

1Q 2023

Earnings Call  
Supplementary Slides

 audiocodes





## 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 first 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 May 9, 2023, with respect to our earnings for fiscal year Q1 2023 (the “Q1 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 Global Enterprises



#1

Microsoft Teams Phone Partner



65

of Fortune 100 Companies are Customers



978

Employees as of 3/31/23



120

Countries



# 1Q'23 Financial Highlights

- Total revenues of **\$59.2M** vs. \$66.4M in 1Q'22, down **10.8%** yoy
- Non-GAAP EPS of **\$0.08** vs. \$0.33 in 1Q'22
- Non-GAAP Gross Margin of **62.1%** vs. 67.2% in 1Q'22
- Non-GAAP Operating Margin at **4.9%** vs. 18.0% in 1Q'22
- Service revenues of **\$30.5M** vs. \$27.5M in 1Q'22, up **10.8%** yoy



# 1Q'23 Business Performance



Microsoft  
business declined  
**3% yoy**



Live ARR  
increased **>60%**  
yoy



Professional and  
managed  
services  
increased **11.8%**  
yoy



Customer  
Experience (CX)  
business declined  
**3% yoy**



Service provider/  
Other business  
declined **20% yoy**



Conversational  
AI business  
increased **5%**  
yoy



# 1Q'23 Operational and Customer Highlights



AudioCodes again ranked #1 Enterprise SBC vendor in 4Q'22 by Omdia



Signed a 48-month contract with a multinational conglomerate selling Live Pro subscription to migrate a minimum of 10k employees across global locations to Microsoft Teams Voice from primarily Cisco



Signed a multi-million capex deal with a tier-1 carrier selling multi-service business routers to enable IP migration for a large retailer



Live ARR increased over 60% to \$35 mm with total contract value ending 1Q'23 with over \$110 million



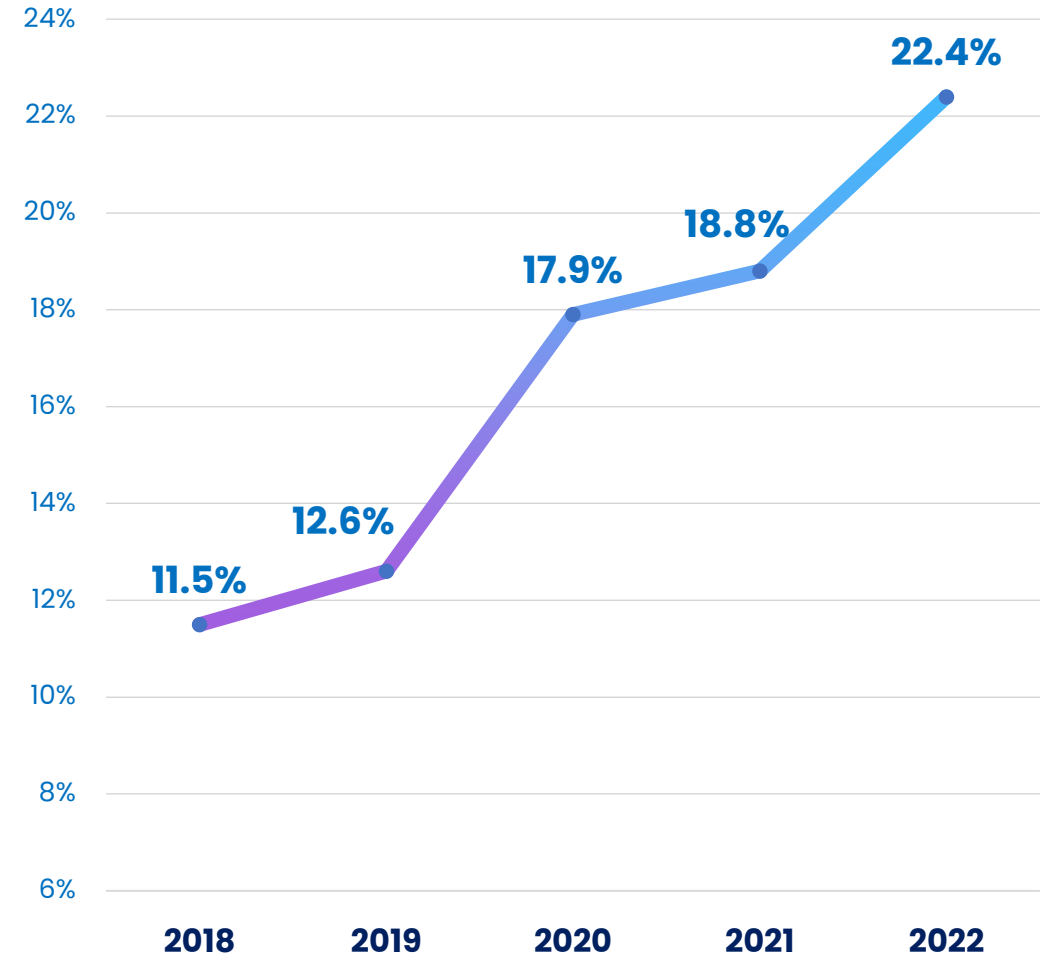


Cloud native and MS Teams Voice propelled AudioCodes to continue to gain revenue share in 2021/ 2022 according to latest Omdia report (March 2023)



Source: Omdia report "Enterprise SBCs and VoIP Gateways Market Tracker, March 2023

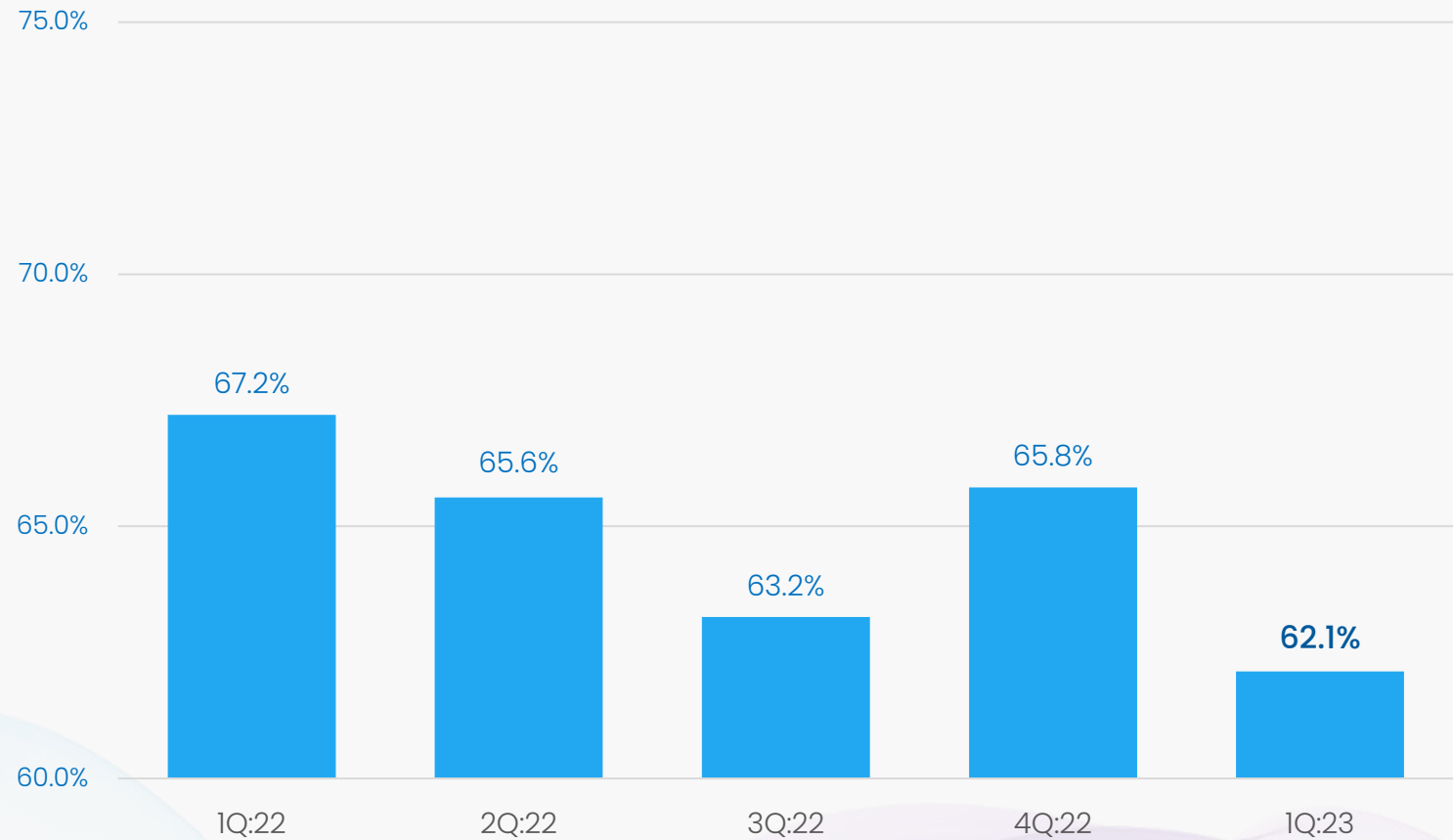
## Enterprise SBC market share





# Non-GAAP Gross Margin

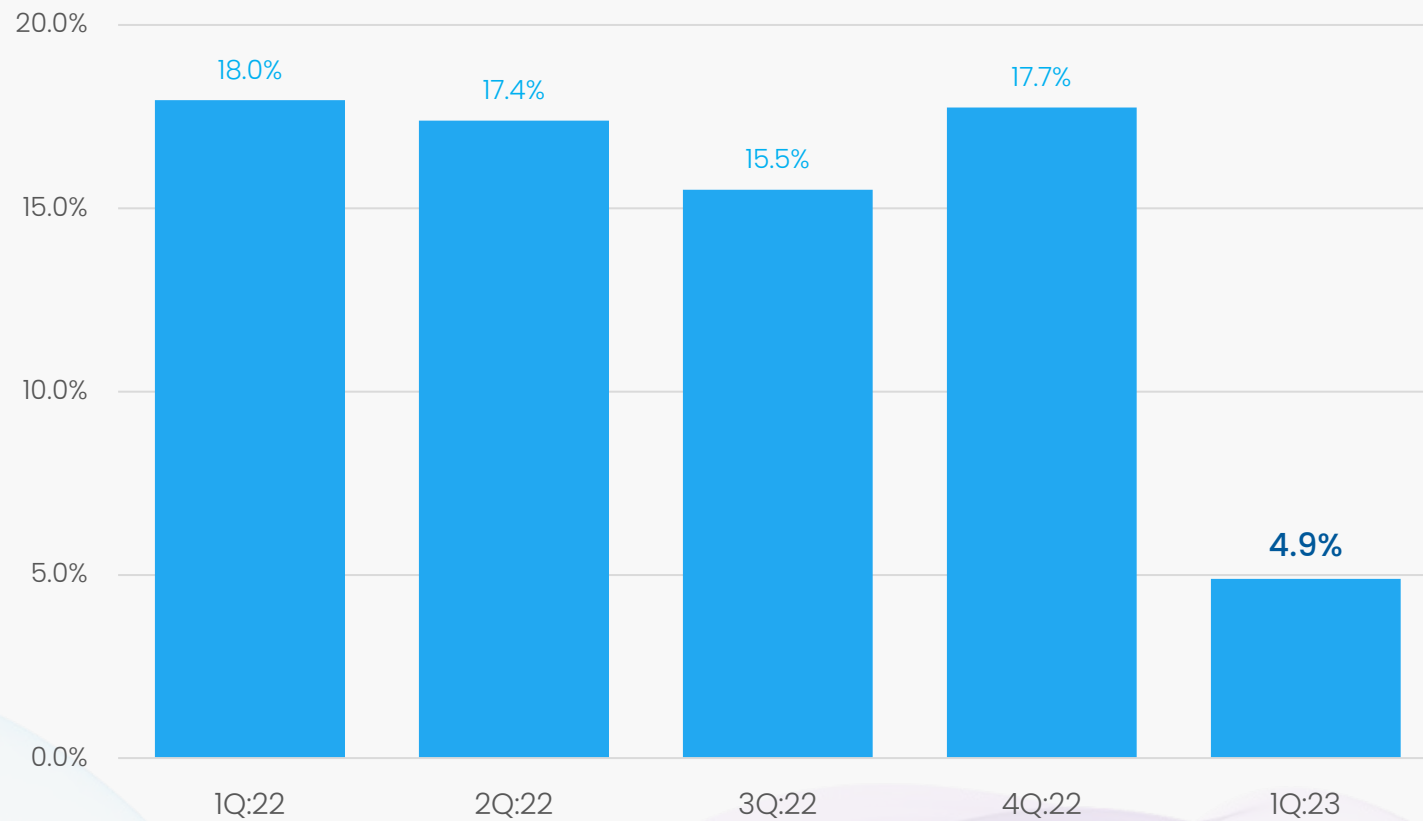
Sequential margin decline driven by operating leverage effect from product revenue declines and less favorable product mix







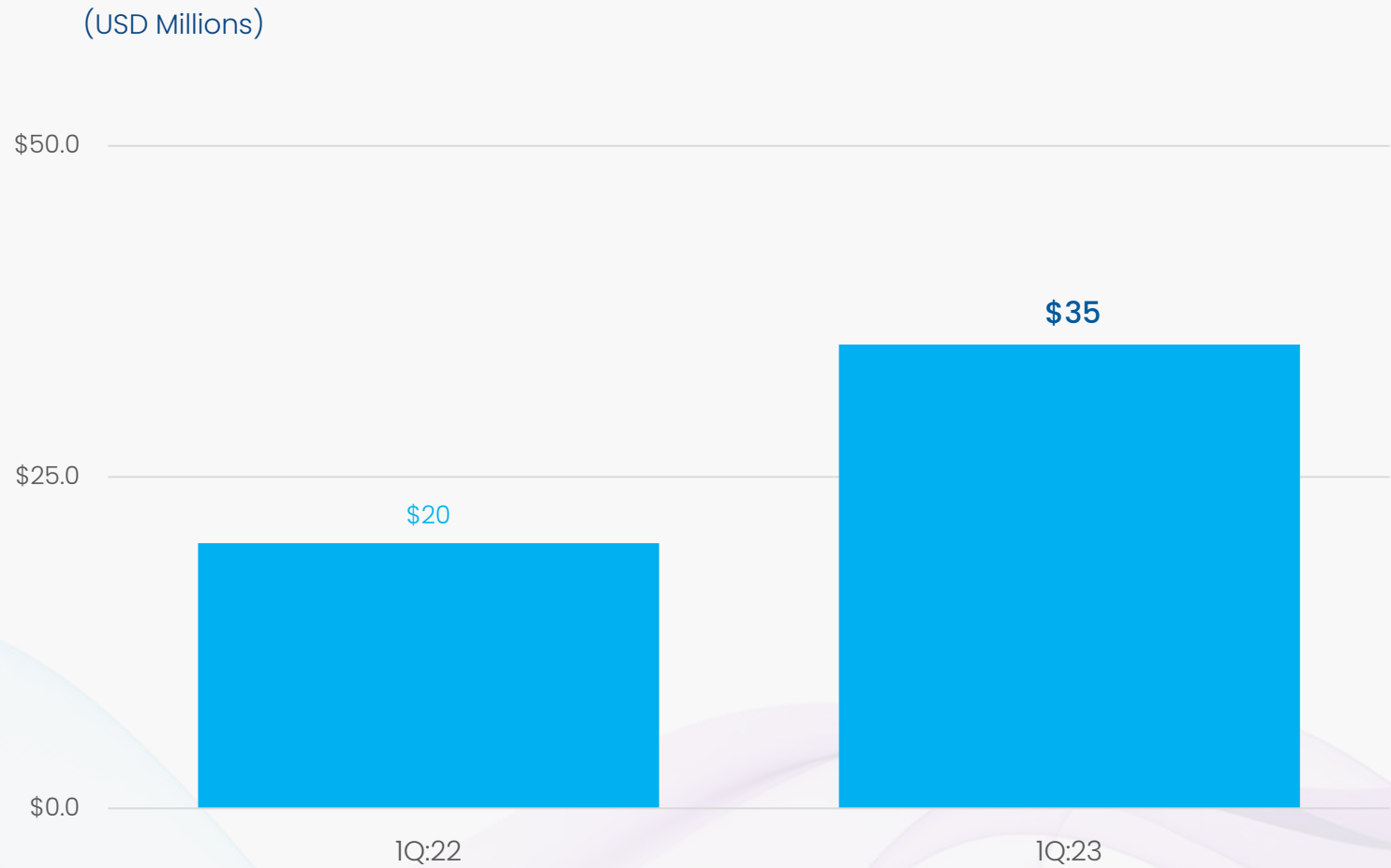
# Non-GAAP Operating Margin





# AudioCodes Live ARR

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





# 2023 Outlook



Revenues (in million)

**\$240 - \$250**



Non-GAAP EPS

**\$0.50-\$0.70**

# Financial Model And Long-Term Targets

	1Q22	2Q22	3Q22	4Q22	1Q23	LONG-TERM TARGETS
Revenue growth	12.8%	12.9%	10.0%	6.9%	-10.8%	13%-15%
Non-GAAP Gross margin	67.2%	65.6%	63.2%	65.8%	62.1%	67%-70%
Non-GAAP OPEX as % of revenues	49.3%	48.2%	47.7%	48.0%	57.2%	47%-50%
Non-GAAP Operating margin	18.0%	17.4%	15.5%	17.7%	4.9%	20%-23%



# GAAP to Non-GAAP Reconciliation

## AUDIOCODES LTD. AND ITS SUBSIDIARIES RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME U.S. dollars in thousands, except per share data

	Three months ended	
	March 31,	
	2023	2022
	(Unaudited)	
GAAP net income (loss)	<u>\$ (182)</u>	<u>\$ 8,608</u>
GAAP net earnings (loss) per share	<u>\$ (0.01)</u>	<u>\$ 0.26</u>
Cost of revenues:		
Share-based compensation (1)	107	49
Amortization expenses (2)	<u>135</u>	<u>190</u>
	242	239
Research and development, net:		
Share-based compensation (1)	743	1,159
Deferred payments expenses (3)	<u>125</u>	<u>125</u>
	868	1,284
Selling and marketing:		
Share-based compensation (1)	1,237	1,439
Amortization expenses (2)	11	11
Deferred payments expenses (3)	<u>125</u>	<u>125</u>
	1,373	1,575
General and administrative:		
Share-based compensation (1)	1,259	1,168
Other Income (4)	<u>-</u>	<u>(405)</u>
	1,259	763
Financial expenses:		
Exchange rate differences (5)	<u>(541)</u>	<u>(720)</u>
Income taxes:		
Deferred tax (6)	<u>(338)</u>	<u>(587)</u>
Non-GAAP net income	<u>\$ 2,681</u>	<u>\$ 11,162</u>
Non-GAAP diluted net earnings per share	<u>\$ 0.08</u>	<u>\$ 0.33</u>
Weighted average number of shares used in computing Non-GAAP diluted net earnings per share (in thousands)	<u>33,056</u>	<u>33,783</u>

- (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 expenses related to exchange rate differences in connection with revaluation of assets and liabilities in non-dollar denominated currencies.
- (6) 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

# Thank You

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