

Energous Corporation

Q2 2018 Financial 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 and welcome to the Energous Corporation Second Quarter 2018 Financial Results Conference Call. 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 Mike Bishop with Investor Relations. Please go ahead.

### Mike Bishop

Thank you, Brandon, and welcome, everyone. Before we begin, I would like to remind participants 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 in 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 Rizzone

Thank you, Mike. Good afternoon and welcome to the Energous second quarter conference call and update. With me today is Brian Sereda, our Chief Financial Officer.

I will begin the call commenting on the solid overall performance Energous achieved in the second quarter, including our first royalty payment from our partner, Dialog, for the sale of WattUp chipsets during the quarter. I will then turn the call over to Brian for details on our financial performance. I will close with a comment on traction and momentum as the company continues to press forward with the launch of the Wireless Charging 2.0 ecosystem. We will then open the call to questions.

As noted, Energous had a strong operational quarter. First, progress with our key strategic partner continued to advance towards an opportunity for commercialization of our technology in one or more of their product lines. During the quarter, we completed specific deliverables, resulting in an increase in engineering services revenue and the likelihood of additional payments in the third and fourth quarters.

Consistent with prior statements, there is no guarantee that this relationship will ever result in the WattUp technology being integrated into this partner's consumer electronics products.

However, our progress with this key account is significant, and the relationship continues to move forward. Also, in this quarter, the first WattUp-enabled hearing aid product was announced by the Korean company, Delight, working in conjunction with our long-standing partner SK Telesys.

General availability is expected within the next 90 days as the fully commercialized WattUp-enabled hearing aid winds its way through the regulatory approval process in target launch countries. We believe the Delight hearing aid is the first of a number of WattUp-enabled hearing aids that will come to market in the next few quarters, along with a new product category referred to as personal sound amplification devices, or PSADs.

For those of you who are not familiar with PSADs, unlike hearing aids, which in the United States require FDA approval, PSADs are hearing assistance devices that do not require either FDA approval to distribute or a prescription to buy. This is a whole new emerging medical device category that is ideally suited to the Wireless Charging 2.0 capabilities of WattUp and will likely be a major revenue opportunity for the company.

The release of the first WattUp-enabled hearing aid is indicative of the traction Energous is gaining in the wearables, hearables, and hearing aid vertical markets where we currently have multiple top tier customers in various stages of integration. The progress of our experienced team of engineers has made in terms of receiver and transmitter size, efficiency, and cost reduction has created a first mover advantage for Energous.

To our knowledge, there are no other wireless charging solutions available in any stage of development that have a receiver capable of fitting into these devices, coupled with a transmitter that has the price, performance, power, and efficiency necessary to be commercially viable. The recently announced general availability of the WattUp Near Field transmitter from IDT is another major step forward in bringing Wireless Charging 2.0 technology to these markets.

Working with our partner IDT, the combined engineering teams developed a low power WattUp transmitter that meets regulatory requirements and has the price and performance necessary to be bundled as a white-label transmitter, with each receiving device without significantly impacting the average selling price. The system replaces the cable and contact points on current wearable and hearable offerings, while allowing these devices to be hermetically sealed, eliminating classic moisture, dust, and mechanical problems.

In the case of hearing-aids, this system eliminates the task of changing batteries two or three times a week, which is not only expensive, but can be challenging, especially for the elderly who are the primary users of these devices. The key is that all of these benefits are derived at a price that will be attractive to the consumer, which we believe will accelerate adoption considering the utility offered.

One final comment on the momentum the company has developed in these verticals. Every one of our top customers in these verticals either had or previously attempted to integrate the inductive or Qi technology into one or more of their earlier products without success. The primary reasons for these failures were cost, the size of the receiving coils, concerns with foreign object detection, interference complications, and strict positioning requirements, which reduce the convenience of wireless charging.

The fact that these top tier customers are moving away from Qi further validates our belief that Wireless Charging 2.0 technology from Energous represents the future of wireless power. WattUp meets or exceeds the power and efficiency of the first-generation inductive solution, but also brings the required cost, size, and performance necessary for mass adoption, along with the solution for foreign object detection issues that has plagued the technology, the inductive technology for some time.

The Wireless Charging 2.0 technology also delivers the very important utility benefit derived from WattUp's inherent position independence or freedom of placement on charging surfaces. All of these factors have been major contributors to the continued expansion of our customer prospect base, as well as the acceleration of the development efforts within these prospects, which leads us to believe that wearables, hearables, and hearing aids could be significant sources of revenue in 2019, 2020, and beyond.

Speaking of revenue, Energous received orders and chipsets to multiple customers in the quarter. As I noted at the beginning of the call, Energous achieved another major milestone when we received notification from Dialog of the release of our first royalty payment for chips shipped during the quarter. While the revenue ramp is slower than we anticipated at the beginning of the year, we are beginning to build the backlog.

We expect to begin realizing the revenue benefits of the backlog over the next two-to-three quarters as the launch status for a number of customer changes from preproduction to production. This being the case, our current view of chip revenue for the remainder of the year consistent with what we communicated last quarter is that revenues will likely be flat for Q3, depending on pre-production rollout schedules, while there is a reasonable probability of a significant increase in revenue from chip sales in the fourth quarter in conjunction with anticipated WattUp-enabled product releases to the market from multiple top tier customers in the first half of 2019. In addition, engineering services revenues are expected to continue in the third quarter with the opportunity for increasing revenues from this category in the fourth quarter.

One comment on revenue versus expenses, consistent with the goals and expectations we set at the beginning of the year, expenses quarter-to-quarter will vary largely depending on our silicon tape-out schedule. Based on significant continued development advantages, especially in the key areas of efficiency and integration, as well as strong customer demand, we intend to accelerate the expansion of our silicon product portfolio.

In the third quarter, we will be taping out a number of new chips that will provide higher power options for our customers as well as improved efficiency. The new generation of chips will also integrate a number of external components, which will increase our percentage of the bill of materials in WattUp-enabled products. We expect to see the full impact of this next generation of chips towards the middle of next year, when we anticipate the first product releases to the consumer using our high-power WattUp technology for quick charging and applications requiring 5 to 15 watts of charging power.

It is expected, future generation of chips will extend this specification to even higher levels of power as the WattUp product portfolio continues to evolve and expand. Moreover, the next generation of chips we are taping out will further expand the vertical markets we can target, as well as be able to offer our customers a broad spectrum of different price points, power, efficiency, footprint, and integration.

Accordingly, the financial investments in these new tape-outs is expected to have an impact on expenses for the next two quarters. Given our strong cash position, impending revenue ramp, and customer demand for higher power solution we are launching these products now as we position the company to increase the pace of customer acquisition, expand our target verticals, capture market share, and build ever-increasing barriers to competition.

While the main focus of the company last quarter was on the first phase of Wireless Charging 2.0, specifically Near Field or contact-based transmitters, significant advancements were also made in the planned second phase of our ecosystem launch, which is mid-field charging or over the air charging at a distance. The prime application for this technology this technology span 3 verticals: consumer electronics, medical devices, and industrial applications with multiple customers engaged in each vertical.

Top candidates for initial launch of the first distance transmitters are smart speakers, Bluetooth speakers, medical sensors, and industrial applications involving battery charging and sensors. These products are in various stages of development. However, the actual release dates will be more likely influenced by the global regulatory approvals in three key regions: North America, Europe, and the Asia-Pacific region.

Approvals for all three regions for distance transmitting RF power could happen as early as the end of this year but will more likely extend into the first half of next year. Regardless of the launch schedule, we do expect to see customers showcasing the first WattUp-enabled distance transmitters at trade shows in the coming months. There is also progress to report on Far Field transmitters designed to send power 15 feet out or greater.

The primary focus of these development efforts has been in the area of antenna enhancement, which is key to delivering greater-focused power at a distance. Multiple patent applications have been submitted as a result of these efforts and we believe the full-size transmitters, which represents Phase 3 of the Wireless Charging 2.0 rollout will begin coming into the market in the first half of 2020.

As noted above, a key requirement in the launch of all three phases of Wireless Charging 2.0 is regulatory certification. As we communicated, the majority of our customers are top tier. Typically, in the top three in terms of market share in each vertical we are targeting. Customers of this stature and scope launch multiple skews of the same product on a global basis. These launches may be faced regionally, but virtually all of our customers have a global presence and will require global regulatory certification.

Thus, regulatory certifications are a top priority for Energous as we are essentially paving the way for these approvals by establishing precedents in each targeted international regulatory agency. On average, global launches in the consumer electronics industry encompass over 100 countries. In the second quarter, our regulatory team made very significant headway in establishing a global path for certification of the WattUp Near Field technology.

As you may recall, in May we reported that the WattUp Near Field technology had been certified in 38 countries, including the European Union. As of yesterday, WattUp is now approved to ship in a total of 92 countries, including certifications in two key markets for us, India and Canada, as well as our first certification in the Asia-Pacific region Thailand.

In total, the Energous regulatory team has launched certifications in well over 125 countries, and the momentum is clearly building for a global recognition and certification of the first phase of Wireless Charging 2.0 rollout, the contact transmitter.

At the same time, our regulatory team is actively working to build a similar path for regulatory certification of our at-distance transmitter technology, which marks the second and third phase of Wireless Charging 2.0 rollout.

Intellectual property continues to be a priority for Energous as the momentum for wireless charging builds with the consumer. Because of the increased consumer awareness of wireless power solutions, we are starting to see a few new entrants in the market with different technologies and approaches.

While virtually all of these new entrants are little more than early stage prototype used for funding purposes, the increasing presence of wireless power in the media and at consumer venues is positive in that it stimulates consumer awareness and in alternative to Qi, which we believe will ultimately drive the pace of adoption. Based on third-party and customer market intelligence, Energous continues to maintain a clear first mover advantage in consumer electronics and IoT markets.

Despite this advantage, we are ever vigilant of potential threats to our leadership position and believe it is prudent to continue to expand and extend barriers to any head-to-head competition, including strengthening and expanding our patent portfolio.

To this end, the number of awarded patents and allowed patent applications for the WattUp technology currently stands at 167, up from 135 noted in our last quarter call. There are also more than 150 additional patent applications in various stages of review and approval with the US patent office and other foreign patent offices.

On a side note, as an indication of the significant presence we are building with the USPTO, an Energous technical and marketing team was recently invited to present at the USPTO to patent examiners from the US, Canada, and Mexico. We will continue to invest in IP and expand our portfolio as needed to make it easier for potential players in this space to work with us rather than trying to work around us.

One final point on intellectual property, while our go-to-market strategy is that of a fabless semiconductor company, Energous has also become a powerful systems house in that our engineers continue to develop very advanced reference designs that include antenna designs, hardware designs, and enabling software, which we license to our customers.

Despite our small size and early stage in the market, we own all of our intellectual property. This is very important, when considering and determining the overall value of the company. Another strategic advantage is our partnership with Dialog Semiconductor, which continues to pay dividends. Dialog is a great partner.

We benefit from the support of Dialog sales team, who has increased introduced our technical and business development personnel into the majority of their key customers in the verticals of hearing aids, hearables, wearables, and smart phones where they have a market leading presence.

Additionally, we continue to leverage Dialog's global presence as a top tier fabless semiconductor company. When dealing with the largest consumer electronics companies in the world, partnering with a company like Dialog allows us to ensure the quality and dependability of the supply chain for our customers. We are very fortunate to have a partner like Dialog, as the pace of adoption and customer acquisition we are experiencing with top CE companies would likely be much slower without their support.

In summary, Energous execution in the second quarter was solid, exceeding our tactical goals for the period. We executed across all functional departments, especially in the key areas of regulatory, customer acquisition, and development. All of this points to our goal of exiting the fourth quarter with significantly ramping revenues, customer launches to consumers in multiple verticals, and a path to global regulatory certification insight, clear market leadership, and the vision of a global Wireless Charging 2.0 ecosystem in a position to become a reality.

Brian, I will now turn the call over to you.

### **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 second quarter of fiscal 2018 ended June 30th. In the second quarter, revenue totaled \$206,000 from a combination of engineering services and our first royalties from commercial shipments of chips through Dialog in the quarter.

Although the chip volume was modest, we believe we are now seeing the beginning of the crossover from our first customers entering into the production and commercialization stage, and we anticipate that additional customers will also soon announce products incorporating WattUp technology as we progress through the balance of the year.

By comparison, the previous quarter's revenue of \$25,000 was solely from engineering services as were revenues of \$300,000 in Q2 of last year. As we have highlighted on previous calls, engineering services revenues generated from our long-term key partner belie the level of engineering effort and advancements made in the technology from where we were three plus years ago.

One final comment on revenue, we currently have a mixture of both small and more substantial customers, all in different stages of productization. Early revenues will be inconsistent, but as we forecast, are anticipated to grow materially from where they are now as we enter into 2019, as customers of different scale begin shipping their finished products into their respective markets. Also, in some cases, regional regulatory requirements are pending final approval, which once settled, will help us forecast revenue patterns and timing by customer and by region.

Expenses, starting with our GAAP results for the second quarter declined by approximately \$1 million to \$12.5 million, compared to approximately \$13.5 million in the first quarter, and we are \$0.7 million lower than total GAAP expenses of \$13.2 million in Q2 of last year.

The main drivers of lower quarter-over-quarter expense was lower external chip development cost in part due to development cycle timing and lower stock compensation costs. In addition, our headcount and associated cost has remained relatively stable over the last several quarters without the need to add resources in areas such as operation and sales as commercialization commences.

As Steve just mentioned, we are anticipating an increase in spending in the third and fourth quarters, due to the acceleration of chip development cycles to meet what we foresee as a significant opportunity that was presented to us earlier this year. We believe this increase in spending is in-line with the opportunity and within the ranges of previous fluctuations in our quarterly engineering expenditures when taping up next generation chips.

We continue to have confidence that our cost model is leverageable, thanks in-part to the excellent working relationship we have with Dialog, allowing us to utilize their global operations and sales resources. As I just pointed out, headcount has remained relatively consistent over the last several quarters, and we ended Q2 with 70 heads.

Netting our revenues against expenses and other income, our net loss for the second quarter on a GAAP basis was \$12.3 million, a loss of \$0.48 per share on approximately 25.5 million weighted average shares outstanding. This compares to a \$13.4 million net loss in the prior quarter, or \$0.55 loss per share on 24.5 million weighted average shares and \$12-point million net loss of \$0.63 per share loss in Q2 of last year. The increase in share count for the quarter was primarily due to the ATM completed in Q1 of this year.

Moving on to a non-GAAP discussion on our results for the quarter, as we believe our non-GAAP EBITDA provides a useful comparison for investors for a company at our stage, especially when used in conjunction with GAAP information. Excluding 4.6 million of stock compensation and depreciation expense from our total GAAP expense of 12.5 million in Q2, net non-GAAP operating expenses totaled approximately \$7.9 million, approximately \$0.7 million better than Q1, and \$0.6 million better than Q2 of last year.

Adjusted EBITDA or non-GAAP operating loss for Q2 was \$7.7 million and approximately \$0.9 million better when compared to non-GAAP operating losses of \$8.5 million in the previous quarter, and \$0.5 million better than the \$8.2 million non-GAAP operating loss for the same period last year.

Non-GAAP engineering expenses declined to \$4.9 million from \$5.4 million in the prior quarter with most of the decrease being driven by lower spending on chip development. Compared to Q2 of last year, non-GAAP engineering spend declined by over \$1.2 million, again mainly due to lower chip development costs, despite higher investments in areas such as regulatory this year.

Just to reiterate our message on the expense impact of chip development, our cost will fluctuate with our roadmap. And in Q3 and Q4 of this year, we will see chip development costs increase, due to an opportunity to intercept what could be a significant potential future commercial opportunity beginning in the latter half of 2019. As you all know, chip development cycles are several months long with the majority of the expense incurred upfront.

Non-GAAP SG&A declined by approximately \$0.2 million, compared to the prior quarter, mainly due to lower legal expense, but compared to Q2 of last year increased by approximately \$0.6 million, due to expanded application engineering headcount and travel costs in-line with our expanded global customer funnel and various stages of commercialization.

We ended the quarter with approximately \$37.1 million in cash and remain debt free. We continue to manage our working capital against the opportunities in front of us. And as I mentioned, we believe have demonstrated our current operating model is indeed leverageable with sufficient flexibility to manage the anticipated revenue growth curve ahead of us.



Finally, consistent with our past commentary, we expect continued revenue growth in the back half of 2018, and increasing revenues in 2019, and I look forward to updating you on our Q3 call.

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

### **Steve Rizzone**

Thank you, Brian. Before we open the call for questions, I wanted to make one final comment. Last quarter, we identified 2018 as the year Energous gains operational traction. We believe we are on track to achieve this goal, and it bears repeating what we believe this will mean for our company and our investors.

We believe all of the critical operational milestones are coming together in 2018, which will result in the launch of the WattUp ecosystem. This momentum will carry forward into 2019 where Energous will be actively engaged with a broad spectrum of top tier customers, who either have or are in the final stages of integrating the WattUp technology into multiple applications across several vertical markets including: wearables, hearables, hearing aids, smart phones, medical, and industrial applications supported by an established supply chain through our partner Dialog, with global regulatory approval resulting in dynamic growth of the business, meaningful revenues, and market leadership in Wireless Charging 2.0. It really is all coming together.

I want to thank you for your attention, and operator, we 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 speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "\*\*", then "2." At this time, we will pause momentarily to assemble our roster.

Our first question comes from Andrew Uerkwitz with Oppenheimer. Please go ahead.

### **Andrew Uerkwitz**

Hi, thanks, gentlemen for taking my question. Just kind of looking ahead, thinking about some of your larger customers and targeting 2019 and 2020, what are some of the bigger challenges you are facing today? Is it trying to get certain price points, certain efficiencies, certain size, design, could you talk a little bit about some of the challenges there?

### **Steve Rizzone**

Certainly. Hello, Andrew. This is Steve. I think that the challenges have morphed over a period of time. Initially, we had challenges I think with the technology. The element of footprint, the cost requirements that we felt were necessary to drive mass adoption in the consumer markets. These elements, I think, required additional time and effort in order to get them to the point where they are today. Today, the technology is baked. It's solid, it's at a price point that is viable for mass adoption, it works across the number of verticals, and it's easily integrated. It's been proven very, very reliable. So, I think we've passed that juncture. I think the next issue that comes to bear is really engaging with the customers. We are a bit surprised, but there is...I will tell you that there is a bad taste in the number of our customer's mouths as it relates to wireless power.

As I mentioned, and I was very specific about this in the call that every one of our top tier customers either has, had a first-generation product or has attempted to release one. And they were not successful for one or more reasons. As an example, one of our hearing-aid vendors recalled over 30,000 units, the entire first element of the shipment because of the position independence problems associated with the first-generation technology. So, we've had overcome, I think some of the problems associated with the first-generation technology and this has resulted in very, very significant and extended testing times along with extended market research. I think we're also coming to the end, if it hasn't ended that phase. Right now, the long pole in the tent quite frankly is regulatory.

We...as we have engaged with the top tier consumer electronics companies, they are looking to launch on a global basis, and even if they launch regionally in one or more of the key regions, they are looking to have assurances that they can launch on a global basis. And so, I think this is really the element that we're focused on right now. And while I say that it's all coming together we believe that late this year, early next year we would have paved the way for global launches across all of the major regions, we will certainly overcome, I think, the additional testing and first generation problems that we have had to deal with, and as I said, the technology is baked. And so, it's taken us a little longer than we anticipated but I think we are, we are converging on what we believe will be a very strong exit to the year and a real breakout year in 2019.

**Andrew Uerkwitz**

Thank you, Steve. I really appreciate the color, a very good answer. And thanks for the extra time there. I guess one more, as you exist into 2019, and you see the potential ramp in revenues, how should we think about the OPEX at that point? Is there is a requirement for more customer support or more engineering or how should we think about that operating expense line? Thank you.

**Brian Sereda**

Andrew, this is Brian. I think first of all, to support our revenue growth, we are going to leverage the relationship with Dialog on the operation side, the productization side and global sales and support. So we are not foreseeing to add a lot of overhead in those areas. As far as engineering goes, we have got a very stable engineering team that's been able to produce and advance the technology to support our initial set of customers. We will add as required, we are not going to try to get ahead of ourselves there. So, unless our road map dictates there is requirements on the technology side, we will hire ahead of that, but otherwise, we believe that we are going to remain pretty stable on the headcount side and add selectively as the technology dictates.

So, in the terms of total operating expense, I think we are in a range right now fluctuates with the development cycles and we typically every second or third quarter will have another wave of chip development as needed, depending on where our customers are, depending on what the demands are, depending on how we see the technology evolving. But, we don't see it rising dramatically, if you look back at some of our past quarters where it peaked, I think we are bounce around between those peaks and pretty much where we are today.

**Andrew Uerkwitz**

Awesome, thank you so much for that color, appreciate it, guys.

**Brian Sereda**

Okay.

**Operator**

Our next question comes from Ilya Grozovsky with National Securities. Please go ahead.

**Ilya Grozovsky**

Great, thanks. Wanted to get a kind of a little bit of a better understanding. In the current quarter, can you differentiate between the revenues from the chips versus the engineering offset?

**Brian Sereda**

Hi, Ilya, Brian again. Right now we are going to report combined engineering services and chip royalties. Depending how the business grows and depending on the accounting requirements, we are working closely with Dialog in how they are going to report, but right now we are going to report combined revenues for the foreseeable future.

**Ilya Grozovsky**

Okay. And then, just wanted to also touch on the pipeline. So it sounds like you guys think that 2019 will see some uptick and some more products out there. Do you have any sense right now kind of like what your pipeline looks like in terms of how many different customers do you think will contribute to chip sales in 2019, end user customers?

**Steve Rizzone**

Well, I am not sure I want to put an exact number on it. Our pipeline is well over 70 customers. We are focusing on a much smaller number than that right now in order to get these first early adopters and these also critical top tier customers into the final stages and shipping product. I think that we will see an increasing rate of customer announcements as we progress through the year, but in terms of the number, I wouldn't want to try and put a specific number on it. I do think that we'll see activity across a broad spectrum of verticals. The hearables and wearables and hearing aids, have a lot of traction, but we're also seeing a lot of traction right now in medical and in the whole medical arena. So, I think this will be a major contributor for us. Certainly, we're going to be in smart phones, we're going to be in Bluetooth speakers. And so, again, there is a broad range of applications and spectrum of products that I think will converge in 2019. The ramp may be, I think slow at the beginning, but I think it will gain momentum as we progress through the year.

**Ilya Grozovsky**

Okay. And then finally, any update on the other Tier 1 partner that you guys announced a couple of quarters back?

**Steve Rizzone**

So, progress continues with both Tier 1 partners. As a matter of fact, I think that's really a misnomer, because as I mentioned in the conference call, in the verticals that we're engaged in, we are clearly engaged with the top customers in each of these...the market leaders in each of these verticals. And so, the number of top tier customers continues to evolve and expand. In terms of the top 10 in the world, certainly there are multiple customers that we are engaged with there, and we continue to progress with these companies on a number of different product skews.

**Ilya Grozovsky**

Okay. Thank you.

**Operator**

Our next question comes from William Gibson with Roth Capital. Please go ahead.

**William Gibson**

Steve, you mentioned the new countries, including Thailand, where you got regulatory approval, what countries are missing and as part of that question, are you going through the process in China?

**Steve Rizzone**

Certainly, China is an important market for us. Japan, Taiwan, Singapore, countries in South America, countries and the countries of Israel and Russia, so as I mentioned, we are active in over 125 countries. We are either working actively with the respective regulatory agencies and submitting information or products for testing, and so the scope is very, very broad. Certainly, the Pacific Rim is important to us and represents, I think some unique challenges in and of itself.

China is very important. I don't think we're being helped all that much by the geopolitical environment, but I think we're comfortable in saying that for all of the countries that we are engaged in, the question is when not if. We have not seen a country or been engaged with a country where it has been a flat out, it's not going to be happen, there's not a way, there is processes, some will take longer than others, but I think in all of the major countries, we will be ultimately successful in carving out these initial precedents for the global approval of our technology.

**William Gibson**

Good. What about South Korea, do you have Near Field approval there?

**Steve Rizzone**

No. We're active with our key strategic partner with the South Korean regulatory group and certainly we believe that we will have regulatory approval in South Korea.

**William Gibson**

And on a different subject, everybody is asking about 2019, how about the same question at Christmas time? Would you think there would be six different products on the market by Christmas or is that being too aggressive?

**Steve Rizzone**

I want to hold back on that because I will tell you that it's, I think the big dependency is going to be regulatory. Certainly, there's six different products queued with top-tier companies, I think that there is a reluctance to pull the trigger in some instances until there is at least visibility to global approval. And as I mentioned earlier, I think regulatory really is the long pole in the tent for us right now that will have an impact on how the end of the year will play out. There is no shortage of customers that are in the final stages of integration that have given the go to the launch. I think the question for all of them, as I said, is when and how this will roll out, especially for our top tier companies that will look to launch. Even if they launch on a regional basis, they will want assurances that there is a path to global capability.

**William Gibson**

Okay. And just one last question. A vertical you haven't named in a while or talked about is toys, is there anything or is there any toy companies in that pipeline of 70 companies?

**Steve Rizzone**

There are toy companies in the pipeline, but they are not a priority for us right now. I have mentioned the verticals that are our priority, and quite frankly I think that medical is going to really bump up there. We are seeing a lot of interest from medical companies in both the contact technology, as well as the distance technology.

**William Gibson**

Thank you.

**Operator**

As a reminder, if you would like to ask a question, please press "\*", then "1."

Our next question comes from Matthew Winthrop with Aegis. Please go ahead.

**Matthew Winthrop**

How are you?

**Steve Rizzone**

Good.

**Matthew Winthrop**

I'm curious on the hearing-aid business because my father was an audiologist and he tells me that you need to keep your hearing aids next to you in a very close environment that doesn't get any dust or particles. So, I don't understand why you would need a wireless charge system when you have two plug it in right next to your bed? I'm confused.

**Steve Rizzone**

Well, perhaps I can help you. Since your father has had experience with the hearing-aids, I am sure you've also seen him go through the process of changing these batteries. He has probably dropped one on the floor on more than one occasion.

**Matthew Winthrop**

No, no. I understand, but they have chargeable systems now. You can buy them everywhere. So, I don't understand, you came out here, got everyone into this, and told us we were going to charge cell phones and Teslas and now you're telling we're going to do hearing-aids. Sorry, I know you are the CEO, but you got the whole world watching. You did a couple of hundred thousand of revenue, you have been putting this up quarter-after-quarter, how can you look at people in the eye and say, we're going to be huge, you're not. You are just coming up and dancing with new products. Show me something, one company, one contract, something I can hang my head on. I just don't understand what you're doing.

**Steve Rizzone**

Well, I respect your comments, but you're wrong. And I think that the way you're approaching this is incorrect also. I think you need to keep in mind the scope of what we're looking to do. We are actively...

**Matthew Winthrop**

You have no revenues and it's been quarter-after-quarter and you're not doing any business, so why don't you just come out and say it's not working?

**Steve Rizzone**

Because that's not a true statement. The fact is that it is working. And look, let me just try and nip this in the bud because...there's no arguing this. We've made it very clear the status of the company. We've made it very clear how we're progressing, and there is one undeniable fact, one undeniable fact that I respond to when I use, when I get asked all of these questions from all of these non-believers.

Let's be real about our key strategic partner, Dialog. We can talk about Dialog. Dialog is \$1 billion semiconductor company. We've made it very clear and we can't lie about this. We have to sign off on this every quarter. We can't lie about this. We've made it very, very clear that Dialog has brought us into their key customers. Their top customers and they are supporting us in every way. They have supported us in terms of our chips and our sales organization. And a company like Dialog would no way do these things if what we were doing was not real. If we were not in fact adding value and if we were not on, in fact on a path to significant revenues.

Now, I understand your point right now and I've been very candid that it's taken us longer than we have anticipated in terms of accomplishing this. But you're wrong to say that it's not happening, you're wrong to say that the technology is real, and you're wrong to say that we've been misstating or misleading. We have not. This company is coming together, it's rolling. The launch of Wireless Charging 2.0 is real, it's happening and there is nothing that's going to stop it.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Steve Rizzone, for any closing remarks.

**CONCLUSION****Steve Rizzone**

Well, thanks. On that note, listen, I want to thank everybody for your continued support and your continued interest in our company. I was very, very serious when I said that the train has left the station for Wireless Charging 2.0. It's a real. It's happening. This ecosystem is going to build momentum and is going to come to fruition. And each subsequent quarter, I think we're going to be able to report better and better performance. Thank you, and good afternoon.

**Operator**

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