. Just confirming that. Thank you very much. I'll cede the floor.

Operator:

Thank you. The next question is from Marcel Herbst of Herbst Capital Management. Please go ahead.

Marcel Herbst:

Good morning and thanks for taking my question.

Middle of last year, you announced that you're launching a major new product area adjacent to the core MaveriQ, the probe line, although for competitive reasons at the time you couldn't give more detail on that.

Can you talk about this a little bit more now, maybe in terms of what problem you're solving and how far along you are in trials with this?

Yaron Ravkaie:

I still can't disclose anything from, because of only competitive reasons. We're keeping it confidential and we're introducing it to basically customers on a one-by-one basis based on, you know, non-disclosures and things like that.

So I apologize, Marcel, but I won't be able to give more color on it.

Marcel Herbst:

Oh, absolutely. Fair enough.

But speaking of a competitive landscape you, in the past when you spoke about it, you had a very large technological lead, and I was wondering if you can just update us on what you're seeing at the moment on the technology front with the competition, and how much the competition has gone up or not? What's going on at the moment in that landscape?

Yaron Ravkaie:

Okay. So I mentioned in my script earlier that, you know, we're engaged with the clients, we're doing trials, and I also mentioned that we've also expanded our coverage and we started to meet and do deep dives you know, with additional carriers.

So what I'm telling you is primarily based on the feedback that we're getting from the carriers themselves, that they are reiterating very strong feedback on our advanced solutions. So that gives me the comfort level that we were maintaining the gap, and the comparers are not closing the gaps.

So, you know, the feedback that we're getting is we have unique things, we are very advanced, they see that the experience that they we are gaining from AT&T.

On the other side of the equation, I do see the competitors all, you know, putting at their websites similar things that we have. You know, starting to post solutions for NFV and doing marketing activities. I take it as a very positive sign, because they are starting to see that the market, as I mentioned, that there is going to be demand for that, so they are starting to align to that.

I believe that we can maintain a significant competitive advantage, primarily because AT&T is doing this huge transformation that it will take time for other carriers to do it, and the experience that we continue and the releases that we're giving them and the R&D that we're spending is, you know, second to none from the experiences we're gaining.

So it gives me all the comfort level that I need to, you know, to assure that we maintain a lead role here.

Marcel Herbst:

Okay, great. Thanks on a great job.

Yaron Ravkaie:

Thanks, Marcel.

Operator:

Thanks

Keith Resnick:

Hey guys, congratulations on your continuing progress on the top line. My question is related to the new hires that you have. I think it will be kind of interesting to hear how you got the director of engineering of NFV, engineering at Cisco to come to, with no offense intended, little RADCOM. Or the guy, the salesmen at IBM. Can you maybe enlighten us a little bit on how you got to reach those guys?

Yaron Ravkaie:

A very charismatic CEO. I'll. Here's how I'm going to answer it, going to give you some interesting perspective on this.

The way I see it, and this is through many discussions with the key carriers, including AT&T, the fact that they're virtualizing their network and they're rolling out things like ECOMP and, you know, I mentioned OSM. This type of automation activities and they're working with companies like ours, but it gives me the, you know, approach to say that this is an era, that the next several years of the era for companies that are, you know, very focused in the, I'm talking about companies, you know, that work with carriers that are very focused on software, very focused on virtualization, and it gives a playing field maybe even with an advantage to companies of our size.

I think that 200 employees, you know, let's say to 300-400 employees, maybe even to some extent less than 200, that's the range that allows us to be very, very fast and allows customers like AT&T to feel that agility in what they are getting. Okay?

We released over the course of the year around, above 10 releases to AT&T, almost once a month. This is of course, became available to all of our customers which I alluded before. This is a huge advantage.

Now, on the other side of the equation are big companies like Cisco, like others, that will have hard time to deal and provide that type of agility, provide disruptive, you know, commercial models, provide disruptive technologies to this world now that is becoming virtual and is becoming much faster.

And this also is creating the migration of talent to us. I can tell you that the increase, you know, you see the announcement on Rami, the CTO, as public, okay? But we've added many, many, many strong engineers during the course of the year and we're attracting those engineers today because of what they see our ability to, you know, produce, to be at the cutting edge, et cetera.

Keith Resnick:

Okay, thanks

Yaron Ravkaie:

Sure.

Operator:

The next question is from Alex Henderson of Needham & Company. Please go ahead.

Alex Henderson:

Hey, guys. Got a couple of questions for you if I could. First off, in your guide, are you anticipating that you will be building backlog, you know, against that ’17 number?

Yaron Ravkaie:

I'm not sure I understood.

Alex Henderson:

So will your book-to-bill for ’17 in your forecast, are you anticipating your backlog will go up, so your book-to-bill would be over one for the year as we go forward?

Yaron Ravkaie:

We’re not going to, we’re not giving a specific number, but we anticipate it to generate the growth that we need in 2018, and we're anticipating more growth in 2018, so the answer is yes.

Alex Henderson:

And the second question. Can you give us some sense of what your NRE is going to look like for the year in ’17, and specifically do you expect any NRE in the R&D line in 1Q?

Ran Vered:

Yes. So, hi Alex, so we're actually expecting the same funds from the Israel Innovation Authority roughly the same, or maybe little bit higher than the ones we have in 2015-2016. But roughly at the same level.

Alex Henderson:

And how about in 1Q? Usually you kind of have a blank in 1Q sometimes?

Ran Vered:

So you're right, and this is why I said earlier that just with the timing of the anticipated grant in Q1, our profitability in Q1 is going to be challenging because of the timing of getting these grants in Q1. In the last years we don't got it in Q1.

Alex Henderson:

All right, so if I look at the OpEx in Q1, it sounds like you're talking about something around, you know, $5.5-6 million for the quarter. Is that kind of in the ballpark?

Ran Vered:

In terms of OpEx?

Alex Henderson:

Just for OpEx yes.

Ran Vered:

Yeah, yeah, yeah. Yeah. It's roughly in the range that you mentioned.

Alex Henderson:

All right. And,

Ran Vered:

You know, we don't put, we are not providing specific numbers, but yes, it's in the range.

Alex Henderson:

All right. A couple of other sort of housekeeping things. Can you give us any sense of whether you plan on having some taxes in '17 or not and, you know, or is that still bouncing around, you know, sub-100,000 per quarter?

Ran Vered:

Yes, this is still on the low range of several, of several hundred a quarter, several thousand, sorry.

Alex Henderson:

Right. And how about on the share count? Do you have any sense of what kind of build we should be anticipating there?

Ran Vered:

Can you repeat the question, Alex?

Alex Henderson:

Yeah, share count. Is it, you know, pop up a little bit in the first quarter on grants and then, you know, slight increases over the course of the year? Is that the trajectory?

Ran Vered:

You know, the people have shares and they use it to materialize to stocks, so it won't be something significant. A modest increase.

Alex Henderson:

Okay, and how about on the headcount for the year? Do you, are you anticipating another, you know, 50 to 100 over the course of the year or is it, are you going to absorb what you've just done? How should we think about that trajectory?

Yaron Ravkaie:

So hi Alex, it's Yaron. Basically, we don't anticipate something major in the first half of the year as we absorb everything.

We will have some growth primarily in North America, as we beef up some resources there.

And we can't really predict our needs at this stage to the second half of the year because some of the prospects that we're working might require us additional resources. You know, something like transformational comes in, then we're going to need to relook at it.

So what we said is that we'll have a point in the middle of the year where we evaluate our needs and then we'll take it from there.

Alex Henderson:

Okay. A couple of, you know, operational questions relative to your partnering.

Can you talk a little bit about what's going on with Amdocs at this point? Obviously you guys have a very tight relationship there. They've had a number of wins. It seems like that's building a nice head of steam as a partnership.

Yaron Ravkaie:

If I recall correctly, the, so first of all we have a healthy, good partnership with Amdocs. Amdocs, so let's start from the beginning.

Amdocs participated with AT&T on the ECOMP program, and ECOMP is comprised of eight different modules, three of them Amdocs participate in, and, you know, they have a good relationship with AT&T.

As ECOMP gets adopted by additional carriers, we already saw a public announcement that Orange Poland is adopting, is trying out or doing something with ECOMP, and we also saw something from Amdocs related to that.

Our expectation, the way we read the market, is, and I think Amdocs alluded it also to, in their earnings, is that now that ECOMP is actually really open, so I think what's happened is carriers were basically waiting for that they saw that AT&T plans to put it in open source but, you know, they were waiting to see if it will actually happen.

As it actually happened, just recently, now we see more accelerated activities, some public, some based on our knowledge, that carriers are seriously looking at it, starting to do trials, following AT&T, and we expect Amdocs to become a system integrator for some of these activities. As

Amdocs becomes a system integrator, you know, we might be able to generate joint business on that.

And we're not limited to Amdocs, we can also generate by ourselves, we can generate with other partners. I expect also, by the way, to become, as the year progresses, that you will see additional system integrators or network companies that operates not only in the network space to also becoming involved in ECOMP.

You saw already some announcement from Ericsson, and I expect more to come and I think you guys should follow it. You know, and I'll of course give color wherever I can.

All of this should translate to, you know, good headwind, good backwind for us to propel us forward. So, you know, we're anticipating that.

Alex Henderson:

If we look at the active trials that you've got, the nine that you've identified and, you know, four in talks, do we expect that as we go forward that will hold steady at capacity on your ability to deliver on that?

Or now that you've added another 50 employees, you know, can we see that moving up into double digits or some other number over time?

How would you, how would you characterize the trajectory of that number?

Yaron Ravkaie:

It's a very good question, okay?

So I alluded in the script that we're already engaged with additional carriers beyond the nine. So the natural thing that will happen is that this is going to impact, you know, the nine numbers can grow and the trials can grow. It's yet to be seen, right? So it needs to happen.

But I am assuming that what will happen is that some of these, like the four trials, some of them would finish. You know, the clients will get decisions, make decisions, and we're going to generate during the year some additional trial.

So we're not going to close shop and just stay with four and nine. So this is going to continue to be active.

You know, I'm very happy with the progress that we're making overall. I'm getting very good feedback from the industry, from these trials, from the ones that are like pre-trial and from any new one that we're engaging.

Mobile World Congress is coming up and, you know, we're going to be very busy there, so,

Alex Henderson:

Just to be clear, are any of these trials seeing any additional new competitor become involved, or are they at this point fairly exclusive to you?

Yaron Ravkaie:

No, nothing changed from that approach.

You know, we work very intimately with these carriers. You know, some of them have already tried other technologies and they saw that it, they're not mature enough, and they are progressing with that.

So again, optimistic view here.

Alex Henderson:

I'll cede the floor. Thanks.

Ran Vered:

Thanks.

Yaron Ravkaie:

Thank you.

Operator:

There are no further questions at this time. Mr. Ravkaie, would you like to make your concluding statement?

Yaron Ravkaie:

I want to thank everyone for hearing us on this call. You know, we have a very interesting year ahead of us. All of us are going back now to work and execute and make our customers happy. So thank you very much.

Operator:

Thank you. This concludes the RADCOM Ltd. fourth quarter 2016 results conference call. Thank you for your participation. You may go ahead and disconnect.

(End of conference call)