

Energous Corporation

Q3 2017 Results Conference Call

November 08, 2017, 4:30 PM Eastern

CORPORATE PARTICIPANTS

Steve Rizzone - *Chief Executive Officer*

Brian Sereda - *Chief Financial Officer*

Mike Bishop - *Investor Relations*

PRESENTATION

Operator

Good afternoon, and welcome to the Energous Corporation Third Quarter 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 touchtone phone, 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 Energous Investor Relations. Please go ahead.

Mike Bishop

Thank you, Gary, 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 Law, Energous disclaims any obligation or undertaking to publicly release updates or revisions to the forward-looking statements contained herein or elsewhere to reflect changes and expectations with regards to those events, conditions and circumstances.

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

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

Steve Rizzone

Thank you, Mike. Welcome to the Energous Third Quarter Conference Call and Update. With me today is Brian Sereda, our Chief Financial Officer. As usual, I will start with remarks on our considerable milestone progress since our last conference call before turning it over to Brian for a review of our financial results for the third quarter of 2017. I will then close with some final comments and open the session for questions.

In the third quarter, Energous continued to execute on its primary goals for the year, as we build momentum towards a true wire-free charging ecosystem that has a common charging technology, including both near-field or contact-based capabilities as well as the unique ability to charge devices at a distance.

First, I am pleased to confirm that in early October, Energous shipped qualified silicon chips to customers for revenue. While the amount of revenue is not significant from a financial perspective, as a systems-based fabless semiconductor company, this is a very important milestone, as it represents the most critical step in the transition from a development-stage company to a commercial-stage company. This milestone was accomplished in less than 3.5 years since our IPO.

When compared to the history of many of today's top tier, consumer electronic companies, who took longer to achieve silicon shipping for revenue, it is evidence that Energous is moving very quickly and aggressively down the path of building a significant and profitable business and is proof of our single-minded focus, agility, and determination.

Further, these chips have been shipped in conjunction with the first fully integrated WattUp consumer products going into pilot production status. WattUp near-field reference designs for two of our early adopters have been fully integrated into specific consumer products. We announced earlier today that one of these customers is Myant, a leading developer of textile computing platform and a signature line of smart apparel. Myant chose WattUp due to its unique advantage of being able to charge their sensors in a variety of ways, as well as the stability, scale, and reliability of the WattUp technology.

Energous application engineering teams are now working with the respective original design manufacturers, or ODMs, on plans to begin pilot manufacturing runs as a precursor to production. In parallel, we will be working with our early adopters to submit these custom consumer products to the FCC for certification, leveraging off the basic WattUp near-field reference design that has already received FCC certification, as announced in earlier conference call.

The result is that two WattUp consumer products, consisting of WattUp near-field transmitters and integrated receivers, are moving into the final production phase of our sales funnel. Besides the revenue and production milestone achievements, these initial implementations will provide valuable insight that can be leveraged as additional customers reach production status in the coming weeks and months.

Regarding FCC certification of the first power-at-a-distance transmitter. We reported last quarter that working with our Telecommunications Certification Body, or TCB, Energous successfully completed and passed a broad range of tests, resulting in a certification document being submitted to the FCC.

The FCC reviewed the certification document as a novel or new application of previous testing methods. Because the certification will set a precedent, the FCC is being very thorough in their review to ensure that not only this certification, but any future certifications, comply fully with all the current regulatory requirements. As a result, the agency requested some additional tests, explanations, and clarifications.

In response, the Energous regulatory team, again working with our TCB, performed these additional tests and developed responses to the requests for explanations and clarifications. Our test data, once again, shows that our device complies with current regulatory limits. The new test data, along with the requested explanations and clarifications, was compiled into a new certification document, which has been submitted to the FCC and is under review.

The request for additional testing and clarifications has impacted the timing of the certification. However, we remain confident that we will receive notification of certification likely before the end of this year.

The importance of this certification to our industry cannot be overstated, as it will demonstrate that RF-based wireless charging can safely provide the consumer with the freedom and utility to charge devices without the need to place them on a mat or pad. We are acutely aware the

certification is of high interest and importance to our company and our investors alike. Upon receipt of notification of certification from the FCC, Energous will make an announcement and answer questions on this widely anticipated, ground-breaking and history-breaking...history-making milestone.

Next, our relationship with our key strategic partner continues to progress. In the third quarter, we recognized additional engineering services revenue based on the achievement of certain engineering milestones. As noticed in... as noted in previous quarterly calls, beyond this, we cannot comment further on the relationship.

Moving to our customer funnel, largely driven by our expanding sales relationship with our partner, Dialog, our customer funnel continues to expand to the point where our customer engineering team is saturated with proof of concept and product projects. We have limited further expansion of our funnel to just top tier companies from the Dialog portfolio of customers, and are focusing on pushing opportunities through the various funnel stages with the goal of ramping revenues as fast as possible.

To be clear, Energous continues to have more companies interested in the WattUp technology than we can support. We felt, at this stage of Energous's development, that it was better for us to focus on driving our existing opportunities through the funnel to commercial deployment and limiting further expansion, rather than diluting our resources, trying to respond to all of the demand.

This strategy is already paying dividends, as noted earlier. Two smaller, nimble early adopters have purchased and taken delivery of chipsets through Dialog, and their ODMs are moving aggressively through pilot manufacturing to production.

Considerable focus is also on two new partners who can, potentially, be very instrumental in our projections of a significant ramp in revenues in the second half of 2018. Both of these partners are top tier consumer electronic companies with a global presence and high-volume products. One is one of the top 10 consumer electronic companies in the world, based on worldwide sales.

This is the second top tier top 10 consumer electronic company with whom we have a very active engagement. Current launch dates for both opportunities for first shipments to consumers are in the latter part of 2018.

Our three-pronged strategy, which we discussed in earlier calls, remains on track. We intend to focus on a small number of customer opportunities with shorter product cycles to ship products to the consumer as quickly as possible. This is a critical validation point.

The second element of the strategy is to focus on a select number of top tier opportunities capable of completing internal product cycles in time to be able to ship mass quantities of chipsets in the second half of 2018, supporting a significant revenue ramp. This is the revenue inflection point.

The third element is to achieve a self-sustaining high-margin business in 2019. We believe this goal is achievable given that our top opportunities with extended product cycles will mature in 2019, coupled with the benefit of full-year shipments from all of our 2018 shipping customers and the continued expansion of our customer funnel, resulting in an ever-increasing number of customers buying chipsets and shipping WattUp-enabled products. This is lift-off.

Moving on, the Dialog partnership continues to be invaluable and synergistic, yielding significant benefits to both partners. The transfer of our back-end operations to Dialog is complete, as is the integration of our engineering application engineering teams.

From the sales perspective, as noted in Dialog's recent quarterly calls, they are seeing tremendous interest in the WattUp RF-based wireless power solution, also referred to as Wireless Charging 2.0, as it allows for both contact-based charging and charging at a distance. Dialog has introduced Energous and our WattUp technology to a broad spectrum of their tier-1 customers and anticipate that these customer opportunities will be an important part of our revenue lift-off in 2019.

An important accelerator of these opportunity discussions is our recently announced GAN-based high-powered near-field charging solution. This transmitter design offers higher amounts of power to be delivered for larger devices, such as smartphones, tablets and smart speakers. This expansion of our ecosystem allows for fast charging as well as charging of even more types of devices, further expanding the reach and interest for the WattUp technology.

Also of note, at the upcoming CES show in Las Vegas, Energous will have a significant presence in the Dialog semiconductor technology suite, where we will be demonstrating the very latest WattUp technology.

Also, as a board member company at the AirFuel Alliance, Energous will be demonstrating in the AirFuel booth on the trade show floor. In addition to these two spaces, we believe a number of WattUp-enabled products from our partners will be announced and demoed in their perspective booths and suites at the show.

Energous is clearly the technology leader in true wire-free charging, as evidenced by the ongoing expansion of our IP portfolio. Energous now has 89 patents, either granted or allowed, with an additional 200 patents pending.

Our continually expanding IP portfolio, coupled with our clear first-to-market advantages, pose a very significant barrier to any potential competitor attempting to come to market with the second-generation technology that encompasses charging-at-a-distance.

Finally, as Brian will go into in more detail, our non-GAAP expenses are down significantly year-over-year. We are equally focused on generating revenue and conserving cash. We have actually leveled our headcount down to 70 full-time employees, while shifting the skill set of our workforce to coincide with our shift from a development to a commercial-stage fabless semiconductor. Of the 70 employees, 60 are in engineering or in engineering-related services.

In summary, in the third quarter, Energous continued to execute on both its tactical and strategic operating plans, setting up the company to achieve the major milestones of first commercial shipments of qualified silicon for revenue; first mass-produced WattUp-enabled consumer devices shipping to the consumer; FCC certification of the first power-at-a-distance transmitter; and finally, shipment of the first commercial version of a power-at-distance FCC transmitter and receiver.

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

Brian Sereda

Thanks Steve. As you saw at the close of the market today, we issued a press release announcing our operating and financial results for the third quarter of Fiscal 2017 ended September 30. In the third quarter, we generated \$250,000 of revenue.

As in previous quarters, our revenue was primarily derived from engineering services for development work we are doing for our main customer, and the third quarter was no different. This compares to approximately \$300,000 of engineering services of revenue in the prior quarter and approximately, \$1 million in the third quarter of last year.

Comparisons to prior quarters in year-over-year is difficult due to changing deliverable milestones on projects that vary in scope and timing. With regards to our GAAP operating expenses in the third quarter, total third quarter GAAP expense was \$13 million, a decrease of just over \$0.2 million compared to Q2 and an increase of \$1.9 million over Q3 of last year. While our overall cash spending is down quarter-over-quarter, and I'll get to that detail shortly, on a GAAP basis, stock compensation represented 35% or approximately \$4.6 million of our reported GAAP operating expense in Q3.

Compared to the prior quarter, stock compensation expense rose by approximately \$200,000, which is partially offset...which partially offset lower spending in most areas, including engineering, and when compared to the same quarter last year, total GAAP operating expense increased by approximately \$1.9 million, but mainly due to a \$2.7 million year-over-year increase in stock compensation, again, partially offset by lower spending in both engineering and G&A.

The Dialog relationship has essentially allowed us to contain our underlying costs variability, while focusing resources on engineering and customer integration. We expect that this model will support our future growth without us having to add significant expense in areas such as operation and sales.

Our GAAP operating loss for the third quarter was \$12.8 million, approximately \$0.2 million better than the prior quarter and a \$2.6 million greater loss than Q3 of last year, albeit, on lower revenues. But also, higher GAAP operating expenses, again, mainly due to primarily stock compensation expense.

Adding back other income, our net loss for the third quarter on a GAAP basis was \$12.7 million, or \$0.58 per share on 22 million weighted-average shares outstanding. This compares to a \$12.9 million net loss in Q2 or \$0.63 loss per share on 20.6 million shares, and a \$10.1 million, or \$0.57 per share loss in Q3 of last year.

The increase in share count quarter-over-quarter this year is mainly attributed to the \$15 million private investment by Dialog completed at the end of Q2 and funded in early Q3. This added an additional 976,000 shares to our outstanding share count. Year-over-year, we've added approximately 2 million to our outstanding share count through \$30 million raised with strategic investors, Jersey Telco and Dialog.

Now moving on to a non-GAAP discussion of our results for the quarter, as we believe adjusted or non-GAAP EBITDA provides a useful comparison for investors for a company of our stage, especially when used in conjunction with GAAP information.

Consistent with our prior commentary, we improved our non-GAAP cost structure in the third quarter, resulting in improved adjusted EBITDA. Excluding \$4.9 million of stock compensation and depreciation expense from the GAAP operating loss of \$12.8 million in Q3, our adjusted EBITDA, or non-GAAP operating loss, was \$7.9 million, approximately \$0.3 million lower than Q2 and approximately \$0.1 million better than the third quarter of last year.

For the third quarter, our non-GAAP operating expense was approximately \$8.1 million, \$0.4 million lower than Q2 and approximately \$0.9 million lower than total non-GAAP operating expense the same quarter of last year.

For some added color, non-GAAP engineering expense decreased by approximately \$0.2 million compared to Q2, mainly reflecting decreased chip-related costs, as our development cycles continue to mature and approximately \$0.9 million, when compared to non-GAAP engineering spend for the same quarter last year, despite higher headcount this year.

We may see some variability in our future quarterly engineering spend, but to a lower degree than in previous quarters. Again, as I mentioned, as chip development cycles have matured, we anticipate focusing now on next-generation chips, based on a market-driven roadmap and existing chip designs rather than a ground-up approach required in the past.

Non-GAAP SG&A decreased in Q3 at \$2.2 million compared with \$2.4 million in the prior quarter, mainly as a result of lower marketing and legal expenses. Year-over-year, SG&A was flat to the \$2.2 million spent on SG&A in Q3 of last year.

In summary, our non-GAAP spending in the third quarter declined by over \$2 million compared to the fourth quarter of last year. We also believe we should not see any dramatic upward swings in spending, as we drive our growth through our partnership agreement with Dialog, allowing us to maintain steady headcount and cost controls, going forward.

Moreover, as I mentioned, we believe our chip development, going forward, can now be more focused, as future variants of wireless charging solutions are introduced to the market, thanks to the progress and work completed by our engineers in previous quarters.

Wrapping up today's discussion on our Q3 financial results. We ended the quarter with \$20.2 million in cash and cash equivalents. As Steve highlighted, we expect our first quarter of volume shipments to begin in this fourth fiscal quarter with the initial shipments of chips through Dialog having already occurred in early October.

Although we expect chip shipments to increase in volume in the first quarter of fiscal 2018, predicting volumes ranges and associated revenue conditions surrounding initial shipments through our partner, Dialogue, at this stage, is a challenge. Echoing Steve's comments, we remain very confident in our commercial and regulatory outlook and look forward to reporting on our progress and the introduction of WattUp next-generation-enabled devices by our customers at our next earnings call.

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

Steve Rizzone

Thank you, Brian. Before I turn the call over to the operator for questions, I would like to make a few comments on wireless power in general and Energous's competitive position. There have been a number of editorials, proclamations, assumptions, and assertions about inductive

charging technology lately, which could be viewed as negative towards Energous and our RF-based WattUp technology. We don't see things this way, nor do our partners or our customer funnel see it this way.

On the contrary, we believe these announcements and the raised visibility of wireless charging in the press is good for the Industry and good for Energous as it is awakening that consumer to wire-free technology and it's potential. The fact is that for contact-based applications requiring power of less than 10 watts, our WattUp wireless charging solution represents a significant upgrade over the older coil-based inductive technology.

WattUp offers competitive efficiency for near-field applications, superior position independence with a smaller footprint at a lower cost with no foreign object issues. WattUp also has the definitive advantage that inductive technology can never match. That is, the ability for a common receiver to both quick charge on a pad and charge at a distance in a fully compatible WattUp eco system.

Virtually every customer we are engaged with either has an inductive charging product in the market or they have considered inductive charging, so they are very familiar with this older technology. With its competitive advantages and unique capabilities, the WattUp wireless charging 2.0 is viewed as the next generation.

Finally, I want to reiterate that both Energous Management and the Board of Directors are significant stakeholders, and we are not pleased with the current valuation. We do not believe that it reflects the significant progress we have made or the future potential of the company. Having said this, we cannot focus on tactical short-term responses to volatility in the price of our stock.

We remain completely committed and focused on running the business for the long term, executing on the vision, and building significant long-term shareholder value. If there is material news, positive or negative, rest assured we will announce it to all investors simultaneously. Patience is required as it will take time for deployments to reach a scale necessary for the full benefit of the eco system to come to fruition.

As a company, it is our intent to remain laser focused on the objectives we discussed earlier in the call: to get FCC certification, which we will; to ship the first WattUp-enabled products to the consumer and focus on revenue leading to financial independence and predictability. We will do this and we will deliver on the opportunity to build a significant relevant business that dominates charging 2.0.

I will now turn the call back over the operator for questions. Operator?

QUESTION AND ANSWER

Operator

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.

The first question comes from Ilya Grozovsky with National Securities. Please go ahead.

Ilya Grozovsky

Thanks guys. So, I just had a question on this second top tier consumer electronics device company that it sounds like you have announced here for the first time. Can you kind of go into a little bit more detail on that, just...is that for the current product set is that for something in the future?

Steve Rizzone

We really cannot go into much detail beyond the fact that, as I said, that they are one of the top Consumer Electronic Companies in the world, based on worldwide sales. There are a number of projects that we are engaged in and they involve both the contact-base solution and the mid-size or mid-field solution.

Ilya Grozovsky

And do you...is this a similar deal with your other...as your other top tier customer, do you expect to get engineering-type of revenues from them in the near term, and then licensing down the road or this straight to licensing?

Steve Rizzone

First of all, this is not a licensing arrangement. We are a fabless semiconductor company, and so our revenue will be derived from the sale of chip sets. And we do not anticipate or expect that there will be any engineering service revenue associated with this arrangement.

Also, I will tell you that there are no first-to-market elements to the arrangement either. Again, we are approaching this as a fabless semiconductor company that is in the process of working with this top tier consumer electronic company to integrate our technology with future devices, and we will derive revenue in the form of chip sales based on the production of these devices.

Ilya Grozovsky

Okay. And then also...and then just also on the FCC, so it sounds like you have done everything that they have asked you to do in addition to what you did for them this summer and you feel like you...like they will come back to you between now and December 31st of this year over the next basically 45 days with results or additional comments, is that clear? Just to be clear on that.

Steve Rizzone

Well, so we...again, the FCC is being very, very thorough in this certification. And we understand why. Not only is this a very significant milestone, but this is a worldwide enterprise and once FCC approval is received for the mid-field in the United States, of course our intent is to continue and expand certification worldwide. And so the international regulatory bodies will likely be pointing to this certification again as a milestone.

And so, for that reason, they are being very, very thorough as you would expect them to be. We cannot predict what they will come back with. We can tell you that we have never had a failing result, that we believe that we have answered all of their requests in the second request for information. They may come back with additional requests, which would not be unusual or unexpected. At the same time, we think we are very, very close and that we have surrounded this issue with significant data and validation that proves that the device under certification is fully compliant with all of the current regulatory rules and requirements.

Ilya Grozovsky

Great, thank you so much.

Operator

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

William Gibson

Hi Steve. You put up the release on Myant and smart clothing. What the heck are they doing? I mean are they just going to track wherever I am if I am wearing a shirt or....what's behind that?

Steve Rizzone

Well, first of all, I hope you feel better. You don't sound too good. Let me say that they are an OEM supplier to many of the major apparel companies. And they have undergarments, athletic gear that has a sensor capability to monitor your hydration, your heart rate, your temperature, your body fat, your breathing, the number of steps you take, so on and so forth. And these sensors, as you can imagine, require power. And so we have developed in conjunction with Myant a charging capability for these sensors that works with their apparel line.

William Gibson

Good. I mean it seems like the internet of things world everything is being tracked nowadays. So I assume they are not the only...I will call them IOT as well, the company out there that you are talking to. How many products are you designed into?

Steve Rizzone

Well, I think they have a roadmap, because one of the reasons that they chose Energous is because we offer a lot of flexibility. They are a very interesting company and one that we are very pleased to be engaged with. They are very forward thinking. They have got excellent relationships in the apparel arena. And this is really interesting technology, if you think about it. It's...It is a wearable that is truly a wearable. And so, it's the same concept, if you will. But instead of wearing something on your wrist or something like that, this is garments that you'll wear on your person. So again, we think this is a very interesting company. They're well run. They're aggressive. And it's a privilege and a pleasure to be associated with them.

William Gibson

Thank you. And just, once again, let me attempt this. Can you share how many products you're designed into?

Steve Rizzone

When you say, designed into, you mean in terms of our total customer funnel?

William Gibson

Yes.

Steve Rizzone

Or are you talking about Myant?

William Gibson

No, I'm talking about your total customer funnel.

Steve Rizzone

I can't give you an accurate answer on that, because many of our customers have a...actually, I would say, the majority of our customers and our opportunities are actually developing a

roadmap. And I think this is one of the benefits of our technology and the fact that we can begin implementations with contact-based solutions. We've now expanded our ability to provide a broad base of these contact solutions from very low power to high power, from very small to large. And then we can continue to migrate and expand the transmitter base with the next-generation midfield transmitters. And so, I would say the majority of our customers have multiple products that they are in various stages of design and implementation.

I think that's also evidenced by the fact that we've got a pretty significant team of application engineers, and they're virtually saturated. In terms of a number, it's certainly tens upon tens, and I couldn't you give you an accurate figure. But there are just, as I said, the...what's important to us, is not only that we win the first solution, but that each of our customers has a roadmap, and we continue to supply products...excuse me, silicon chips and technology in their first iteration, second iteration, third iteration, so on and so forth.

William Gibson

Thank you.

Operator

The next question comes from Andrew Uerkwitz with Oppenheimer.

Andrew Uerkwitz

Hi, thanks gentlemen for taking my questions. First question, Steve, you mentioned this new tier 1 does not have first-mover advantage on any product lines. If I recall correctly, your first tier 1 customer does have first-mover advantage on certain products. So, when you mentioned that there's a chance that, by the end of 2018, both could be shipping, is the correct assumption that there would be different product categories?

Steve Rizzone

That is a safe assumption. I would make one correction also, though. I think that there's a likelihood that one of these customers will be shipping in the latter part of '18. I would think that there's a higher probability that the second will be in '19.

Andrew Uerkwitz

Got it. Thank you. That's helpful. And then, second question. You mentioned that there's a probability of one on shipping in end of '18, I mean, if these...yes, tier 1 has obviously shipped millions and millions of units. I would assume that that would be a pretty big inflection point for you as well to get you quickly through a road to profitability, no? But it sounded like you're still thinking more '19 for profitability, but with potential volume ramps in '18. Could we see it sooner?

Steve Rizzone

Well, again, we're still working the model out, Andrew. Again, keep in mind that we have the relationship with Dialog. There's a difference between rev-rec, cash, cash flow so on and so forth, because there is a delay involved. And also, I think that we want to be...we want to have further visibility in terms of numbers of units and shipments. And I think those are...it's still premature to talk about those.

One thing I can tell you, and I think it's very, very important that the ramp, while the technology is the enabler, our relationship with Dialog has been the validation point. We would not be in a position to talk to top tier companies, I don't believe, with the kind of ramp they're considering, if we did not have a solid supply chain capability. And of course, that is brought through Dialog.

And so, I think that is, again, a tremendous value to us, and it's also a very, very significant barrier to any other type of competition that would look to encroach on our position as market leader in a 2.0 technology.

Andrew Uerkwitz

Sure. That's a very fair point. And then just one more quick one, just on the technology side. On...can the same transmitter be used for both contact as well as mid-field contact-less charging? Meaning, if I...if a product ships, at some point, that...they introduce gen 2, gen 3 receivers with new products, is the consumer going to be acquired to re-up for the transmitter? Or is the transmitter built in such a way that whatever receiver they ultimately implement, the transmitter is going to work?

Steve Rizzone

So, since it is contractually required that all of our partners and customers are ecosystem compatible and the nature and type of transmitter is really application driven. As we've talked about for quite some time, we can see standalone transmitters, both near-field and mid-field. We see transmitters built into third-party products as...again, as a combination. I wouldn't think that it would be far-fetched to imagine in the not too distant future that you would have a monitor sitting on your desk with the ability to charge your wearable, your keypad, your mouse, remotely, and at the same time, drop your Smartphone on its base and have it quickly charged, if that was important, or have it charged wirelessly at a slower rate, while it was in your pocket or sitting on your desktop, or while you were walking around the room. So, again, it's application-specific. The technology is very, very flexible and very versatile. And again, we're just...we're continuing to design and expand the capabilities of the technology, based on requests and requirements from our customer base.

Andrew Uerkwitz

Great. Thank you. I appreciate that color. Thank you so much guys.

Operator

The next question comes from Jon Hickman with Ladenburg Thalmann. Please go ahead.

Jon Hickman

Hi, thanks for taking my questions. Steve, you mentioned a couple of times, Wireless Charging 2.0. Is that actually a trade name or something that Dialog is using?

Steve Rizzone

No, it is how our customers really are viewing the technology. And I think this is a very, very important point. The inductive technology, as we've said, has been around for what, 15 years...10 or 15 years. And it's just now gaining some semblance of visibility and adoption. And we believe that this is a very, very positive thing, because it's really opening both the customer and the consumer eyes to the whole concept of wireless charging and its potential, or its future. To this end though, we view the WattUp RF-based technology as the second generation or next generation of wireless charging, hence, the designation, 2.0.

Jon Hickman

Okay. So, I want to ask a question about the FCC. So, do they actually...what they're looking at, is it just data and reports from you, or do they actually have, like, products and...that are...that they can look at, touch, feel, see, kind of a lab, so to speak?

Steve Rizzone

Well, the FCC is a very sophisticated agency. And they actually do...the actual testing is conducted by certified labs or telecommunications certification bodies, as they're known, or TCBs. And there are TCBs throughout the United States that have been certified by the FCC to conduct these tests. And so, the actual testing of the device is done by the TCB, based on test plans that have been reviewed, approved, modified by the FCC. And then, this test data is submitted to the FCC for their review and consideration and any additional requirements.

Jon Hickman

Okay. But, you've seen this second round of data, and you're pleased with it?

Steve Rizzone

Yes. We are pleased. As I said, they...the...all of the additional requests, which we consider to be very reasonable from the FCC, were completed. We passed, as we did with the initial set. We provided explanations, which also were very reasonable to expect and clarifications, and all of that has been submitted as part of a second certification document. And this is what the FCC is currently reviewing.

Jon Hickman

Okay. And then one last question, so you say you have two customers that are shipping...that are receiving commercial shipments, albeit, maybe small quantities. And Brian mentioned, revenues in the fourth quarter would...is it reasonable to expect that there will be more than the two customers receiving shipments by the end of the year?

Steve Rizzone

It's possible. But, again, I wouldn't...I would not be attaching a lot to this. These initial shipments, what is important is the validation of the technology from a commercialization perspective. And so, we expect it to ramp. But, the early adopters that we're working with were specifically chosen because of their short product cycles, their interest in being early adopters, and the ability for us to move very, very quickly into full commercialization, as evidenced by products going through mass production and being shipped to the consumer.

So again, as I mentioned, what's important about these shipments, and there could well be more than two, there are another two that are close, that could receive silicon for revenue. And it depends on, again, how quickly the process moves. But, this is the validation point. And that's what they're...what is their primary value, at least for the short-term to Energous. Now, we expect that over time, clearly, these will ramp. But, we're looking, as I said, to get this technology into the hands of the consumer, primarily as a validation point that we have reached full commercialization.

John Hickman

Okay, thank you.

Operator

The next question comes from Jeff Kone with Wall Street Capital Partners. Please go ahead.

Jeff Kone

Hi Steve. Thanks for taking my call. Most of my questions have been answered, but I just have like few a little fill-in details. The first is about the FCC. Your confidence in approval by the end

of the year, hopefully, does that stem from just the data that you've looked at or have you had good dialog with the FCC that gives you that confidence?

Steve Rizzone

Well, I think it really stems from our confidence in good data and the fact that we've pretty well surrounded this problem. Again, this is a federal agency. So, we've mentioned multiple times that they're being very, very thorough, as you would expect them to be. And so, we really cannot predict, and they certainly have not given us any time frame, that's...that's not something that they would do. However, we believe that we have really framed this issue and provided conclusive data from a number of points that the devices...the device, I should say, up for certification, indeed meets all of the current regulatory requirements.

Jeff Kone

Okay, that's comforting. And the other detail is regard to the second tier 1. Given that they're addressing things outside the scope of exclusivity on the first tier 1, are there markets they're addressing as large as the first ones?

Steve Rizzone

They're large. They're large; you don't get to be a top 10 consumer electronic company in the world if you're not talking about mass quantities. And so, again, we're very pleased that we now have 2. But, we're not content with 2, we would like all 10. So, we're continuing to aggressively move forward. But, certainly, when you talk about a company in this range, in this rarefied air, anything they do is of significance.

Jeff Kone

Okay. And also, so Myant, it looks like they're a platform selling textiles to others. So, will we see the Myant name do you think? Or are we going to see global brands or how do we see the product in the marketplace? And then lastly, I'll just give it to you right now. I've got to bring up the F word. If you need financing to fund all these wonderful things, are you likely to be able to do it with a strategic?

Steve Rizzone

So, two questions. First of all, as I said, Myant has their own trademark name, it's SKIN and I think it's a very interesting opportunity and a really interesting company and one that, I think, bears a good look at. And of course, they also, as I said, market their products to the other apparel firms domestically and internationally. So, a real interesting company, one that I said bears a hard look.

With respect to financing, we closed the quarter with over \$20 million. I'm really pleased with the fact that we've been able to really rein in our expenses under Brian's leadership. We've done so, we've basically morphed the company and our employee base while reducing expenses, which is counter intuitive, you would think, for a company that's really aggressively moving towards lift-off. But, I think that that really relates to the efficiency of the model and, of course, to the strategic partnership that we've been able to establish with Dialog, which we've talked about significantly.

We continue to monitor our cash on an ongoing basis and pay close attention to it. We want to see how these revenues roll out. We want to see how the engineering services move forward. And I will also tell you that we have multiple strategic partners that are interested in gaining a closer relationship with the company. So, we'll continue to monitor this on an ongoing basis.

Jeff Kone

Good to hear. Thank you very much.

Operator

Due to time constraints, this concludes our question-and-answer session. I would like to turn the conference back over to Mr. Rizzone for any closing remarks.

CONCLUSION**Steve Rizzone**

I would like to thank everyone for attending our call. We sincerely appreciate your interest in our company and our technology. I would also like to leave you with one closing thought. Energous is indeed continuing to progress, and we are well on our way to achieving the vision we set when we launched the company 3.5 years ago. And that vision is to fully capitalize on a unique opportunity to fundamentally change a major paradigm: how consumer electronic and IoT companies provide power to their commercial devices.

If you believe in this vision, believe in the company, as we do not see any obstacles in our path that would preclude us from accomplishing this mission. Wireless Charging 2.0 is the future, and Energous will make it a reality. Thank you very much, and good afternoon.

Operator

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