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PRESENTATION

Mike Bishop

Hello, everyone, and welcome to Atomera's Fourth Quarter Fiscal Year 2022 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 IR website for 1 year. I'm Mike Bishop with the company's Investor Relations. As in prior quarters, we are using Zoom, and we will follow a similar format with participants in a listen-only mode. We will open with prepared remarks from Scott Bibaud, Atomera's President and CEO; and Frank Laurencio, 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 Presentations 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 Factors 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 today, February 15, 2023. 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 regard 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'd 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. Good afternoon, and welcome to Atomera's fourth quarter 2022 update call. I'd like to bring you all up to date on our progress in the last 3 months and summarize our accomplishments for 2022, which I consider to be a very strong year for Atomera. But first, let me give some context to the events happening in our industry. More so than in most areas, semiconductors have gone through a quite predictable business cycle ever since manufacturing started in the early 1960s with consistent sequences of very sharp growth followed by an equally sharp decline happening roughly every 4 or 5 years. The last few years have been very high-growth ones with the associated capacity crunches and ASP inflation that you would expect in that environment. Now, we are experiencing the downside with leading forecasters predicting greater than a 20% contraction in the industry for 2023.

Semiconductor veterans understand this cycle and know how to react to it. So, what we are starting to see is a reduction in last year's aggressive CapEx forecast and foundry prices moderating, along with some announcements of layoffs and budget restrictions. But what is also in the standard playbook for this part of the cycle is to move to invest counter-cyclically to get first-mover advantage when the inevitable rebound happens. In other words, to double down on R&D and invent your way out of the problem.

This part of the semiconductor economic cycle is where Atomera thrives. Due to fab overutilization, our customers have postponed their normal development efforts for the last few years. So, there's now pent-up demand for improvements that must be executed, particularly in the application areas, which experienced the greatest constraints. And that is exactly where Atomera can provide readily available solutions that are otherwise difficult for our customers to achieve.

Our customers have the fab capacity to run wafers and we have the technology to help them invent their way to long-term competitive advantage. Our business activity has absolutely accelerated to reflect the growth in new opportunities you would expect in such an environment. New engagements do take time to work through the pipeline. So, this chart on Slide 4, unfortunately, does not do a great job showing our progress. In searching for a metric that can illustrate our activity level better, I found that travel to customers for new projects is up between 450% to 500% over the last 3 months versus the same period last year. This rate of close customer engagement is not letting up and I am confident it will result in more licensing opportunities over the next few quarters.

As a first indicator, one of our customers in the pipeline who ran more tests in Phase 2 than is typical, has now very enthusiastically moved on to Phase 3 based on the test results. Since this is another large customer, we expect it will lead to good things. We continue to work very closely with our 2 JDA customers and collaborated with them to achieve fresh results in Q4, which we believe will start us on a path towards production with one or more business units. Likewise, we continue to work closely with our licensees and are optimistic that the work we're doing together will result in further licensing stages and a near-term path to production.

Progress through our pipeline, especially over the last couple of years, has been frustratingly slow. But I will reiterate, it is only a matter of time before improvements come to market, and our degree of confidence has increased over the past quarter. Cycles of learning are starting to speed up again now that fabs have the capacity to run wafers on shorter lead times. We do expect to see a growing customer pipeline and to announce additional licensees in the months ahead.

During the last quarter, we have seen unprecedented interest and activity in the leading digital nodes where our technology provides a number of benefits for 3D technologies, as discussed on our last call and shown on this slide. We put out preliminary information on this topic in August, gave an important paper in an IEEE Conference in November and had many discussions with potential customers and ecosystem partners at the IEDM show in December. Finally, in January, we put together all of our ideas on the topic and released a comprehensive white paper called MST Benefits for Gate-All-Around, a document that is meaty enough for a semiconductor device engineer, but is also comprehensible to a technology savvy investor. I really encourage you to look it over.

For customers under NDA, we can go into much greater depth on both the physics and the measured silicon results that back up our findings. Development of these next-generation transistors is incredibly costly and difficult. It is widely held that an industry-wide cooperative approach is the only way forward. In other words, it will take an ecosystem of innovators composed of more than just the leading semiconductor players to bring the newest nodes to market. Advanced semiconductor equipment, materials, metrology and development partners are all required. The U.S. government has invested in an ecosystem through the CHIPS Act and creation of the National Semiconductor Technology Center, which will serve as the focal point for research and engineering here in the United States.

This past quarter, Atomera announced a collaboration with Arizona State University, which we believe will become a regional hub of the DoD Microelectronics Commons Lab to Fab efforts due to its advanced macro technology works facility, which is where Atomera's state-of-the-art EPI deposition tool currently resides. We likewise intend to become active in other U.S. regional initiatives and with our university partners in areas related to CHIPS Act funding. And these are not just domestic efforts. We're also in discussions to engage with ecosystem partners overseas. Overall, we're very excited about the prospects for Atomera in the most advanced semiconductor architectures. It's a perfect showcase for our technology. There are plenty of R&D dollars being devoted to it and it will establish Atomera's MST technology on the bleeding edge of transistor development.

In 2022, we've made great advances on both our technologies focused on the mature process nodes. In particular, we're very excited by the benefits MST can bring to RF-SOI devices, which are critical to 5G cellular phones and beyond. Our simulations and semiconductor test devices show great promise, although results have been taking longer than was expected. But we have learned things in our customers' real-world test environments that will make MST even more successful in the upcoming testing sessions. We are confident these new techniques will be considered a critical enabling step in development of optimized RFSOI devices leading to licenses and royalty revenue from all the players in the industry. We continue

to get traction with our MST-SP product offerings due to the strong benefits we bring to 5-volt transistors. Customers also want to use MST for higher voltage transistors used in a wide set of applications requiring greater power.

Over a year ago, Atomera started experiments to enhance these very hard to design devices. Although, we have not rolled out the technology yet, our early test data shows very encouraging results that may open up a larger slice of the power market for us and one where we know there's widespread customer interest. We call this new technology, MST-SPX, and I want to tell you more about it in the near future. 2022 was an extremely productive year for Atomera. We announced new license and joint development agreements. We made very strong progress in each of our product focus areas to the point where we are involved in major conversations about how to enable the next generation of semiconductor transistor. We've deepened our relationships with many critical players and positioned ourselves to take advantage of this innovation cycle within the industry.

Another thing we've been quietly doing has been strengthening our patent strategy. As you can see from this chart, we are now at 339 patents granted and pending, which has tripled the patents we had at our IPO. Our efforts reflect the fact that Atomera is not just a materials technology inventor. We are also an expert in using this valuable material to make transistors work better in many applications. And that is where our recent new patents have been focused. So, as some of our earliest fundamental patents start to sunset, we have built a portfolio of new patents that cover the device designs that can only be enabled by MST and that are in growing use today. Nobody understands better than Atomera how MST can make products better. So, we continue to create a portfolio of these competitive ideas well into the future. Not only does it strengthen our licensing potential, it also helps customers to understand the potential of MST.

I know it can be frustrating for investors to gauge our progress, but big customer development activities often don't happen on a predictable schedule, even when you've proven your technology is a winner. But our customers are seeing the advantages that they get from using MST and they will eventually get their programs on a path to production. I am confident we'll be able to make exciting customer announcements like that during the course of this year. In the meantime, morale inside Atomera is running very high. We are so busy with customer projects and new developments, we're straining to keep up. There is no doubt that at this pace, we will need to add resources to handle all of our new opportunities. We continue to believe strongly in a future where licensing activity, followed by commercialization will make Atomera a recognized innovation leader in the semiconductor industry.

Now, let's have Frank review our financials.

Francis B. Laurencio - *Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary*

Thank you, Scott. At the close of the market today, we issued a press release announcing our fourth quarter and full year 2022 results. This slide shows our summary financials. Our GAAP net loss for the year ended December 31, 2022, was \$17.4 million or \$0.75 per share compared to a net loss of \$15.7 million or \$0.70 per share in 2021. Revenue in 2022 was \$382,000 and consisted of the success fee earned on completion of the technical objectives in the JDA with our first JDA customer, an integration license fee from our foundry licensee and MSTcad revenue.

GAAP operating expenses were \$17.8 million in 2022, which was an increase of \$1.9 million from \$15.9 million in 2021. This increase was mainly due to a \$1.3 million increase in R&D expenses, primarily reflecting lease payments for our EPI tool as our payments commenced in August 2021 and 2022 reflects a full year of the tool lease. Sales and marketing expenses increased by approximately \$362,000 and general and administrative expenses increased by approximately \$277,000.

Non-GAAP net loss for 2022 was \$14.1 million and reflected \$14.4 million of non-GAAP operating expenses. In 2021, our non-GAAP net loss was \$12.5 million, reflecting \$12.9 million of non-GAAP operating expenses. The differences between GAAP and non-GAAP operating expense in both years and accordingly between GAAP and non-GAAP net loss are almost entirely due to non-cash stock compensation expenses, which were \$3.4 million in 2022 and \$3 million in 2021.

Turning now to our quarterly results. Our Q4 2022 GAAP net loss was \$4.3 million or \$0.18 per share compared to a net loss of \$4.2 million in Q4 of 2021, which was also \$0.18 per share. In Q3 of 2021, our GAAP net loss was \$4.6 million or \$0.20 per share. Our cash balance on December 31, 2022, was \$21.2 million compared to \$28.7 million at the end of 2021. Cash at the end of Q3 2022 was \$23.3 million. During 2022, we used \$12.5

million of cash in operating activities, \$2.9 million of which was in Q4. On May 31, 2022, we established at-the-market or ATM equity financing facility. From the time we set up the ATM through the end of 2022, we sold a total of 527,093 shares at an average price of \$11.68.

Most of the cash from financing in 2022 came from ATM sales executed during Q3. During Q4, we sold 109,026 shares at an average price of \$9.47. We have not sold any shares under the ATM since November. In fact, we have only used the ATM on 4 trading days in the past 6 months, evidence that we are using this tool judiciously. As of December 31, 2022, we had 24 million shares outstanding. As usual, we have a good handle on our spending plans for the year, but it is still difficult to predict the timing of revenue. So, we will not give revenue guidance beyond the current quarter and our Q1 revenue guide is 0.

Turning to expenses. Our non-GAAP OpEx in 2022 was \$14.4 million and our 2023 guidance is a range of \$16.25 million to \$16.75 million. I want to stop and add some further color to our OpEx plan. Back in 2020, the first year of the pandemic, our non-GAAP OpEx was \$11.7 million. This increased to \$12.9 million in 2021 as some COVID-related restrictions eased off and we brought our new EPI tool fully online in the second half of the year. Coming into 2022, I had given a range of around \$15.5 million of non-GAAP OpEx for the year, but we hired and spent below our plan due to capacity shortages and a tight labor market.

Looking forward to 2023, our plan to ramp up spending reflects the positive outlook. We're actively working on programs across the spectrum of power and analog, RF-SOI and advanced logic. And doing this requires more human resources, more wafer processing and more metrology to support the variety of opportunities we see in this environment. As Scott said in his remarks, we're confident that we will be able to make exciting customer announcements during the course of this year and we're making the investments needed to support them.

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. Atomera is preparing now for growth driven by an industry-wide innovation cycle that we are perfectly positioned to take advantage of due to our strong R&D efforts in the last few years. Our offerings in legacy technologies have already been explored with a variety of customers, which we believe will soon lead to a path to production. And our work at the leading edge is now well recognized and is gaining traction. Our team is executing well, building new product offerings and tools to help our customers get to production faster. Our IP portfolio and know-how have become a powerful asset for us to leverage across multiple segments and applications. This combination of attributes makes Atomera ideally positioned to partner with the industry's most successful semiconductor companies to innovate their way out of this downturn and benefit both themselves and Atomera in the future.

With that, Mike, we will now take questions.

QUESTIONS AND ANSWERS

Mike Bishop

Thank you, Scott. If you wish to ask a question, please click the Q&A button at the bottom of the Zoom window, then feel free to type in a question. I will do my best to aggregate the incoming queries and relay them to management. Alternatively, you can click on the raise hand button and we may call on you to ask your question live.

And right now our first question comes from Richard Shannon of Craig-Hallum. Richard, if you're -- if you can hear me, go ahead. We will move on to Cody Acree of Benchmark. Cody, go ahead.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Mike and Frank and Scott, good to see you all. Maybe if you can just talk a little bit more, Scott, on the optimism that you're porting here. Obviously, you're not optimistic enough to give us revenue guidance yet. So, that's -- that would be nice. But can you talk about what it is that's giving you this optimistic level of engagements that you believe are filling a pipeline of activity. Anything tangible to those comments and that attitude will be helpful.

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

Yes. Let me just talk about that a little further, Cody. Our guys are all out on the road today and it seems like the last several months, we've constantly been reacting to customer interest in our technology and what we have is stuff that -- the last few years, we've been telling people about it. They've been interested, but they haven't really been able to do much work on the R&D side because they've been all trying to figure out how to move more wafers through their fabs. But now they suddenly have the interest and the capacity to be able to go and do some of that work.

One of the things I've talked about in the past, but I'd like to really reiterate now is, a lot of times, you work with a big customer, you get results that look really good, but they don't immediately move forward with it because they just aren't funded to do an R&D path or make a new process technology come out that year. So, it sits on the bench. But at some point, they take it off the bench and they say, okay, now we're ready to go. And so we -- with what we're seeing in the industry and the interest we're seeing from new customers and existing customers, we're hopeful that some of those things will come off the bench and we'll start to see things moving towards production now. That's what's driving a lot of the optimism.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

And I guess if you had to handicap the layer, or I guess, the rate of the discussions, do you feel like you're getting more towards fruition? Or I guess, do you have a funnel that you feel like you're filling? And how is that different today than it was 90 days ago?

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

Yes. Definitely, the wide mouth of the funnel is much more full. And so we're having a lot of conversations with new customers as well as renewing discussions about fresh experiments and pass forward with existing customers. And so all of those are positives. The other thing I would say is we've kind of opened some new fronts to talk to people on. So, I spoke a lot on this call about the kind of the bleeding edge and Gate-all-around devices. And I would say across the whole range of what we consider customers at the most advanced nodes, which are not just the obvious (inaudible), but also include memory manufacturers who are doing very advanced things. We're seeing a lot of interest in the technology that we've been writing these white papers on and giving presentations at conferences. And so there's a lot of back and forth to those type of customers, too, that we hope will lead towards big things in the future.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

And any color that you can provide on your existing customers, your existing licensees, what their progress has been?

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

Yes. I mean, as I mentioned in my remarks, we continue to be engaged with all of our existing licensees where we've been working on experiments with some with others, we're planning for new things. I think the only one that is still -- one of our licensees that we're not really actively making new products for is AKM, which had the fab fire a couple of years ago that's really kind of stalled with them, but we are also in discussions with them about doing some innovative new things as well. So, all of our licensees and all of our JDA partners are still quite active with us.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

Maybe last for you, Scott, and then I'll get one Frank, is the -- your China positioning. Where do you fall in your engagements with China? And what are your thoughts about the U.S. trade tensions and the limitations that the governments are putting on technology transfers.

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

Yes. Right now, we have no exposure to China. We have a lot of interest around the world and I think there's too much uncertainty about how far we'll be able to take our technology within China for us to make that -- to move it up into the priority chain for us on our business development activities. If the United States and China kind of have reached [a time] and become a little more cooperative and semiconductor development in the near future, then we'll revisit that. But for now, we have very little activity in China.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

And then, Frank, just always back to your liquidity question. You've been very sparsely engaging in your ATM, which is good. But what is the minimum level of cash that you're comfortable running the operations at?

Francis B. Laurencio - *Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary*

Well, I think it's pretty well understood that public companies keep well over a year's worth of cash on their balance sheet at all times. I mean that's sort of a fundamental audit issue as a public company. And so I think that you can draw your own conclusions about that, but also because we've, I think, always been conscious in forward-looking about maintaining that liquidity, the fact that we've been very sparing in what we've done, like I said, only active in the month of November over the last 6 months.

We're obviously optimistic not only in terms of planning to spend more money and hire people this year, but also in feeling that we didn't need to load up on additional cash when the stock and overall, the equity markets and particularly the growth stocks and tech stocks were particularly doing poorly in the last 6 months. I think if we felt more concerned and needed to have proactively fill up our balance sheet, then we probably would have been more active in the past few months. And so I think our hiring plans and also the financing activity that we've done reflect our optimism about 2023.

Cody Grant Acree - *The Benchmark Company, LLC, Research Division - Senior Equity Analyst*

And I'm sorry, one last thing. Did I miss in your prepared remarks, a cash burn target for '23?

Francis B. Laurencio - *Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary*

Yes, our target for '23 and we always give it in non-GAAP operating expense, which is effectively our cash outflow. I don't give a net burn because we don't give annual revenue guidance. But the target was \$16.25 million to \$16.75 million for the year.

Mike Bishop

Okay. So, some questions have been coming in through the chat, and I'll just go ahead and ask some of those.

First is why do some Phase 3 customers pay for an integration license and others do not?

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

Yes. So let me take that. So, yes. So our -- there's no hard set of rules on this. If we have a customer that we think has incredibly high potential and they push back very hard on the concept of an integration license, then we're probably going to be -- we're probably going to be flexible for that because it's more important to us to get those very high potential customers going using our technology and then to get the money from them. For others, especially ones where we've done multiple runs, at some point, we can talk them into the integration license. It's not a matter of paying it or not paying it. It's only a matter of when you pay it because with all customers, they understand if they avoid paying it at the beginning when they finally get to a manufacturing license, then they will have to pay the integration licenses. Those pieces all add up to each other.

Mike Bishop

Okay. And another one is, does the JDA -- the first JDA license allow for limited sampling to their customers? And let me follow-up because there's other questions about whether the JDAs are sampling in general to their customers?

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

Yes. So let me -- first of all, I'll just talk about our JDA and licenses in general because I can't talk about specifics for the individual JDA customers. But typically, when a customer gets to a manufacturing license level with us and at least for our first JDA customer, it did include a manufacturing license, we do include the right for them to do limited sampling. Now remember, these guys are not typically making devices and selling them. They are working on process technology.

So, it's more likely that they'd be sampling, they'd be sampling wafers with devices people could measure or even PDKs that have models that have the characteristics of the new transistors. But yes, that is the right that we give people once they reach a manufacturing license level is to sample. Now, I can't really comment on whether people have sampled under those except to say maybe only the first JDA customer would have had the right to do that so far.

Mike Bishop

Okay. And then we had a question around MSTcad revenue. Can we elaborate on it and if there's any metrics to measure it?

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

You want to take that, Frank?

Francis B. Laurencio - *Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary*

Yes, sure. So, we offer MSTcad to customers under a free trial for 90 days. A lot of our customers take us up on that. After that, they may either decide not to continue doing the MSTcad themselves or they convert to a paying customer. And so I think I saw the question come in saying that it was the first time we disclosed it, we actually had a small amount of MSTcad revenue in Q3, which we disclosed in our 10-Q for that quarter. So -- but let me also just add that just because the customer isn't paying for MSTcad, doesn't mean that they're not taking advantage of our TCAD capabilities.

Sometimes a customer will do the TCAD work themselves because we've delivered the MSTcad scripts to them, in which case it would be under that 90-day trial and then a paid license thereafter. But in other cases, they send us process details and we run the TCAD for them. There's a very big gamut of approaches that customers have. Some rely much more heavily on TCAD and have internal TCAD resources. Others have very little, but they're willing to look at results on what we do. But as you can see from the scale of the numbers, we don't plan to rely on TCAD as a major

revenue source. It's really an enabler for getting us to the right solution for a customer more quickly and targeting the development. Although I do expect that we're going to see more customers who take advantage of the capability.

Mike Bishop

Okay. And Richard Shannon has joined us. Richard, if you want to go ahead and ask a question.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Can you hear me now, Mike?

Mike Bishop

Yes. We can.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

All right. Excellent. Apologies upfront here. I'm traveling and cell coverage isn't great. So I'll -- hopefully, the noise is too bad here. With that said, Scott, I think my first question here is, I'm going to paraphrase your language in your prepared remarks here. But you talked about more licensees in the months ahead. This sounds like a modestly more certain than maybe I could use a word aggressive statement that you've used in the past. So, what exactly do you mean by this? Can you help us understand what activities or actions you can publicly talk about that will happen in these months ahead?

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

Yes. Thanks for the question, Richard. Of course, this is a little bit dicey because I'm not trying to announce something that doesn't -- hasn't happened yet. But I definitely would say I think there's no doubt, if you look at our customer pipeline over the last couple of years, we've had good traction with customers. We've been working with customers, but everything has been slowed down by this capacity crunch the industry was in. The -- I think we talked about a JDA customer taking 9 months to get a sample. I think we talked about that earlier last year. And in fact, it was taking more than 12 months just because the fabs are so slow. Now, that's all changing, right? We're seeing much faster throughput times on our internal R&D lots. We suddenly see a dramatic improvement in the throughputs we're getting and we're seeing customers who are much more interested in starting to meet with us and talk about potential programs because they can get into those fabs. That's one of the things that's driving our optimism.

We also -- we've got very good relationships with most of our licensees and JDA partners and we can see the progress they're making and we're hopeful that they'll get to -- I mean, I'm more optimistic than ever that they'll get to license announcements this year. Yes, it's always tricky because the reason we don't preannounce is that any decision by them that they want to do one more wafer run can take 9 to 12 months more. But we've got a lot of shots on net here with all the customers in our pipeline and we're hopeful that some of them come out with licenses in the near future.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

I know you don't want to essentially negotiate against yourself by declaring something overly strong. But I just wanted to get a sense of the level of improvement of confidence and I think you portrayed that. So, thanks for that. Scott, you -- in one of your earlier prepared remarks, you talked about travel activity up 450% to 500%, I think, quarter-on-quarter. How should we think about what this really means? I mean, is this a sign of activity in earlier stages? Or -- and kind of my -- one of my follow-up questions here will be, I think, one of the key things for your story and impact on your stock will be getting somebody over the finish line, getting them to production. That seems a lot like a critical thing. Is this travel activity? Is this more early stage or potentially late-stage starts that could help you get over that finish line?

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

Yes, I'm sure you won't be surprised that I say it's a mix of both, Richard.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

No, I will not Scott.

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

And by the way, I just want to be clear. I'm comparing the 3 months from kind of the beginning of November until now from last year to this year. And last year, it wasn't really that impacted by COVID. So, it's a pretty fair comparison. This is normally a time of year with the holidays and everything that you don't see a ton of travel happening, but we are. I mean we're just -- we have lots of irons in the fire and it's a fun kind of exciting atmosphere where we're constantly preparing for the next customer meeting and for the next set of data that we have to do to show to convince them to move in the application area that we'd like them to move in. So, yes -- so that's where all that comes from.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

And let's see here. I think you announced a customer moving into Phase 3 and you're guiding to no revenues for the quarter. It's obviously not a revenue-generating venture at least not immediately. What -- do you expect that at some point to happen with this relationship well in Phase 3 or not? And then can you characterize any sort of work technology product area, et cetera, that you're working with them on?

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

Yes, I don't think I can talk about the specific work area, but I can say it's quite a large customer. We've been -- in Phase 3, most of our customers go through Phase 3 in a month or 2. This customer wanted to run some very extensive tests in Phase 3 because it helps them to understand what our technology can do. So, they've been in it for a few quarters. Got the final results in December. And then we're very excited by them and moved very quickly into Phase 3. Usually, when we start Phase 3, it means a customer has to start running some new wafers on their side, build them up to a certain point and send them to us, and that can take a while for them to do. In this case, the customer was so excited they reacted extremely quickly and sent us the wafers quite rapidly. So, it feels like this is something that's going to have a high priority and hopefully, we'll move quickly through the development pipeline and get to a point where we'll have something announceable.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Let's see here. On the fourth quarter revenues, you recognize, obviously, a small amount here, which you guided for 0, there's something there. Can you describe the activity that triggered that? And did I understand correctly, this customer came from North America? Is this one of the licensees that you've announced in the past?

Francis B. Laurencio - *Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary*

Well, what I can say about it is that it's MSTcad revenue, which we disclosed. So, it's MSTcad revenue from North America.

Richard Cutts Shannon - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

But you can't say whether it's an announced licensee?

Francis B. Laurencio - Atomera Incorporated - Chief Financial & Accounting Officer and Corporate Secretary

No.

Richard Cutts Shannon - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst

Let's see here just scanning my question list here, make sure I didn't miss anything. Scott, maybe I'll just kind of finish up with a question here on leading edge. Just wondering if you can kind of help us understand the importance of what you're doing to Gate-all-around and other sorts of initiatives in leading edge? And if just any way that you'd characterize the probability of success and time frame, I think most people on this call are expecting a fairly long period of time. Any way you characterize that would probably be helpful on that? And I think that's all for me.

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

Yes. Yes. It's a very interesting situation. We do a lot of work in the legacy nodes and in theory, the legacy nodes could -- they're relatively simpler to work on. They're in volume production. So, you think they would change over pretty quickly. But there's -- but what we do run into there is that even if we show a customer a great benefit on the legacy nodes, sometimes they're not planning to make a change to their legacy node for some time, and we have to wait for that time to come around. But on the leading edge on the Gate-all-around, we know every big semiconductor company is working on it. They've got a ton of engineers dedicated to it. So, when we bring in some ideas, there's a big crowd that's ready to listen. And if they like what they see, they're probably going to want to start running some experiments with us, and they'll have a ton of resources to do those experiments to get results quickly and hopefully move fast.

So the Gate-all-around is, as I mentioned in my remarks, is very complicated. People are taking ideas from a large number of industry players like the equipment OEMs and universities and we're also contributing a lot of ideas. So, we're hopeful that if we're adopted by one or more of these players will become kind of a standard thing that gets added in to everybody's -- that kind of goes on to the industry semiconductor road map. And that would be kind of a straightforward way for us to continue licensing our technology out to every -- one of the companies that's developing those processes in the future. So, it's a big opportunity. We have done a lot of science on it. And I think quite an exciting thing for us.

Mike Bishop

All right. Thank you, Richard. And just 2 more quick questions here before we conclude the call. First one is, has Atomera done any simulation or MSTcad on 3 nanometers?

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

Yes. For those of you who don't know about 3-nanometer. So, in the semiconductor industry, the most advanced transistor that's being worked on right now is the 3-nanometer transistor. There's already work and thought going on beyond 3 nanometers. But 3-nanometer is the most advanced node, and that's where they're using, for the most part, the Gate-all-around architecture that we talked about. There's a lot of challenges in 3 nanometers because everything is just so small. But our technology, that's one of the things that our technology does is to help people to control dopants when you're trying to deposit them in very small areas and not have them go to other areas and to help people with a number of other things which I've spoken about in the past.

But -- so I think the question about whether we've done simulation, when we've done MSTcad on that level yes, we have. We don't a technicality when we run TCAD, we don't run a transistor on TCAD, we run areas that are even smaller than a transistors, but we've done a lot of simulations on how you would use MST in a Gate-all-around 3-nanometer or smaller device so that we can go into customers and show them that type of thing. So, we talk frequently about our MST being a technology that's 100 angstrom thick, which is 1-nanometer. We experimented making it even thinner for these type of applications and we've done those experiments on simulations using TCAD that we can show prospective customers. So, yes.

Mike Bishop

All right. And then last question here is, is MST being applied to AI, artificial intelligence in any way?

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

Yes. I mean, I would say there's hard to make a direct comparison. AI, for the most part, is a software that runs on various kinds of processes, including some very advanced processors that MST could help to optimize, make better, but there's no direct connection between our MST technology on AI so far.

Mike Bishop

Okay. All right, Scott. At this point, we'll just move to conclude the call, and you may proceed with any closing comments.

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

All right. Thanks a lot, Mike, and I want to thank everybody here for attending today's presentation. I'm really happy we were able to share with you our recent progress and give you a sense of the optimism we're experiencing inside Atomera. Please continue to look for our news, articles and blog posts to keep you up to date on our progress, which are available along with investor alerts on our website, atomera.com. We look forward to seeing some of you during our upcoming scheduled marketing activities. And should you have any questions in the meantime, please contact Mike Bishop, who'll be happy to follow up. Thank you again for your support, and we look forward to our next update call.

Mike Bishop

Thank you. This concludes the Atomera fourth quarter 2022 conference call.

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