

Energous Corp.

First Quarter 2016 Earnings
Conference Call

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CORPORATE PARTICIPANTS

Stephen Rizzone - *President and Chief Executive Officer*

Brian Sereda - *Vice President and Chief Financial Officer*

Laurie Berman - *Investor Relations*

PRESENTATION

Operator

Good day and welcome to the Energous First Quarter 2016 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" 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 and hello everybody. I'm Laurie Berman, Investor Relations for Energous. Joining me on today's call are Stephen Rizzone, President and CEO and Brian Sereda, CFO. After comments by Steve and Brian, we will open the call to your questions.

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. These risks and uncertainties 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 forward-looking statements contained herein or elsewhere to reflect changes and expectations with regard to those events, conditions, and circumstances.

Also, please note that during this call the company 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.

Stephen Rizzone

Thank you, Laurie. I would like to welcome everyone to the Energous first quarter 2016 conference call.

Joining me today is Brian Sereda, our Chief Financial Officer. I will start the call with an important update on the status of our Mini WattUp transmitter and small form factor receiver and what this technology means to Energous. I will then move to comments on our WattUp product rollout and regulatory strategies, which are now well defined, before discussing operational highlights of the first quarter.

I will then turn the call over to Brian, who will speak to the financial results for the first quarter. Following Brian, I will close with an update on the corporate goals for the year we laid out during our last conference call before opening the session to questions.

We have a lot to talk about today, so let me begin by updating you on the status of our Mini WattUp transmitter and small-form-factor receiver. We are focusing on this technology as it represents the fastest path to revenue for Energous. As investors, you can appreciate and understand that as a company our entire profile changes once we start shipping product and generating revenues.

Since announcing the availability of the Mini WattUp reference design, we have received very strong interest from a number of top-tier potential licensees looking for an immediate cost-effective, wire-free power solution for wearable and small-form-factor electronic devices. Couple this interest with the fact that the magnitude of the opportunity itself is measured in the hundreds of millions of devices shipping per year, and it is a greenfield opportunity in that we have advantages in footprint and cost that cannot be matched by any alternative wire-free charging solution, you can understand why we are so excited about this opportunity.

We first publicly introduced the Mini WattUp transmitter at CES this past January. What makes this opportunity so interesting is that the wearable and electronic device companies have always sold their products with a charging solution in their box. Typically, this has been a USB cord with a wall adapter. The new Mini WattUp transmitter is designed to be a low-cost, wire-free alternative that can be included in the box for wearables and small electronics, replacing the USB cable and wall adapter.

Our technology will enable our licensing partners to bundle a charging solution that will allow their customers to take full advantage of wireless charging right out of the box while eliminating cables and wall plugs. In many cases this will also allow for a fully waterproof design, which is an additional benefit desired by our partners. Given that the primary function of the Mini WattUp transmitter is to be a low-cost, in-the-box charging solution, the performance of this transmitter is different from our larger, longer-range transmitter designs.

First of all, the Mini WattUp transmitter is currently what is considered a contact base solution. That is, the receiver device being charged would sit on top of the Mini WattUp transmitter or very close to it. A very important point and unique competitive advantage is that all Watt Up-enabled receiving devices will also be able to be charged from the larger midsize and full-size WattUp transmitters as those come to market, since the antenna technology on all WattUp-enabled receivers is compatible across all transmitters.

Now some of our investors might ask: Why develop a contact-based wire-free power solution, don't alternatives already exist in the market? The answer is simple. Potential wearable partners have told us that pad or coil-based wireless solutions currently in the market are either too large to be embedded into smaller electronic devices or too expensive for inbox bundling of the transmitter, or both.

However, our Mini WattUp transmitter is both small enough on the receiver side and cost effective enough on the transmitter side to be included in the box, and does so at a cost we believe will have very little to no impact on product street pricing. The fact of the matter is that wearables and small-form-factor electronic devices represent a tremendous opportunity for Energous to focus on a specific market segment that is currently unserved, which has the potential to generate millions in high-margin revenue for the company.

Regarding the status of the Mini WattUp transmitter, the technology itself is developed and the chipsets are in qualification in anticipation of shipping chips in quantity in the fourth quarter of this year. We have agreements in place with multiple licensees and are actively working with their respective engineering teams to integrate the WattUp technology into their products. The last piece of the puzzle to capitalizing on the wearables opportunity and meeting our goal of shipping WattUp-enabled product to the consumer late this year or early next year is regulatory approval.

I am pleased to report that our Mini WattUp transmitter and small-form-factor receiver is on track to pass all tests required by our telecommunications body, or TCB, to certify the system, and we expect to receive final certification very shortly. It was announced in a CNN article yesterday that we had received the actual approval, which is not the case, but, as I said, we are confident of the approval and are just waiting for the formal process to take its course.

The development of the Mini WattUp transmitter and the regulatory approval process associated with it are very significant milestones for Energous, which yield what I believe are four important takeaways. First, as we have previously stated, wearables and small-form-factor electronic devices represent a very significant market and revenue opportunity for our Mini WattUp transmitter reference design. To give you some quantitative perspective on what this milestone can mean to Energous, we need to look no further than the most recent Gartner report. They are forecasting the total available market for wearables in 2016 to reach 274 million units, growing at over 18% a year.

As stated, we believe the low cost of our Mini WattUp transmitter has such a potentially small incremental impact on the wearable device's total bill of materials that our licensees will be able to bundle a transmitter with their receiver, thus doubling the potential total available market to over 550 million units this year, growing to over 750 million units in 2018. Any way you slice it, any way you look at it, the market opportunity is very large, growing at a fast pace, and provides us with a wide-open greenfield opportunity given our competitive advantages.

The second point I would like to make is that our prioritization of the Mini WattUp transmitter and small-form-factor receiver is opportunistic, and in no way represents a problem with either our midsize or full-size transmitter reference design, nor does it represent any sort of a detour of our long-term vision of a ubiquitous WattUp ecosystem built out along the lines of WiFi.

I'm going to pause here for a moment and go off prepared remarks, and let me just say that we're aware of all the comments out there by the so-called experts as they relate to the state of our technology and our FCC strategy for approval. Let me say that we understand the details, and the key to both our development cycles and our regulatory process is in the details.

No one outside of the company understands these, has any idea what they are. And so, while we listen to these experts, I want to make it very, very clear that our prioritization of the Mini WattUp transmitter is opportunistic, and absolutely does not signal any problem with either our power at a distance midsize or full-size transmitter reference design or their path to regulatory approval. Our midsize and full-size reference designs work, and are in various stages of commercialization. Energous, along with our key strategic

partner, has identified a path to regulatory approval for all of our reference designs. Nothing has changed. As a young company we are focusing on the fastest path to revenue.

The third important point to note is that over the last several months we have developed a definitive product rollout and regulatory approval strategy. This strategy, which closely integrates our development efforts and anticipated regulatory approval cycles, can be defined in three distinct reference designs.

The first product reference design is the Mini WattUp transmitter, which enables wireless charging up to 3 mm, also referred to as contact base. As noted, this stage should be shipping in products for the consumer at the end of this year or early next year.

The second product reference design is our midsize WattUp transmitter, also referred to as our desktop or automotive solution that will send power out 2 to 3 feet. The reset of our priorities surrounding the Mini WattUp transmitter and the more complex and elongated regulatory approval cycle coupled with the integration cycle of our licensees, has moved out our original schedule for this reference design by a quarter. But we expect our partners to be shipping products based on this reference design sometime in mid-to-late 2017.

The third product reference design is our full-size WattUp transmitter, which will send power out 15 feet. This product reference design was also impacted by the Mini WattUp prioritization and the more complex regulatory cycle, pushing the expected timeframe for full-size transmitters to become available to the consumer as early as the end of 2017.

As previously stated, but restating again, working with our tier-1 strategic partner, we believe that we have developed a regulatory approval path within the existing rules for all three product reference designs for the initial rollout of the WattUp technology. Furthermore, the priorities we have set and the time frames we have laid out are the direct result of the opportunities that have presented themselves and the complexities associated with developing a completely new product category and rollout strategy. There are no technical or developmental hurdles that we have faced in the last 24 months that we have not been able to overcome.

The fourth takeaway is that we are establishing a certification process through the AFA, or the Air Fuel Alliance, which is the umbrella consortium over most all of the wireless and wire-free vendors in the market today. This certification process, which will be required of all of our licensees, will be designed to ensure that all WattUp-enabled devices, both transmitters and receivers, will be fully compatible with each other through all present and future generation of consumer products integrated with the WattUp technology. This is a key element to the ubiquitous WattUp rollout of the ecosystem.

Now, turning to the first quarter highlights. As I previously mentioned, in January of this year we had another highly successful CES show. Unlike the show a year earlier, our presence at this show was focused on customer acquisition and the launch of the Mini WattUp transmitter and small-form-factor receiver. We also successfully showcased our industry-leading and highly scalable Network Management Software, or NMS system.

Largely based on the success of the show, we have refined our licensee pipeline, which now consists of over 125 active engagements, which we are now focusing down on 35

prospective licensees. These top 35 potential licensees can be characterized by either their ability to quickly integrate and ship WattUp products to the consumer or their first or second position in their respective markets based on market share.

Having defined and prioritized our pipeline, we remain comfortable with our forecast of closing 10 to 12 definitive licensing and joint development agreements in 2016. The pace and ultimate number of new licensees is directly related to our ability to grow our customer support and engineering functions. To this end, the CES show was exceedingly successful, and as a bonus Fast Company even named WattUp one of the seven best ideas to come out of CES 2016.

With a successful CES show as a backdrop, in the first quarter of this year we continue to accelerate the pace of engagement with potential licensees. In Q1 we signed 10 evaluation agreements and delivered evaluation kits in conjunction with each of these agreements to a broad spectrum of potential partners in the wearable, toy, battery, computer accessory, smart jewelry, IoT, and Wi-Fi router markets. Of the 10 evaluation agreements, two were converted to full licensing agreements last quarter, and we expect this pace to continue with at least three new licensing agreements executed in the current quarter.

The relationship with our tier-1 strategic partner also remains on track. In the first quarter we signed our third addendum to our original agreement, which brings benefits to both companies and provides greater details on the milestones that form the core of our relationship. Based on milestone achievements, we were able to invoice and collect \$500,000 of engineering services revenue in the quarter, but were only able to recognize approximately \$136,000 because of revenue recognition accounting rules. We anticipate additional invoicing and revenue this year as we continue to deliver on milestones.

Also, in the first quarter we completed and successfully brought up the production versions of our transmitter and power amplifier chips, as well as started the qualification process of our receiver chip. Speaking of our silicon efforts, as a fabless semiconductor company, we will complete qualification and begin shipments in quantity of three different ASSPs within two and a half years of our IPO and launch of the company. Shipping qualified parts of this complexity in quantity in a two-and-a-half year timeframe since the inception of the company is fast, exceedingly fast execution.

In summary, the company's first quarter performance significantly accelerated our time to revenue, which is a major priority for the company. Interest in licensing the WattUp technology increased by an order of magnitude with the release of the Mini WattUp transmitter and small- form-factor receiver as a whole new market opportunity presented itself, which has been unserved by wireless power.

We continue to expand our talented team of experienced professionals as we are actively recruiting for our core customer and advanced development engineering teams consistent with the needs of the company and our budget limitations. Our execution is strong as evidenced by the fact that we will be shipping three ASSPs in quantity to an expanding base of licensees in less than three years since the launch of the company and our IPO.

Brian, I will now turn the call over to you to review our first quarter financials.

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 our first quarter of fiscal 2016 ended March 31. In the quarter, we recognized engineering services at approximately \$136,000 compared to zero revenue in the fourth quarter last year and \$200,000 in the same period of last year.

When comparing revenues on a year-over-year or periodic basis, one must keep in mind the complexity and timing of the deliverables, and resulting impact on accounting for revenue recognition. The year-over-year decline is in no way indicative of any change in the direction or forecast future commercial potential of our current customer.

Our first quarter GAAP operating expense totaled \$10.9 million, an increase of approximately \$2 million over Q4 and \$3.8 million higher when compared to the same period Q1 of last year. The primary driver of the increase in expense versus last quarter and last year is a \$1.9 million increase in R&D in Q1 compared to Q4, and a \$3.4 million increase in R&D when compared to Q1 of 2015. As mentioned on the last call, we are in an intense period of chip development and we expect to incur the bulk of these related costs in the first half of this fiscal year.

Our net GAAP operating loss for the first quarter was approximately \$10.8 million. Net loss for the first quarter was also \$10.8 million after netting out negligible interest income. Our Q1 loss on a per share basis was \$0.66 on approximately 16.4 million weighted average shares outstanding. This compares to a \$0.61 loss and a \$0.54 loss in Q4 and Q1 of last year respectively.

Let me now review with you our non-GAAP results as we believe adjusted or non-GAAP EBITDA provides a useful picture to investors when used in conjunction with GAAP information for a company at our stage. Excluding \$2.1 million of stock-based compensation and depreciation on a non-GAAP basis, adjusted EBITDA loss for the first quarter was \$8.7 million versus \$7 million in the prior fourth quarter and \$5.1 million in the same quarter last year all on a similar non-GAAP basis.

The main reason for the large loss comes down to our investment in engineering. The company is focused on delivering chipsets and antenna designs for our forthcoming product introductions later this year and future generations of our RF charging solutions. Breaking this down further on a non-GAAP basis, year-over-year engineering expenses rose by approximately \$3.6 million driven primarily by an increased headcount and third-party chip design costs. While our year-over-year total non-GAAP spend on marketing, sales, and G&A combined was essentially flat.

Similarly, compared to the prior quarter, our third-party chip development work accounted for the bulk of the \$1.6 million of engineering spend increase and to a lesser degree additional engineering headcount added to the first quarter. Selling and G&A expense compared to the prior quarter was relatively flat, increasing by only \$100,000. Reviewing our balance sheet, we ended March with \$23.7 million in cash and cash equivalents, a decrease of approximately \$6.2 million over the fourth quarter of last year.

As I emphasized earlier, we are making a significant investment in chip and antenna development. This activity is expected to peak in the first half of this fiscal year, as was

planned, and is necessary to continuing our engineering work with our tier-1 customer and beginning to engage additional customers for paid development work leading to the introduction of products for shipment later this year.

We anticipate that our forecasted revenues in the second half of this year will generate cash to offset the bulk of the chip development expenditures we are experiencing in the first half of this fiscal year, and are forecasting having sufficient working capital through the second quarter of fiscal 2017.

I'll now turn it back to Steve for his closing remarks.

Stephen Rizzone

Thank you, Brian. Before we turn the call over to the operator for questions, I would like to update our investors on the progress of the company as it relates to the primary goals we have set for the company for this year. As part of our last conference call, we communicated six goals which the executive team felt were critical to maintain our dominant leadership position in true wire-free power and accelerate our path to meaningful revenue and sustainability.

Specifically, goal number one, to have WattUp-enabled consumer products shipping late 2016, early 2017. Energous is absolutely on target to achieve this goal. The Mini WattUp reference design is actively being integrated into licensees' consumer-facing products, which should hit the markets in time, in a timeframe consistent with the goal.

Goal number two, to have multiple licensees displaying WattUp enabled consumer products in their respective booths at the 2017 CES show. We are on track to meet this objective as the company continues to sign new licensees and expand our customer service and engineering departments, which will enable us to work on an ever-increasing number of licensee integration projects.

Goal number three, to obtain the required regulatory approvals for our WattUp implementations. Energous has spent a great deal of time, effort, and money understanding the existing FCC regulations and the complexities associated with obtaining regulatory approval for all three product reference designs on our roadmap and our rollout plan.

As previously stated, we believe we have identified a path to regulatory approval based on existing FCC rules and requirements for all three product reference designs on the roadmap. The actual timing for approval for some of these product reference designs is difficult to predict, but we have allowed for this contingency in the product release dates incorporated in the three reference designs, which form our product roadmap mentioned earlier in the call.

We can say we are anticipating notifications for approval of the first product reference design, the Mini WattUp transmitter, very shortly. Following this, we believe approval for the second and third stages, the midsize desktop transmitter reference design and the full-size transmitter reference design, will likely roll into 2017. In any case, we have a path to approval under the existing regulatory rules and we are executing on it.

Goal number four, to successfully transition from a development company to a fabless semiconductor company. Under the very capable leadership of our experienced

executives, our operations and engineering teams are building the necessary infrastructure to become an active fabless semiconductor company. The chips in our chipset are either in or will shortly be in qualification and remain on track for shipments to our licensees in quantity in the early fourth quarter of this year. We will meet this objective.

One additional comment, the chipsets we are qualifying form the base of all three of our product reference designs, and this is a very important point. We have developed a building block architecture that allows our customers' engineers to integrate our ASSPs into our licensees' consumer products based on size restrictions, transmitted and received power and distance requirements all using different combinations of the same chipset. In other words, the parts that we're qualifying today are going to be able to support all three of our reference designs.

Goal number five, to maintain our current momentum with our top-tier strategic partner while expanding our licensee base. We believe we will meet most if not all of the key milestones currently stipulated as part of our original agreement and subsequent addendums with our top-tier strategic partner. While we cannot guarantee that the WattUp technology will ever be incorporated in any of our strategic partner's consumer products, the milestones and development efforts associated with our relationship continue to advance the WattUp technology in general across all phases of the company and bring us closer to our ultimate goal of a ubiquitous WattUp-enabled wire-free ecosystem.

Our momentum in expanding our licensee base is strong and increasing and is limited only by our ability to expand our infrastructure and support capabilities to meet the needs of these new joint development agreements. So we believe that we will meet this goal also.

Finally, goal number six, to maintain adequate fiscal controls, liquidity, and runway to meet our objectives and the demand for our technology. Under Brian Sereda's capable leadership, Energous has a detailed operating plan, strong financial controls in place, and sufficient capital on hand to execute on our AOP.

In summary, Energous continues to execute at a very high level and is on track to meet all of our aggressive goals that have been set for the company in 2016. I will say this again and likely I will say it hundreds of times throughout my tenure as CEO of Energous, this is an incredible opportunity that all members of the Energous community are extremely excited about and highly motivated to achieve its true potential. I want to thank all of our investors for your support and look forward to report continuing progress at our next conference call in three months.

Operator, we'll now take questions.

QUESTION AND ANSWER

Operator

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 momentarily to assemble our roster.

The first question comes from Daniel Amir of Ladenburg. Please go ahead.

Daniel Amir

Thanks a lot and congratulations on hitting milestones here. A few questions here. So first of all just to understand the comments around the financial side, so....do you feel that despite the fact that it looks like you're pushing out by a quarter here the midsize and full-size transceivers, you will still be breakeven, I guess, at around kind of mid-2017. I mean is that still on plan?

Stephen Rizzone

Yes, I think that, again this is all about prioritization and the responses I said that we've received from the Mini WattUp transmitter and our ability to execute on it so quickly is really driving that focus. And the revenue projections, and again we're not prepared to go out in any level of detail yet, but the revenue projections given the percentage of the bill of material that we believe that we can achieve in conjunction with this market segment is significant and near-term. And so while it does push out the midsize and the full-size transmitter reference designs by the quarter, we believe that it more than makes up for any delays there with respect to the revenue that we expect to be generating.

I'll also tell you that, while this is a prioritization, we are aggressively working now with licensees on all three reference designs. And part of the delay of the quarter rollout is also related to the complexity of integrating these two reference designs into consumer-facing products. This is another reason that we're focusing so much attention on the Mini WattUp transmitter. It is much easier to integrate, time-to-market is much quicker, and so again, it really is all falling into place. And I just want to reiterate the fact that we expect to see very significant revenues and a nice hockey stick coming out of our efforts related to the Mini WattUp transmitter and the licensees that we're signing up for it.

Daniel Amir

Just in relation then to 2016, I mean in the past you said you might have mentioned mid-to-high single digits in sales, in revenues, excuse me, this year. I mean, is that still on plan or really depends on, kind of the ramp of Mini WattUp in kind of the Q4 timeframe?

Stephen Rizzone

No, that's absolutely on plan. As you may recall, we made that forecast in conjunction with engineering services as it relates to our key strategic partner. I'm also pleased to report that we believe that we're also going to be generating engineering services in the not-too-distant future from at least one additional licensee. And so the basis of that forecast is really engineering services. The whole element of margins associated with our ASSPs and royalties based on shipping product is really additive to that forecast.

Daniel Amir

Okay, and then in terms of the investment that is required here on the Mini WattUp you had a big quarter year in R&D, clearly you're trying to tapping out chips. But it looks like it's peaking in the first half and then it will decline in the second half. I mean, is that what I understand correctly or are you pulling in R&D investment in order to get a faster time-to-market with these products?

Stephen Rizzone

Well, I think it really relates to, as Brian has spoken about and in the last couple of calls, our expense is a bit lumpy in that it really focuses around when we are...the development efforts for our silicon, which is the most expensive element of the company. And a great deal of that development relating to silicon peaks in the first half of the year, as Brian said. We expect to continue to develop additional silicon, but not at the pace that we are at now. As I said earlier, the ASSPs that we are developing and are in qualification really form the basis of all three reference designs. And so follow-on versions will bring additional functionality, will provide a level of additional cost reduction, higher efficiency, so on and so forth. But the pace of the silicon efforts will not be at the same level it was in the first half of this year.

Daniel Amir

Okay, and then my last question and then I'll get back into the queue. Just regarding the regulatory approval with the midsize and full-size, I mean has something changed here compared to six or nine months ago in terms of whether this is more complex than what you previously expected or is this at the same level and it's just a prioritization issue?

Stephen Rizzone

Well I think there are a number of facets here. Quite frankly, I think we're very, very fortunate to have the relationship with our top-tier strategic partner who has shed a great deal of light and contributed a great deal to the development of our strategy. A year ago I think we were following down one path and subsequent to that that path has been refined and we are very, very focused on working and obtaining approval within the existing rule set that's currently in place within the regulatory agencies. And to that end, we have modified our development strategy and our regulatory approval strategy to be compliant with these rules. So it represents a continuing evolution of our strategy as we understand and engage more with the regulatory agencies, as we understand the capabilities of the technology as it relates to in particular the rules relating to SAAR and MPE, and the functions that are associated with the current regulatory process. So I think it's more of an evolution than a change, but we're very, very confident and that's why we laid out the product roadmap that we did today. It includes, I think, the timelines associated with what we believe are necessary for regulatory approval. We think we've got it pretty well dialed in.

Daniel Amir

Okay great, thanks a lot.

Operator

The next question comes from William Gibson of Roth Capital Partners. Please go ahead.

William Gibson

Hi, you mentioned converting the evaluation partners to licenses already and I think you had a release on one of them being hearing devices. Can you share what the second is?

Stephen Rizzone

I believe we announced that one also with Pegatron.

William Gibson

Oh, that was Pegatron, okay.

Stephen Rizzone

Yes, that was a large OEM and ODM out of the Far East that is really going to be very beneficial to us is as they will be a manufacturing landing site for a number of our strategic partners.

William Gibson

Okay, now that makes sense. Secondly on the medium-size transmitter, what sort of devices does that apply to? Could that be used with a phone or is the phone dependent upon the full-size transmitter?

Stephen Rizzone

That's a very good question. And the answer is that it's really more an element of distance as opposed to power. We believe that the midsize transmitter reference design will be able to power devices including smart phones and tablets and computer accessories, wearables, so on, all within the desktop or within 3 feet of the WattUp-enabled transmitter.

William Gibson

Okay, so it is still dependent upon the timeline of the tier-1 partner then?

Stephen Rizzone

Not necessarily, no. I think that there are...the timeline....I think we need to separate that out because the timeline of the tier-1 partner is the timeline of the tier-1 partner. Our goal is to sign, and I think we're very being very successful in this goal, is to sign a number of additional licensees. I said 10 to 12 this year, and I think that's a very conservative number and so the licensees that we're talking about, as I mentioned we focused on 35, and they go across the entire spectrum of markets that we're looking at in terms of toys and batteries and wearables and smart jewelry and Wi-Fi routers. And so, again it's a broad spectrum and it's separate and independent from the timelines associated with our top-tier strategic partner.

William Gibson

Thank you. And one last question just related to additional milestones with your tier-1 partner in the second quarter. Does that result in more money coming in?

Stephen Rizzone

It's possible. There are acceptance terms associated with these milestones. We believe that we'll be delivering and whether or not they are accepted within the quarter is yet to be determined. And so, as it works, our top-tier strategic partner accepts the milestone and then has a period of time to review and make the final acceptance that triggers payments. And so, I can't commit to that now, but we will be delivering on the milestones, whether or not they will make final acceptance I can't tell you.

William Gibson

Okay. Thank you.

Operator

The next question comes from Ilya Grozovsky of National Securities. Please go ahead.

Stephen Rizzone

Hello, Ilya?

Operator

Your line is open Mr. Grozovsky. Please go ahead with your question.

Stephen Rizzone

I think we've lost him.

Operator

Okay. Continuing on, we have a question from David Pescherine of RNC Center. Please go ahead.

David Pescherine

Thank you. So, Steve, a few questions around the approval processes. I guess first, can you just clarify if you've actually started the process with all of the different-size transmitters.

Stephen Rizzone

We have engaged or started the process. I'm not prepared to get into a lot of detail, but I will tell you that we have started the process.

David Pescherine

Okay. And so, you don't need a final-final product to actually begin that process, is that correct?

Stephen Rizzone

You do not need a final-final product to begin the process. That is correct.

David Pescherine

Okay. And then, I guess I was really pleased to hear your commentary about trying to get approval or expecting to get approval under the existing regulatory framework, because there has been a lot of speculation that you guys were going to essentially try to go in there and get the rules changed, because this is a brand new market. And so, I guess I'm very interested in understanding or if you could maybe characterize, what have you done either in terms of innovation or just changing the specifications that's allowing you to feel confident about getting approval under the existing framework? Has there been additional innovation in the technology, let's say in the past 12 or 18 months or is the technology essentially the same and just the way that you are tasking it has changed?

Stephen Rizzone

Well, I think that's a good question. And I think the answer is a bit complex, but combines both. I think, first of all, the key is really understanding the regulatory rules as they exist today. And the process. And again this relates back to my earlier comment about getting into the details. It is really getting underneath the covers and understanding the details at a very minute level. That has impacted our strategy as it relates to both submitting for approval and our development strategy. And so, again it's, I mentioned that we've spent a lot of time, energy, and money in this and that's exactly

the case. And that under the existing rules I believe that we've developed a methodology for transmitting power both locally that falls underneath the existing rules and requirements for the FCC. And we have to go through a process. Any time you are dealing with a government agency, especially one as complex as the FCC, there are.... we would anticipate a number of iterations and milestones along the way. And I think we just have to get into it in more detail, get into it deeper and progress. But, as I said, we believe that our technology as it sits today after a number of iterations and improvements in design, efficiency, and the ability to work within definitive frequencies is such that it meets the rules and will progress along those lines.

David Pescherine

And then maybe one final one from me. You characterized each transmitter as being at essentially a different stage of commercialization. So, again, can you maybe characterize for the mid and the full size. Is there some gating factor to kind of pushing it to the goal line. Is it a matter of getting just the approval? Is it about silicon getting the size small enough? Is there some key element? Or is it just about getting a customer to actually go ahead with that product to kind of push it over the goal line? How should we think of that?

Stephen Rizzone

Well, it's not about customer because customer is.... I don't want to say it's the least of our concerns, but our problem is that we have more customers than we have the capacity to support by an order of magnitude. It really relates to the design, the priorities, they are different. But they are again a combination of the same basic components. They have their own integration cycles as it relates to our strategic partners, they have their own approval cycles as it relates to the regulatory agencies, and so they're different, and they're unique, and we prioritize them. And although we work on them in parallel, we believe that they will hit the market on a serial basis along the timeframes that we've talked about.

David Pescherine

Okay. But, to again just to clarify then, it has nothing really to do with innovating the product so that it even works in the first place is that...if you said tomorrow, hey, we're going to really focus on the large-scale transmitter, because that's what the main customer wants. You don't need to...there's no innovation that still has to really happen other than kind of a normal production cycle?

Stephen Rizzone

Well, let me say this that, that we exist in a very fluid relationship here and/or a situation here and our priorities continue to change as the needs and requirements of our licensees change and the business change. From what we see today, I think that the roadmap that we've laid out makes a lot of sense and one that we can execute on.

As far as the innovation, we've had a tremendous amount of innovation since the inception of the company two-and-a-half years ago. And it's allowed us to achieve levels of efficiency. It's allowed us to achieve antenna design and algorithms that control complex movements of our receivers. So, we've made significant strides as evidenced by the fact that we filed upwards of 250 to almost 300 patents surrounding the technology. But we believe that it's imperative as a leader in the company, in this industry, for us to maintain our leadership position that we continue to invest in

innovation. And so, we have segmented out a completely separate engineering team, called our advanced engineering team, that focuses on the future, that will ensure that we continue to innovate and that innovation is a core part of our long-term strategy and a core part of the company.

David Pescherine

Great. Well congratulations on the licenses that you signed, and it looks like you've got a great pipeline of new opportunities ahead. Thank you.

Stephen Rizzone

Thank you.

Operator

And I believe we have time now for one last question that will come from Lou Basenese from Disruptive Tech Research. Please go ahead.

Lou Basenese

Thanks for taking my question gentlemen. Just a quick question on the most recent licensee in the hearing devices market. Can you give us any color on what you think the addressable market might be here with this customer in hearing devices? And then, if there's any plans or possible expansion with that customer into other verticals like wireless ear buds or Bluetooth headsets?

Stephen Rizzone

Good question Lou. I don't think...we signed this particular strategic partner and licensee quite frankly based on their ability to move very, very quickly. We do not expect millions of devices shipping in conjunction with this licensee. It is really more to get our first full integration steps complete to develop our processes to meet our commitment to get product through all of the necessary regulatory and fulfillment cycles and get it out to the consumer, which as we said, makes us or turns us into a completely different company.

And so, the focus here on that particular licensee is really more on time-to-market than it is on revenue opportunity. Having said that, it's important to note that this licensee is a battery company in its core context. And so we're working with them in conjunction with battery and battery technology. So, the technology and the reference designs that we're developing we believe will have broader applications, but not necessarily with this specific strategic partner. It's a great strategic partner. They are working very, very aggressively with us and we want to be very supportive of them, and we think that they're going to be able to release a very, very differentiated product, but again the key is that we're going to do it quickly.

Lou Basenese

Okay. Just one quick follow-up on that maybe on the more technical side. Is the receiver chip small enough to fit into the smallest-sized hearing aid battery, or is there a certain size that you can't get down to?

Stephen Rizzone

I think that...we don't know what the smallest size hearing aid battery might be. What I can tell you is that we have engaged with a broad cross section of wearable and small-form-factor electronic devices and we have not found any that we cannot meet their receiver requirements in terms of footprint and form factor. So, I don't know how small these hearing aids can get down to. But certainly with the broad base of licensees and prospective licensees that we're talking to, we have not come across a hurdle in footprint.

Lou Basenese

Okay. Thanks Steve. I appreciate it.

Stephen Rizzone

Thank you.

Operator

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

CONCLUSION

Stephen Rizzone

Well I want to thank you again for your continued support. I think we've summarized our activity for the first quarter. I think we're confident that we're going to have continued positive results as we move forward in the second quarter and beyond. We believe that this year is a pivotal year for Energous. We've got a very, very detailed operating plan and we continue to execute against it and meet our milestones. And again, we'll look forward to our conference call in three months where we'll have more positive things to report. So thank you very much, and we'll talk to you again.

Operator

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