

AudioCodes Reports Second Quarter 2021 Results and Declares Semi-Annual Dividend of 17 cents per share

LOD, Israel, July 27, 2021 /PRNewswire/ --

Second Quarter Highlights

- Quarterly revenues increased by 13.2% year-over-year to \$60.6 million; Quarterly service revenues increased by 32.8% year-over-year to \$22.8 million.
- GAAP results:
 - Quarterly GAAP gross margin was 69.4%;
 - Quarterly GAAP operating margin was 16.7%; and
 - Quarterly GAAP net income was \$8.2 million, or \$0.24 per diluted share.
- Non-GAAP results:
 - Quarterly Non-GAAP gross margin was 69.7%;
 - Quarterly Non-GAAP operating margin was 22.4%; and
 - Quarterly Non-GAAP net income was \$12.7 million, or \$0.37 per diluted share.
- Net cash provided by operating activities was \$17.1 million for the quarter.
- AudioCodes repurchased 236,544 of its ordinary shares during the quarter at an aggregate cost of \$7.1 million.

Details

AudioCodes (NASDAQ: AUDC), a leading vendor of advanced communications software, products and productivity solutions for the digital workplace, today announced its financial results for the second quarter ended June 30, 2021.

Revenues for the second quarter of 2021 were \$60.6 million compared to \$58.8 million for the first quarter of 2021 and \$53.5 million for the second quarter of 2020.

Net income was \$8.2 million, or \$0.24 per diluted share, for the second quarter of 2021, compared to a net income of \$6.6 million, or \$0.21 per diluted share, for the second quarter of 2020.

On a Non-GAAP basis, net income was \$12.7 million, or \$0.37 per diluted share, for the second quarter of 2021 compared to \$10.5 million, or \$0.32 per diluted share, for the second quarter of 2020.

Non-GAAP net income excludes: (i) share-based compensation expenses; (ii) amortization expenses related to the acquisition of Active Communications Europe assets; (iii) financial income or expenses related to exchange rate differences in connection with revaluation of assets and liabilities in non-dollar denominated currencies and (iv) non-cash deferred tax expenses. A reconciliation of net income on a GAAP basis to a non-GAAP basis is provided in the tables that accompany the condensed consolidated financial statements contained in this press release.

Net cash provided by operating activities was \$17.1 million for the second quarter of 2021. Cash and cash equivalents, long and short-term bank deposits and long and short-term marketable securities were \$191.9 million as of June 30, 2021 compared to \$186.3 million as of December 31, 2020. The increase in cash and cash equivalents, long and short-term bank deposits and long and short-term marketable securities was the result of cash provided by operating activities offset, in part, by the use of cash for the repurchasing of the Company's ordinary shares pursuant to its share repurchase program and the payment of a cash dividend in the first quarter of 2021.

"We are pleased to report strong financial results for the second quarter of 2021," said Shabtai Adlersberg, President and Chief Executive Officer of AudioCodes.

"In the second quarter of 2021 we continued to enjoy solid business momentum in our enterprise activities related to the UCaaS and Contact Center markets. Our UCaaS business grew more than 20% year-over-year and our contact center business grew more than 25% year-over-year. Our Enterprise Business, which has contributed close to 85% of our second quarter revenue, demonstrated growth of above 20% year-over-year and provides a solid base for continued growth.

Key to this continued expansion is our services operations which grew above 25% year-over-year and are key to our go-to-market operations. The increase in revenues from our services operations was driven primarily by strength in our professional and managed services offerings. At the core of this growth is our continued progress in pivoting to recurring revenues with strong execution in our AudioCodes Live offering operations."

"We enjoyed another solid quarter in our Voice.ai operations where revenue for our Voice.ai operations grew more than 100% year-over-year. We continue to invest in enhancing our technological solutions for real-time cloud communications and transitioning our portfolio of products into software as a service solutions. These solutions provide recurring revenues that increases our confidence in our ability to continue to expand our business and provide a strong basis for our expected growth in coming years," concluded Mr. Adlersberg.

Share Buy Back Program

During the quarter ended June 30, 2021, the Company acquired 236,544 of its ordinary shares under its share repurchase program for a total consideration of \$7.1 million.

In July 2021, the Company received court approval in Israel to purchase up to an aggregate amount of \$35 million of additional ordinary shares. The court approval also permits AudioCodes to declare a dividend of any part of this amount. The approval is valid through January 03, 2022.

Cash Dividend

AudioCodes also announced that the Company's Board of Directors has declared a cash dividend in the amount of 17 cents per share. The aggregate amount of the dividend is approximately \$5.5 million. The dividend is payable on August 26, 2021 to all of the Company's shareholders of record at the close of trading on the NASDAQ Global Select Market on August 11, 2021.

In accordance with Israeli tax law, the dividend is subject to withholding tax at source at the rate of 25% of the dividend amount payable to each shareholder of record, subject to applicable exemptions. If the recipient of the dividend is at the time of distribution or was at any time during the preceding 12-month period the holder of 10% or more of the Company's share capital, the withholding rate is 30%.

The dividend will be paid in U.S. dollars on the ordinary shares of AudioCodes Ltd. that are traded on the Nasdaq Global Select Market or the Tel-Aviv Stock Exchange. The amount and timing of any other dividends will be determined by the Board.

Conference Call & Web Cast Information

AudioCodes will conduct a conference call at 8:30 A.M., Eastern Time today to discuss the Company's second quarter of 2021 operating performance, financial results and outlook. Interested parties may participate in the conference call by dialing one the following numbers:

United States Participants: +1 (877) 407-0778

International Participants: +1 (201) 689-8565

The conference call will also be simultaneously webcast. Investors are invited to listen to the call live via webcast at the AudioCodes investor website at <http://www.audiocodes.com/investors-lobby>

Follow AudioCodes' social media channels:

AudioCodes invites you to join our online community and follow us on: [AudioCodes Voice Blog](#), [LinkedIn](#), [Twitter](#), [Facebook](#), and [YouTube](#).

About AudioCodes

AudioCodes Ltd. (NASDAQ: AUDC) (TASE: AUDC) is a leading vendor of advanced communications software, products and productivity solutions for the digital workplace. AudioCodes enables enterprises and service providers to build and operate all-IP voice networks for unified communications, contact centers, and hosted business services. AudioCodes offers a broad range of innovative products, solutions and services that are used by large multi-national enterprises and leading tier-1 operators around the world.

For more information on AudioCodes, visit <http://www.audiocodes.com>.

Statements concerning AudioCodes' business outlook or future economic performance; product introductions and plans and objectives related thereto; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are "forward-looking statements" as that term is defined under U.S. Federal securities laws. Forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results to differ materially from those stated in such statements. These risks, uncertainties and factors include, but are not limited to: the effect of global economic conditions in general and conditions in AudioCodes' industry and target markets in particular; shifts in supply and demand; market acceptance of new products and the demand for existing products; the impact of competitive products and pricing on AudioCodes' and its customers' products and markets; timely product and technology development, upgrades and the ability to manage changes in market conditions as needed; possible need for additional financing; the ability to satisfy covenants in the Company's loan agreements; possible disruptions from acquisitions; the ability of AudioCodes to successfully integrate the products and operations of acquired companies into AudioCodes' business; possible adverse impact of the COVID-19 pandemic on our business and results of operations; and other factors detailed in AudioCodes' filings with the U.S. Securities and Exchange Commission. AudioCodes assumes no obligation to update the information in this release.

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Summary financial data follows

**AUDICODES LTD. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

| <u>June 30,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|--------------------------------|------------------------------------|
|--------------------------------|------------------------------------|

| | <u>(Unaudited)</u> | <u>(Audited)</u> |
|---|--------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 116,421 | \$ 40,934 |
| Restricted cash | 5,100 | 5,100 |
| Short-term and restricted bank deposits | 514 | 84,817 |
| Short-term marketable securities and accrued interest | 552 | 449 |
| Trade receivables, net | 37,003 | 34,518 |
| Other receivables and prepaid expenses | 6,478 | 8,631 |
| Inventories | 24,831 | 29,193 |
| Total current assets | <u>190,899</u> | <u>203,642</u> |
| LONG-TERM ASSETS: | | |
| Long-term and restricted bank deposits | \$ 94 | \$ 94 |
| Long-term marketable securities and accrued interest | 69,252 | 54,895 |
| Deferred tax assets | 10,474 | 12,081 |
| Operating lease right-of-use assets | 22,325 | 25,430 |
| Severance pay funds | 21,140 | 20,597 |
| Total long-term assets | <u>123,285</u> | <u>113,097</u> |
| PROPERTY AND EQUIPMENT, NET | <u>4,403</u> | <u>4,593</u> |
| GOODWILL, INTANGIBLE ASSETS AND OTHER, NET | <u>36,647</u> | <u>36,791</u> |
| Total assets | <u>\$ 355,234</u> | <u>\$ 358,123</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term bank loans | \$ 600 | \$ 1,200 |
| Trade payables | 2,616 | 6,984 |
| Other payables and accrued expenses | 28,763 | 28,531 |
| IIA settlement liability | 11,625 | 11,684 |
| Deferred revenues | 41,246 | 37,182 |
| Short-term operating lease liabilities | 8,936 | 9,178 |
| Total current liabilities | <u>93,786</u> | <u>94,759</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | \$ 21,381 | \$ 21,830 |
| Deferred revenues and other liabilities | 13,540 | 12,243 |
| Long-term operating lease liabilities | 15,828 | 19,436 |
| Total long-term liabilities | <u>50,749</u> | <u>53,509</u> |
| Total shareholders' equity | <u>210,699</u> | <u>209,855</u> |
| Total liabilities and shareholders' equity | <u>\$ 355,234</u> | <u>\$ 358,123</u> |

AUDICODES LTD. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | Six months ended | | Three months ended | |
|----------------------------------|--------------------|------------------|--------------------|-----------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| | <u>(Unaudited)</u> | | <u>(Unaudited)</u> | |
| Revenues: | | | | |
| Products | \$ 74,813 | \$ 70,701 | \$ 37,792 | \$ 36,367 |
| Services | 44,600 | 34,843 | 22,783 | 17,155 |
| Total Revenues | <u>119,413</u> | <u>105,544</u> | <u>60,575</u> | <u>53,522</u> |
| Cost of revenues: | | | | |
| Products | 26,970 | 27,793 | 13,434 | 14,031 |
| Services | 10,112 | 7,774 | 5,081 | 3,793 |
| Total Cost of revenues | <u>37,082</u> | <u>35,567</u> | <u>18,515</u> | <u>17,824</u> |
| Gross profit | <u>82,331</u> | <u>69,977</u> | <u>42,060</u> | <u>35,698</u> |
| Operating expenses: | | | | |
| Research and development, net | 24,772 | 22,806 | 12,725 | 11,224 |
| Selling and marketing | 29,679 | 25,586 | 15,203 | 12,317 |
| General and administrative | 7,625 | 6,578 | 4,000 | 3,313 |
| Total operating expenses | <u>62,076</u> | <u>54,970</u> | <u>31,928</u> | <u>26,854</u> |
| Operating income | 20,255 | 15,007 | 10,132 | 8,844 |
| Financial income (expenses), net | 996 | 454 | (582) | (852) |
| Income before taxes on income | 21,251 | 15,461 | 9,550 | 7,992 |
| Taxes on income, net | (3,018) | (3,558) | (1,310) | (1,353) |
| Net income | <u>\$ 18,233</u> | <u>\$ 11,903</u> | <u>\$ 8,240</u> | <u>\$ 6,639</u> |
| Basic net earnings per share | <u>\$ 0.56</u> | <u>\$ 0.40</u> | <u>\$ 0.25</u> | <u>\$ 0.22</u> |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Diluted net earnings per share | <u>\$ 0.54</u> | <u>\$ 0.38</u> | <u>\$ 0.24</u> | <u>\$ 0.21</u> |
| Weighted average number of shares used in computing basic net earnings per share (in thousands) | <u>32,820</u> | <u>30,017</u> | <u>32,745</u> | <u>30,493</u> |
| Weighted average number of shares used in computing diluted net earnings per share (in thousands) | <u>34,030</u> | <u>31,554</u> | <u>33,972</u> | <u>32,062</u> |

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, | |
|---|------------------------------|------------------|--------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | | (Unaudited) | |
| GAAP net income | <u>\$ 18,233</u> | <u>\$ 11,903</u> | <u>\$ 8,240</u> | <u>\$ 6,639</u> |
| GAAP net earnings per share | <u>\$ 0.54</u> | <u>\$ 0.38</u> | <u>\$ 0.24</u> | <u>\$ 0.21</u> |
| Cost of revenues: | | | | |
| Share-based compensation (1) | 154 | 99 | 78 | 49 |
| Amortization expenses (2) | 136 | 136 | 68 | 68 |
| | <u>290</u> | <u>235</u> | <u>146</u> | <u>117</u> |
| Research and development, net: | | | | |
| Share-based compensation (1) | 1,242 | 490 | 665 | 247 |
| Selling and marketing: | | | | |
| Share-based compensation (1) | 2,845 | 1,623 | 1,545 | 864 |
| Amortization expenses (2) | 8 | 30 | 2 | 15 |
| | <u>2,853</u> | <u>1,653</u> | <u>1,547</u> | <u>879</u> |
| General and administrative: | | | | |
| Share-based compensation (1) | 2,112 | 1,264 | 1,078 | 657 |
| | <u>2,112</u> | <u>1,264</u> | <u>1,078</u> | <u>657</u> |
| Financial expenses (income): | | | | |
| Exchange rate differences (3) | (982) | (453) | 548 | 829 |
| Income taxes: | | | | |
| Deferred tax (4) | 1,669 | 3,154 | 450 | 1,124 |
| Non-GAAP net income | <u>\$ 25,417</u> | <u>\$ 18,246</u> | <u>\$ 12,674</u> | <u>\$ 10,492</u> |
| Non-GAAP diluted net earnings per share | <u>\$ 0.74</u> | <u>\$ 0.57</u> | <u>\$ 0.37</u> | <u>\$ 0.32</u> |

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

(2) Amortization of intangible assets related to the acquisitions of Active Communications Europe assets.

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

(4) Non-cash deferred tax expenses.

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.

AUDICODES LTD. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. dollars in thousands

| | Six months ended June 30, | | Three months ended June 30, | |
|--|------------------------------|------|--------------------------------|------|
| | 2021 | 2020 | 2021 | 2020 |

| | <u>(Unaudited)</u> | | <u>(Unaudited)</u> | |
|---|--------------------|---------------|--------------------|---------------|
| <u>Cash flows from operating activities:</u> | \$ | \$ | \$ | \$ |
| Net income | 18,233 | 11,903 | 8,240 | 6,639 |
| Adjustments required to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 1,158 | 1,119 | 599 | 551 |
| Amortization of marketable securities premiums and accretion of discounts, net | 741 | - | 612 | - |
| Increase (decrease) in accrued severance pay, net | (992) | 624 | (692) | 312 |
| Share-based compensation expenses | 6,353 | 3,476 | 3,366 | 1,817 |
| Decrease in deferred tax assets, net | 1,647 | 3,127 | 440 | 1,110 |
| Increase in accrued interest and exchange rate effect of loans, marketable securities and bank deposits | 23 | 1 | 92 | 13 |
| Decrease in operating lease right-of-use assets | 3,862 | 3,898 | 2,083 | 2,022 |
| Increase (decrease) in operating lease liabilities | (4,607) | (4,184) | (120) | 60 |
| Changes in IIA settlement liability, net | (59) | 61 | 330 | 667 |
| Increase in trade receivables, net | (2,485) | (2,643) | (813) | (1,868) |
| Decrease (increase) in other receivables and prepaid expenses | 797 | (17) | (45) | 58 |
| Decrease (increase) in inventories | 3,954 | (1,408) | 2,928 | (2,695) |
| Decrease in trade payables | (4,368) | (2,017) | (3,836) | (742) |
| Increase in other payables and accrued expenses | 232 | 369 | 2,941 | 2,278 |
| Increase in deferred revenues | 5,589 | 3,206 | 933 | 508 |
| Net cash provided by operating activities | <u>30,078</u> | <u>17,515</u> | <u>17,058</u> | <u>10,730</u> |
| <u>Cash flows from investing activities:</u> | | | | |
| Proceeds from short-term deposits, net | 84,303 | 451 | 147 | 301 |
| Proceeds from long-term deposits | - | 150 | - | - |
| Proceeds from redemption of marketable securities | 1,053 | - | 1,053 | - |
| Purchase of marketable securities | (17,525) | - | (3,211) | - |
| Proceeds from sale of marketable securities | 510 | - | 510 | - |
| Purchase of property and equipment | (416) | (641) | (313) | (293) |
| Net cash provided by (used in) investing activities | <u>67,925</u> | <u>(40)</u> | <u>(1,814)</u> | <u>8</u> |

AUDICODES LTD. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
U.S. dollars in thousands

| | <u>Six months ended</u> <u>June 30,</u> | | <u>Three months ended</u> <u>June 30,</u> | |
|--|--|-------------------|--|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| | <u>(Unaudited)</u> | | <u>(Unaudited)</u> | |
| <u>Cash flows from financing activities:</u> | | | | |
| Purchase of treasury shares | (17,358) | - | (7,103) | - |
| Repayment of bank loans | (600) | (1,238) | (300) | (619) |
| Cash dividends paid to shareholders | (5,302) | (3,866) | - | - |
| Proceeds from issuance of shares, net | - | 85,654 | - | 85,654 |
| Proceeds from issuance of shares upon exercise of options and warrants | 744 | 1,051 | 332 | 703 |
| Net cash provided by (used in) financing activities | <u>(22,516)</u> | <u>81,601</u> | <u>(7,071)</u> | <u>85,738</u> |
| Net increase in cash, cash equivalents, and restricted cash | 75,487 | 99,076 | 8,173 | 96,476 |
| Cash, cash equivalents and restricted cash at beginning of period | <u>46,034</u> | <u>69,773</u> | <u>113,348</u> | <u>72,373</u> |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 121,521</u> | <u>\$ 168,849</u> | <u>\$ 121,521</u> | <u>\$ 168,849</u> |

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