

FIRST



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Reference Slides Earnings Call for Q2-18

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 is using forward-looking statements when it discusses its 2018 revenue and other performance guidance such as gross margin, levels of growth of revenues in the 3rd quarter and the 2nd half of 2018 and levels of expenses and investment in infrastructure, momentum, sufficiency of capital resources and plans to expand the company’s workforce, receipt of additional grants, strategy, launching new products and potential sales of such products, size of pipeline, expansion into new countries, including timing thereof, additional transition to NFV, AT&T’s and another top-tier carrier’s continuance as important customers and key references, AT&T’s plans to virtualize its network over the long term, our relationships with a Galaxy operator and with Red Hat, favorable industry trends and their effect on the Company, and projected sales cycles, orders, engagements and expanding relationships with top-tier carriers and entering into new contracts with additional operators and potential 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 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.

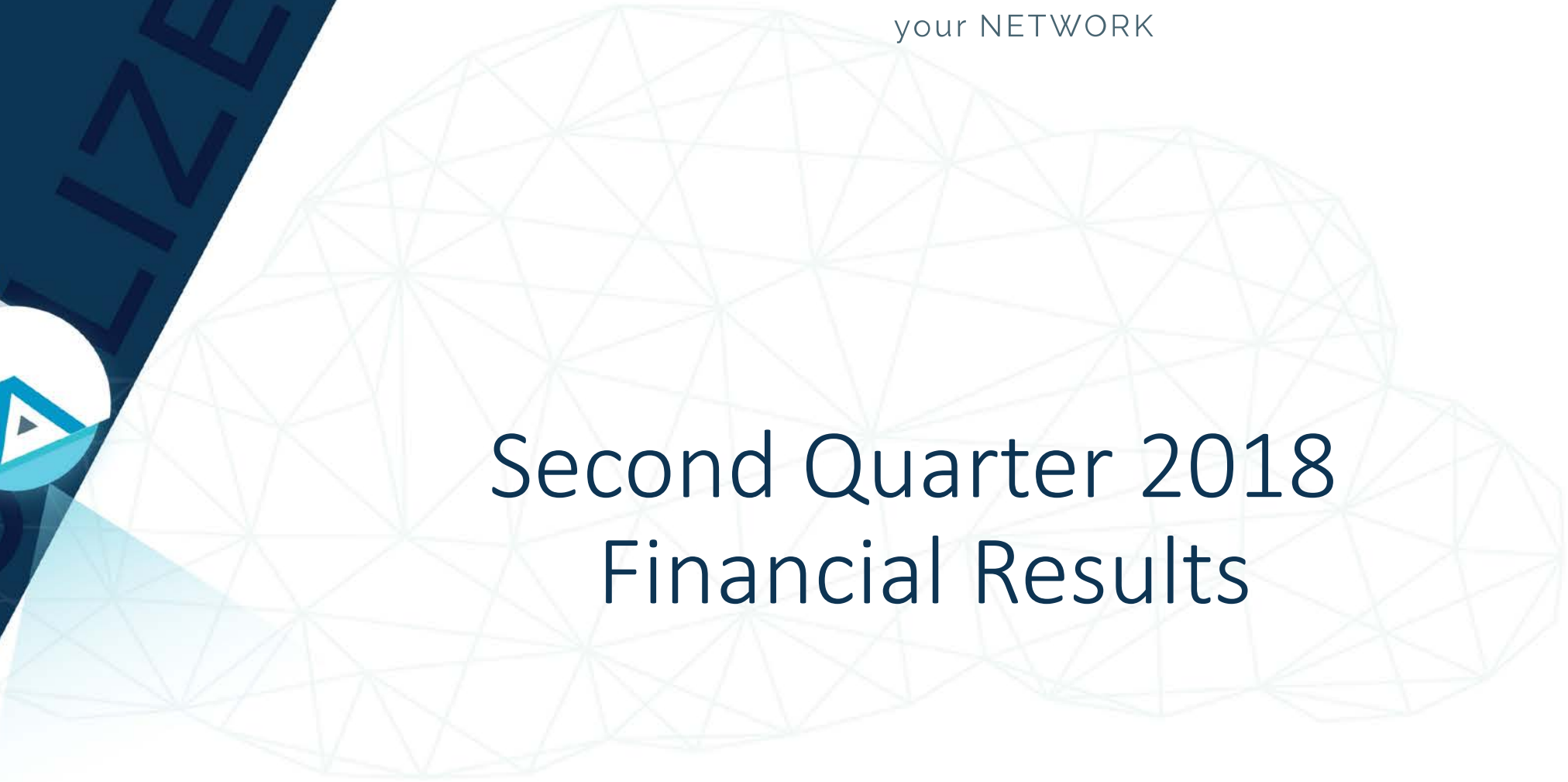


OVERVIEW

- Q2 Revenues up 19% YoY to \$10.6M
- Reiterating 2018 revenue guidance range of \$43-\$47 million

Second Quarter 2018 Financial Results

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CONSOLIDATED STATEMENT OF OPERATIONS FOR Q2-18 (GAAP)

Radcom Ltd.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenues	\$ 10,639	\$ 8,917	\$ 21,542	\$ 16,957
Cost of revenues	<u>2,877</u>	<u>2,643</u>	<u>5,767</u>	<u>4,665</u>
Gross profit	7,762	6,274	15,775	12,292
Gross profit %	73.0%	70.4%	73.2%	72.5%
Research and development, gross	3,752	2,739	7,496	5,227
Less - royalty-bearing participation	<u>754</u>	<u>312</u>	<u>754</u>	<u>312</u>
Research and development, net	2,998	2,427	6,742	4,915
Sales and marketing, net	3,084	2,989	6,324	5,886
General and administrative	<u>992</u>	<u>1,098</u>	<u>1,990</u>	<u>2,158</u>
Total operating expenses	<u>7,074</u>	<u>6,514</u>	<u>15,056</u>	<u>12,959</u>
Operating income (loss)	688	(240)	719	(667)
Financial income, net	<u>71</u>	<u>41</u>	<u>373</u>	<u>150</u>
Income (loss) before taxes on income	759	(199)	1,092	(517)
Taxes on income	<u>(2)</u>	<u>(5)</u>	<u>(13)</u>	<u>(23)</u>
Net income (loss)	<u>\$ 757</u>	<u>\$ (204)</u>	<u>\$ 1,079</u>	<u>\$ (540)</u>
Basic net income (loss) per ordinary share	<u>\$ 0.06</u>	<u>\$ (0.02)</u>	<u>\$ 0.08</u>	<u>\$ (0.05)</u>
Diluted net income (loss) per ordinary share	<u>\$ 0.05</u>	<u>\$ (0.02)</u>	<u>\$ 0.08</u>	<u>\$ (0.05)</u>



CONSOLIDATED STATEMENT OF OPERATIONS FOR Q2-18 (NON-GAAP)

Radcom Ltd.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	NON-GAAP (1)			
Revenues	\$ 10,639	\$ 8,917	\$ 21,542	\$ 16,957
Cost of revenues	2,840	2,623	5,690	4,598
Gross profit	7,799	6,294	15,852	12,359
Gross profit %	73.3%	70.6%	73.6%	72.9%
Research and development, gross	3,549	2,606	7,085	4,985
Less - royalty-bearing participation	754	312	754	312
Research and development, net	2,795	2,294	6,331	4,673
Sales and marketing, net	2,851	2,845	5,862	5,614
General and administrative	799	775	1,598	1,499
Total operating expenses	6,445	5,914	13,791	11,786
Operating income	1,354	380	2,061	573
Financial income, net	71	41	373	150
Income before taxes on income	1,425	421	2,434	723
Taxes on income	(2)	(5)	(13)	(23)
Net income	\$ 1,423	\$ 416	\$ 2,421	\$ 700
Basic net income per ordinary share	\$ 0.10	\$ 0.04	\$ 0.18	\$ 0.06
Diluted net income per ordinary share	\$ 0.10	\$ 0.03	\$ 0.18	\$ 0.06

(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)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Research and development, gross	\$ 3,752	\$ 2,739	\$ 7,496	\$ 5,227
Less - royalty-bearing participation	754	312	754	312
Research and development, net	2,998	2,427	6,742	4,915
Sales and marketing, net	3,084	2,989	6,324	5,886
General and administrative	992	1,098	1,990	2,158
Total operating expenses	<u>\$ 7,074</u>	<u>\$ 6,514</u>	<u>\$ 15,056</u>	<u>\$ 12,959</u>



OPERATING EXPENSES (NON-GAAP)

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
	NON-GAAP (1)			
Research and development, gross	\$ 3,549	\$ 2,606	\$ 7,085	\$ 4,985
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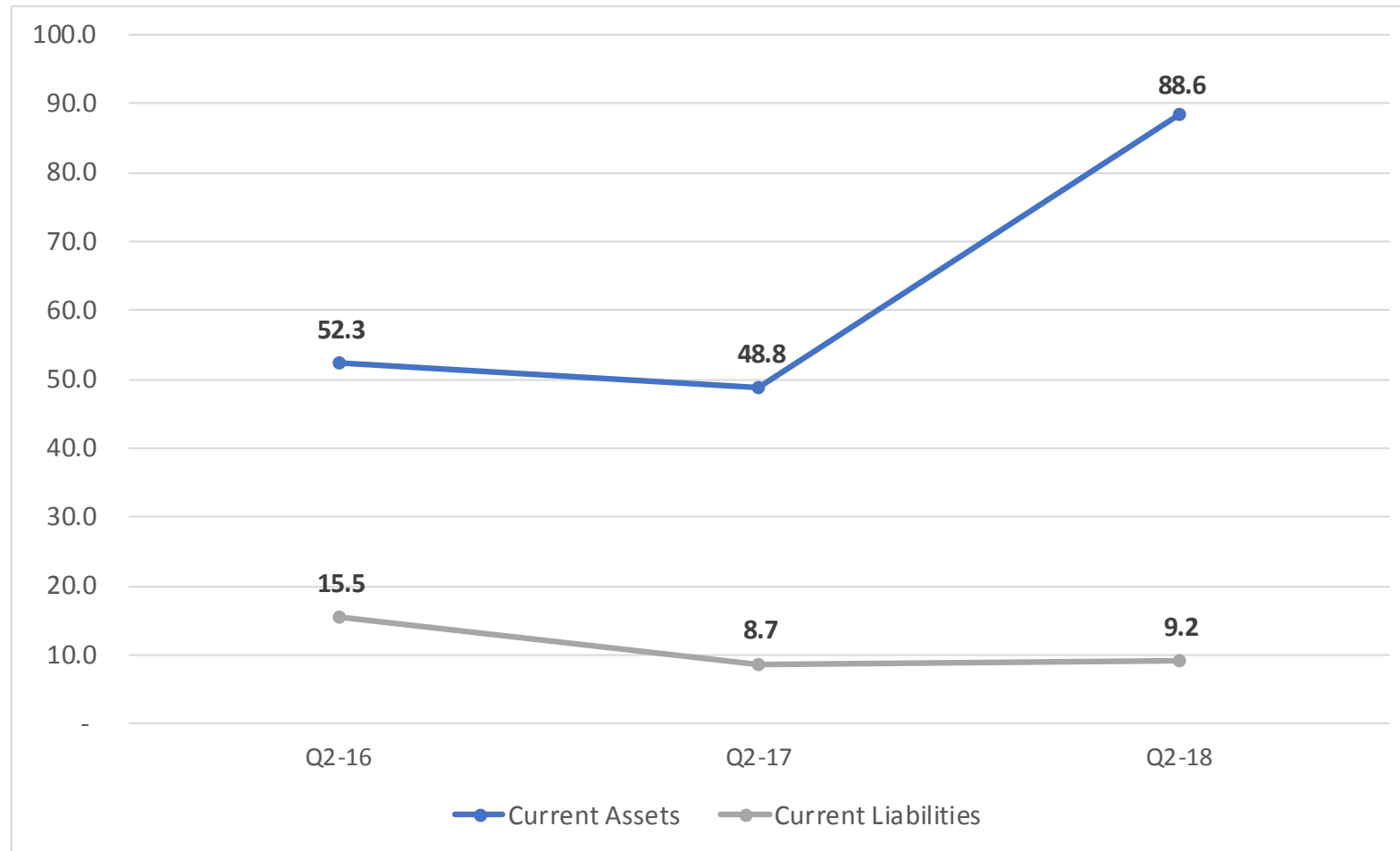
CONSOLIDATED BALANCE SHEETS

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

	As of June 30, 2018	As of December 31, 2017
Cash and cash equivalents	\$ 31,438	\$ 22,575
Restricted bank deposit	-	36
Short term bank deposit	40,000	40,000
Trade receivables, net	14,393	20,266
Inventories	119	1,199
Other receivables	2,635	2,685
Total Current Assets	88,585	86,761
Severance pay fund	3,009	3,052
Other long-term receivables	312	172
Property and equipment, net	1,917	1,924
Total Assets	\$ 93,823	\$ 91,909
Trade payables	1,879	1,828
Deferred revenue	1,021	2,601
Employee and payroll accruals	4,052	4,062
Other payables and accrued expenses	2,275	3,428
Total Current Liabilities	9,227	11,919
Deferred revenue	100	21
Accrued severance pay	3,513	3,573
Total Liabilities	\$ 12,840	\$ 15,513
Shareholders' Equity	80,983	76,396
Total Liabilities and Shareholders' Equity	\$ 93,823	\$ 91,909



CURRENT ASSETS VS. CURRENT LIABILITIES (\$M)



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