

Allot Communications Investors' Presentation



By: Shmuel Arvatz - CFO

Forward Looking Statements

This presentation contains forward-looking statements, which express the current beliefs and expectations of Company management. Such statements involve a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements set forth in such forward-looking statements. Important factors that could cause or contribute to such differences include risks relating to: our ability to compete successfully with other companies offering competing technologies; the loss of one or more significant customers; the impact of government regulation on demand for our products; our failure to increase the functionality and features of our products; our ability to keep pace with advances in technology and to add new features and value-added services; the failure of our products adversely impacting customers' networks; managing lengthy sales cycles; greater operational risk associated with large projects; our dependence on third party channel partners for a material portion of our revenues; our failure to comply with regulatory requirements; our dependence on traffic management systems and network management application suites for the substantial majority of our revenues; the loss of rights to use third-party solutions integrated into our products; undetected errors in our products; our dependence on a single third-party subcontractor for a significant portion of our products; and other factors discussed under the heading "Risk Factors" in the Company's annual report on Form 20-F filed with the Securities and Exchange Commission. Forward-looking statements in this release are made pursuant to the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.



Public Company

- NASDAQ 2006
- TASE 2010



Value Proposition

To help service providers drive the digital experience for people and things in order to elevate their business and monetize their assets.



Allot DNA

- Network Intelligence & Security Tech Leader
- Trusted Partner of Tier 1 Operators
- Employees are top professionals



Markets

- Mobile Operators
- Cloud Operators
- Fixed Line Operators
- Enterprise/Education Networks



Global Presence

- HQ: Hod Hasharon, Israel
- Sales & Support Offices in NA, LATAM, EMEA & APAC
- Approx. 500 Employees



Customers

- Thousands of customers
- > 100 countries
- >1B End Users

Allot Communications at a Glance



Financial Performance (Non GAAP)

- **LTM Revenues - \$95.1M**
- **LTM Net Income - \$(1.4)M**
- **Gross Margin (Q2'16) - 73%**
- **LTM cash flow from operations-\$1.8M**
- **Net cash as of June 30, 2016 - \$116.6 M**

Diverse Customer Base

Communication Service Providers



Enterprise/Cloud



About Allot: What Others are Saying



"Marketers are growing more powerful within operator organizations – they need tools, capabilities and insight such as Allot is offering here to make their jobs easier"



"Allot found that more than 20% of blocked malware files were images with extensions that people generally think of as benign: .jpg, .png, .gif and .ico"



".....a single instance of the Allot Security virtual network function used to inspect traffic at wire speed and do URL filtering can provide performance at nearly 200Gbps....."



Allot identified as Wireless market leader in the Infonetics H2/2014 Service Provider DPI Report



"The [MobileTrends] results highlighted the risks to corporate data posed by employees attempting to access applications outside of the business's policy.....many of the commonly accessed Web applications — pose risks that may not be readily apparent"

"Our **Secure Net service powered by Allot** allows customers to use the mobile Internet safely and economically by filtering out harmful content and malware before it reaches the mobile device, all without impacting device performance or battery life,"

Frank Vahldiek,
Director Consumer Services,
Vodafone Germany



Market Trends & Challenges

Allot and the Mobile CSP Evolution

OPTIMIZATION

- Bandwidth Management
- Reporting
- Traffic Optimization

CUSTOMER EXPERIENCE

- Analytics
- Policy Control
- Video Optimization
- TCP Optimization
- Caching

MONETIZATION & SECURITY

- Customer Engagement
- Anti-Malware
- DDoS Protection
- Parental Control
- Personalized service per tenant
- Security for IoT
- Cloud Services

2G

2006

2008

3G

2010

2012

4G/LTE

2014

2016

5G

2018

Global Security Trends



**Off-premise (Cloud)
security widely adopted**

Cloud security services to surpass CPE-based security services by 2018.*¹



**Awareness among
mobile users growing**

71% of consumers concerned that personal data could be stolen & used by others.*²



**SMB security
driven by mobile/BYOD**

Security 2nd most pressing technology challenge for medium businesses, 1st for small businesses.*³

*¹ Source: Infonetics, *Cloud and CPE Managed Security Services*, 2015

*² Source: B2B International with Kaspersky Lab, *Consumer Security Risks Survey*, 2015

*³ Source: SMB Group, *Finding Balance: A New Security Approach for SMBs*, 2016

Revenue & market position erosion



Differentiation through service innovation



Service Provider Challenges



Securing the digital experience anytime, anywhere



Shorter time-to-revenue for new services





Allot Solutions

Allot Solutions for Monetization





SECURITY

Protecting Network Customers and Assets



Web Security-as-a-Service

- Anti-malware
- Anti-phishing
- Anti-spam
- Ads blocking
- Parental Controls, Quiet Time
- Illegal Content Filtering
- Application Control



Network Security

- DDoS mitigation
- Anti-spam out
- Outgoing cyber threat protection
- On-premise and in the cloud network protection

Security as a Revenue Generating Service



VODAFONE

MOBILE SERVICE
PROVIDER IN
EUROPE

THE CHALLENGE

- Provide a simple, accessible and effective security service for all customers regardless of their device
 - Internet threats protection
 - Harmful content filtering

THE SOLUTION

Allot WebSafe Family as a fully integrated service in the Allot Service Gateway to deliver SECaaS to consumers, SMBs & Enterprises

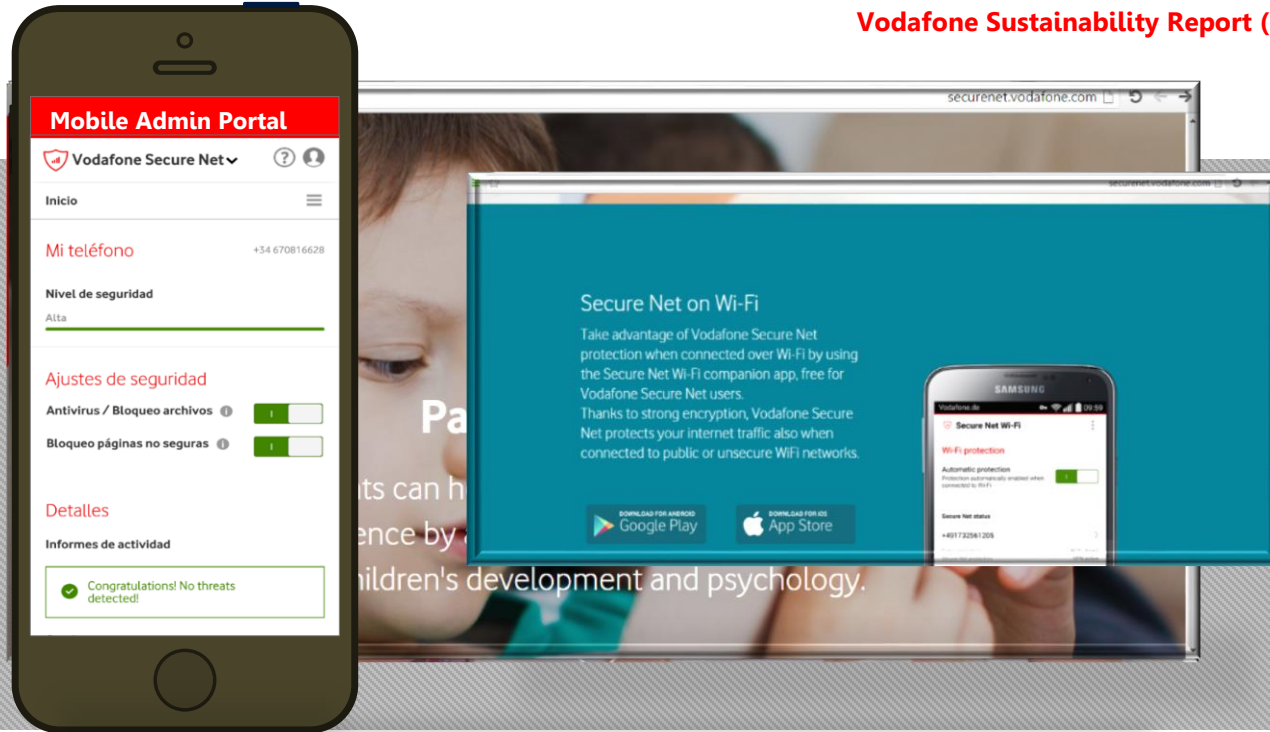
BENEFITS

- Service differentiation
- Customer brand
- Customer satisfaction from useful services
- New revenue streams from SECaaS

Vodafone Secure Net <https://securenet.vodafone.com/>

"Privacy and security can pose risks to our customers and our business, but we also see potential to differentiate our brand not just by managing these risks but by offering products and services designed to support customers in improving their privacy and security."

Vodafone Sustainability Report (2014)





PERSONALIZATION

Get Closer to Customers through Personalization



Smart Engagement

- Personalized on-boarding
- In-App engagement
- In-Service engagement

Smart Service Plans

- Accurate Application-Based Charging
- Differentiated data plans
- Multi-tenant personal service

Increasing ARPU with Application Based Charging



TIGO

MOBILE OPERATOR
IN LATAM

THE CHALLENGE

- Pre-paid customer acquisition in price sensitive market
- Increase ARPU from pre-paid customers

BENEFITS

- Service differentiation
- Customer brand
- Visibility & control of pre-paid traffic
- New revenue streams

THE SOLUTION

Allot Policy Control & Charging solutions allowed increasing ARPU by attracting pre-paid customers through attractive application based bundles.



INTELLIGENCE

Allot transforms network data assets into actionable intelligence enabling monetization & security use cases

- Streaming Data Records
- Smart Data Source

Network Data Source

- ClearSee Network Metrics
- ClearSee Network Analytics
- ClearSee Real-Time View

Reporting & Analytics

- Custom Data Exports
- Data Curation
- Custom Analytical Reports

Data Science Services



Regulatory
Compliance



Experience
Management



Personalized
Offers, ABC



Overlay
Over Traffic



Churn
Reduction



Contextual
Marketing

Analytics Driven Customer Retention



VOO

BELGIUM SERVICE PROVIDER

VOO is the leading provider of broadband cable services in southern Belgium.. The company has been one of the fastest growing service providers in Europe, currently serving 0.4 million subscribers.

THE CHALLENGE

- Identify potential churners before they leave
- Formulate an effective retention plan



THE SOLUTION

- Allot Smart Data Source & Analytics helped identify customers who visited competitor sites and used speed test tools.
- Analytics helped understand potential churners interest to plan an effective win-back strategy
- Data Science services provided the relevant custom reporting



ALLOT SERVICE DELIVERY FRAMEWORK
A NEW WAY OF THINKING

The Allot Service Gateway

Comprehensive Platform

- High performance
- Pay-as-you-grow scalability
- Interoperable with data-plane and control-plane network elements
- NFV ready
- Intel-based hardware

Visibility & Control

- Real time traffic management overcoming encryption
- Application visibility
- TDF and PCEF
 - Policy enforcement
 - Charging
- Asymmetric traffic support
- Rich usage data for analytics

Service Delivery

- Deployment and management across any access
- Pre-integrated security services
- Turnkey Security as a Service



SG-9500 – Unique Value Proposition

- Expanding addressable market - Service Gateway for ANY network
- Out-of-the-box value-add security solutions
- Seamless and rapid deployment, on premise and in the Cloud
- Carrier grade with future-proof scalability
- Accurate traffic visibility and control



Allot Solutions – Built for CSPs



Innovative

Blend customer intelligence, personalization and security to differentiate your offering and reduce churn



Scalable

Service millions of users with Allot's multi-tenant service delivery framework



Fast Time to Market

Easy integration and streamlined deployment

Allot enables CSPs to make the most from their assets

Recent Developments

Signed a strategic partnership with Intel McAfee providing a joint network and end-point solution

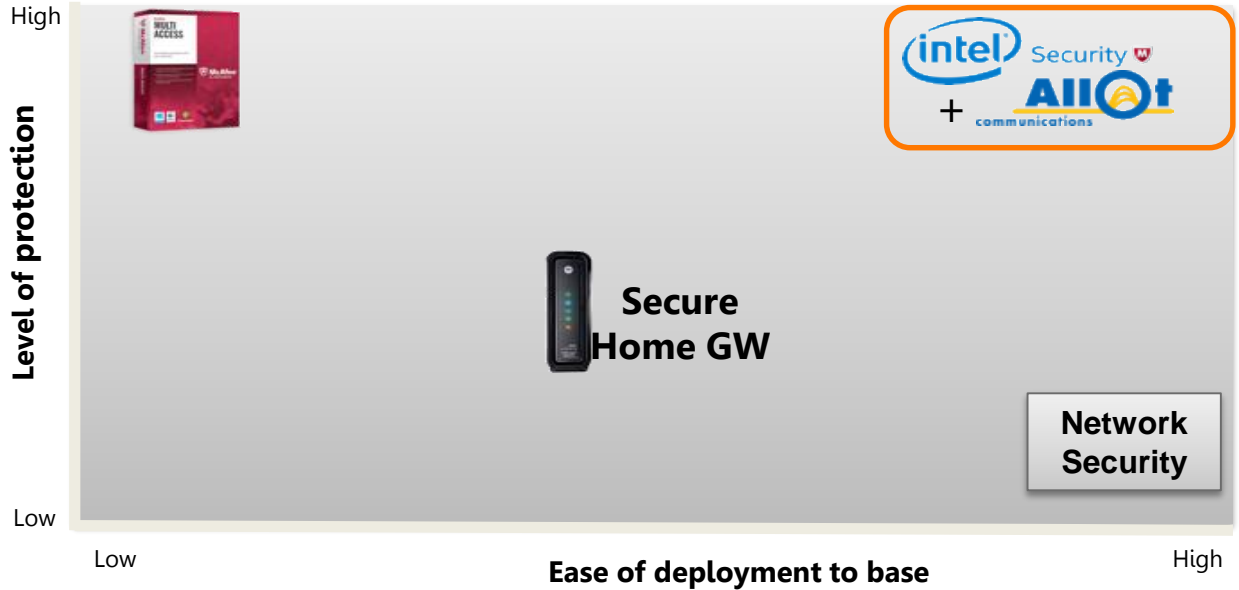
A reorganization was announced in July; expenses reduced in low profit regions and activities; ongoing opex reduced to \$15-16m per quarter

Launched new product SG9500 running on an out-of-the-box hardware

Security as a Service subscriber base at 15 million, up 50% in only 6 months

Intel & Allot Joint Value Proposition

By combining Allot's network protection and Intel Security endpoint, Service Providers realize the maximum protection for their users



McAfee Unified Security Powered By Allot

Service
Activation



Service
Awareness



Mobile
Protection



Service
Operation



Parental
Control





Financials

Yearly P&L (Non-GAAP)

	2012	2013	2014	2015
Revenues	\$107.1	\$97.1	\$117.2	\$100.3
% Revenues Growth	38%	(9%)	21%	(14%)
Gross Profit	\$78.2	\$73.6	\$87.3	\$75.2
Gross Margin	73%	76%	74%	75%
Operating Profit	\$18.4	\$3.4	\$9.9	\$1.0
Operating Margin	17%	3%	8%	1%
Net Income	\$19.8	\$4.0	\$10.5	(\$0.1)
Net Margin	18%	4%	9%	(0.0%)
EPS	\$0.59	\$0.12	\$0.31	(\$0.00)
Operating cash flow	\$8.7	(\$19.3)*	\$15.8	\$4.4

* Including \$15.8M prepayment of royalties to the Israeli office of the chief scientist

Financial Summary Q2 2016 (Non- GAAP)



Revenues \$23.0M



Net Income \$ 0.4M



6% Revenue Increase YoY



B2B <1



14 Large Orders >\$250K



Gross Margin 73%

- 8 Mobile
- 5 Fixed
- 1 Enterprise / Cloud



Operating Margin 3%

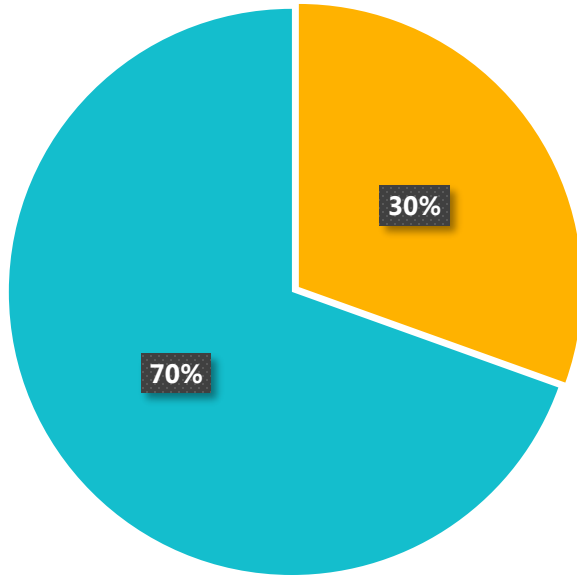


**Net Cash from Operations
- \$1.2M**

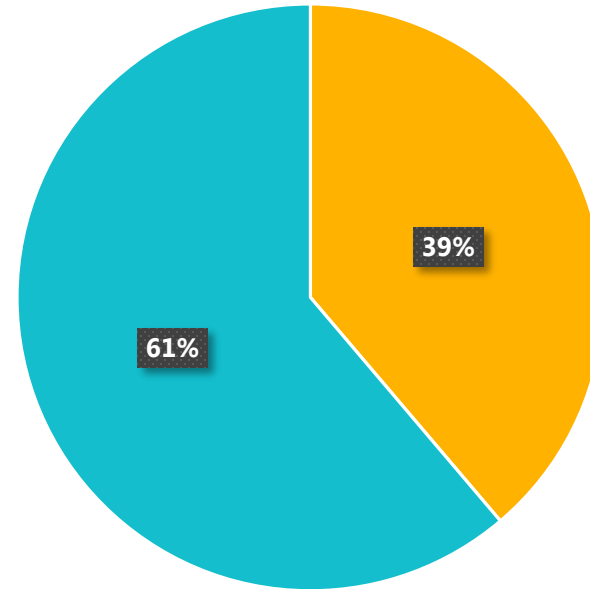
**Operating Expense
\$16.0M**

Security-Driven Product Booking

Total 2015



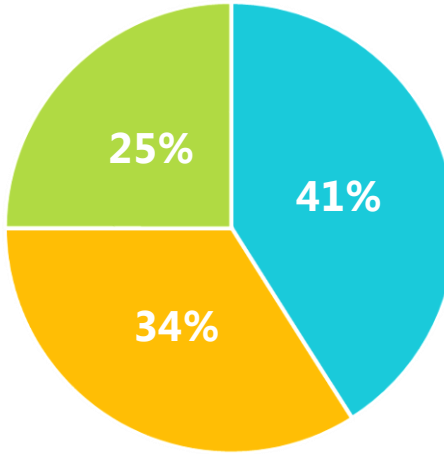
H2 2016



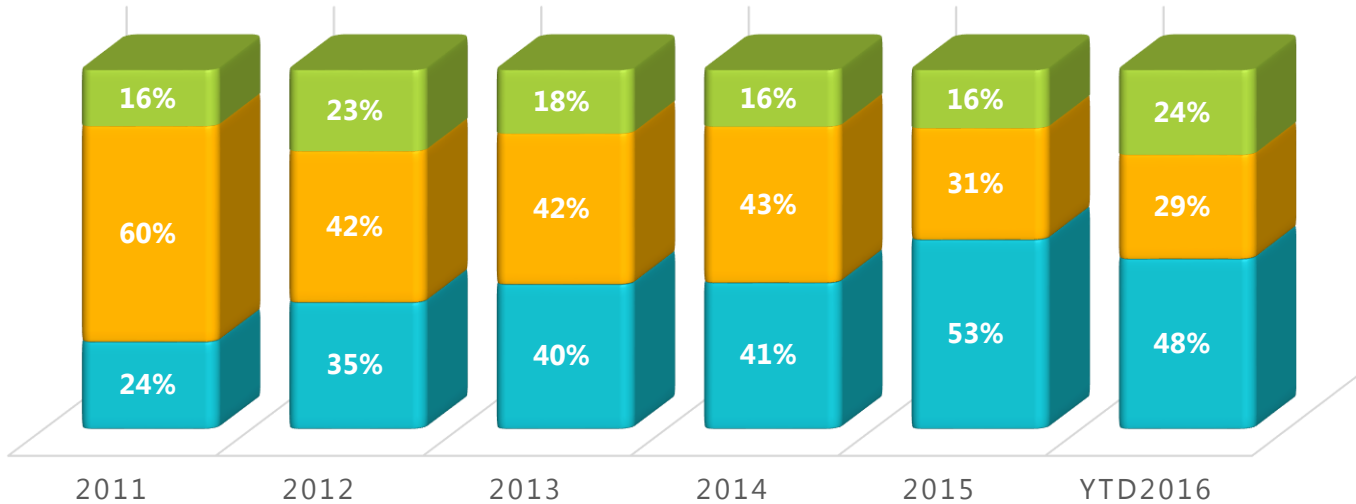
■ Security driven product sales ■ Non Security driven product sales

Booking by Verticals

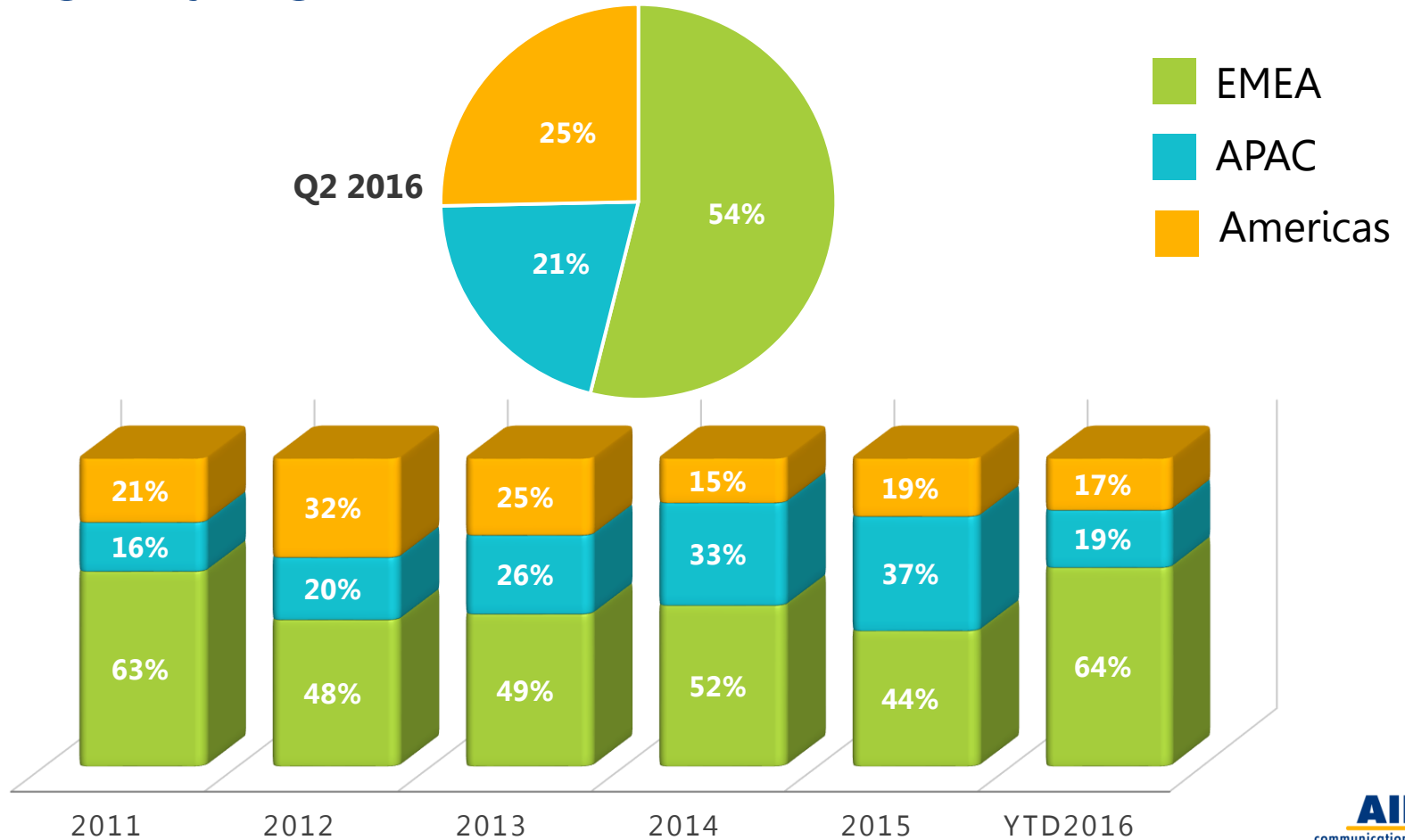
Q2 2016



- Mobile
- Fixed
- Cloud\ Enterprise



Booking % by Region



Strong Balance Sheet USD Millions

	Dec. 31 2014	Dec. 31 2015	Jun. 30 2016
Cash and Investments	132.4	123.3	116.6
Total Assets	212.9	208.2	199.2
Differed Revenues	16.9	19.0	18.9
Total Debt	0.0	4.2	4.3
Shareholders' Equity	175.0	163.4	158.4

Investment Summary



- Allot is a **trusted partner for many tier-1 CSPs** with a large existing install base
- **Increased focus on security services (SECaaS):** represents a large growth opportunity
- Reorganization steps taken already significantly **reducing opex and will improve profitability**
- **Strong balance sheet:** \$117m in cash & investments

THANK **Ü**

Email info@allot.com
www.allot.com