

2Q 2022 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 2022, 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 2, 2022, with respect to our earnings for fiscal year Q2 2022 (the “Q2 Press Release”). The Q2 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



120
Countries



1,000
Employees




65
of Fortune 100
Companies are
Customers



9
of Fortune Top
10 Global
Enterprises



#1
Microsoft Teams Voice Partner
 **Microsoft**



2Q'22 Financial Highlights

- Total revenues of **\$68.4M** vs. \$60.6M in 2Q'21, up **12.9%** yoy
- Non-GAAP EPS of **\$0.34*** vs. \$0.37 in 2Q'21
- Non-GAAP Gross Margin of **65.6%*** vs. 69.7% in 2Q'21
- Non-GAAP Operating Margin at **17.4%*** vs. 22.4% in 2Q'21
- Service revenues of **\$27.8M** vs. \$22.8M in 2Q'21, up **21.9%** yoy
- Product revenues of **\$40.6M** vs. \$37.8M in 2Q'21, up **7.4%** yoy

* Impacted by higher supply chain costs



2Q'22 Business Performance



Microsoft
business grew
> 20% yoy



Zoom business
grew > 50% yoy



Customer
Experience (CX)
grew > 20% yoy



Service provider/
Other business
up 15% yoy



2Q'22 Operational and Customer Highlights



Signed a 42-month contract with an international energy company, working with a global SI, selling Live Premium subscription to migrate 7k employees in US/APAC to Teams Voice from Cisco

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Signed a 36-month contract with a large international investment firm, working with a tier-1 service provider (SP), covering migration to Teams Voice from Avaya for 7k employees in APAC/EMEA

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AudioCodes remains a leader in Enterprise SBC market, expanding its share to **21.3% in 1Q'22 from 18.8% in 2021**





Generated **\$4.5M** free cash flow in 2Q'22 and **\$33.9M*** non-GAAP free cash flow on a trailing 12-month basis

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Added **18** positions in 2Q'22 on the heels of 45 in 2020, 112 in 2021 and 37 in 1Q'22, as we continue to invest in strategic areas of our business while prudently managing opex in light of uncertain macro environment

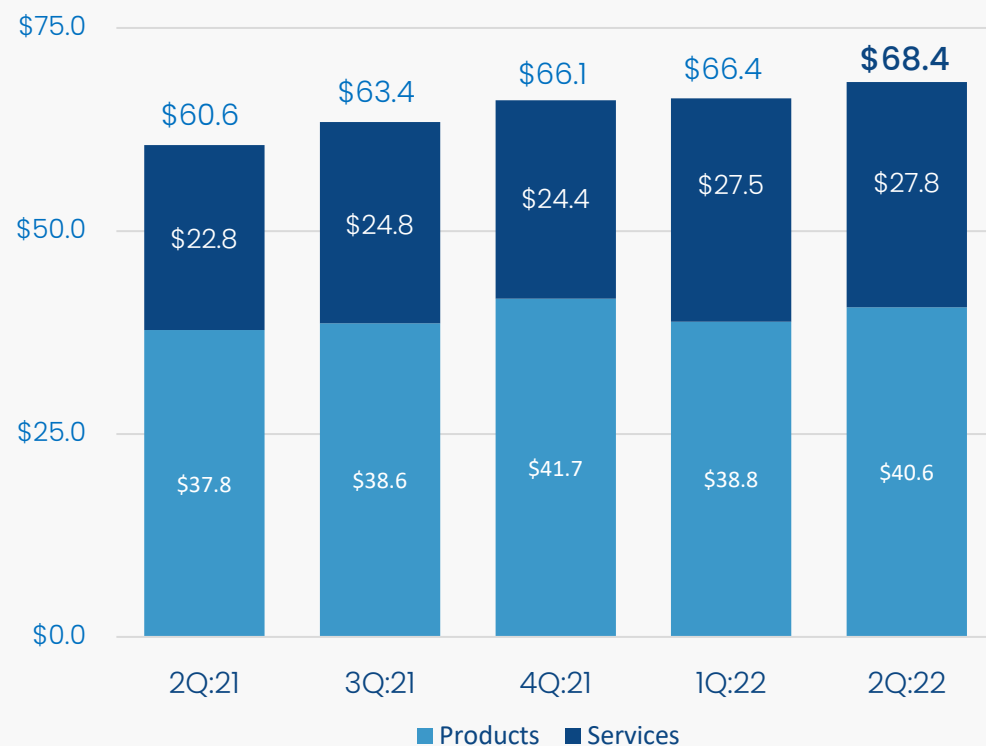
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* Free cash flow defined as net cash provided by operating activities less purchase of property and equipment
Non-GAAP free cash flow adds back \$12.2M of royalty buyout payment incurred in 4Q'21

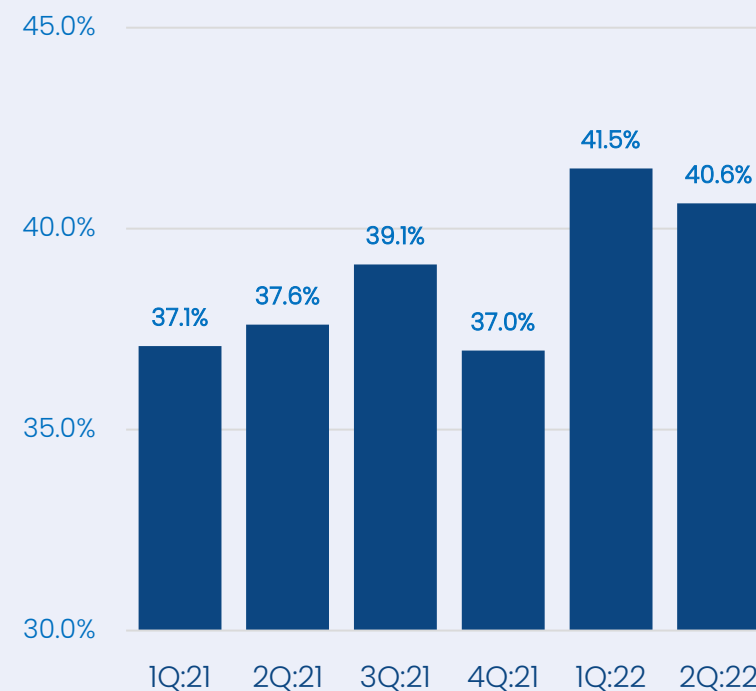
Ongoing Shift to Services Revenue

2Q'22 services revenue grew **21.9%** yoy, fueled by AudioCodes Live and professional services

(USD Millions)



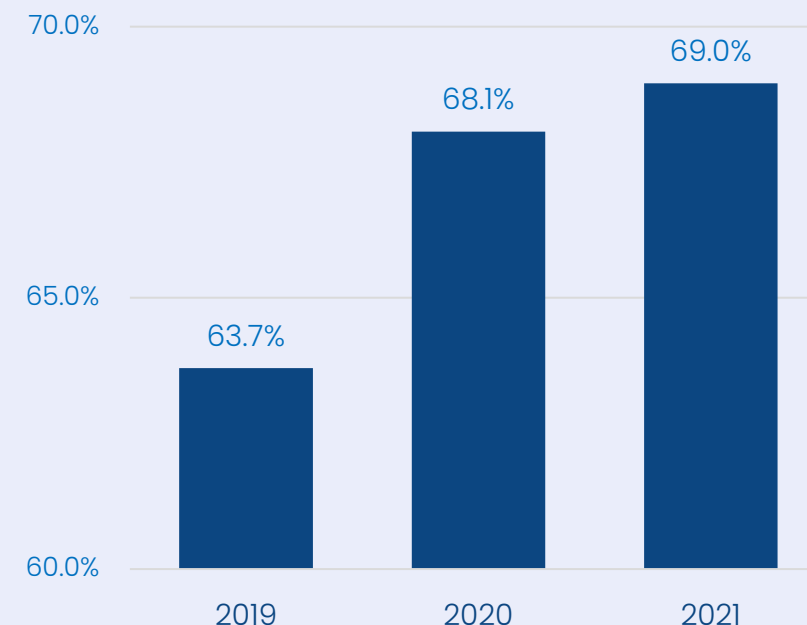
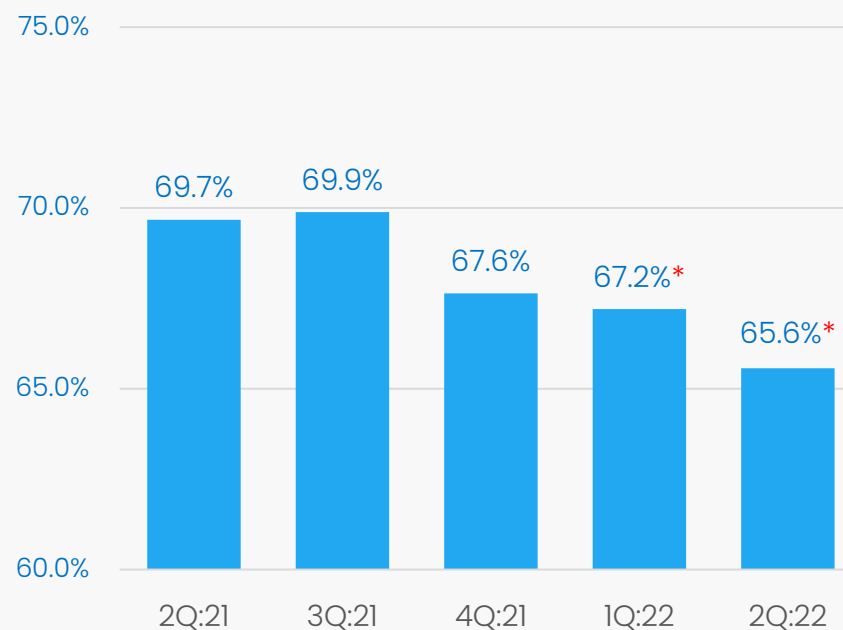
Services as % of revenues





Non-GAAP Gross Margin

Mix shift to services contributing to increasing gross margins annually, offset by temporarily elevated supply chain costs in 2022

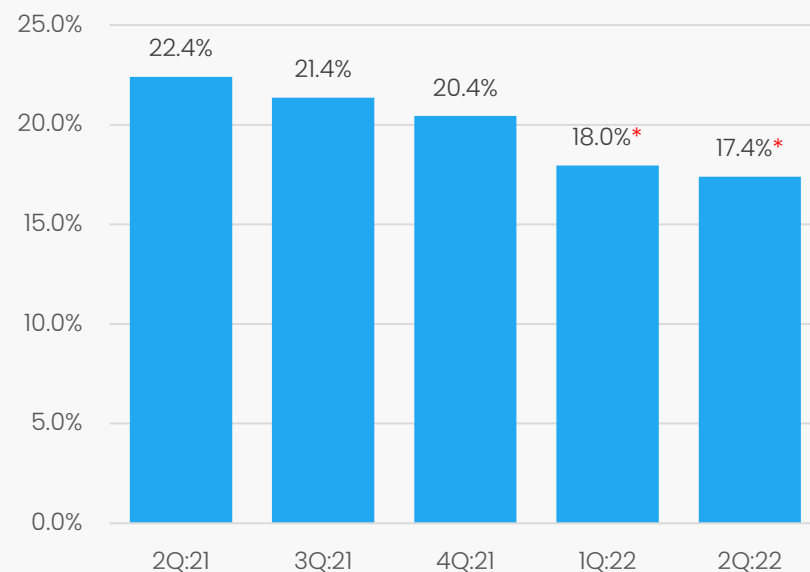


* Excluding higher supply chain costs, 1Q'22 and 2Q'22 non-GAAP gross margin would have been **69.3%** and **67.3%** respectively

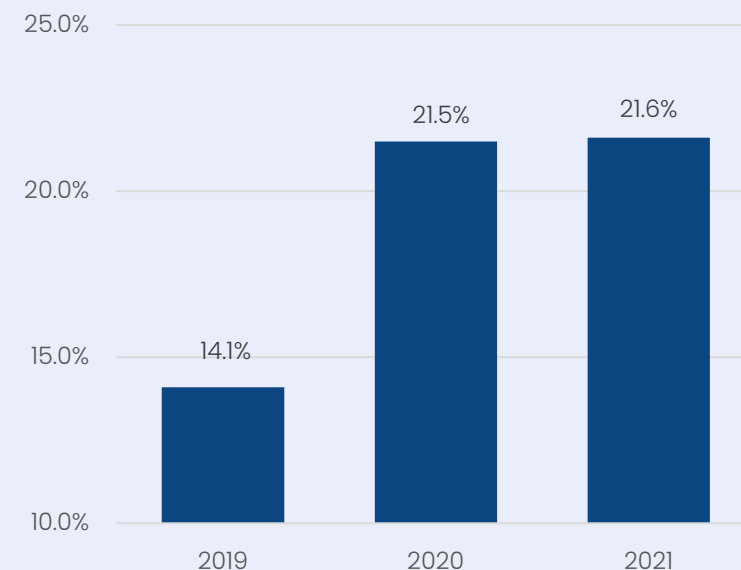


Non-GAAP Operating Margin

Balancing revenue growth with investments to capitalize on significant secular growth opportunities



* Excluding higher supply chain costs, 1Q'22 and 2Q'22 non-GAAP operating margin would have been 20.1% and 19.1% respectively



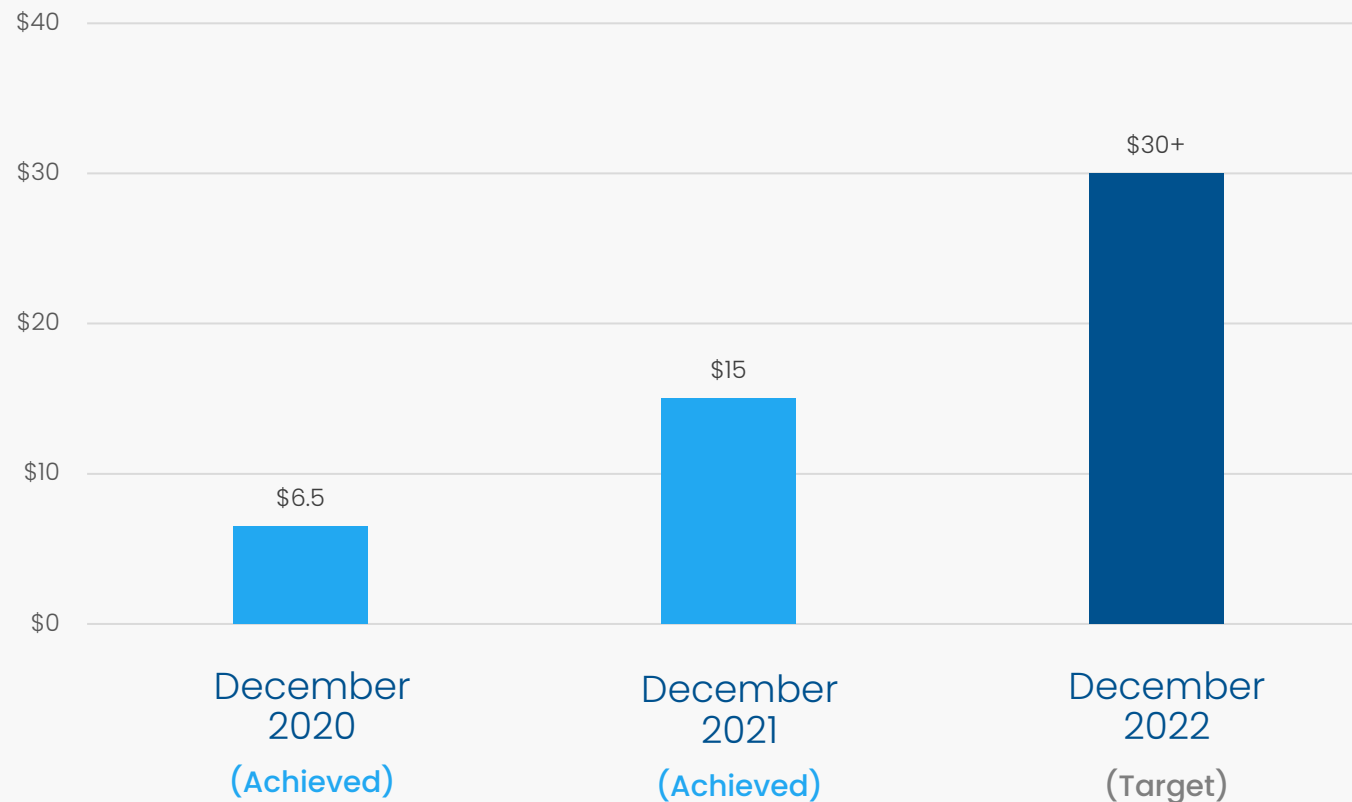


AudioCodes Live

On track to more than double Live ARR in 2022



(USD Millions)





2022 Outlook



Revenues (in million)

\$275 – \$282.5



Non-GAAP EPS

\$1.35–\$1.45

Three-Year Financial Model And Long-Term Targets

	2019	2020	2021	1Q22	2Q22	LONG-TERM TARGETS
Revenue growth	13.7%	10.2%	12.7%	12.8%	12.9%	13%-15%
Non-GAAP Gross margin	63.7%	68.1%	69.0%	67.2%*	65.6%*	67%-70%
Non-GAAP OPEX as % of revenues	49.6%	46.6%	47.3%	49.3%	48.2%	47%-50%
Non-GAAP Operating margin	14.1%	21.5%	21.6%	18.0%*	17.4%*	20%-23%

* Impacted by higher supply chain costs

GAAP to Non-GAAP Reconciliation

	Six months ended		Three months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	(Unaudited)		(Unaudited)	
GAAP net income	\$ 15,544	\$ 18,233	\$ 6,936	\$ 8,240
GAAP net earnings per share	\$ 0.47	\$ 0.53	\$ 0.21	\$ 0.24
Cost of revenues:				
Share-based compensation (1)	174	154	125	78
Amortization expenses (2)	380	136	190	68
	554	290	315	146
Research and development, net:				
Share-based compensation (1)	1,887	1,242	728	665
Deferred payments expenses (3)	250	-	125	-
	2,137	1,242	853	665
Selling and marketing:				
Share-based compensation (1)	3,151	2,845	1,712	1,545
Amortization expenses (2)	22	8	11	2
Deferred payments expenses (3)	250	-	125	-
	3,423	2,853	1,848	1,547
General and administrative:				
Share-based compensation (1)	2,522	2,112	1,354	1,078
Other Income (4)	(810)	-	(405)	-
	1,712	2,112	949	1,078
Financial expenses (income):				
Exchange rate differences (5)	(1,215)	(982)	(495)	548
Income taxes:				
Deferred tax (6)	353	1,669	940	450
Non-GAAP net income	\$ 22,508	\$ 25,417	\$ 11,346	\$ 12,674
Non-GAAP diluted net earnings per share	\$ 0.67	\$ 0.73	\$ 0.34	\$ 0.37
Weighted average number of shares used in computing Non-GAAP diluted net earnings per share (in thousands)	33,558	34,587	33,332	34,464

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

(6) Non-cash deferred tax expenses (income).

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

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