

2Q 2023
Earnings Call
Supplementary Slides





Safe Harbor

This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, future financial and business performance for the second quarter 2023, attractiveness of our product offerings and platform and the value proposition of our products, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “guide,” “may,” “will” and similar expressions and their negatives are intended to identify forward looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, risks that the anticipated benefits of an acquisition may not be fully realized or may take longer to realize than expected, our ability to operate in compliance with applicable laws, as well as other risks and uncertainties set forth in the “Risk Factors” section of our latest Form 20-F filed with the Securities and Exchange Commission and any subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no obligation to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also includes certain guidance on non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company’s non-GAAP financial measures as tools for comparison. The Company provides a reconciliation of certain non-GAAP measures to the most directly comparable GAAP measures, which are available in the earnings press release for the relevant period and in the appendix of this presentation.

Therefore, please review the information contained in our press release, dated August 1, 2023, with respect to our earnings for fiscal year Q2 2023 (the “Q2 Press Release”). The Q1 Press Release contains additional information regarding our financial outlook and certain non-GAAP metrics and their reconciliations.

The information contained in this presentation, or delivered or to be delivered in connection with this presentation, does not constitute an offer, express or implied, or a recommendation to do any transaction, or make any investment, in our securities or in any securities of our affiliates or subsidiaries.



AudioCodes Scale & Reach

We are the
leading provider
of enterprise
voice cloud
services



9

of Fortune Top
10 Enterprises



#1

Microsoft Teams Phone Partner



65

of Fortune 100
Companies are
Customers



946

Employees as
of 6/30/23



120

Countries

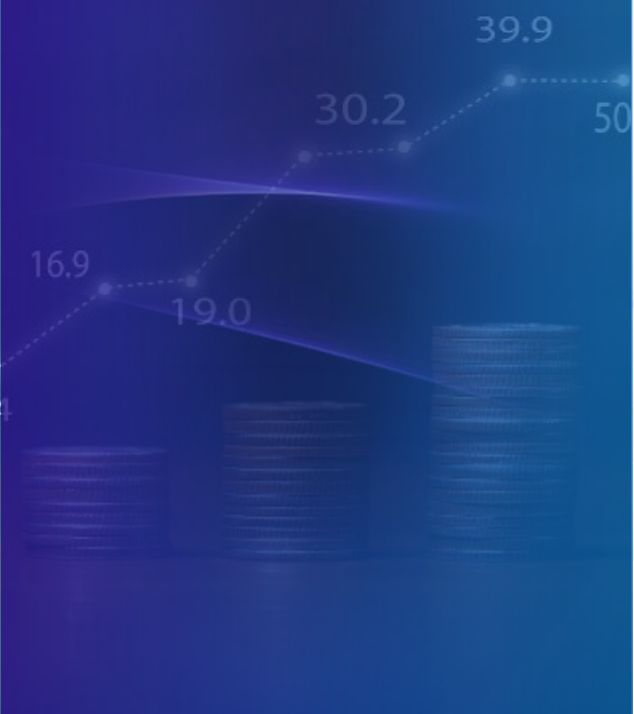


2Q'23 Financial Highlights

- Total revenues of **\$60.0M** vs. \$59.2M in 1Q'23, up **1.4%** qoq
- Service revenues of **\$28.5M** accounted for **47.4%** of revenues
- Non-GAAP gross margin of **64.5%** vs. 62.1% in 1Q'23
- Non-GAAP operating margin at **9.5%** vs. 4.9% in 1Q'23
- Non-GAAP EPS of **\$0.16** vs. \$0.08 in 1Q'23



2Q'23 Business Performance



Microsoft
business
increased
12% yoy



Customer
Experience (CX)
business
increased **7% yoy**



Conversational
AI business
increased **>15%
yoy**



Live ARR
increased **>60%
yoy**



Service provider/
Other revenues
declined **35% yoy**



2Q'23 Operational and Customer Highlights



Signed a 72-month contract (including multi-year deployment ramp) with a tier-1 global SI, providing Live CX managed SBC service, in support of a multi-national logistics customer's long-term migration to CCaaS platform



Signed a 36-month contract with a tier-1 service provider providing Live Cloud Hosted Pro service (managed SBC and automated user management portal), enabling the carrier to provision Teams Voice PSTN service to its end customers

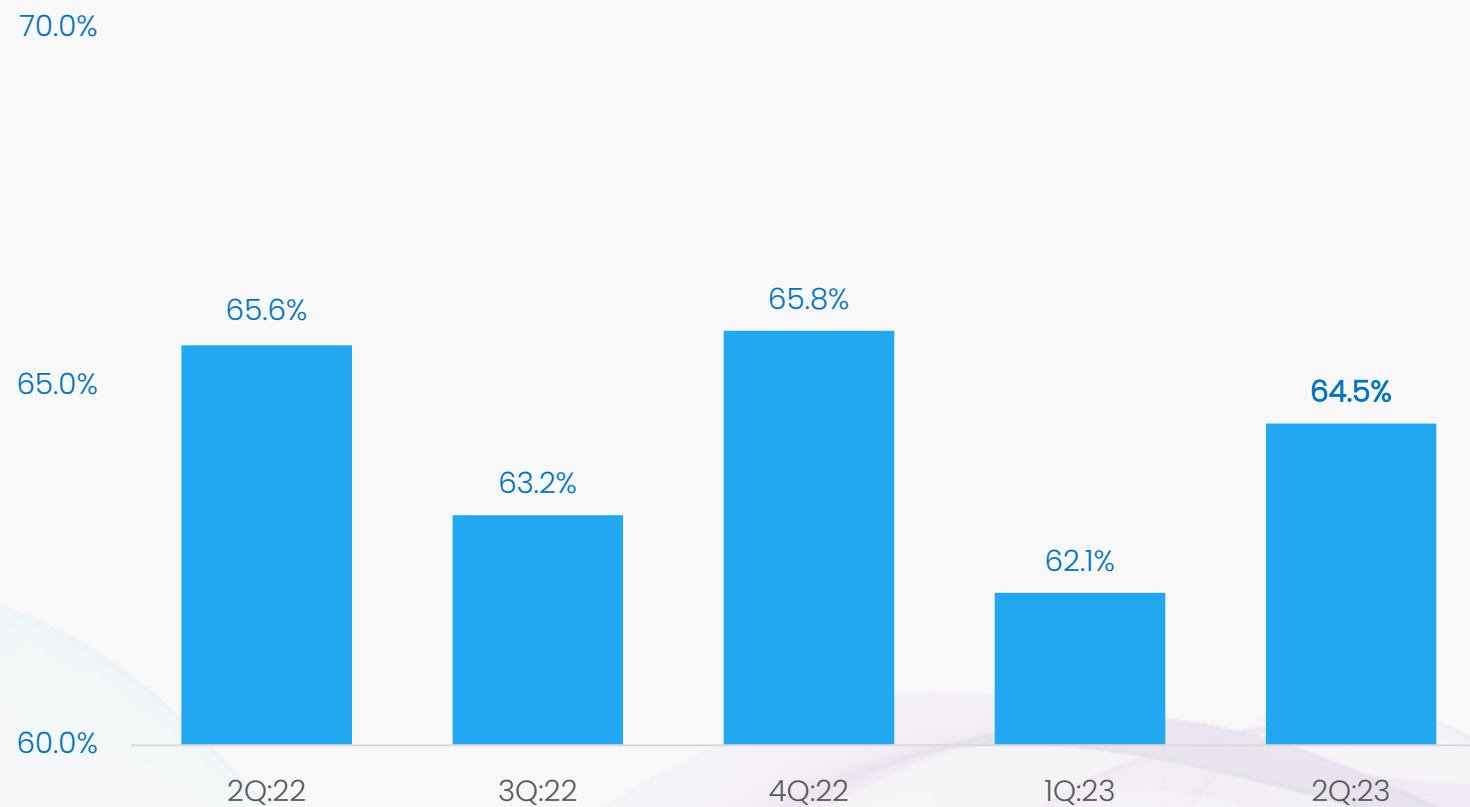


Generated nearly \$20 million of Live Total Contract Value (TCV) in the quarter, up over 75% from 1Q'23 level



Non-GAAP Gross Margin

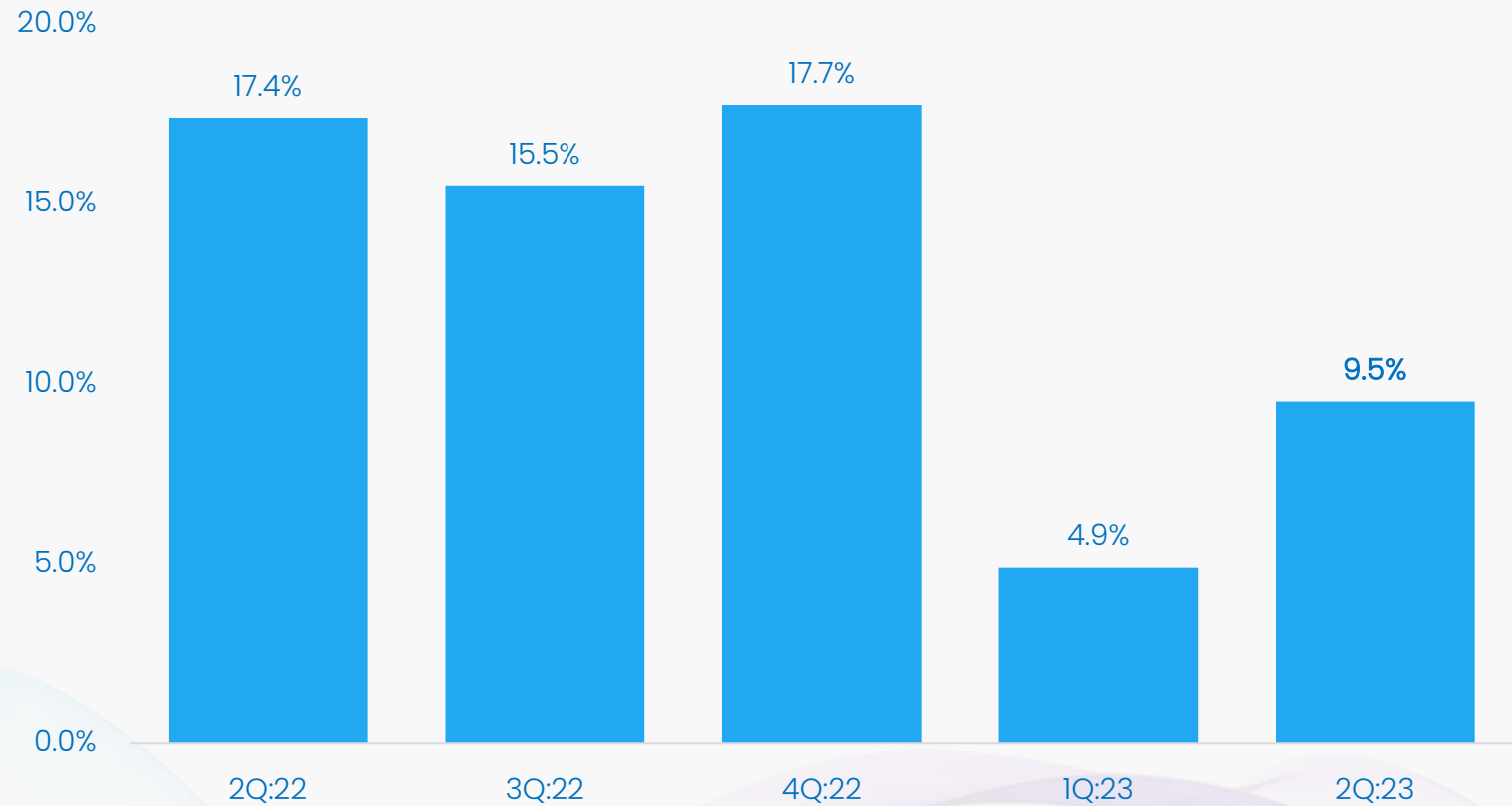
Sequential margin improvement from more favorable product mix





Non-GAAP Operating Margin

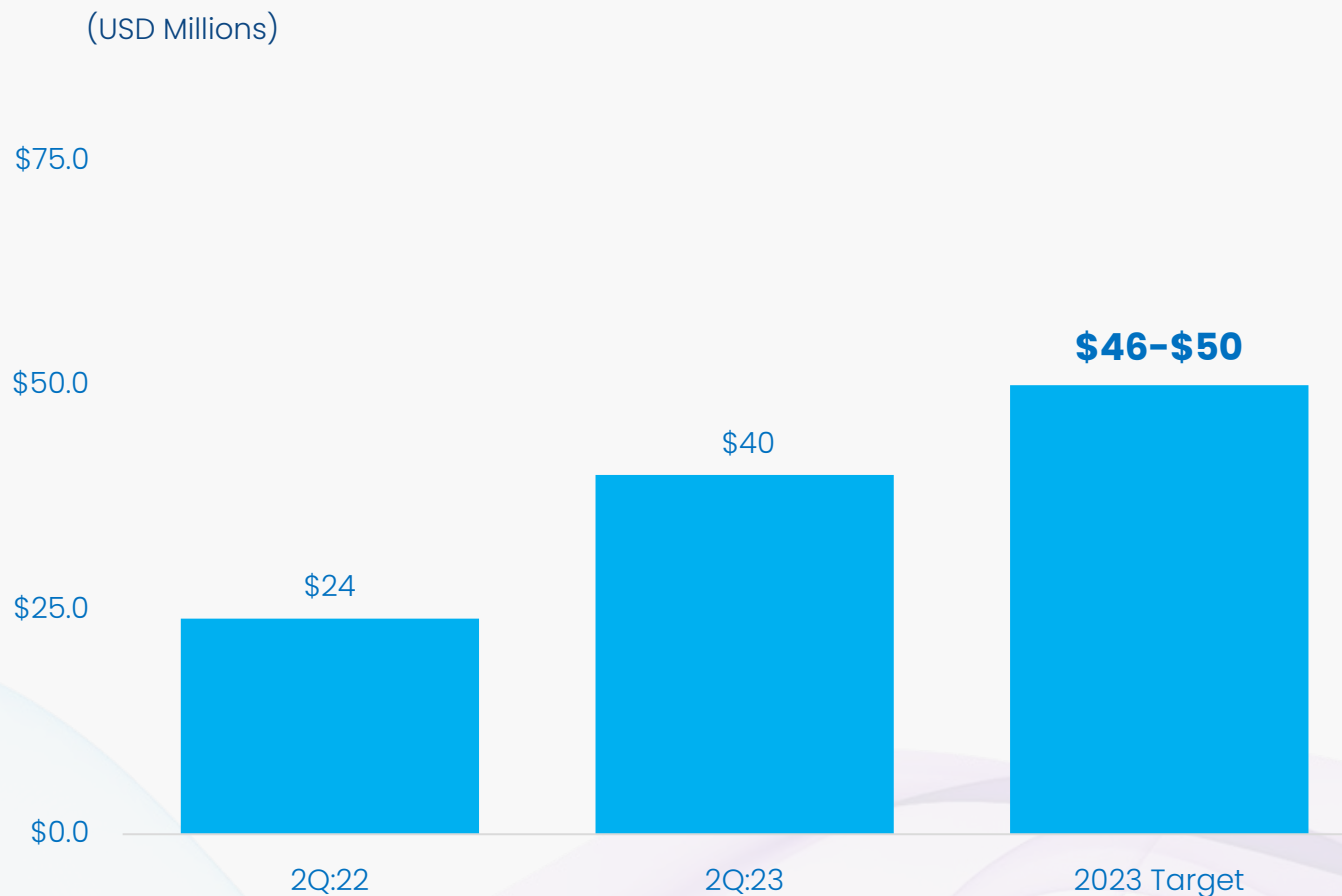
Sequential margin improvement from better gross margins coupled with lower opex helped by earlier than expected realization from cost saving actions





AudioCodes Live ARR

Ongoing momentum with 2Q ARR up >60% year-over-year





2023 Outlook



Revenues (in million)

\$240 - \$250



Non-GAAP EPS

\$0.55-\$0.70

Financial Model And Long-Term Targets

	2Q22	3Q22	4Q22	1Q23	2Q23	LONG-TERM TARGETS
Revenue growth year-over-year	12.9%	10.0%	6.9%	-10.8%	-12.2%	13%-15%
Non-GAAP Gross margin	65.6%	63.2%	65.8%	62.1%	64.5%	67%-70%
Non-GAAP OPEX as % of revenues	48.2%	47.7%	48.0%	57.2%	55.0%	47%-50%
Non-GAAP Operating margin	17.4%	15.5%	17.7%	4.9%	9.5%	20%-23%

GAAP to Non-GAAP Reconciliation

AUDICODES LTD. AND ITS SUBSIDIARIES RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME

U.S. dollars in thousands, except per share data

	Six months ended June 30,		Three months ended June 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
GAAP net income	\$ 873	\$ 15,544	\$ 1,055	\$ 6,936
GAAP net earnings per share	\$ 0.03	\$ 0.47	\$ 0.03	\$ 0.21
Cost of revenues:				
Share-based compensation (1)	210	174	103	125
Amortization expenses (2)	257	380	122	190
	467	554	225	315
Research and development, net:				
Share-based compensation (1)	1,441	1,887	698	728
Deferred payments expenses (3)	250	250	125	125
	1,691	2,137	823	853
Selling and marketing:				
Share-based compensation (1)	2,330	3,151	1,093	1,712
Amortization expenses (2)	22	22	11	11
Deferred payments expenses (3)	250	250	125	125
	2,602	3,423	1,229	1,848
General and administrative:				
Share-based compensation (1)	2,428	2,522	1,169	1,354
Other Income (4)	-	(810)	-	(405)
	2,428	1,712	1,169	949
Financial expenses (income):				
Exchange rate differences (5)	(470)	(1,215)	71	(495)
Income taxes:				
Deferred tax (6)	224	353	562	940
Non-GAAP net income	\$ 7,815	\$ 22,508	\$ 5,134	\$ 11,346
Non-GAAP diluted net earnings per share	\$ 0.24	\$ 0.67	\$ 0.16	\$ 0.34
Weighted average number of shares used in computing Non-GAAP diluted net earnings per share (in thousands)	32,977	33,558	33,017	33,332

(1) Share-based compensation expenses related to options and restricted share units granted to employees and others.

(2) Amortization expenses related to intangible assets.

(3) Expenses related to deferred payments in connection with the acquisition of Callverso Ltd.

(4) Other income related to a payment made to AudioCodes Inc. in connection with the termination of a lease agreement for its offices in New Jersey.

(5) Financial income or expenses related to exchange rate differences in connection with revaluation of assets and liabilities in non-dollar denominated currencies.

(6) Non-cash deferred tax expense.

Note: Non-GAAP measures should be considered in addition to, and not as a substitute for, the results prepared in accordance with GAAP. The Company believes that non-GAAP information is useful because it can enhance the understanding of its ongoing economic performance and therefore uses internally this non-GAAP information to evaluate and manage its operations. The Company has chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how the Company analyzes its operating results and because many comparable companies report this type of information.

Thank You

 audiocodes

