

Energous Corporation

Fourth Quarter and Full Year 2017
Results Conference Call

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CORPORATE PARTICIPANTS

Steve Rizzone - *Chief Executive Officer*

Brian Sereda - *Chief Financial Officer*

Mike Bishop - *Investor Relations*

PRESENTATION

Operator

Good day, everyone, and welcome to the Energous Corporation Fourth Quarter and Full Year 2017 Results 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 and to withdraw your question, please press "*" then "2." And please note that today's event is being recorded. I would now like to turn the conference over to Mike Bishop with the company's Investor Relations. Please go ahead.

Mike Bishop

Thank you, William, 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 to the company's website.

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

Steve Rizzone

Thank you, Mike. Welcome to the Energous fourth quarter and year ending 2017 conference call and update. With me today is Brian Sereda, our Chief Financial Officer.

I will start with an overview of our progress before turning it over to Brian for a review of the financial results for the fourth quarter and full year 2017. I will then close with comments before opening the session for questions. 2017 was a defining year for wireless power industry and for Energous in particular. In 2017, Energous completed the foundation necessary to deliver Wireless Charging 2.0, which is the ability to charge devices at contact and added distance with mobility while supporting a wide range of power requirements.

Specifically, in 2017, Energous demonstrated consistent progress by qualifying for mass production, cost-effective chip sets that are the basis for our WattUp near-field, mid-field and far-field charging with the necessary level of integration to bring up the WattUp wireless charging ecosystem to the mass consumer market.

We received and shipped to our partner Dialog our first commercial orders for silicon, which transitions us from being at a development stage to a commercialized company in less than three and a half years dating back to the IPO and formal launch of the company in 2014. While the revenues themselves were nominal and fell below certain threshold requirements contained in our Dialogue agreement for reporting purposes, the silicon chips were purchased for use in manufacturing preproduction rollouts, which will translate into significant revenues later on this year, as our partner's ramp into full production.

Energous expanded the power envelope of the WattUp technology with the introduction of our high-powered silicon. These chips, based on leading GaN and GaAs technology, are capable of delivering up to 10 watts of contact-based power for fast-charging electronic devices, such as smartphones, tablets, game controllers, drones and more.

We completed the partnership integration with Dialogue. This relationship is being enthusiastically embraced by Dialogue and Energous, as both companies are reaping significant benefits. From our perspective, the partnership brings strong, credible validation of the Energous vision. It solves the supply chain problem, as it provides a vehicle for WattUp silicon chips to be inserted into an existing, reliable supply chain.

For the world's largest consumer and IoT companies, supply chain is as important as the technology, when you are considering enter...inserting third-party chips into your devices. The partnership has also accelerated Energous' customer acquisition by aligning us with a very experienced and well-connected sales force.

Finally, the partnership allows Energous to forego the very significant ongoing cost to fund a large operations team and a global sales organization as well as the cost of carrying and managing a large silicon inventory.

From a Dialogue perspective, the relationship represents a new potentially significant source of revenue. It expands Dialogue's presence and the scope of their offerings in wireless power. It provides a new product for the sales organization to reengage with their customer base and in conjunction with joint reference designs, provides an opportunity to win new BLE [indiscernible] power management sockets. It's truly a win-win opportunity.

We increased our first-to-market advantage and enhanced our barriers to competition with the expansion of our IP portfolio. We started 2017 with 18 patents. By the end of the year, we secured 104 granted and allowed patents.

As of yesterday, the number has increased to a combined total of 122 US patents, plus three foreign patents allowed and over 170 additional patents in various stages of review by the US Patent Office and/or their foreign equivalents.

The company expanded its customer acquisition funnel to over 70 companies in various stages of evaluation and integration of the WattUp technology with the expectation that the first commercial shipments of WattUp-enabled consumer products, bundled with near-field transmitters, will begin shipping to the consumer early this year.

Energous continued to achieve milestone-based progress with our Tier 1 customer. As we have stated in the past, we're precluded from providing details as to the relationship, and our progress in conjunction with the far-reaching confidentiality agreement. But we can say that we continue to move forward on projects that will enhance our partner's product offerings, if they decide to move forward, and implement our technology as part of their product line. At the same time, these projects expand the scope and functionality of the general WattUp product portfolio. We also added a second Tier 1 customer to our focus list, who has the equivalent potential for mass quantities of WattUp chipsets sales.

Finally, in December 2017, we successfully obtained the first-ever FCC Part 18 certification for our WattUp midfield power-at-a-distance transmitter. This is not to be confused with the common FCC Part 15 certifications, which restrict power output to one watt.

The far reaching, precedent-setting FCC Part 18 certification Energous received after a rigorous 18-month process establishes a certification path for transmitting devices that enable wire-free, over-the-air charging at any distance greater than five millimeters, with no limit for output power, so long as that amp output complies with a now-established testing, processes, and procedures.

The certification also clearly established the fact that RF-based power, at-a-distance is safe to the point where devices can be worn on one's person while they are charging. We believe this certification is the launching point for all...a whole new era of wireless charging, which will bring much needed utility and increased safety without any foreign object detection issues to the consumer. It will also bring improved functionality to a great range of devices and ease-of-use to the customer, ultimately changing the future of the consumer electronics industry.

Further the fact that Energous led this effort from the commercial side and is uniquely familiar with both the resulting processes and procedures further advances our first-to-market advantage and enhances of our position as the leader in Wireless Charging 2.0.

In looking at our performance to-date a clear picture emerges. Energous has made consistent progress in the three and a half years since launch. We now have all of the tools necessary to realize our vision of a true, wire-free WattUp-enabled ecosystem that fundamentally changes the wired and battery powered paradigm. We have the technology; we qualified the silicon and received FCC approval.

Further, we are the only company that has contact-based and added distance charging capability. We have the partnerships; our partners bring validity, significant chip sales potential, supply chain credibility, cost containment and sales acceleration to our rollout and revenue plan. We have the customers, our customer funnel continues to expand and progress.

It is also notable that the vast majority of our customers either have or have considered implementations of first generation wireless pad-based charging and are reaching out and working with Energous, because the WattUp technology offers all of the benefits of the first generation technology with none of the drawbacks. WattUp also has the clear advantage of being part of an ecosystem, the only ecosystem that can deliver both contact and distance based charging solutions to the consumer.

Energous has the team which is key, thanks to the company's potential and the challenges and excitement surrounding the WattUp technology. We have successfully recruited and retained a world-class engineering development team that represents a significant competitive advantage and a valuable asset for the company. We have the IP and continue to build strong far-reaching barriers to competition with 125 awarded or allowed patents and counting.

Our balance sheet is strong, thanks to our highly successful ATM equity offering completed in January. Energous now have sufficient reserves to execute on our strategy and implement the Energous vision.

And finally, our leadership position, Energous has paved the way for Wireless Charging 2.0, and we have become synonymous with at-distance charging drawing customer interest and defining the industry.

Looking forward to 2018, Energous will continue to execute our three-pronged, revenue-focused strategy. First, we will focus on a small number of customer opportunities with shorter product

cycles to ship WattUp-enabled products to the consumer as quickly as possible. Second, in parallel, we will concentrate our integration efforts on a select number of top tier opportunities capable of completing internal product cycles in time to be able to ship mass quantities of the chipsets in the second half of 2018. This will support our back end-loaded revenue ramp, leading to cash flow breakeven.

The combination of these prongs of our strategy form the basis of the rollup of the WattUp Wireless Charging 2.0 ecosystem, which at its core, is based on the release of three iterations of transmitters. We expect the first contact based transmitters will be in the hands of the consumers in early 2018 followed by the first at-a-distance transmitters coming in late 2018 culminating in far-field transmitters coming to the market in 2019.

As these transmitters roll into the consumer market, you can expect to see a plethora of WattUp-enabled receiving devices across a variety of consumer and IoT markets also hitting on both a standalone basis and bundled with WattUp transmitters.

To support the global launches of the first implementations of the contact-based transmitters, we will seek and obtain international near-field regulatory approvals. In parallel, we intend to leverage the far-reaching FCC Part 18 approval while working with the foreign jurisdiction regulatory agencies to establish a similar groundbreaking path for regulatory approval of the first at-a-distance transmitters on a global scale.

Finally, we believe this will all come together in 2019 to yield a significant, sustainable, high margin revenue ramp made possible by the fact that our top tier opportunities with extended product cycle and mass quantity potential will mature in 2019.

Also in 2019, we expect to benefit from a full year of shipments of customers who launched in 2018 coupled with the continued expansion of our customer funnel resulting in an ever increasing number of customers buying chipsets and shipping WattUp-enabled products.

In summary, everything, everything is in place to continue the momentum and launch Wireless Charging 2.0 to the mass consumer market.

Brian, I will now turn the call over to you for comments on our financial performance.

Brian Sereda

Thank you, Steve. Before I get started, as you saw at the close of the market today, we issued a press release announcing our operating and financial results for our fourth quarter and fiscal year ended December 31st, 2017.

In 2017, we recognized approximately \$1.2 million in revenues compared to \$1.5 million in the prior year. And as in the prior year, revenues were derived predominantly from engineering services.

Total revenue for the fourth quarter was approximately \$30,000 compared to approximately \$130,000 in the same quarter last year. Although we did ship preproduction quantities of chips in the fourth quarter, revenue in fiscal 2017 derived from chips was minor, as our chip quantity...shipped quantity was below certain threshold requirements specified in our strategic agreement with Dialogue.

Total GAAP expense for 2017 was \$50.5 million compared to \$47.3 million in 2016, with the increase driven mainly by stock compensation expense. Total underlying operating expenses were down year-over-year and quarter-over-quarter and I'll break out the details for you shortly.

For the fourth quarter, total GAAP expenses declined to \$11.3 million from \$13 million in the third quarter and it was approximately \$3.5 million lower than the fourth quarter of 2016. The company remains heavily R&D-focused with this segment of our cost structure representing close to 67% of our total 2017 GAAP expense.

Net loss on a GAAP basis for 2017 was \$49.4 million after netting negligible interest income and other expense compared to \$45.8 million in 2016. This equates to a \$2.31 loss per share on 21.3 million weighted average shares outstanding versus \$2.60 per share on 17.6 million weighted average shares outstanding in the prior fiscal year.

For the fourth quarter, our net loss was \$11.2 million or \$0.50 per share compared to a loss of \$12.7 million in the third quarter or \$0.58 per share, and a \$14.6 million loss or \$0.75 per share loss when compared to the same quarter last year.

Midyear, we completed a follow-on private placement with Dialogue Semiconductor for \$15 million, bringing their total investment in the company to \$25 million. We ended the year with \$12.8 million of cash, down from \$20.2 million at the end of the third quarter.

As you may have seen, we successfully completed a \$40 million At-The-Market Equity Offering, commonly known as an ATM, in January of this year, netting an additional \$39 million of capital, which will be included in our first quarter 2018 balance sheet.

Now, I'd like to build upon the discussion on expenses. We believe that adjusted or non-GAAP EBITDA provides a useful tool to investors, especially when used in conjunction with GAAP information.

Our total GAAP expense in 2017 of \$50.5 million that I quoted earlier includes non-cash expense of \$17.1 million compared to \$10.5 million of non-cash expenses in fiscal 2016. Netting out these expenses for stock compensation, amortization and depreciation, our total net non-GAAP spending in 2017 declined to \$33.4 million from \$36.8 million in 2016 a drop of approximately \$3.4 million year-over-year.

On a quarterly basis, our Q4 non-GAAP expense also declined to \$7.6 million from \$8.1 million in the prior quarter and decreased by approximately \$2.7 million from \$10.3 million in the same quarter last year.

Non-GAAP R&D spending represented 71% or \$23.7 million of our total non-GAAP expense for the year, down \$4.3 million from approximately \$28 million spent on R&D in 2016. The decline in R&D expense represents fewer new chips under development and a winding down of our dependency on costly third-party outside engineering support.

Due to employee realignment after a full year of the Dialogue integration, we ended the year with 67 employees compared to 70 in the prior year.

Although we significantly increased the depth of our customer engagements in fiscal 2017; the partnership formed with Dialogue allows us to forego the need to build that expensive global support in operations normally required to support commercial growth which we expect in 2018.

Total non-GAAP selling and general and administrative expenses grew by only \$900,000 year-over-year to \$9.8 million, again a reflection on the relationship with Dialogue allowing us to leverage their international sales organization in regions that would have necessitated direct investment by us.

Just a reminder to those new to our story, the strategic alliance agreement signed with Dialogue back in late 2016 moves most of the chip...cost of most of the chip qualification, manufacturing and management of the supply chain processes to their side. We also benefit by leveraging their worldwide presence through joint marketing and sales efforts.

Our net loss on a non-GAAP basis for fiscal 2017 was \$32.3 million \$3.1 million lower than the \$35.4 million net non-GAAP loss in 2016. For the fourth quarter, our net non-GAAP operating loss was \$7.6 million, approximately \$0.3 million lower than the \$7.9 million net non-GAAP loss in Q3 and \$2.6 million lower than the \$10.2 million net non-GAAP loss in the fourth quarter of last year.

Earlier, I mentioned that our balance sheet was significantly strengthened in early January through the completion of a \$40 million at the market transaction, netting approximately \$39 million of additional cash on top of our year ending cash balance of \$12.8 million.

Furthermore, consistent with the perspective supplement filed in connection with the at the market offering, we expect modest chip revenue in the first half of 2018 continuing into the third quarter with the opportunity for larger volumes of shipments later in the year.

I would like to now turn the call back to Steve for his closing remarks.

Steve Rizzone

Thank you, Brian. Before I turn the call over to the operator for questions, I would like to make one final comment on our competitive position.

As I am sure most of our investors are aware, wireless charging has become a very exciting space with a lot of noise. Inductive contact based charging led by Chi Technology offers a small amount of consumer utility and the number of devices utilizing it has plateaued. We refer to this as Wireless Charging 1.0.

Wireless Charging 2.0 offers a paradigm shift in how consumers use the power in their devices. That is to say, it will move from a very active process to a completely passive process, where users won't have to think about the power and the power status of their devices.

Only Energous has all of the pieces in place to provide the mass markets with a viable full range solution from contact based fast charging to Part 18 distance charging of multiple devices, all while using a common receiver and under software control. No other company can make these claims or even come close to challenging Energous as the leader in the next great evolutionary wave in consumer and IoT devices, Wireless Charging 2.0.

As investors, this leadership position, as well as, the milestone announcements surrounding our revenue focus plan is what you should be tracking. It will fuel our growth and power our momentum, culminating in a company that we believe will be relevant with sustained revenue growth and that will be very, very valuable.

Operator, I will now take questions.

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 touchtone phone. If you are using a speaker phone, 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 questioner today will be Ilya Grozovsky with National Securities. Please go ahead.

Ilya Grozovsky

Okay, thanks guys. I wanted to understand, how many current customers or partners are there for your products. I know, we saw some at CES, the wearing...the wearables and some hearing aids. So I kind of just want to understand, currently as we stand now. How many products do you expect out, are there out there and kind of if you can give us the road-map from a numbers' perspective?

Steve Rizzone

Well, first of all, hello. Let me say that, as I mentioned in the prepared remarks, we now have over 70 customers in our customer funnel. Our customer funnel is divided into four stages from interest to engagement to prototyping through mass production. Since we are an integration technology in other words, we sell as you know, silicon to consumer and IoT companies, and then we work with them to integrate our technology into their devices, we work with their product cycles. And their product cycles have varying lengths and varying times depending on complexity their own internal operations so on and so forth.

And so, again, as I said, we are establishing a bit of a queue. We are focused on a number less than 10, what we call early adopters that have short product cycles and have the ability to ship product fairly quickly. Not all of those will come to the market early this year. But again, we think multiple ones will. And their importance to us, as I said, is not revenue particularly it's really more the validation of the technology. In parallel, we are working with a number of top-tier companies who do have the capacity to roll their product cycles in such a timeframe where we can expect to see mass quantity shipments of a number of products before the end of the year, all culminating in what we think will be the real significant revenue ramp and the large number of companies hitting the market in 2019.

I can't tell you with a degree of certainty, we do not control these product cycles, how many customers specifically will hit the market and exactly when they will because there are so many variables involved and this is all relatively new, but it's a significant number. As I said, there is 70 in total and that queue could be larger but we need to focus down. And we are actively moving them through the cycles. I think that's about the best way I can answer it. It's a significant number and the interest continues to broaden and increase.

Ilya Grozovsky

Great, thanks. And then also on the far-field product, when do you intend to submit that to the FCC for approval?

Steve Rizzone

Again, we don't submit. Now, that the precedent has been established, we will work with our customers who will submit their devices for approval. And as I said, we believe that you will see the first distance transmitters with regulatory approval hit the market before the end of the year. So, sometime in the second half of this year, you could expect that these devices will be submitted for regulatory approval. Our main focus right now quite frankly is the globalization of the approvals and the technology. The...this WattUp is clearly a global release. And so we are now very focused on leveraging the very successful and far-reaching FCC precedent that was established and now moving over into Europe. And then coupled with Europe, the majority of the world looks to Europe and to the US as kind of the arbiters of the regulatory environment, and so once we have the EU, then we'll begin to focus and expand into the Far East. And as I said, this is really taking the bulk of our focus from a regulatory perspective.

Ilya Grozovsky

And then lastly, the \$40 million approximately that you raised, do you believe that should get you to profitability and that fills your cash needs going forward?

Brian Sereda

Hi, Ilya, it's Brian. Yes, no, we are heads down focused on commercialization and we believe that the \$40 million is sufficient capital to get us to that point, as Steve mentioned earlier in his script.

Ilya Grozovsky

Thanks, guys.

Operator

And the next questioner today will be Andrew Uerkwitz with Oppenheimer. Please go ahead.

Andrew Uerkwitz

Thanks guys for taking my question. I have a couple here. The first is as we approach commercialization, could you kind of give us clues, if you can, of kind of what industries or what markets do you think will see some of the first products? And how that shapes up over the next 18, 24 months?

Steve Rizzone

Yes. So, hello Andrew. Because of the unprecedented advantages we have in footprint and cost, I think the first markets that you'll start to see significant penetration in are in hearables, hearing aids and IoT devices. And I think we'll branch from there. But each one of those represents huge TAM and we have multiple efforts. Easily the top two to three players in each of those markets actively engaged.

Andrew Uerkwitz

And then one follow-up on that topic. You mentioned IoT, three, four years ago, when you started, the idea was transmitters would best fit some things like a Wi-Fi box or maybe the edge of the TVs or in the bezels of TVs and monitors. Now, that a lot of IoT devices are becoming a lot smarter and you got home speakers and whatnot, does that open up the opportunity for transmitters, and how do you kind of think about that market?

Steve Rizzone

I think it's a great opportunity for us as we've demonstrated at CES, one of the hottest opportunities we have right now is in the Bluetooth speakers, where they would function both as

a distance transmitter for, like your hearables and your headsets, and on the top of the unit, as a fast charger. And so I think as the technology continues to roll out and advance, the opportunities expand in terms of utilization and markets that we can penetrate. I think if you sum it up though, anything with a cable or a battery that's under 10 watts is fair game for us right now and represents an opportunity from a charging perspective and transmitter perspective.

Andrew Uerkwitz

And then my last question is there a discernible difference between the economics of transmitters and receivers, now that we're getting closer to a launch and you have a better idea of what those economics are?

Steve Rizzone

Yes. The...as a key to the mass rollout, we've worked very hard to reduce the cost of the receiver down to sub-dollar with the chipset, which has the PA and the beam forming chip as well as the receiver chip totaling in the mid-single-digit dollars. So, there is a difference and I think that's been an important development leading to opening up a number of opportunities for mass deployment.

Andrew Uerkwitz

Got it. Thank you, guys and good luck as we get through this year.

Steve Rizzone

Thank you.

Brian Sereda

Thank you.

Operator

And again, if you would like to ask a question please press "*" and then "1." And our next questioner today will be William Gibson with Roth Capital Partners. Please go ahead.

William Gibson

Yes. First, a question on the income statement is that fourth quarter R&D spends in sales and marketing spend a good base for 2018?

Brian Sereda

Say it again, Bill. Sorry, I missed that question.

William Gibson

Yes. I was looking at the R&D spend and sales and marketing, where they declined in the fourth quarter. Is that a good level for 2018 and what do you see as the trend?

Brian Sereda

I think we're going to build off that base, Bill. We don't see a major expansion of those expenses, especially on the R&D side, as I mentioned, we brought a lot of the work that was being...that we required that being done by outside consulting firms on the engineering side. We brought all of that in-house, and we've built the necessary engineering talent to carry that forward. So I don't see a great expansion of those expenses. We're going to add expenses mainly in areas that are customer-facing, some of the core R&D areas. But we don't have, as of today, great plans to add significant headcount from where we are right now.

Steve Rizzone

Yes, Bill, I think it's...like I said earlier, it's also really important to note the economics of the model and the benefits that we are deriving from this Dialogue partnership. We would be a much larger company and a much more complex company without the partnership. Because of it, we've virtually eliminated the need for an operations team, which is a multimillion dollar ongoing expense. We've eliminated the need to carry inventory, which is complex and expensive. We don't have the expense associated with a sales force. And so this is a very, very economic model. We're now up to 72, 73 people, 63 people are engineers. We'll continue to add some number of headcount, but these will also be engineers and customer-facing. And so our overheads will be nominal and I think that's how that this will roll off, and again, why it's such an attractive model, overall, as we start to really ramp up the revenues and generate sales from chips.

William Gibson

Thank you, and then just one follow-up. I know you went over the numbers on the increases in the issued patents, and I noticed one of the...maybe even the latest patent that was issued had to do with a toolbox charging power tools and of the over 70 companies in your funnel, are any of those tool manufacturers?

Steve Rizzone

Let me say that that's not our priority right now. As I mentioned, the...or as we've talked all along, this technology is very, very scalable. We could be charging a Tesla with the technology. We could be charging a toolbox or a rice maker or a blender or the other appliances out there. We think though as a company it's more important for us to focus and that's why we think that there will be kind of a bifurcation of the wireless power industry where you've got the first generation charging companies focused more and more on power, you might have seen some of the recent announcements where they are talking about 70 watts, 80 watts, so on and so forth.

I think that they will focus on increasing power and charge stationary devices while we will focus on power in the lower end of the spectrum with an emphasis on mobility and that the technologies will become more compatible or comparable if you will then competitive. But again, long answer, but I suffice it to say that we have our hands full right now with this end of the spectrum. And for us, it's really much more important to focus, to concentrate on specific markets and then leverage our reference designs throughout those markets. So we can take full advantage of the intellectual property that we developed as an example for a hearing aid, and that we can work with the one or two top vendors in that market and then take that same reference design and proliferate it down through the entire vertical. And I think that's the right strategy for us to maximize our revenue ramp.

William Gibson

Thanks Steve.

Operator

And our next questioner will be John Hickman with Ladenburg Thalmann. Please go ahead.

John Hickman

Hi, yes. Thanks for taking my questions. Is there for engineers come up with or is there some theoretical powers that you can deliver and still meet absorption requirement for the distant charging?

Steve Rizzone

Well, you broke up a bit, I am not completely sure I get your question. But I think there is a...if I understand the issue of sending power. There is a multiple elements to it. There is the regulatory element, there is the technology itself, and then there is physics and line loss and distance and all of these come into play, and without going it's really not possible to say definitely that this is what the technology will deliver because it is so application dependent, and depending on the application and the needs of the receiver that's coupled to the application that really determines how the system is put together, and what kind of power is sent out, what kind of distance is associated with it so on and so forth. So it's really a function of the application. The good news is, that we have developed and have qualified a broad spectrum of silicon chips that give us a tremendous amount of flexibility in terms of integrating our technology successfully into our customers' technology and meeting their requirements from a power perspective.

John Hickman

Okay, thanks. All my other questions have been answered. I appreciate it.

Steve Rizzone

Thank you, John.

Operator

And our next questioner today will be Jim Schniers with Schniers Capital Management. Please go ahead.

Jim Schniers

Hi, guys. Congratulations on the on the Part 18 certification. My question is actually kind of follow-on on to that prior question, you know, your first generation midfield device received power at $1/10^{\text{th}}$ of a watt at 3 feet. And I am wondering is it...do you think something in the range of 1 watt at 3 feet, is that realistic or is it something we will see going forward. I am trying to get more color on how that plays out?

Steve Rizzone

Okay, I think to be clear, it's important to note that the device that was submitted first of all was an early device, and we could not change that as our technology continue to evolve, otherwise we would had to start the process over. Also, I think it's important to note that we turn the power down significantly in order to have a very wide margin in terms of the SAR ratings and MPE ratings in particular. We felt this was appropriate to give the regulatory agencies, the necessary flexibility to review the process and work with the process. So there is considerable room for additional power just with the first generation transmitter, let alone subsequent developments in technology that have improved the efficiency of the circuitry leading up to the antennas that substantially improve the gain of both the transmit and receive antennas. And so, I...well, I can't give you specifics without trying the detail of specific application. I can tell you that sufficient power is available to charge a broad spectrum of devices and it has not been a gaining item for us in any of our relationships to-date. I think initially, when we first started this company, we were talking about much higher power measured in five and six watts so on and so forth. I think that that's...those kinds of power ratings are really not going to be possible given the regulatory environment even though the technology can support it. But certainly sufficient power to charge the devices that are common from smartphones to tablets from hearables to wearables IoT devices is well within the range of what we can deliver.

Jim Schniers

Okay. So there is something as we have...as more customers come on-board, more DTO will come out as individual products come on line. Is that realistic?

Steve Rizzone

I think that's a fair way to look at it, yes.

Jim Schniers

Alright, thank you. I appreciate it. I have no further questions.

CONCLUSION**Steve Rizzone**

Alright, if there is no further questions. Again, we want to thank you today for attending the call. We appreciate your continued support and interest in the company. We will remain heads down and manically focused on execution and delivering on the revenue. And we look forward to follow-on call in another three months. Thank you very much. Good afternoon.

Operator

And the conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.