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EDITED TRANSCRIPT

Q4 2019 Atomera Inc Earnings Call

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PRESENTATION

Operator

Good afternoon and welcome to the Atomera Fourth Quarter 2019 Earnings Call. (Operator Instructions)

This event is being recorded and will be available for replay for approximately 1 week. I would now like to turn the conference over to Mike Bishop. Please go ahead.

Mike Bishop;BishopIR

Thank you, and good afternoon. I'm Mike Bishop with the company's Investor Relations. Joining me on today's call is Scott Bibaud, Atomera's President and CEO; and Frank Laurencio, Atomera's CFO.

If you are joining by telephone, please go to the Events section of our Investor Relations page on our website to follow a slide presentation that accompanies our remarks. That presentation will remain available on our website after the call. After prepared comments by Scott and Frank, we will open the call up for your questions.

Before we begin, I would like to remind everyone that during today's call, we will make forward-looking statements. These forward-looking 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 Risk Factors section of our filings with the Securities and Exchange Commission, specifically in the company's prospectus supplement filed with the SEC on May 30, 2019. Except as otherwise required by federal securities laws, Atomera disclaims any obligation to update or make revisions to such 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, we 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 our website.

Now I would like to turn the call over to our President and CEO, Scott Bibaud. Go ahead, Scott.

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

Thanks, Mike. I'd like to welcome all of you who've joined to hear about our progress over the last quarter and during 2019. A lot of positive developments are underway for Atomera and I'm looking forward to giving you an outlook on what we've accomplished and how it sets us up positively for the future. At the completion of Frank and my remarks, we'll be happy to take questions.

As you may have seen from our press release, we were able to close the year with revenue of \$138,000 in Q4. Likewise, we were able to show a higher-than-expected cash balance for a variety of reasons, including increased payments from customers, partners working with us to minimize costs and good cash management. This seems counterintuitive because we have simultaneously conserved cash, while dramatically increasing the amount of work we are doing with customers in the late part of 2019. It's always difficult for us to illustrate in a quantitative manner this type of burst in activity, but we'll give it a try.

Although it would not be that meaningful to present regularly because of its episodic nature, one metric, which may help give a sense of the depth of customer engagements experienced over the last several months would be wafer count. In the late part of 2019, we have



delivered a dramatic increase in MST wafers to customers to test and prepare our technology for manufacturing.

During this period, we have shipped more than 3x the amount of wafers to customers, which is typical for a similar period and is certainly a record for Atomera. In addition to demonstrating customer integration and pre-manufacturing activity, it is also a measure of customer commitment since wafer deliveries by us lead to a significant customer investment to complete the processing and testing of those MST wafers, which have entered the front of their line. Delivery of those wafers fell predominantly in 3 areas: RF SOI, which will be used to make 5G devices; BCD, which is used in advanced power chips; and next-generation cutting-edge devices.

As we enter into this New Year, we have more customer integration runs underway than ever before, and we hope these will lead to compelling results, which will subsequently drive license decisions. As you know, we regularly report progress of customers moving through our phases of engagement. During this last quarter, we successfully advanced 2 customers from Phase 2 and achieved a record 15 engagements in Phase 3. One of our Phase 3 customers, who was conducting some tests in a niche area, has decided to discontinue those tests because, although they saw very good results, they found impediments to market entry unrelated to Atomera's technology. We continue to have many customers interested in building engagements with us, but have been so consumed with existing customer work that we have not prioritized new additions to our pipeline. I expect to begin adding more new engagements as we go deeper into 2020.

Since Atomera has gone public, we have been constantly responding to the needs of our customers by evolving how we structure our contracts with them. When feedback indicated our original onetime license fee was too high, we broke it into 3 pieces and when engagement stretched longer than expected, we started charging customers NRE for doing wafer runs.

A trend we are now seeing is that Atomera is developing deeper and more strategic relationships with many of our customers, relationships that span multiple different manufacturing processes and production lines. Our license structures today are targeted at single manufacturing processes, which may be too limiting for those type of relationships. So Atomera is now in discussions with several large customers. Customers with multiple production nodes spanning multiple product divisions with a new engagement format that integrates both development, licensing components and manufacturing features, which our customers call joint development agreements. While that name may imply an earlier stage of technology development, in our case, it is completely different as the agreements are focused on the development required to move directly into manufacturing.

The reason for this new format is that some of our largest customers are now working to enable our technology for deployment across multiple nodes on both leading and trailing edge technologies and on a variety of platforms, ultimately leading to deeper customer penetration, faster adoption and quicker ramping of manufacturing activities across their product lines.

In other words, large semiconductor companies are advancing in the relationship to make a significant investment in Atomera's technology that spans a broad swath of their production capabilities. This is a trend that we believe is all positive for Atomera and will help us to be more successful with bigger customers.

Now I'd like to give you some insight into recent developments in some of our key technologies. First, I know that investors have been anxious to hear about progress with the very exciting MST SP technology announced last year. The Atomera team has continued to make excellent progress on MST SP. The key metric for BCD power devices such as those used in power management ICs or PMICs is the specific-on-resistance, RSP, for a given breakdown voltage specification. 5-volt PMICs are widely used in many devices, including cell phones and other battery-operated products. The lower the RSP, the more compact and efficient a given PMIC can be.

When we first announced MST SP last year, we were able to show a 50% performance improvement over a baseline device, and those results generated a lot of interest in our customer base. But our customers pushed us to deliver on even more challenging set of targets in order to confirm that these improvements would apply to their devices and satisfy their specific and more exacting criteria.

At this point, the Atomera team has done so by reducing the RSP by a further 25% to a level that we now believe is better than the current best in industry. We now understand our MST silicon, which is fabricated at our contracted foundry, is yielding a lower RSP than industry front runners. So we believe we will be able to deliver even bigger improvements when fabricated on a significantly more



advanced processes used by our customers.

On the RF SOI front, we continue to achieve very compelling results, but are more limited in what we can share since it is confidential customer data. But you can be sure that our results have caused the manufacturers of RF SOI silicon to sit up and take notice. We now believe that we are working with customers whose RF SOI manufacturing capacity represents more than half of the entire installed base in the industry. So when MST starts shipping in RF SOI, it's well positioned to grow rapidly.

I'd also like to share with you some excellent news from one of our analog customers, who's authorized us to show some results in an area called matching. In analog and mixed signal circuit design, it's important that transistors, which are designed to be identical, do indeed have matched parametric performance. So when 2 transistors are manufactured next to each other, some circuits depend on them having very closely matched outputs. The degree to which they don't is called mismatch. Low mismatch is important for many circuit applications and fields ranging from A to D converters to SRAM, Flash and DRAM sense amplifiers. Because it is difficult in most processes to ensure high levels of matching on actual silicon, designers typically leave margin by using a larger, slower transistor. We have now shown that MST can reduce mismatch by more than 50%.

To put this in context, this means that the same mismatch can be achieved in a transistor using only 1/4 of the area normally required. So chip manufacturers can design much smaller and faster transistors translating into higher performance and lower cost, while still meeting their mismatch goals. That's a huge improvement that many companies will be interested in leveraging.

Robert Mears, our Founder and CTO, has just written a blog on this topic, which is up on our website now. Please feel free to check it out for more information.

Finally, I'd like to report that our 3 licensees continue to make solid progress with MST as they work their way to the milestones necessary before going into production. As we exit 2019, it is clear that the achievements reached with our R&D results and the activity level necessary to service our customer interests are at levels we've never experienced before. Indeed, I believe our future success is now being limited by our own internal resource level. I have no doubt this workload will only increase and will drive a requirement for a higher level of effort in 2020.

As you know, we are very conservative with our cash, but the potential growth we can see through our windshield makes the additional spending that you will see reflected in Frank's numbers, a great investment.

Now I will turn the call over to Frank to review our financials.

Francis Laurencio Atomera Incorporated - Chief Financial & Accounting Officer

Thank you, Scott. At the close of the market today, we issued a press release announcing our fourth quarter and full year 2019 results. This slide shows a summary financial results, and I will now review them in more detail.

Our GAAP net loss for the year ended December 31, 2019, was \$13.3 million, or \$0.84 per share compared to a net loss of \$12.9 million or \$1.02 per share in 2018. Our higher net loss was primarily due to higher operating expenses, offset in part by higher revenue. Loss per share decreased due to an increase in weighted average shares outstanding from 12.7 million for 2018 to 15.9 million for 2019.

Revenue in 2019 was \$533,000 compared to \$246,000 in 2018. Our 2019 revenue consisted of \$259,000 from license agreements and \$274,000 of engineering services revenue. By comparison, our 2018 revenue consisted of \$70,000 of license revenue and \$176,000 of engineering services.

GAAP operating expenses in 2019 were \$13.9 million, an increase of approximately \$674,000 from \$13.2 million of operating expenses in 2018.

Our press release and this slide contain a reconciliation between our GAAP and non-GAAP results. Our stock compensation expense in 2019 was \$2.9 million as compared to \$2.4 million in 2018. And as has been typical for us, this item is the main difference between GAAP

and non-GAAP results.

Atomera's non-GAAP adjusted EBITDA in 2019 was the same as in 2018, a loss of \$10.7 million. This is because our 2019 increase in non-GAAP operating expenses from \$10.8 million to \$10.9 million was offset by higher revenue.

To review the components of our operating expenses, I will focus on non-GAAP numbers, which exclude expenses for stock compensation, since they do not use cash. On this basis, research and development expense was \$6.9 million in 2019, an increase of approximately \$149,000 over 2018, primarily due to an increase in headcount. Spending on outsourced fabrication and testing, which is our largest component of R&D, was basically flat year-over-year, although both years were characterized by higher spending in certain quarters related to the intensity of our internal R&D work versus customer work. As Scott mentioned in his remarks, we were able to control spending while still delivering a record number of wafers. And this was mainly due to our increasing ability to charge customers engineering services fees as well as more efficient use of our EPI deposition tools.

General and administrative, and sales and marketing expenses, also on a non-GAAP basis, were both flat in 2019 as compared to 2018.

Turning now to our quarterly results. GAAP net loss in Q4 2019 was \$3 million compared to a loss of \$3.2 million in Q4 2018. The lower net loss is due to lower operating expenses in Q4 2019 compared to the prior year quarter, while revenue and gross profit were roughly equal. GAAP net loss per share was \$0.18 per share in Q4 2019 compared to a loss of \$0.22 per share in Q4 2018, reflecting the lower net loss as well as an increase in shares outstanding.

Q4 2019 revenue was \$138,000, consisting of \$113,000 of revenue from the license agreement with the RF supplier that we announced last quarter and \$25,000 of engineering services.

At the end of the year, we had \$37,000 of deferred license revenue, which we expect to recognize in Q1 2020. Our revenue in Q4 of 2018 was \$150,000 and consisted of license revenue from our agreements with STMicro and AKM.

GAAP operating expense in Q4 2019 was \$3.2 million, a decline of \$190,000 from \$3.4 million in Q4 2018, which primarily reflected timing differences in outsourced fabrication and test, which is part of our R&D expenses.

Cash balance at December 31, 2019, was \$14.9 million, a decline of approximately \$4 million from our \$18.9 million balance at the end of 2018 due to use of \$10.4 million of cash for operations, offset in part by the proceeds of our May '19 equity financing.

The \$10.4 million cash use was below the range that I had forecast for 2019 for 2 principal reasons. First, the lease for the new EPI tool that we have discussed in prior calls had originally been forecast to start increasing expenses in Q4, but there were delays in the facility and tool readiness, so while we signed the lease in early Q4, we are now expecting that installation will not be complete until Q2 2020.

Second, we had a burst of internal R&D work that led to MST SP and the resulting increased expenses, which we could not pass along to customers hit during the first half of the year. However, we were able to bring R&D expenses down in the second half, while our engineering services revenue picked up, which also help to offset expenses.

As in the past, we will provide revenue guidance for the coming quarter, Q1, and non-GAAP operating expense outlook for the full year. We expect revenue in Q1 to be in the range of \$50,000 to \$75,000. While this is lower than our revenue in the previous 2 quarters and our visibility is still limited, we do not see this as a negative long-term trend. As Scott said earlier, several large customers are driving us to structure our engagements under more detailed contracts, which can take longer to negotiate than other engagements we've had with customers. These new contracts are not included in our revenue guidance. We may update guidance upon execution and announcement, subject to our nondisclosure obligations.

The most important takeaway from the new engagement structure is that the agreements will provide a more structured path to getting MST installed and moving toward production.

For non-GAAP operating expense, we expect 2020 to be in the range of \$13 million to \$13.5 million, which is an increase of approximately \$1 million from our 2019 plan. The actual year-over-year increase will be larger, reflecting the delayed tool lease as well as earlier-than-anticipated collections. These timing factors contribute over \$900,000 to the increase in expected cash use in 2020. The rest of the increase is due to our plans to add headcount in order to take advantage of growing customer activity, which is being enabled both by our exciting R&D results as well as the increased capacity for MST wafer fabrication as our new EPI tool comes online.

With that, I will turn the call back over to Scott for a few summary remarks before we open the call up to questions. Scott?

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

Thanks, Frank. As you have heard in this call, Atomera has had a very strong end of 2019, positioning us extremely well for growth in 2020. We have more MST wafers out with customers and a larger base of Phase 3 customers than ever before. Our relationships in those customers are getting wider and deeper, necessitating our work on new joint development agreements and new customer interest continues to grow. Our technology development continues to produce outstanding results, as exemplified by our advances in MST SP, RF SOI and our new customer measured matching performance. The amount of interest we have generated in MST is now at the point where we need to move aggressively to take advantage of it, and we intend to do so.

I look forward to sharing the results of those efforts with you in the future. Operator, we will now take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Suji Desilva with ROTH Capital.

Sujeeva Desilva *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Congratulations on the record wafer activity. It sounds like a lot of things that works there. Maybe you could talk a little bit about the EPI tool. It sounds like it got pushed into this year from last year and what the opportunities are as this tool comes online?

Francis Laurencio *Atomera Incorporated - Chief Financial & Accounting Officer*

Yes. So I think we had already talked in the last quarter since we did our call in November. At that time, we had signed the lease agreement in October, and the tool hadn't yet been installed. It was, at that time, assumed to be maybe coming on in Q1. We've got a much better and more concrete time line now. So we do expect that the tool is going to be online and usable. And obviously, it's going to hit operating expenses because we'll start making the payments when it's installed in Q2. We think that it's going to allow us to do a much better job of doing both internal R&D and doing deposition for our customers. Because it's a more advanced tool, it's likely more similar to what customers are using in production. So we think any kind of concerns about replicating test again in their fab will be decreased. And most importantly, it will allow us to run wafers in both 200- and 300-millimeter diameters. So we can get all of that in one tool. So because of the flexibility of it, it's a little bit more expensive, but we think that, that's a very wise investment for us.

Sujeeva Desilva *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay, great. And then you talked about these joint development agreements. Can you talk about the number of customers that might be eligible candidates for that type of arrangement versus the traditional one? And is there an upfront licensing amount that would be meaningful? Or it's just meant to be licensed to be phased in for joint development agreement?

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

Suji, this is Scott. Yes. On the joint development agreements, we are talking to multiple customers about joint development agreements today. And I think the way that you should think about them is, typically, my guess is that joint development agreements would be done with larger customers. And probably, in most cases, with somewhat newer customers. We may have been working with them for a little while, but for the customers that we've been working with for quite some time, we've got established development agreements with each other, and we've been working together under certain set of rules, and it's unlikely they would come back to us and just change that to a JDA. So it would be more like the new people that we're working with. And you also should be thinking -- we mentioned in the JDA, it's very attractive to us because one of the things that we would say would be characterized right is typically someone who is trying to



prequalify or pre-approve our technology for used across multiple product lines. So that implies that it would be a big enough company that they would have 1 group within the company that was kind of doing that work for multiple different product lines.

Sujeeva Desilva Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst

Okay. That helps. And then lastly, you talked about 3 areas you're focusing on RF SOI, BCD and next-gen leading edge. Can you talk about which of these areas, if you rank them as the most near-term potential in terms of -- and how are you prioritizing your resource allocation? It sounds like your engineering resources are scarce. How are you prioritizing it across these 3 areas?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. I would say that we have -- we are working with more customers than the first 2 in RF SOI and BCD, only because there are a lot more customers out in the world that are doing those works. And in terms of priority, we're more prioritizing customers by how likely they are to get to production earlier than by the technology, but let me try to do it by the technology since you asked that way. There's pros and cons of each. Since RF SOI uses this blanket MST, which we call MST 1 and can get to production faster. That has a lot of attractiveness to us, and we're really putting a lot of effort into trying to get those customers moving very quickly.

BCD is the one that we probably have the biggest customer base on. And as we showed on this -- the slides in this call, some very, very compelling technical advantage we can bring to people. It's a little bit harder to integrate than RF SOI, but it's a bigger market.

And then the next-gen is something that there's very few customers out there that we can work with that, because there's only really 3 people doing investment in next-gen 3D type of technologies anymore. And we're very hopeful that work there will translate into its ramping and when they -- if it does, it will be an extremely lucrative market, but it -- I think it tends to be a little bit further out than the first 2 that we talked about.

Operator

(Operator Instructions) Our next question comes from Cody Acree with Loop Capital.

Cody Grant Acree Loop Capital Markets LLC, Research Division - MD

Can you just talk about -- following up on Suji's question, the newer technologies, you were -- one of the things you're excited about was those bringing in this bulk of new customers. Are you continuing to see that generate new activities? Is that part of your need for eliminating any bottlenecks in your production chain?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. Yes. When we talk about needing new investments, it's definitely the case that we have a lot of customers. The -- it feels like the activity has increased at a lot of those customers simultaneously. Our work with customers kind of goes in some spurts. One is when we define and build these wafers, and when we talked about how, in late 2019, we really are doing that at a record level. The next thing that will hit is as those wafers start to come out of the fab, we have -- we'll be starting to get a lot of results and have to do analysis on that, and we expect that we'll be doing that with a lot of customers, and we want to be able to service that as quickly as we can to hopefully turn that into licenses and transitions to manufacturing.

Cody Grant Acree Loop Capital Markets LLC, Research Division - MD

I guess, Scott, what I was asking was you've had that bulk of initial sign-ups, but has that continued to drive new engagements?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes, I would say, right now, we have a pent-up demand by a number of customers who are interested in starting to work with us and we have not been following up on those. It actually takes quite a bit of work before we start counting someone as being in our pipeline because we have a bunch of meetings with them, and we get to the point where we're actually planning wafer runs together. So yes, I would say, over the last month, 1.5 months, we have a lot of people that are in that high interest category that we're having a few calls with, but we've just been too busy to fully work on them to bring in that additional interest.

Cody Grant Acree Loop Capital Markets LLC, Research Division - MD

And is it equipment bottleneck? Or is it personnel bottleneck to be able to work on those additional?

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

A little bit of both. The EPI tool that Frank was speaking about will help to alleviate the equipment bottleneck. But I'd say the people bottleneck is probably the harder one to solve. We need to bring more people on.

Cody Grant Acree *Loop Capital Markets LLC, Research Division - MD*

Right. Frank, can you just give us the cash use you expect for 2020?

Francis Laurencio *Atomera Incorporated - Chief Financial & Accounting Officer*

Yes. Right, the gross, which I gave in terms of guidance of non-GAAP operating expense, which is a proxy that you can use for cash. I'd bracket in the range of \$13 million to \$13.5 million. And I made some comments in talking about the absolute level of increase being looking significant year-on-year, but there were significant timing issues from what we originally planned on in terms of the tool installation and some upfront payments for the tool that kind of pushed a significant amount of expense from Q4 last year into the first half of 2020. So year-over-year, it's about \$1 million increase over plan. But again, the outlook for 2020 is in that \$13 million to \$13.5 million range.

Cody Grant Acree *Loop Capital Markets LLC, Research Division - MD*

Are there any other tool considerations that might impact that cash flow?

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

I don't think...

Francis Laurencio *Atomera Incorporated - Chief Financial & Accounting Officer*

I don't think from a tool -- no, not from a tool standpoint.

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

I mean as we get more capacity, we spend a lot of money on metrology as well. And I think we've accounted for that, but there could be something there.

Operator

(Operator Instructions) Our next question comes from [Jason Cavalier], a private investor.

Unidentified Participant

So among the Phase 3 engagements with that corresponding set of customers, are there any that the company has completed all outstanding work on or requested work on?

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

Yes. I would say that we have -- yes. So okay, first, let me explain the process. So when -- typically, when a customer goes into Phase 3, they are applying our material to their wafers. They build them through the production line. At the end, they test them. And it's a bit of an iterative process. They end up doing that typically a number of times in a row before they get to the point where they have the technology where they'd like it to be before they go to production.

I think one of your questions, the way that you're asking the question, I think, I can tell you that we have some customers who are -- if not, finally done, at least very close to being done, but they're, in some cases, can be impediments from them or delays from when they might move into Phase 4. So for example, if they're planning to buy a new EPI tool to go into Phase 4, they would wait until they bought that tool before they would license to us because they don't have to pay us before they can use it. And sometimes, the lead time on those tools can be long and they might need to be finding space within their cleaner or more even in the process of building a new factory to put that in. So there's a number of things that can cause a delay from the end of Q3 before they get into -- I mean, the end of Phase 3, before they get into Phase 4 that are unrelated to our technology. And I do believe we're -- we have a few customers that would fall in that camp.

Unidentified Participant

Great. You had commented on this extension of time and perhaps detail in agreements between your customers and the company. Would those agreements or those comments be directing towards a possible manufacturing agreement that has yet to be consummated? Or -- and again, what I'm kind of getting at is, are the, call it, Phase 4 engagements, are those all pre-negotiated? Or are you finding that as you get closer to Phase 4 with Phase 3 customers that the detail that there or the terms that they're requesting in these agreements are more onerous than you would have otherwise thought?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. So typically, when we engage with a customer, we share with them what we expect for Phase 3, Phase 4 and Phase 5 payments and licenses that are associated with those. We have not completed negotiations on any of the Phase 4s, but it's our belief that we'll be able to close those at least within a reasonable range of what we were asking for a list price. But if we had closed on, we would have announced it, and we can't ever say we know all the answers until we've done at least 1. But yes, I mean, I think that our customers generally believe that the way we're structuring our licenses is fair, and that when we do get to that manufacturing phase that we'll be able to close it on terms that are very close to what we've been talking about.

Unidentified Participant

So let me ask the question maybe a different way. Would this contract negotiation be one of the reasons why someone in Phase 3 has not moved to Phase 4?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. If we were in a protracted negotiation with customers, we wouldn't be able to share that with investors, and it would just look like to investors that they're still in Phase 3. Is that what you're asking?

Unidentified Participant

Yes, that's correct.

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. Yes, that will be the case.

Unidentified Participant

And are you giving any guidance around or can you share any perspective on what timing might look like from one or a combination of your Phase 3 engagements moving to Phase 4?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

Yes. Traditionally, we haven't given guidance on that. It's been very hard to predict. And I always give the example of we may think that we're about to get results that would propel us into Phase 4 and then the customer reviews the results and decides that they want to do 1 more run and that extra run, in some cases, might take another year. So we've, in the early days, we predicted those type of things and didn't have much luck at it, so we don't do that now, unfortunately. I can tell you that we're working with a number of customers that we hope will do licenses with us in a reasonable time frame.

Unidentified Participant

Okay. Then last question, more macro level. This virus that has hit certain parts of the globe, does that have any positive or negative impact on your engagements to date? Or do you have any thoughts on how things could look if things persist with that over the coming months?

Scott A. Bibaud Atomera Incorporated - President, CEO & Director

I would definitely say that our travel budget is lower-than-expected this month. Yes, we are definitely seeing a number of our customers that we would normally visit for these comprehensive engineering meetings, turning those into video conferences. But other than that, I don't see it slowing us down all that much. In some cases, bringing on new customers generally involves more face-to-face meetings, then once we have them in the pipeline because we've established the relationships, and we can do a lot more over the phone. But to



convince them to get started, it takes more face-to-face time. And I wouldn't use that as an excuse why we haven't grown our Phase 1 so much because I think it's really been that we were too busy. But if this coronavirus persists for a long time, it could have some impact on us picking up newer customers. But as I said before, our first priority is on existing customers anyway. We'd rather be pushing people further down into the licensing pipeline than just continuing to add to the bottom of the pile.

Operator

The conference has now concluded. I will now turn the call back over to Mr. Bibaud for closing remarks.

Scott A. Bibaud *Atomera Incorporated - President, CEO & Director*

I want to thank you all for attending today's presentation. Atomera is pleased to exit 2019 with such strong momentum and the ability to unlock such huge potential for 2020. Please continue to look for our news, articles and blog posts to keep you up-to-date on our progress. You can sign up for them, along with the investor alerts on our website, atomera.com. Should you have additional questions, please call Mike Bishop, and we'll be happy to follow-up. We look forward to seeing some of you during our scheduled marketing activities, including the ROTH Conference in March and others that we will be announcing soon. We thank you again for your support and look forward to our next upcoming call in May. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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