

Energous Corporation

First quarter 2017 Earnings Conference Call

Wednesday, May 10, 2017, 4:30 PM Eastern

CORPORATE PARTICIPANTS

Steve Rizzone - *Chief Executive Officer*

Brian Sereda - *Chief Financial Officer*

Laurie Berman - *Investor Relations*

PRESENTATION

Operator

Good day and welcome to the Energous First Quarter 2017 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation there will be an opportunity to ask questions. To ask a question, you may press "*", then "1" on your telephone keypad, to withdraw your question, please press "*", then "2." Please note this event is being recorded.

I would now like to turn the conference over to Laurie Berman, Investor Relations for Energous. Please go ahead.

Laurie Berman

Thank you Allison, and welcome everybody. Before we begin, I would like to remind everyone that during today's call the company will make forward-looking statements.

These statements, whether in prepared remarks or during the Q&A session, are subject to inherent risks and uncertainties that are detailed in the company's filings with the Securities and Exchange Commission, except as otherwise required by federal securities laws, Energous disclaims any obligation or undertaking to publicly release updates or revisions to the forward-looking statements contained herein or elsewhere, to reflect changes and expectations with regards to those events, conditions, and circumstances.

Also, please note, that during this call Energous will be discussing non-GAAP financial measures as defined by SEC Regulation G. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in today's press release, which is posted on the company's website.

Now, I would like to turn the call over to Steve Rizzone, CEO of Energous. Please go ahead, Steve.

Steve Rizzone

Thank you, Laurie. I would like to welcome everyone to the Energous first quarter 2017 conference call and update. Joining me today is Brian Sereda, our Chief Financial Officer.

I will start with some remarks regarding the company's operational progress since our last call. Brian will then review the financial results for the first quarter of 2017. I will then close with some final comments before opening the session for questions.

Regarding the operational status and progress of the company, it is first important to note that the Energous WattUp technology is ready for commercial deployment. Beyond additional engineering required to meet changes in specifications for some of our early adopter customers, the WattUp technology development is complete. Specifically, development of our core WattUp silicon chips is complete.

Manufacturing qualification of both the transmitter and receiver chips is complete for near field and progressing from mid-field and farfield. The qualification of the DA4100 chip will be completed in time to ship to customers on schedule. Transfer of the fabrication and supply chain processes to Dialog is complete and the system is now in place to take orders and ship significant quantities of chipsets.

Wafer inventories are available from the foundry to fulfill orders within 35 days to 45 days from receipt. Development of the enabling software common to both near-field and mid-field applications is complete. Development of the initial and mid-field hardware reference designs is complete. The core mid-field and near-field antenna designs are complete. However, as noted above, some developments remain to modify antenna designs to meet changes in specifications for some of our early adopter customers in the final stage of design and integration.

While a factor in the release schedules of these products, the designs are near completion. Regulatory certification for near-field applications is complete. Regulatory approval for mid-field power-at-a-distance is in the advanced stages. I also want to again emphasize that the silicon chipsets and the bulk of the supporting technology is common between all three planned transmitter releases, near-field, mid-field, and farfield.

Therefore, we feel comfortable confirming the following schedules set forth in our last investor conference call. We expect to receive our first orders for significant quantities of WattUp chipsets before the end of the current quarter. The resulting shipment of initial chipset orders will be through Dialog and will begin in early Q3. Actual mass production of WattUp-enabled consumer products by customers will begin in Q3.

Our customers will begin FCC certification processes for the first WattUp-enabled near-field and mid-field consumer products to coincide with the first customer shipments scheduled for the latter part of this year with increasing momentum going into 2018. To meet these, as well as other expectations, we have aligned and focused the company along three parallel tracks. The first management track is the integration of the WattUp near-field and mid-field technology into near term 2017 revenue opportunities and longer term, higher volume 2018 revenue opportunities.

Until we are in a position to report revenues for the sale of chipsets, which we believe is very close. The key indicator of progress towards our revenue goals is our customer funnel. Last quarter, we reported that we were focused on 59 total opportunities. That number has now increased to 68. Forty one of these perspective customers are in the opportunity phase, 27 are near-field customers and 14 are mid-field, farfield customers. This category has increased from 37 to 41 since the last quarter update. The design-in phase, we now have 18 opportunities, 11 of which are near-field and seven are mid-field, farfield. This phase is up from 15 last quarters to 18, this quarter.

Finally in the critical design win phase, we have nine opportunities, seven of which are near-field and two are mid-field, farfield. This is up from seven, last quarter. In the next few months, it is our expectation that at least four or five opportunities in the design win phase will progress to the final mass production phase.

Beyond the 68 opportunities in active status, meaning an applications engineer has been assigned to the opportunity and both Energous and the prospective customer are focusing resource on WattUp integration, there are numerous additional opportunities that we are evaluating for potential integration into our queue as we move accounts through the process and expand the number of accounts we can support with the increased application engineering resources.

The waiting queue is reflective of the strong interest in WattUp technology, as well as a lack of a viable alternative technology with equivalent potential in the market. Given the continuing

progress with the customer funnel, we are confident we are on solid ground to our first revenues from the sale of chipsets this year. We also anticipate the company will post a significant improvement in engineering services revenue over last year as several revenue milestones rolled over into 2017.

As we enter the final stages of commercialization leading to the path of self-sustaining revenue, there are three important takeaways from our progress to-date. First, all of the integration designs, intellectual property, and trade secrets developed in conjunction with our initial customers become part of our IP library. These designs can then be repurposed for subsequent customer opportunities, thereby reducing the time and efforts to bring follow-on customers to the point of mass production.

Second, based on the current competitive landscape as we see it today, we believe given all of the complexities we have encountered and overcome, which any company looking to penetrate this market must go through, our first to market advantage is very significant, perhaps even greater than we originally thought. There are just no shortcuts to the steps that must be taken to bring a scalable power technology to market and to be in the position Energous is today. Certainly it requires lots of time and money. But even more important, since we are progressing down a path never taken before, it requires an incredibly talented and experienced engineering team with diverse specialty skills, accomplishing groundbreaking innovation.

The breakthrough is in efficiency, silicon development, costs, footprint, position, and rotational independence, scalable architecture, and long-term road path our team has developed in less than four years provides Energous with a game-changing platform that is positioned to continually advance the technology and drive the company forward on a long term strategic basis. We do believe that Energous is in an excellent position to maintain leadership in any and all markets we target.

Third, along the path to mass production many elements of the latest integration iterations have been incorporated into new patent applications, expanding our already robust IP portfolio. Energous now has over 250 patent applications with 26 patterns awarded, and 18 allowed, bringing the total patent count to 44. Combine that with our continually expanding IP portfolio with trade secrets developed in conjunction with the technology integration process and Energous's first to market advantages, we believe we have built significant barriers to competition.

Finally, on the topic of WattUp integration and customer opportunities, in the last several weeks we have doubled the size of our customer facing business development and application engineering organization. The refocusing of this resource from core development to customer facing is consistent with the shift in company focus and should allow us to drive more customers through the various stages faster and more efficiently as evidenced by the increased size of our customer funnel reported earlier.

Moving on to our second management track, which is regulatory and the certification of the first power at a distance transmitter, as well as, global expansion of both our near-field and mid-field regulatory certification efforts. The update on this management track is very positive, as we are confident that we have a thorough understanding of the type and scope of testing necessary to complete the first power at a distance certification process.

Given this understanding, we retain the services of a TCB or Telecommunication Certification Body, and have begun the formal testing process leading to certification. We expect to

successfully complete the testing within the next few days. It is impossible to predict how long the review of the results may take and what, if any, additional test the FCC may require, but we remain confident that we will receive formal certification of the first power at a distance transmitter well before our current forecast for WattUp-enabled mid-field transmitters reaching the consumer before the end of this year.

While on the subject of regulatory, we recently announced FCC certification of our second generation advanced near-field transmitter. This is a major milestone for the company based on a number of significant engineering accomplishments. The advanced near-field transmitter referred to as the NF-130, integrates the DA4100 chip, which reduces the bill of materials, thereby expanding the WattUp in the box charging solution opportunities for lower-cost, smaller form factor receiving devices.

This is a key area of development for Energous as footprint and cost, as well as position and rotational independence are the prime competitive advantages compared to traditional inductive contact-based solutions. The result of this effort is even more competitive near-field transmitter for small form factor in IOT devices.

The new transmitter also utilizes groundbreaking designs, which advance the efficiency of these devices, increasing receive power while reducing heat, enabling smaller more powerful transmitters.

The third management track is focused on continued progress with our key strategic partner. As we have said in the past, there is no guarantee that the WattUp technology will be integrated in any of our key strategic partner's consumer products.

However, we can report that our relationship with our key strategic partners continues to advance to fully honor our confidentiality agreement. We will no longer report on milestone progress or engineering services revenue other than to say that the relationship is continuing and what may be reported in our income statement and balance sheet. We appreciate that our investors would like more specifics, but we are not able to provide any additional details regarding this relationship.

Let me go off script here for just a minute and say, we are obligated legally and morally to tell our investors if the relationship is terminated or if the relationship has run into problems of any sort. We are not communicating that. We are simply just not able to talk about this relationship in any detail or any of our strategic relationships for that matter. And going forward that's the policy that we will have to follow.

Overall, progress continues at a very rapid pace and remains on schedule. The advancement of the WattUp technology and the resulting IP generated in conjunction with this effort has significantly raised the bar from a competitive perspective.

Also, it is important to keep in mind that while near-field represents a Greenfield opportunity in certain small form factor and IOT markets based on the competitive advantages we have in footprint, costs, and position independence against legacy technologies like inductive,

Our primary focus and the true differentiator is the ability of RF-based WattUp technology to scale across multiple industry verticals, ultimately delivering power at a distance in a fully compatible ecosystem.

We are aggressively working towards our forecasts and schedules and have confidence that they are achievable, which will result in significant orders for chipsets in Q2, chipsets shipping to customers from mass production in Q3, the first WattUp-enabled near-field and mid-field consumer products reaching the markets the latter part of this year.

Given the continued advancements of the WattUp technology and the expansion of our customer base, we also anticipate that our farfield transmitters will be generally available to the consumer in the latter part of 2018.

One final comment before I turn the call over to Brian. We are especially pleased with the progress of our strategic partnership with Dialog Semiconductor. Dialog has proven to be an outstanding partner who has already contributed significantly to Energous' progress in several key areas, including customer funnel development, market presence and perception, supply chain advancements and credibility, and silicon device development. We believe the synergies between the two companies will accelerate diversification and growth for both Dialog and Energous and will enable us to capitalize on the massive and growing markets in wireless power.

I will now turn the call over to Brian. Brian?

Brian Sereda

Thanks Steve. As you saw at the close of market today, we issued a press release announcing our operating and financial results for the first quarter of fiscal 2017 ended March 31st.

In-line with our expectations for the first quarter that we discussed on our last call just eight weeks ago on March 8th, we recognized approximately \$575,000 in engineering services revenues. This compares with approximately \$130,000 in the prior fourth quarter and \$136,000 in the first quarter of last year. As in previous quarters, revenue was recognized against progress and achievement of certain strategic customer engineering milestones.

Furthermore, as we have previously discussed in our quarterly calls, the nature of our deliverables is complex involving the development of groundbreaking RF-based wireless power transfer technology. The project deliverables span more than one quarter and are constantly being modified as our customers adjust specifications requirements. Although, we believe we are on track to drive higher engineering services and chip-based revenues in the second half of this year, the timing and recognition of both could be impacted by additional or new requirements to meet our customer's unique commercialization plans

Moving to expenses, our first quarter total GAAP operating expense was \$13.1 million, a decrease of \$1.6 million over the fourth quarter's total expense of \$14.7 million, and an increase of \$2.2 million over Q1 2016's \$10.9 million. On a quarterly basis, the decrease was mainly due to lower chip development costs in engineering and lower stock compensation expense.

The year-over-year GAAP expense increase was due to approximately \$1.2 million of added headcount-related expenses, additional stock compensation of \$1.6 million and approximately \$200,000 of additional marketing related expenses. Year-over-year we have grown our workforce by almost 40% to 72 people, adding critical hires in areas of R&D and customer-facing engineering.

Our GAAP operating loss for Q1 was \$12.5 million, \$2.1 million better than the \$14.6 million operating loss reported in the prior quarter and \$1.7 million higher compared to an operating

loss of \$10.8 million for the same period last year. On a net loss basis, our numbers looked the same after factoring out negligible other income and expense.

Our GAAP net loss for the first quarter was \$12.5 million, a loss of \$0.61 per share on 20.5 million weighted-average shares outstanding. This compares to a net loss of \$14.6 million or \$0.75 of share in Q4 and a net loss of \$10.8 million, or \$0.66 of share in the same period last year. Year-over-year our share count increased by approximately 4 million shares. This could be primarily attributed to the three private placement transactions that raised over \$35 million in 2016.

Now, I would like to give you a non-GAAP view of our results for the quarter, as we believe adjusted or non-GAAP EBITDA provides a useful comparison for investors, especially when used in conjunction with GAAP information.

Excluding \$3.5 million of stock compensation and depreciation expense from our first quarter, GAAP operating loss number of \$12.5 million or adjusted EBITDA or non-GAAP loss was \$8.6 million for the first quarter. This is \$1.6 million better than the prior quarter on a non-GAAP basis versus our operating loss of \$10.2 million and slightly better than the \$8.7 million non-GAAP operating loss in the first quarter of last year.

Total operating expense on a non-GAAP basis for Q1 was approximately \$9.2 million, \$1.1 million lower compared with the \$10.3 million in the prior quarter, and approximately \$400,000 higher than the \$8.8 million spent on a non-GAAP basis in Q1 of last year.

Drilling down a little further, on a non-GAAP basis engineering expense decreased in Q1 by approximately \$1.6 million to \$6.4 million, compared with \$7.9 million of engineering expense in the prior quarter and approximately \$290,000 lower on a similar basis in the \$6.6 million of engineering costs in Q1 of last year.

The decline in engineering expense over the prior quarter was mainly a result of the completion of major chip development efforts in the prior quarter, and for similar reasons when compared with the same quarter last year, despite an increase in engineering headcount quarter-over-quarter and year-over-year.

As we've discussed on previous calls, our chip development efforts add some variability to our quarterly expense run rate, depending on where we are in any particular chip development cycle.

SG&A rose by approximately \$430,000 in Q1 to \$2.8 million compared with \$2.4 million in the prior quarter mainly due to higher marketing expense and was approximately \$680,000 higher than combined SG&A spending of \$2.2 million in Q1 of last year. The year-over-year increase is attributed to additional headcount, higher marketing-related expenses.

Wrapping up on expense, as our business begins to ship to customer fulfillment in the second half of this year, we expect to be able to maintain predictable quarterly spending patterns, one of the many synergies through our partnership with Dialog, with industry leading operations, manufacturing and inventory management infrastructure in place.

In summary, we ended Q1 with \$21.4 million in cash and cash equivalents and zero debt. For Q2, we are expecting a modest increase in chip-related development cost of approximately \$400,000 over Q1. We also expect the development activities with our strategic partner will

continue to advance with the exception...with the expectation of a material increase in engineering services revenues, beginning in the third quarter and for the remainder of this fiscal year.

Moreover, as Steve mentioned earlier, we also expect to ship our first significant quantities of chipsets beginning in the third quarter, with first order for chipset is expected to be received by the end of our current quarter.

Let me turn it back now to Steve for his closing comments.

Steve Rizzone

Thank you, Brian. Before we turn the call over to the operator for questions, I would like to spend a few minutes and comment on our revenue rollout strategy. It is our expectation that 2017 will be the pivotal year for the company to cross the bridge from development to commercialization, thereby shifting the topics of our quarterly calls from progress against milestones to revenue forecasts and EBITDA growth.

As the number of integration projects continue to expand and move through the process from prototype to mass production, our view of the revenue rollout is becoming clearer.

In 2017, our goal is to create a beachhead focusing on smaller, early adopter market opportunities with short product cycles, as well as, top tier market leaders in each of our targeted markets. The early adopter opportunities will buy chipsets and generate revenue in 2017, while the larger opportunities with a longer product cycles will be the primary revenue drivers in 2018.

In 2018, we expect to fully ramp volumes as shipments to the consumer from our tier 1 opportunities continue to come online, and we get the benefit of partial year volume purchases. We also expect to continue to add additional tier 1 and tier 2 opportunities to the customer funnel.

In 2019, we expect to see the hockey stick effect in revenues based on a full-year of shipments to high volume tier 1 opportunities, as well as, the effects of an expanded customer funnel pumping through new opportunities at an accelerated rate. With this go-to-market strategy as a backdrop, given the facts that the interest in our technology and the expansion of our customer funnel continues to increase at a rapid pace.

The development of the core technology, which will support all three planned iterations of transmitters, is essentially complete. The first orders and shipments of WattUp chipsets are at hand.

Our progress with our key strategic partners continues to advance, and our execution is on track. We continue to believe the development of a WattUp-enabled ecosystem equivalent to Wi-Fi is achievable as is our goal of building a very relevant and a very valuable company.

I will now turn the session over to the operator for questions. Operator?

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. To ask a question, you may press "*", then "1." on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press "**", then "2." At this time, we will pause for a moment to assemble our roster.

And our first question will come from William Gibson of Roth Capital. Please go ahead.

William Gibson

Hi, Steve, you mentioned that the next or delayed installments from last year and milestones this year will be significant. I know we were talking seven figures last year; can we assume that this year?

Steve Rizzone

I think all that...we are prepared to say on that is that we expect to see the revenue from engineering services increase year-over-year. As I said, we are not going to talk about in any level of detail our strategic partnership, we are receiving engineering services from multiple customers right now, and those will all be captured in our balance and income statement. So again, our forecast is that we will see significant increases in engineering services revenue year-to-year and beyond that we really can't get into any detail.

William Gibson

Okay. Thank you.

Operator

And our next question will come from Ilya Grozovsky with National Securities. Please go ahead.

Ilya Grozovsky

Well, great. Thanks guys. Just a couple of housekeeping items, you had mentioned that the R&D effort is going to be ramped up. You have hired it sounds like a lot more engineers, is that reflected in the March numbers or is that something we should look forward to in the June numbers when you report them...the costs?

Steve Rizzone

So, first of all, let's be clear. The shape of our company is shifting as is the resource. And our resource focus is moving from core development to outbound customer interface. Virtually all of our new hires are customer facing and they are associated with application engineering and how that works within our organization. As you are aware, we have a partnership with Dialog where we essentially call on customers together. They provide the sales front-end, and we provide the application engineering support back end it's a partnership. And so, the engineering associated with the increase, as I said, is all customer facing and it's reflecting in the numbers that we presented.

Ilya Grozovsky

So going through the numbers for July...for the June quarter should be commensurate with this...with the March quarter?

Steve Rizzone

I think the numbers should be...I think we continue...still continue to shift our resources from core development to outbound customer facing and marketing and customer support. As I mentioned earlier, the bulk of our core development is complete. We have a long-term vision, and we have a roadmap, and so obviously we still have a great amount of engineering work to do. But our major focus now is really on revenue and customer expansion in the funnel and to that end the resources will be shifted from core development over to the customer facing application engineer.

Ilya Grozovsky

Okay, got it. And then for Brian, the current quarter cash burn, what you think it looks like?

Brian Sereda

I think it will be in line with our current burn rate. We're now between \$9 million and \$10 million a quarter depending again on where we are with any additional chip development work. And just to add a little bit on this...the last question you had Ilya, we don't expect to be ramping headcount up significantly, just want to make that clear. We feel critical mass in all of the key areas, and we will be adding selectively based on skill-set requirements, customer requirements, et cetera. So we don't expect expenses to be bouncing around significantly, and we like to think we have got a core base of expense. And it will fluctuate up and down again based on the cyclical for our chip development.

Ilya Grozovsky

Okay, and then, my final question is, given the...what you just said about the 9, 10 roughly burn and that you had about \$21 million in cash at the end of March. Kind of just walk me through the roadmap relative to the cash?

Brian Sereda

Well, yes, first of all we have made a lot of progress as Steve has highlighted. We are managing our business accordingly. We are heads down, bent on pushing the company to start shipping products in the second half of the year. We have got \$21.5 million...\$21.4 million at the end of the first quarter. And we are also very fortunate...we are going to do in terms of our relationships with strategic partners. We are going to do what's right for the shareholders, employees, and stakeholders of the company. And if needed we will take advantage of those relationships, but we are managing the company with the resources we've got and planning for success accordingly.

Ilya Grozovsky

Great, thank you very much.

Operator

Our next question will come from Lou Basenese with Disruptive Tech Research. Please go ahead.

Lou Basenese

Congrats on the progress. I listen to the Dialog earnings call; they mentioned your partnership and featured you guys on Slide 9 as part of their strategic approach to wireless charging. Just was curious, if you could talk more specifically how you are working with them directly to implement that vision?

Steve Rizzone

So we have a...I think a very tightly coupled relationship. That relationship extends to two primary functions: one is the sales function and the other is the operational function. So we have turned over basically all of the front-end sales activity to the Dialog sales organization. There are a number of reasons for this. One is that we share a common account and prospect base. And so, the Dialog sales organization which is a very professional organization, a very experienced organization already has significant deep contacts based on positive experiences in all of the customers that we will look to engage with. So it only made natural sense for them to take the lead.

Of course, we want to be partners in this, and so, in each opportunity we provide an application engineer or we do the engineering support. We do all of the prototyping. We work with the customer...engineering group to integrate the technology. If there is any kind of customer engineering required, we do the custom engineering.

So they are...we have, as I said formed a very effective team with them taking the sales lead and us taking the support lead, and we are doing essentially a pincer moment on these customer opportunities. And so, they are working from one direction, and we are working in another and then we are joining in the middle to elevate the customer through the sales funnel process.

The second, I think element of our relationship is in operations. As we've mentioned in the past, we have turned over our back-end operations to Dialog. So our responsibility and our primary expertise is to develop the technology, especially the silicon associated with the technology. We take the silicon all the way through design and preliminary qualification. At that point, it's then turned over to Dialog to complete final qualification, and then they actually have the wafers and all of the orders for WattUp silicon will go through Dialog, will be processed through Dialog, and will be shipped from the fabrication facility via Dialog to our customers.

Dialog takes responsibility for all of the inventories. Dialog takes responsibility for any RMA's or any returns on the chips. We have also been able to leverage their sales force, databases, and their back-end operational processes. And so, again, it's a very tightly coupled relationship. It's allowed us to capitalize on their strength, and it allows us to focus on ours. And as I said earlier, we believe that it is going to be very good for both companies and allow us to really capitalize effectively on this growing opportunity in wireless charging.

Lou Basenese

That's helpful. Just one follow-up, if I may. Given that backdrop, I mean, it seems like it would be fair to consider them a proxy for what's going on with your largest customer, since they are handling all the production and back-end stuff. Would it be safe to assume we would see changes in net working capital on inventory levels ahead of any major rollouts?

Brian Sereda

Hard to comment on that one, I don't think we would want to speculate as to when they would start investing in inventories and so forth. We will leave that to their marketing and sales folks and planning rollouts for the combined customers.

Lou Basenese

Okay. Fair enough.

Steve Rizzone

I think it is safe to say that they do have capacity again they have tremendous relationship with the foundries. They ship hundreds of millions if not billions of chips a year. And so, they have more than enough capacity, more than enough wafers allocated to deal with capacities that we may contribute. So availability is really not an issue. And I think as our combined sales opportunities grow that they will be able to integrate those effectively into their forecasting and fabrication processes.

Lou Basenese

Okay, and then just on the FCC process, just maybe some clarification. Some have tried to suggest it is more like a binary event, but the way that you have characterized it, it sounds like there is some meaningful back and forth with possibly some confirmation and progress along the way. Could you provide some just more color around that and how that process grows?

Steve Rizzone

Well, keep in mind that the FCC does not do any testing or that is not their function. They authorize certain laboratories to perform the certification and the testing process. We have engaged with one of those laboratories. And as I said, we are pretty far down the line in the actual testing itself. We do have, I think, a very thorough understanding of what needs to be tested and the methodology for testing it. And we are working with the TCB or Telecommunication Certification Body to go through that process, that's not directly with the FCC, the TCB works directly with the FCC on that.

Lou Basenese

Okay, thanks. Congrats on the progress again.

Steve Rizzone

Thank you.

Operator

And our next question will come from Brett Conrad with Long Board Capital. Please go ahead.

Brett Conrad

Hi guys, great quarter. Thank you. Just one question on, can you comment on any specific particular products we are going to see in Q4 coming out or in CES, and you want to highlight or can highlight?

Steve Rizzone

I think that what we can speak to be beyond the announcements that have already been made. We have talked about Chipolo and the Bluetooth tracker. We have talked about SK Telesis and the hearing aids. And so, the...you can expect to see, I think product rollouts along those lines. We are very, very much focused with this initial set of customers on small form factor and IOT devices in conjunction with our advanced transmitter. We are also working very diligently to get the first mid-size transmitter released before the end of the year. That's a challenge considering you know, all of the...not only the development integration issues, but the regulatory issues also, but we still feel that we have an opportunity to complete that. So I said, again, this will be in small form factor and IOT devices where we have significant advantages over the inductive solutions, and it will also be focusing on the first mid-field applications, which will be lower power, smaller form factor, mid-size or desktop opportunities.

Brett Conrad

Great and just one question about mid-field and the potential for it. Is it going to be possible to have one transmitter and have the faster charge when the devices are closer to it? And then obviously it triple charges to get quite a bit farther away. But is there any specific engineering to do around that or do you see that as a useful kind of implementation of your technology?

Steve Rizzone

Well, I think there is two ways to answer that question. First of all, with the mid-field technology, again, it is completely safe and you will be able to wear a device and have it charged within the charging radius. The closer you are to the transmitter, the more power you receive. And so, there is an impact on charging time from that perspective.

At the same time, of course, we have the opportunity and I think a number of our customers are looking for contact-based solutions that may provide greater power and the ability to move back and forth between a contact and a true wire-free solution, all with the same receiving device, because again compatibility is the key element here, that all of our receivers are by definition compatible with all three iterations of our transmitters, near-field, mid-field and farfield.

I think also what's important here to understand is that, in discussions with our...especially our mid-field customers, there is an absolute belief in the element of paradigms shift, where the idea is that with these devices the expectation is that they will be continually topping of these devices as opposed to charging. Now, you may see a situation where somebody will want to run in and charge quickly and perhaps drop their device on a contact base solution or alternatively come in and be sitting on their desk. And while that device is either near them or on their person be continually topped off. And so, again the key here is the ecosystem build out, they element of compatibility and the flexibility in charging associated with the broad spectrum of the WattUp technology.

Brett Conrad

Okay. Very good, thank you. That's my last question.

Operator

Ladies and gentlemen, this will conclude our question and answer session. I would like to turn the conference back over to Mr. Steven Rizzone for any closing remarks.

CONCLUSION**Steve Rizzone**

We would like to thank you all for your attention and your continued support. As I said earlier, we believe that we continue to make very, very significant progress. The 2017, is shaping up as a pivotal year. We are on target with the expectations that we set at the beginning of the year in the last conference call. We expect to deliver on those expectations. We expect to begin to see significant revenues from chipsets, as well as from engineering services, all positioning for increased revenues in 2018, and our total breakout year in 2019. So thank you very much and we look forward to speaking to you in about three months.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.