

4Q 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 fourth 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, the effects of the current terrorist attacks by Hamas, and the war and hostilities between Israel and Hamas and Israel and Hezbollah as well as the possibility that this could develop into a broader regional conflict involving Israel with other parties, may affect our operations and may limit our ability to produce and sell our solutions, any disruption in our operations by the obligations of our personnel to perform military service as a result of current or future military actions involving Israel, 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 February 6, 2024, with respect to our earnings for fiscal year Q4 2023 (the “Q4 Press Release”). The Q4 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



950

Employees as
of 12/31/23



120

Countries

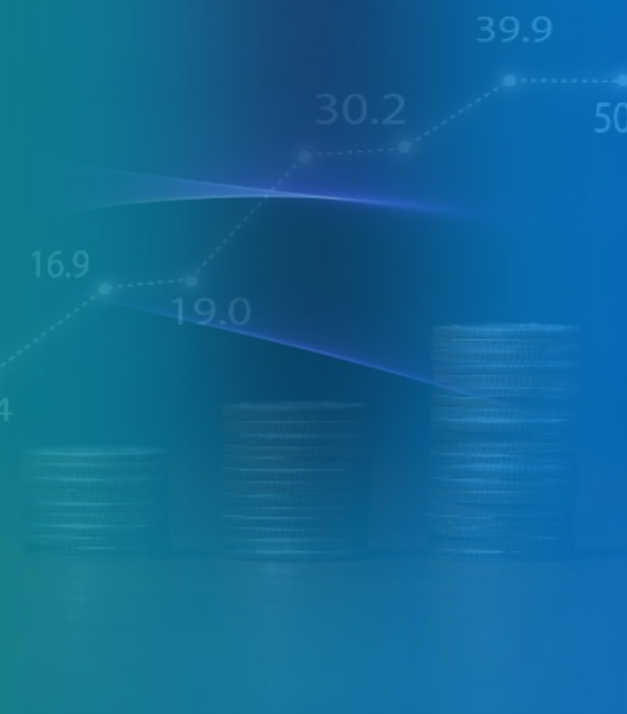


4Q'23 Financial Highlights

- Total revenues of **\$63.6M** vs. \$61.6M in 3Q'23, up **3.2%** QoQ
- Service revenues of **\$30.9M** vs \$30.6M in 3Q'23, up **1.0%** QoQ
- Non-GAAP gross margin of **67.6%** vs. 67.3% in 3Q'23
- Non-GAAP operating margin at **16.9%** vs. 15.5% in 3Q'23
- Non-GAAP EPS of **\$0.28** vs. \$0.25 in 3Q'23



4Q'23 and 2023 Business Performance



Microsoft business increased
5% YoY in 4Q'23 and
7% YoY 2023



Microsoft Teams business increased
10% YoY in 4Q'23 and
13% YoY 2023

Microsoft Teams is now >95% of Microsoft Business



Customer Experience (CX) business increased **>40% YoY** in 4Q'23 and **19% YoY** in 2023



Live ARR increased **50% YoY**



Conversational AI business increased **>50%** in 4Q'23 and 2023



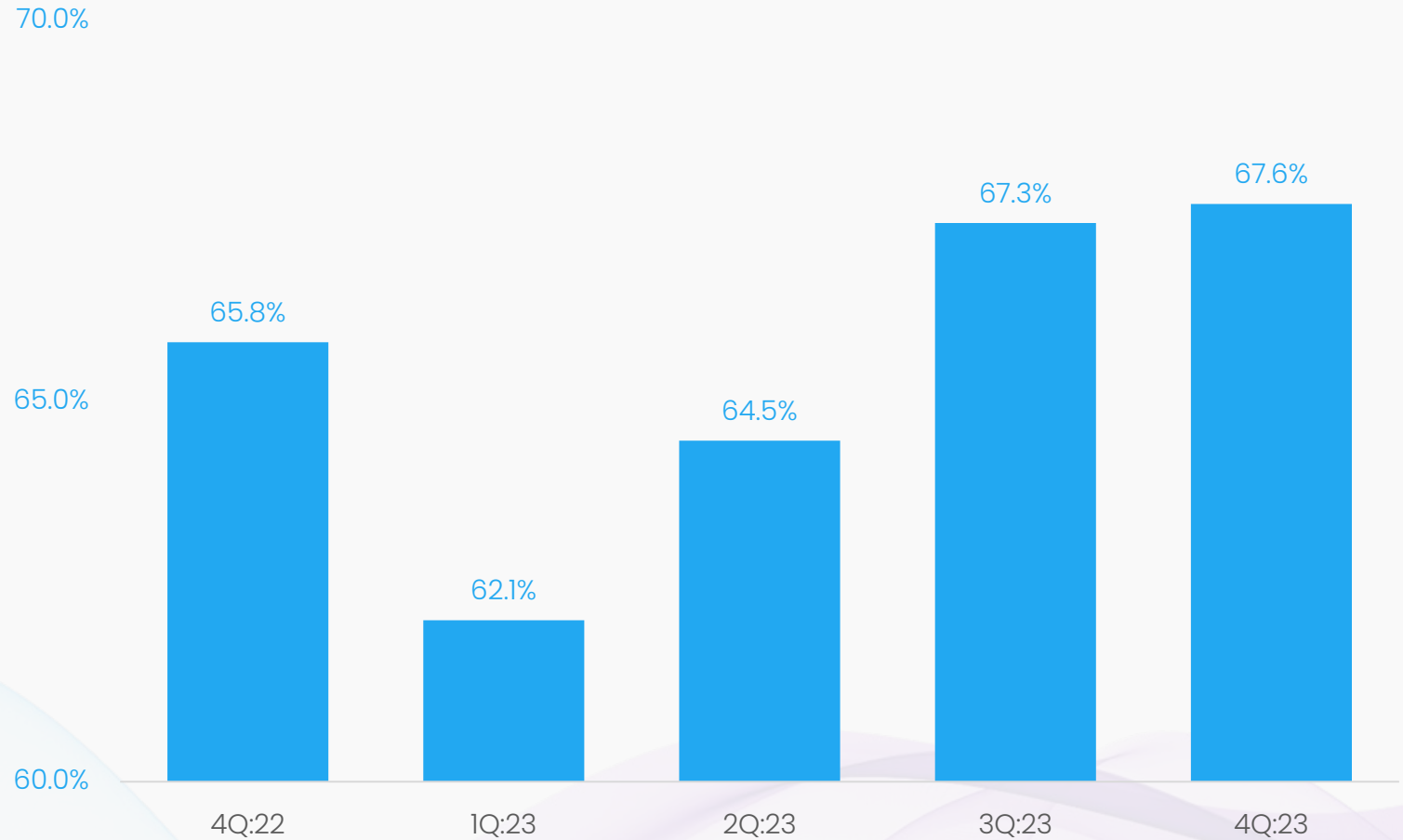
4Q'23 Operational and Customer Highlights

- AudioCodes again ranked #1 Enterprise SBC vendor with 23.2% market share in 3Q'23 by Omdia 
- Signed a 36-month Live contract with one of the world's largest PBX companies, enabling the vendor to use AudioCodes as de-facto solution when provisioning its end customers with Microsoft Teams Voice 
- Signed a 36-month contract with one of the largest US universities, providing Voca CIC, Azure-native Teams certified contact center solution and SmartTap compliance recording, as competitive displacement of a Teams CCaaS incumbent 
- Signed a 60-month contract with Fortune 500 global manufacturer, providing Voca CIC, Azure-native Teams certified contact center solution and SmartTap compliance recording, as competitive displacement of a Teams CCaaS incumbent 
- Live ARR increased 50% to \$48 million 



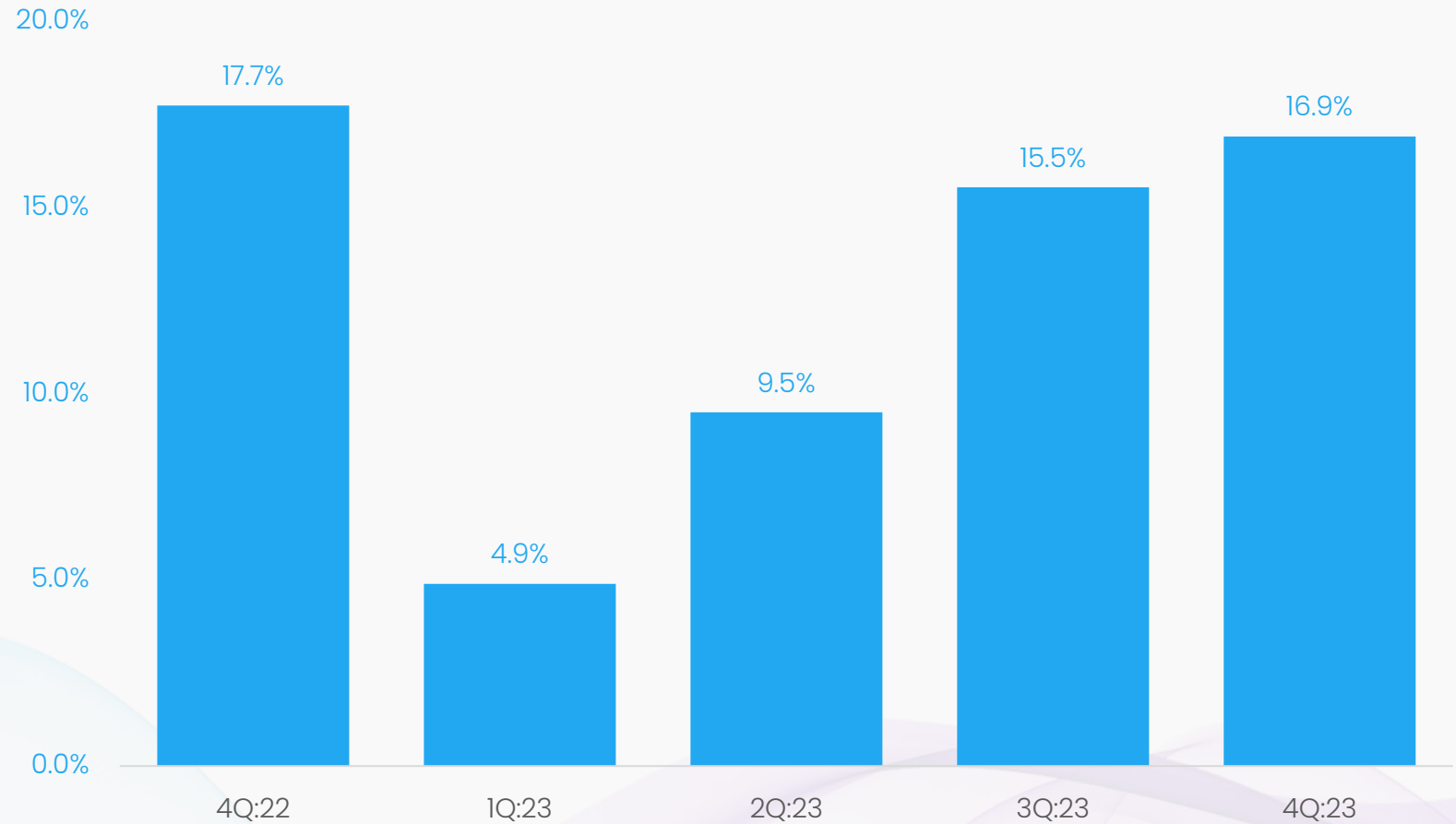
Non-GAAP Gross Margin

Year-over-year
margin
improvement
primarily from
more favorable
product mix





Non-GAAP Operating Margin





AudioCodes Live ARR



(USD Millions)

\$100

\$50

\$0

4Q:22

4Q:23

2024 Target

\$31

\$48

\$64 - \$70



2024 Outlook



Revenues (in million)

\$252 - \$267



Non-GAAP EPS

\$1.00-\$1.15

Financial Model And Long-Term Targets

	4Q22	1Q23	2Q23	3Q23	4Q23	Long-Term Targets
Revenue growth year-over-year	6.9%	-10.8%	-12.2%	-11.7%	-10.0%	6%-12%
Non-GAAP EPS growth year-over-year *						25%-50%
Non-GAAP Gross margin	65.8%	62.1%	64.5%	67.3%	67.6%	65%-68%
Non-GAAP OPEX as % of revenues	48.0%	57.2%	55.0%	51.8%	50.7%	47%-50%
Non-GAAP Operating margin	17.7%	4.9%	9.5%	15.5%	16.9%	15%-20%

* 2023 quarterly earnings: 1Q - \$0.08; 2Q - \$0.16; 3Q - \$0.25; 4Q - \$0.28



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

	Year ended		Three months ended	
	December 31,		December 31,	
	2023	2022	2023	2022
	(Unaudited)	(Audited)	(Unaudited)	
GAAP net income	\$ 8,780	\$ 28,466	\$ 3,655	\$ 7,549
GAAP net earnings per share	\$ 0.28	\$ 0.88	\$ 0.12	\$ 0.23
Cost of revenues:				
Share-based compensation (1)	388	425	84	125
Amortization expenses (2)	501	760	122	190
Lease expenses (7)	685	-	363	-
	1,574	1,185	569	315
Research and development, net:				
Share-based compensation (1)	2,685	3,481	595	839
Deferred payments expenses (3)	770	500	408	125
Lease expenses (7)	430	-	55	-
	3,885	3,981	1,058	964
Selling and marketing:				
Share-based compensation (1)	4,297	6,032	917	1,338
Amortization expenses (2)	44	44	11	11
Deferred payments expenses (3)	86	500	46	125
Lease expenses (7)	430	-	55	-
	4,857	6,576	1,029	1,474
General and administrative:				
Share-based compensation (1)	4,010	5,184	768	1,450
Other Income (4)	-	(1,093)	-	-
Lease expenses (7)	171	-	91	-
	4,181	4,091	859	1,450
Financial expenses:				
Exchange rate differences (5)	205	(1,321)	1,442	(227)
Income taxes:				
Deferred tax (6)	1,549	1,974	302	398
Non-GAAP net income	\$ 25,031	\$ 44,952	\$ 8,914	\$ 11,923
Non-GAAP diluted net earnings per share	\$ 0.77	\$ 1.35	\$ 0.28	\$ 0.36
Weighted average number of shares used in computing Non-GAAP diluted net earnings per share (in thousands)	32,637	33,359	31,937	33,088

- (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.
- (7) Non-cash lease expense which is required to be recorded during the quarter even though this is a free rent period under the lease for the Company's new headquarters.

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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