

1Q 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 first 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 May 2, 2022, with respect to our earnings for fiscal year Q1 2022 (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



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



1Q'22 Operational and Customer Highlights



Working with a Tier-1 service provider, signed a 78-month contract with global freight transport company for \$5M TCV

audiocodes live



Working with a large SI, signed a contract with global healthcare company for ~3k seats; potential to reach over 50k seats

audiocodes live



AudioCodes ranked #1 Enterprise SBC vendor in 2021 by Omdia

OMDIA



Colt selects AudioCodes to deliver Microsoft Operator Connect

colt



Certified by Microsoft as an Operator Connect Accelerator partner and released updated Live Cloud white-label, multi-tenant SaaS offering for service providers

live Cloud



Launched Live Express, a multitenant SaaS offering, enabling VAR/SI partners to offer Microsoft Teams voice via Direct Routing

liveExpress



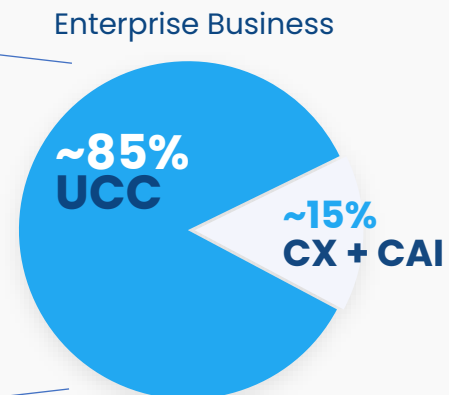
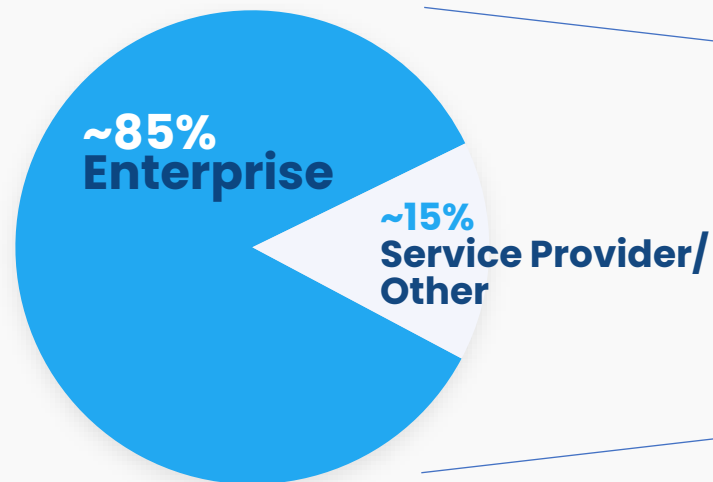
1Q'22 Financial Highlights

- Total revenues of \$66.4M vs. \$58.8M in 1Q'21, up 12.8% yoy
- Non-GAAP EPS of \$0.33* vs. \$0.37 in 1Q'21
- Non-GAAP Gross Margin of 67.2%* vs. 68.7% in 1Q'21
- Non-GAAP Operating Margin at 18.0%* vs. 20.4% in 4Q'21
- Service revenues of \$27.5M vs. \$21.8M in 1Q'21, up 26.2% yoy
- Product revenues of \$38.8M vs. \$37.0M in 1Q'21, up 4.9% yoy

* Impacted primarily by higher-than-expected component procurement costs



1Q'22 Business Performance



Enterprise business grew > 15% yoy



Microsoft business grew > 25% yoy



Service provider/Other business down ~ 10% yoy



Unified Communications & Collaboration (UCC) grew > 20% yoy



Customer Experience (CX) down high-single digits % yoy

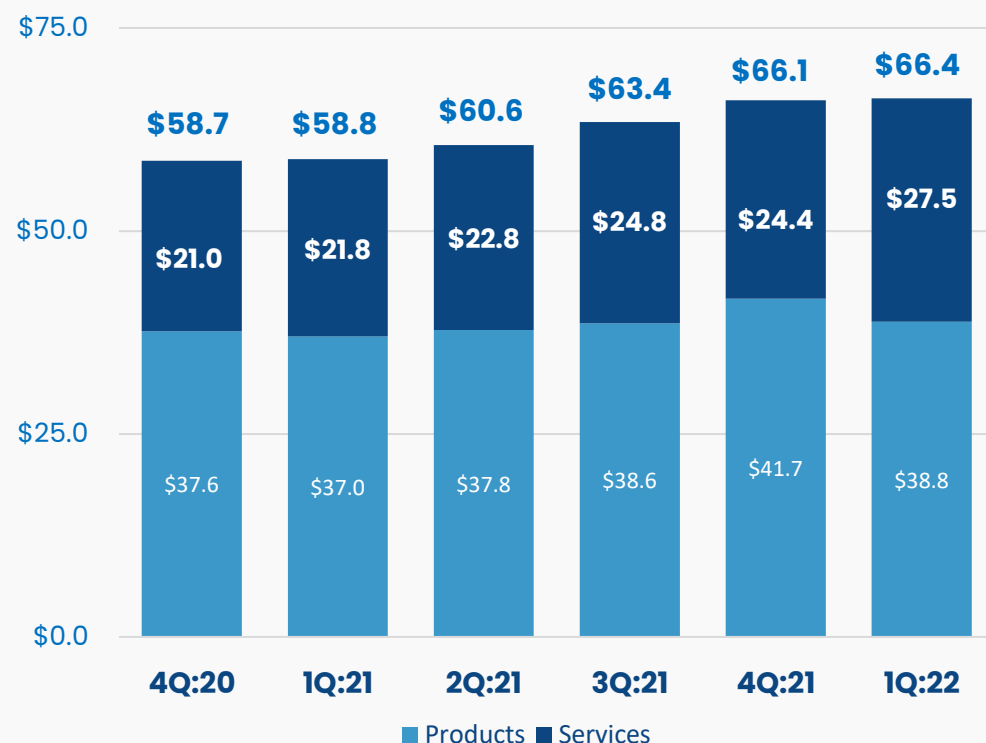


Conversational AI (CAI), including Intelligent Virtual Agent (IVA), up 40% yoy

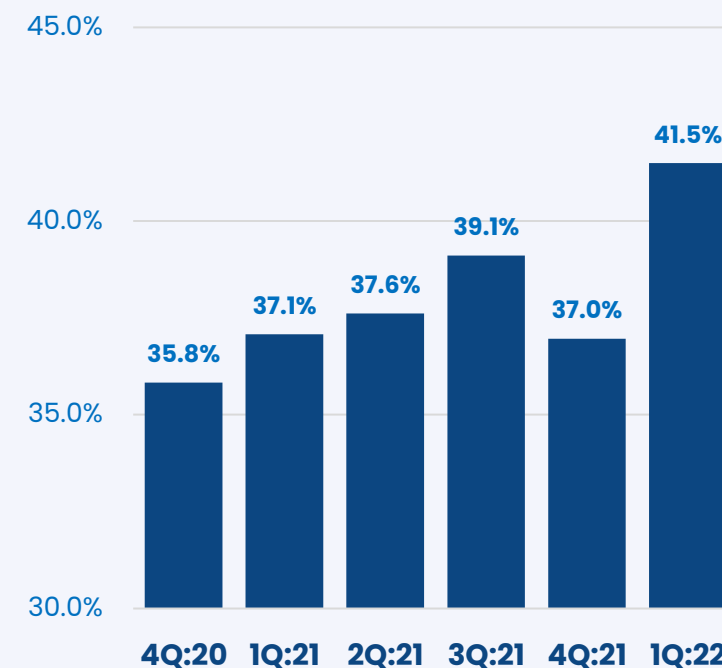
Ongoing Shift to Services Revenue

1Q'22 services revenue grew 26.2% yoy and reached 41.5% of overall revenues, fueled by AudioCodes Live and professional services

(USD Millions)

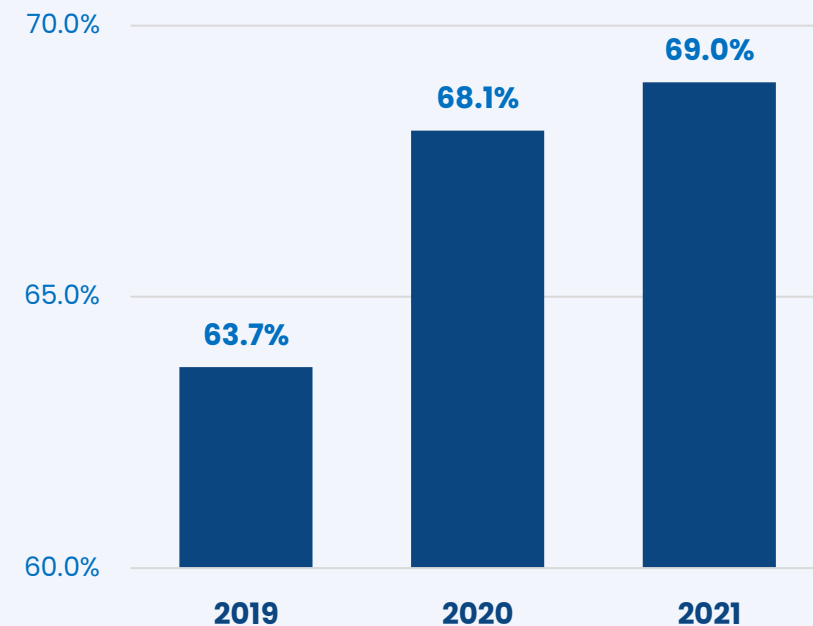
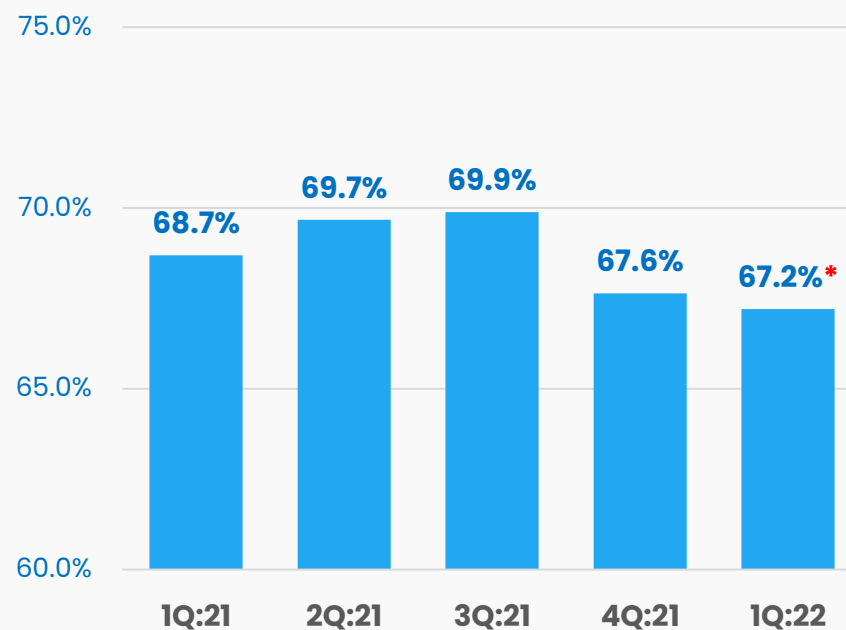


Services as % of revenues



Non-GAAP Gross Margin

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

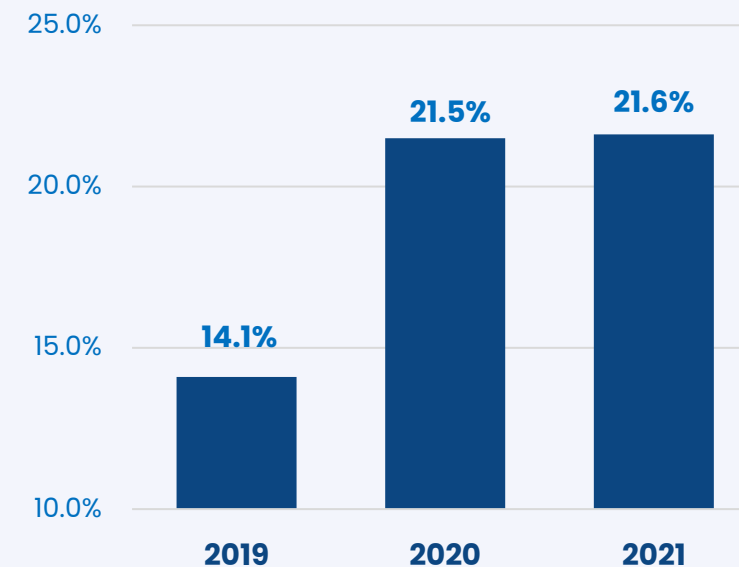
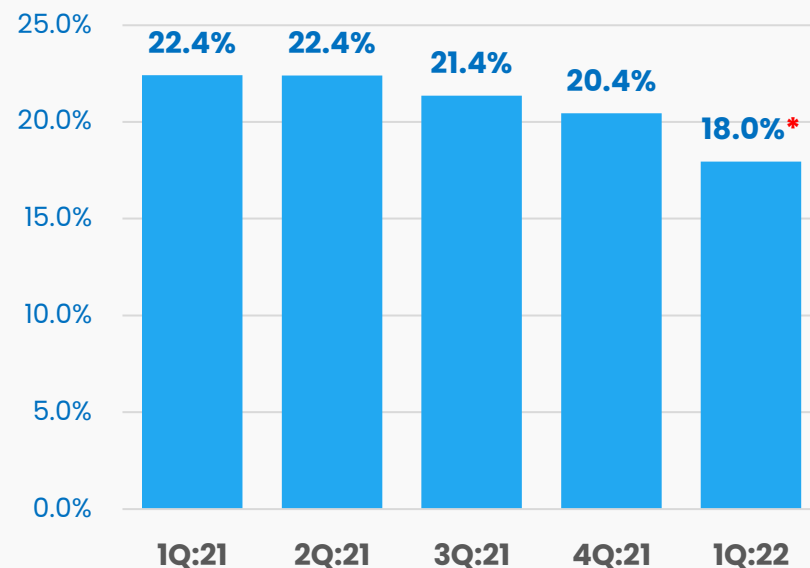


* Excluding open market component costs of \$1.4 million, 1Q'22 non-GAAP gross margin would have been 69.3%



Non-GAAP Operating Margin

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



* Excluding open market components costs of \$1.4 million, 1Q'22 non-GAAP operating margin would have been 20.1%



AudioCodes Live

On track to more than double Live ARR in 2022



(USD Millions)





2022 Outlook



Revenues (in million)
\$277 – \$285



Non-GAAP EPS
\$1.40 – \$1.60



Three-Year Financial Model And Long-Term Targets

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

* Impacted primarily by higher-than-expected component procurement costs

GAAP to Non-GAAP Reconciliation

	Three months ended March 31,	
	2022	2021
	(Unaudited)	
GAAP net income	\$ 8,608	\$ 9,993
GAAP net earnings per share	\$ 0.26	\$ 0.29
Cost of revenues:		
Share-based compensation (1)	49	76
Amortization expenses (2)	190	68
	239	144
Research and development, net:		
Share-based compensation (1)	1,159	577
Deferred payments expenses (3)	125	-
	1,284	577
Selling and marketing:		
Share-based compensation (1)	1,439	1,300
	11	6
Deferred payments expenses (3)	125	-
	1,575	1,306
General and administrative:		
Share-based compensation (1)	1,168	1,034
Other Income (4)	(405)	-
	763	1,034
Financial income:		
Exchange rate differences (5)	(720)	(1,530)
Income taxes:		
Deferred tax (6)	(587)	1,219
Non-GAAP net income	\$ 11,162	\$ 12,743
Non-GAAP diluted net earnings per share	\$ 0.33	\$ 0.37
Weighted average number of shares used in computing Non-GAAP diluted net earnings per share (in thousands)	33,783	34,598

(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 Calversio 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

acaudiocodes

