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ATOM.OQ - Q4 2024 Atomera Inc Earnings Call

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## PRESENTATION

**Mike Bishop** - *Atomera Inc - Investor Relations*

Hello everyone and welcome to Atomera's fourth quarter and fiscal year 2024 update call. I'd like to remind everyone that this call and webinar are being recorded and a replay will be available on Atomera's website for one year. I'm Mike Bishop with the Company's Investor Relations.

As in prior quarters, we're using Zoom and we will follow a similar presentation format with participants in a listen-only mode. We will open with prepared remarks from Scott Bibaud, Atomera's President CEO and Frank Lorenzo, Atomera's CFO. Then we will open the call to questions.

If you are joining by telephone, you may follow a slide presentation to accompany our remarks on the events and presentation section of our investor relations page on our website.

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 factor section of our filings with the Securities and Exchange Commission, specifically in the company's annual report on Form 10-K filed with the SEC on February 15, 2024.

Except as otherwise required by federal securities laws, Atomera disclaims any obligations 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, 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 CEO Scott Bibaud. Go ahead, Scott.

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Thanks, Mike. This past year has been an incredibly productive one with Atomera advancing across all customer categories, building our stature as a technology pioneer, entering new segments, and getting closer to first production.

Building on the strength of Q3, our 4th quarter has been filled with progress on every front with one setback; I'll start off with the details there. Last quarter we mentioned an active negotiation with a transformative customer.

Discussions have been underway with them for some time with periods of very intense negotiation followed by lengthy delays on their part. At the time of our last call, we felt very close to concluding a deal but it is dragged on much longer than expected, and at this point we have to say it is stalled.

We are confident that MST can deliver to this customer 1.5 to 2 generations of performance improvement in a critical area. And we are asking for only a small fraction of the economic value they would be receiving but they still have yet to move forward.

Although disappointing, it is not surprising since resistance to innovative ideas is expected. And in this case, we're providing too an externally developed material delivered with low upfront cost and an ongoing royalty -- a format which is new to some customers.

We continue to believe there is strong support for our technology at the engineering level in this company. Indeed, in this market segment, all of their competitors are struggling with the same issues and we believe one or more of them will adopt MST for this application.

Furthermore, we believe their ability to achieve the improvements they need through other means will be limited and will take much longer than would be possible by adopting MST. So we are hopeful discussions will restart soon and we're doing everything we can to make that happen.

The performance improvement potential we showed them is important to advance Moore's law across all semiconductors and in particular for artificial intelligence devices being designed today on the most advanced nodes using Gate-All-Round transistors. So I'd like to dig a little deeper into the opportunity this market represents -- valued at about \$150 billion in 2023.

As leading advanced logic IDMs and foundries like TSMC, Samsung, and Intel ramp up manufacturing cap capability for the Gate-All-Round architecture at 2 nanometers and below, it is becoming increasingly clear, more so than in previous generations, that materials engineering will play a crucial role in driving the performance improvements expected at these nodes.

The high costs associated with lithographic scaling have led fab module engineers to place greater emphasis on incorporating new materials into their standard toolbox for transistor engineering. Epitaxy is a critical process in this context, directly impacting the channel definition and source strain regions of Gate-All-Round transistors.

Indeed we believe that epitaxy is now more widely used than lithography and Gate-All-Round architectures. Since MST is an EPI-based technology, the barrier to incorporate MST into the process flow is much lower than it has been in the past.

Given that Gate-All-Round requires at least twice as many epi steps as the previous [FinFET] architecture, we anticipate that our partnerships with IDMs, foundries, and OEMs will significantly increase the potential for MST to be integrated into multiple regions of the Gate-All-Round transistor.

These diagrams show different areas where MST can help improve performance of gate all around devices. In the channel area, MST can increase drive current and reliability by improving interface traps at the channel gate interface.

MST can reduce contact resistance, improve transistor variability, reduce leakage in the source drain area, and even improve backside contacts. These are all problems the industry faces and MST provides a compelling fast time-to-market material solution.

The memory segment, valued at over \$125 billion in 2024, has many characteristics in common with the advanced node segment, except because it's a commodity market it is hyper-focused on low production costs.

Similar to Gate-All-Round, memories are in a relentless drive to smaller node sizes. Today, EPI is being introduced into memory flows enabling MST to become a small incremental cost adder while delivering substantial performance, die size, and marginal improvement potential for our customers even after paying us a royalty.

As in Gate-All-Round, the opportunity is huge with very high volumes and long technology cycles. We have engagements with multiple customers in both these segments. Likewise, in RF-SOI, we provide a performance advantage that we do not believe is possible without MST.

Not only can we assist with complex RF power switch devices, we can also improve LNAs and analog components critical for 5G mobile phones. Today we are working with the majority of device manufacturers who use RF-SOI substrates in their designs.

Continue to make inroads in the power semiconductor market which is a large, rapidly growing segment driven by the power demands of AI, large compute infrastructure, and vehicle electrification. Our products here are MST SP for 5 volt and SPX for 5-volt to 48-volt devices.

With our lead customers, we are attracting interest from many other players in this segment. We expect this market to be worth over \$52 billion in 2024 so innovations to drive efficiency, power, and cost savings are clearly needed.

Gallium nitride also is emerging as a major market opportunity for us, projected to represent a \$12 billion dollar market in five years and growing at more than 26% annually. The great news here is that many of the potential customers for GaN overlap with our existing customer base and we have lots of interest from them and from others. Electrical results from our latest set of tests at Sandia are around the corner and we're hopeful they will provide enough ammunition to begin engagements with a lot of interested parties in GaN.

Now let me give a brief customer update. ST continues to progress very well in both design and manufacturability efforts. The next step, which is called process qualification, is complicated and the schedule can vary depending on how many issues they need to resolve. Typically, the industry takes about nine months on this step; after which production will start.

We are planning to announce when we enter process qualification which will also result in us recognizing license revenue. So you should be able to estimate production start time frames from there. We are not free to update ST's schedule otherwise.

Efforts continue on JDA one where data acquisition to address specifications they have given us is underway including in areas beyond the initial scope of the JDA. JDA two is starting a multi-stage wafer run with us demonstrating their commitment to getting beyond the development phase and into a license agreement enabling volume production in the future.

Results from the latest wafer run with our fabless licensee have been received but additional wafers need to be processed to achieve a full cycle of learning as the data we could extract from the prior run was incomplete. However, the results we were able to analyze provided insights which we believe will yield an even higher performance result in the next wafer [lot], which we are working on right now.

In the last three months we've made headway with several other customers. And in particular, two new ones who I would put into the category of transformative. We've been trying to start work with one of them for years without success until now and they've recently started their first demo wafer run with us -- a major milestone.

The other has solidified plans for a comprehensive set of wafer runs to validate their own internal TCAD simulations. Which show very promising results using MST.

We've been pursuing each of these opportunities for quite a while and they have now moved to an implementation stage. I call these customers transformative because they are some of the industry's largest manufacturers. They have the ability to move quickly and they are well known for cutting edge products; our business potential with each of them is huge.

Finally, our ability to land and expand has really accelerated this past quarter with two of our existing customers planning demos in entirely different product areas than our original engagements. We believe this illustrates a few positives.

First, it shows that customers who have worked with MST believe in the technology enough to recommend its use by other product lines. Second, it shows how deeply our customer relationships go once we start working together on a serious engagement. We've talked about the domino effect in the past and this is a sign that it's starting to happen with existing customers and will hopefully lead to wider adoption over time.

2024 has been a very good year of market and technology development at Atomera. We solidified our value proposition in four major high-growth markets and semiconductors and positioned ourselves to enter into another that offers a path to faster-time to revenue while still supporting the enormous potential of our traditional business model.

Our R&D pipeline and new markets and applications continues to expand as reflected in our patent portfolio which had an increase of over 30 granted and pending patents in 2024. Our new business development execution is clearly improving as evidenced by our deeper penetration with both new and existing customers and with partners.

Right now, our team morale is high because we are getting direct feedback from customers that our technology provides important solutions necessary to deal with big issues in the semiconductor roadmap. Our engineers are doing the detailed, innovative, and thorough work that they know is necessary to overcome customers' bias for internally-developed solutions and to integrate our technology into their designs.

ST is a great example of how this can happen in a large successful company and right now they are moving nicely towards production. Our potential in other target markets is even larger and I feel we're close to announcing deals which will cement that position.

The work we are doing in Gate-All-Round in memory is tied directly to the biggest driver of the semiconductor industry today, the rollout of AI infrastructure. And our Gate-All-Round work is not only aligned with a major industry push but we also believe it can be executed with faster time to revenue than our other segments.

There is no doubt about the value proposition we are offering the industry and we believe it will ultimately allow us to build Atomera into a successful material solution provider to the entire industry. Now, Frank will review our financials.

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**Francis Laurencio** - Atomera Inc - Chief Financial and Accounting Officer

Thank you, Scott. At the close of the market today, we issued a press release announcing our fourth quarter and full year results for 2024 and this slide shows our summary financials.

Revenue in 2024 was \$135,000 and consisted of MST, CAD licensing, and NRE fees. Our GAAP net loss for the year ended December 31, 2024, was \$18.4 million or \$0.68 per share compared to a net loss of \$19.8 million or \$0.80 per share in 2023.

GAAP operating expenses were \$19.3 million in 2024 which was a decline of \$1.9 million from \$21.2 million of OpEx in 2023. The main driver of the decline in operating expense was a \$1.5 million dollar decrease in R&D expenses which almost was almost entirely due to a decline in outsourced engineering spending, resulting from the closure of TSI semiconductors services business after TSI was acquired by Bosch.

Sales and marketing expenses declined by \$546,000 due to lower headcount costs whereas G&A expenses increased by \$191,000 due to higher payroll and legal costs, offset in part by lower stock compensation expenses.

Turning to our quarterly results. Fourth quarter 2024 GAAP net loss was \$4.7 million or \$0.16 per share compared to a net loss of \$4.6 million or \$0.17 per share in Q3. And a net loss of also of \$4.6 million or \$0.18 per share in Q4 2023.

Revenue is \$23,000 in Q4, \$22,000 in Q3, and \$550,000 in the fourth quarter of 2023. GAAP operating expenses were \$4.9 million in Q4 2024 compared with \$4.8 million in the previous quarter and \$5.3 million in Q4 2023.

Non-GAAP net loss in 2024 was \$15.4 million compared to a loss of \$16.6 million in 2023 reflecting a decline in non-GAAP OpEx from \$17.1 million in 2023 to \$15.4 million in 2024. The decline in operating expenses reflected the same factors I discussed about GAAP results.

Stock compensation expenses, which is the main difference between GAAP and non-GAAP operating expense, were \$3.9 million in 2024 and \$4 million in 2023. In Q4 2024, non-GAAP operating expense was \$3.9 million which was the same level as Q3 in comparison to \$3.8 million in Q4 2023.

Our balance of cash, cash equivalents, and short-term investments on December 31, 2024, was \$26.8 million compared to \$19.5 million at the end of 2023 and \$17.3 million at the end of Q3 2024.

We used \$13.2 million of cash in operating activities during 2024; \$3 million of which was used in Q4. During 2024, we sold approximately 4.1 million shares under our ATM facility at an average price per share of \$5.38 resulting in net proceeds of approximately \$21.3 million.

During Q4, we raised net proceeds of \$12.8 million based on sales of approximately 2.2 million shares at an average price of \$592. As of December 31, 2024, we had 30.1 million shares outstanding. After a year end, we raised an additional \$2.4 million by selling approximately 163,000 shares at an average price of \$15.19.

So I'm pleased that we were able to take advantage of favorable stock market conditions in recent months and strengthen our balance sheet with less dilution than earlier last year.

In Q1, we're not expecting to recognize any revenue. The wafer run we're working on with our fabless licensee will result in engineering services or NRE revenue which may happen in either this quarter or Q2; the timing will depend on when the wafers ship.

Consistent with our usual practice, we're not providing revenue guidance any further out. The next major revenue milestone under our agreement with ST will occur when they get into formal process qualification.

Moving to expenses. During 2024, our non-GAAP OpEx was \$15.4 million which was below the low end of guidance and was down from \$17.1 million in 2023. As I mentioned, the main reasons for the decline in spending was that we did not replace TSI and our average headcount through the year was lower.

For 2025, we expect our non-GAAP OpEx to be more consistent with 2023 levels. So we're planning for it to be in the range of \$17 million to \$18 million with the exact amount depending mostly on our use of outsourced engineering services and additions of headcount.

Given our limited revenue visibility, I assure you: we will be conservative about any structural increases in spending.

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

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Thanks, Frank. Atomera is extremely well positioned to deliver important innovations to the hottest markets for semiconductors today. Our years of development mean that customers can rely on us to get them to market more quickly than internally developed solutions, providing an advantage to them which gives Atomera a solid business opportunity with a financial structure that it's hard to beat. I appreciate your support as we work hard to turn this vision into reality. Mike, we can now take questions.

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## QUESTIONS AND ANSWERS

**Mike Bishop** - *Atomera Inc - Investor Relations*

All right. Thank you, Scott. (Event Instructions) Richard Shannon, Craig Hallen.

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**Richard Shannon** - *Craig-Hallum - Analyst*

Great. Thanks, Scott, Frank, and Mike for letting me ask a few questions here. Scott, I guess I'll ask on the -- your leading comments here about the transformative opportunity here; maybe if you can describe the dynamics here.

It sounds like it's a mostly a pricing issue here as opposed to other things. It sounds like they got through all of their qualifications and answered all those questions. It's a pricing issue. Can you confirm and maybe elaborate on the sticking points there?

**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Yeah. Of course I can't provide full details but let me say this. First of all, as I mentioned in my remarks, we believe that we're providing enormous value to them for what we were offering to work for the price that we were offering.

And as I've said many times in the past, we are being very flexible with our early customers on pricing. I think whenever you're negotiating a contract with a big customer, there's a lot of different things that come into play. A lot of decision makers, each of whom may have a different thing.

In this case, I don't think it came down to exclusively price. As we said in our remarks, we're trying to ask them to do something new and there may have been issues having that happen. The negotiation went through fits and starts where we'd have a lot of discussion followed by very long delays which lead me to believe that there was lots of discussion inside the company among many different people trying to reach decisions.

So ultimately we are hopeful that we'll get this thing restarted. We feel -- and we had feedback from them that our technology really was providing an excellent solution for them. So ultimately, we believe that if we're providing a really good value to customers and technology that we've done the work to prove we'll deliver then we'll ultimately succeed.

**Richard Shannon** - Craig-Hallum - Analyst

Okay. Just to clarify, so it doesn't sound like there's any techno technological issues; you provided all the data they asked for all the runs, et cetera. And it was more down to the business decision making that you don't have a lot of visibility into. Is that fair?

**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Yes, I'd say that's probably fair.

**Richard Shannon** - Craig-Hallum - Analyst

Okay, fair enough. Let's move on here. It sounded like from your prepared remarks here that the progress with leading edge both in logic and memory is really gaining some steam here. I mean, other than talking about this particularly transformative opportunities, you're leading commentary here above -- power and RF-SOI that we've historically talked about in the past.

And if I caught the language right it sounds like you're talking about multiple customers in both areas. I don't believe you said that before; correct me if I'm wrong. But maybe you just kind of talk about the dynamics here to maybe describing areas where it is accelerating.

And the fact that you've talked about them adopting EPI more so -- and these guys move faster and so there's a more frequent opportunity to intersect there. What does it feel like broadly speaking about the opportunities with leading edge both logic and memory?

**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Yeah. I mean, both logic and memory -- the interesting thing is now when we're working on RF and power, we're working with teams on kind of legacy nodes. They have smaller development teams and sometimes it's -- we have to get their attention. They're being pulled in many different directions.

But when we're working on advanced nodes, or memory, the interesting thing is most of the company is working those technologies. So when we start doing something that they find interesting, we're getting a lot of pull and a lot of interest and they'll have a lot of resources to throw at it as well.

As -- I really do believe the move to Gate-All-Round is a game changer just because when -- if you had a wafer run with -- and you wanted to add MST and it was a new [EPI step] then a customer has to think about, oh, okay, I'm going to have to get a EPI tool and I'm going to have to put a certain amount of time into load that wafer in and do all of the process steps and then unload it and put it into another tool.

But if that wafer is already in an EPI tool, doing another step -- and you can see from the diagrams -- they're doing a whole bunch of steps in EPI. And then they want to add on MST. It's a really, really quick, easy thing to do. So that lowers the cost for them and it just allows us to have more opportunities to get easy entry.

So yeah, I think it's a huge opportunity and I would say that it's something -- the industry has really been moving to Gate-All-Round. Just in the last couple of years and, as luck would have it, we hired our business -- our new head of business development who's an expert in this area and kind of knows all the people that are that are doing that work in the big companies. So yeah, I think we we're getting good traction and we're offering solutions that I think will will gain a lot of interest over time.

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**Richard Shannon** - *Craig-Hallum - Analyst*

Okay, thanks for that. Maybe a few more questions. Let me just touch on GaN. It's a topic you brought up about a year ago. It sounds like there's a lot of interest there and I think you've characterized this as something that could be a faster time to revenue than your kind of your typical business model. Any kind of couch the progress in the last quarter, what's been going on there?

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Yeah, so, -- really, GaN is pretty new; it wasn't even a year ago that we got our first test results on GaN. It was like, I think, in April of last year that showed this -- I mean, we had been theorizing about what we'd be able to get out of a GaN but that was the first time that we ever saw data on it.

So we did some more runs working with outside partners. And then in the fall we announced this deal with Sandia where they're going to take our wafers and start doing electrical characterization on those. So we've been working on that over the course of the fall.

We -- and we haven't gotten the results on those electrical runs yet but we do expect them imminently here and if they look very good, then we'll have -- I mean, challenges starting to work with customers. We're going out and we're showing them the physical data we have today showing that we're making these wafers with lower stress than other wafers and that should lead to higher quality.

But ultimately, what people need is electrical results that show improvement and so that's what we're striving for right now. If we get the good electrical results, then we'll have a full data set that we can take out to customers and start really engaging with them.

And you -- I'll answer a second question that was in the middle of your other question which is about -- you mentioned the faster time to market.

If this -- if our technology really works out well for GaN, people should be able to make high higher quality GaN starting wafers, like GaN on silicon starting wafers for manufacturers. And although there is certainly a qualification process for a new wafer going into a fab, it's shorter than the full integration and qualification and everything that we have to do with our traditional business. So that's why we keep saying we think it might be a faster time to market.

There's still a few question marks there. I mean, we have to prove the technology electrically and we have to get the customer signed up. But if we can do that, I think this might be a way to really supplement our other business that we have.



**Richard Shannon** - *Craig-Hallum - Analyst*

Okay, fair enough. Thanks for that. Let me touch on STMicro; I want to make sure I understood your comments there. So once you hit this, I think it was process qualification, that's what you expect that to be a typical nine-month cycle, after which you would expect to go production soon after and we haven't gotten to that point.

So going back in history here when you when you announced ST, I think in April or May of 2023, you're expecting 18 to 24 months process. And so if we haven't started this nine-month clock, we're going to extend a little bit beyond that.

Maybe you give us some flavor of the dynamics here as you understand it, and obviously, I imagine there's probably some restrictions on what you can talk about with this. But understanding why the process seems to be longer than what you had expected before and do you expect that nine-month-process qualification to start soon?

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Yeah, so let me say everything I can say without talking about their schedule. So first of all, when I announced the deal we didn't have a schedule from them. I gave an assessment of what I thought was typical for the industry.

And what I said was if everything goes really well, it could happen in the 18 to 24 month range with -- if everything went perfectly maybe as early as 18 months. I think there's been -- yeah, I believe that was exactly what I said as a quote.

Subsequent to that, we found out that it was about a six-month delay for ST to announce -- I mean to actually install MST on their tool and that was because of logistics issues had nothing to do with MST or ST themselves. It was a third party that had to do the installation for them. During that period, we did a bunch of work and we are hopeful that they could make up for it but I would say right now that that was a bit of a setback that ultimately slowed down the process.

Inside the workings of us and ST, I can't say enough about how well the teams are working together, how much priority there is on this. At ST they're doing all the right things; our team is putting it as first priority and hopefully they get to the start of qualification soon but I can't give you insight into when that will happen.

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**Richard Shannon** - *Craig-Hallum - Analyst*

Okay. Well, we'll look forward to that time frame. I think that's all the questions for me; I'll jump on the line. Thanks, Scott.

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Thanks, Richard.

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**Mike Bishop** - *Atomera Inc - Investor Relations*

Cody Acree, Benchmark.

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**Cody Acree** - *Benchmark - Analyst*

Thanks. I'm glad to be back. It's been a few quarters since I have been on this call and I just wanted to -- coming back to this from taking a step away for a few quarters, I guess one thing struck me this morning on the prepared remarks that things have not -- they've progressed, things have

changed, details have changed -- but the overall workings of the company have not changed and the ins and outs of the customers have not changed.

You're still juggling a lot of opportunities, your customers are throwing up their their roadblocks, and you're making some fits and starts of progress but nothing has really come to percolation just yet. Can you maybe just characterize your optimism on the differing opportunities that you have? You mentioned a lot of them between GaN, and advanced nodes, and memory, and SOI, and power -- you're juggling a lot. Can you just prioritize your optimism on those opportunities?

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**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Sure. And I don't know if I agree with your assessment of the no change, Cody. The difference is, first of all, where we moved very close to production with ST. We have -- we've gone from kind of talking in general with the advanced node and memory guys about what our technology can do to being very specific about exactly what we can do and where in their architecture and how we can help them and that's what I tried to illustrate in those diagrams. And so I would say today, our level of engagement with the advanced node of memory guys is at a whole different level than it was the last time you were here.

Our work with power customers has been spreading out wider, so -- and then on RF-SOI I would say we are still working with similar group of people -- we've added a couple there but yeah, that one is getting closer, but I would say similar to where we were before.

Then the other thing is that this whole opportunity with GaN which is bringing a whole kind of fifth market segment to us that we didn't have before and so that's another new addition since you were here before. Did that answer the question, or I'm sorry, my --

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**Cody Acree** - Benchmark - Analyst

No, it did, Scott, thanks. And maybe one of the newer areas that I heard about was your data center opportunity. I don't think that was talked about before. Could you maybe just characterize your opportunity there, your go-to-market strategy, and the customers -- the types of customers that you're engaged with?

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**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Yeah. So we announced -- we didn't talk about it specifically on this call but the last call we had it as a bit of a focused topic was our new MST-SPX which is not a new technology for us but we've developed in particular a focus around 48 volts. And 48 volts is a critical voltage that they're transferring all of the data center to 48 volts.

So in hyper scales that they're building now they're starting to build them all around 48 volts. So there's a big effort underway to replace what -- previously were 12 volt racks and upgrade them to 48 volt racks and it's big fights in the market between -- yeah, I don't necessarily -- I want to name all of the competitors there cause I'm going to miss some.

But I know it's an area that, for example, Monolithic Power is very strong and there's a few other companies that they're competing. So those are the type of people that we would go and try to engage with.

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**Cody Acree** - Benchmark - Analyst

And maybe, Frank, when you're looking at juggling your resources with that many opportunities going on and it sounds like there's no lack of ways to spend money, how are you managing to address all the opportunities?

**Francis Laurencio** - *Atomera Inc - Chief Financial and Accounting Officer*

Yeah, I think the -- one of the things that I came to mind as you're asking your question to Scott was, thinking about what our workflow is like and that's something where we've had a lot of learnings after the engagement with STMicro where we had folks go on site to help with an installation and subsequently have helped to work on the manufacturability of the film and get through all of that.

And I'd say the one area where we could get some resource contention is if we were installing MST in multiple sites sort of simultaneously while also running wafers for either -- ones that we're processing in Arizona for customers or for our own R&D purposes.

And so we talked about the headcount in R&D didn't actually change but actually we added a resource in epitaxy there to make sure that if we're installing something at a customer or needing to support them we don't have a fall off on -- with -- I'm sorry, that's probably the most sort of labor intensive because it tends to involve hands-on, kind of teaching of the customer to get the recipe installed.

It's not just sort of installing the recipe but what metrologies they use to assure uniformity of the film and everything else. So I'd say if we were to be personnel constrained as business grew, it would probably be at the engineers doing that. We haven't found that to be the case.

And like I said, we were able to beef up that team last year. I would also say in terms of reducing our spend with TSI, that was kind of forced on us involuntarily but we reacted really well to it. We're doing a lot more, work with our TCAD tools that is proven to be really valuable. I think Scott talked about one opportunity that is very exciting. That's been enabled by a lot of the work that we've been doing in TCAD.

And we're increasingly using -- we talk about AI and it's kind of a nice buzzword -- but internally, we're using those tools for our own productivity as well as how we can iterate over the simulations using TCAD. So I'd say our productivity has grown tremendously with TCAD and integration engineering, just with better use of our tools. And so, we really haven't suffered much from losing TSI there.

But I also kind of closed out by saying we're going to be really careful about any structural increase in spending. And when I say structural, I mean, adding headcount or entering into other kind of tool leases or acquiring capital equipment.

We don't need any more tools so our spend there is going to be what it is. As far as adding folks, we're going to try to do that either after or when we are very close to additional revenue to pay for it.

But I don't -- we get asked the question -- we ask ourselves the question all the time. We're applicable in a lot of different areas. Are there ones that we need to deemphasize because we're going to be too resource constrained? And we would certainly do that if we felt that that was a problem but I've not felt that that's been an issue so far.

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**Cody Acree** - *Benchmark - Analyst*

Great. Thanks for the update, guys, I appreciate it. Thank you.

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**Mike Bishop** - *Atomera Inc - Investor Relations*

Thanks, Cody. All right, seeing some questions come in on the chat here and I'll just go ahead and fire them off at you. So can you please provide an update on the progress with the major analog company that we referenced in prior quarters utilizing MSTcad?

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

Yeah. Actually, I -- I'll connect some dots on that. We -- that is one of the two transformative customers I spoke about today where they're -- they've gone from getting really fantastic results to really planning a very comprehensive set of wafer runs to prove them out on silicon. And that's the first step to getting licenses and going to production; so we're very excited about what we've done there.

And we think, I mean -- this is a great example. Frank was talking about how productive we've become with our with our TCAD but in this case, we licensed MSTcad to the customer. Customer did all the work themselves and they came up with very impressive results that's driving them to do more more R&D work with us.

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**Mike Bishop** - *Atomera Inc - Investor Relations*

Great. Another one, is SDMicro going to be the first opportunity for product revenues for Atomera or might there be another opportunity that would percolate sooner?

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

It's hard to say, of course. We -- it's most likely it would be SDMicro but we do work with some customers on applications that could go to market relatively quickly. In particular, if we're working with a customer on a yield-enhancement type of technology that means that they're already in volume production. And to the extent that our technology could help improve the yield of those products in production they might be able to implement it and get that to happen very quickly.

Could that happen early than SDMicro? I'm not really sure. I think there's also -- I saw a question about -- last year I made a statement that we may even be able to get revenue on gallium nitride in 2024. And what I -- and we didn't do that and I'll give you my take on why.

One thing you learn in technology is that any amount of data that you look at or makes you believe you'd like to see more data. So when we announced our GaN work in the spring I said there's a possibility we may even be able to get revenue in 2024.

That would have been revenue from selling some MST wafers to people to evaluate so it was not going to be high volume production revenue by any stretch but I was hopeful that we'd be able to do that. As we went out to the market and showed them our physical data they asked for electrical data. When we were able to show them a little bit of electrical data they asked for more electrical data.

And so there's kind of this ongoing request for more but we do believe that we're getting close to the point where we'd have enough data to be able to get people to start buying MST wafers to do GaN building on. And that it will start with sampling type of revenue and then ultimately we think we can get that to volume production fast. So not sure how fast that would be. Could it be faster than SD micro? That would probably be difficult but if everything went super, then possibly.

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**Mike Bishop** - *Atomera Inc - Investor Relations*

Thank you. And one sort of final set of questions before we turn the call -- the closing comments. What is the current stage of the collaboration with a DRAM customer or customers and are there any potential benefits for HBM high bandwidth memory?

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**Scott Bibaud** - *Atomera Inc - President, Chief Executive Officer, Director*

First of all, we continue to be engaged with multiple memory customers and I can't say a lot more than that about where we are with them. But yes, I've been with memory. I think when I talk about how MST is -- has got great benefits for the artificial intelligence market.

I'm talking about Gate-All-Round for the processing side but I'm also talking about memories. There's nothing that is more important than getting memories that are higher throughput and burn less power for these for these AI infrastructures.

And hyperscalar, I think I've seen that 40% of the power consumed in hyperscalars is associated with memory. So to the extent that we could do work with high bandwidth memory devices to help get their power down to be a lower level and that would be very significant or to improve their

performance so they have a higher bandwidth; again, it would be transformative. We really hope that we can make some of that happen in partnership with a memory maker out there today.

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**Mike Bishop** - Atomera Inc - Investor Relations

Alright, great. And at this point, this concludes the Q&A session. Scott, if you want to conclude with any closing comments.

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**Scott Bibaud** - Atomera Inc - President, Chief Executive Officer, Director

Sure. All right. Well, thanks. I want to say thanks to all of you for joining us to listen to our Q4 and 2024 update.

And to get kind of an update on the progress being made within Atomera, please continue to look for our news, articles, and blog posts which are available along with investor alerts on our website atomera.com. Should you have additional questions, please contact Mike Bishop who'll be happy to follow up. Thanks again for your support and we look forward to our next update call.

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**Mike Bishop** - Atomera Inc - Investor Relations

Thank you. This concludes the conference call.

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