

Energous Corporation

Energous Call

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Eastern

**CORPORATE PARTICIPANTS**

**Stephen Rizzone**- *President, CEO*

**Brian Sereda** - *CFO*

**Michael Leabman** – *Founder, CTO*

## **PRESENTATION**

### **Operator**

Good afternoon, everyone, and welcome to the Energous Corporation conference call. All participants will be in a listen only mode. Should you need assistance, you may signal a conference specialist by pressing the star (\*) key followed by zero (0). After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star (\*) and then one (1); to withdraw your question, you may press star (\*) and two (2). Please also note that today's event is being recorded. At this time, I would like to turn the conference call over to Mr. Brian Sereda, CFO. Sir, please go ahead.

### **Brian Sereda**

Thanks, Jamie, and good afternoon, everyone. I am Brian Sereda, CFO of Energous. Joining me today on today's call are Stephen Rizzone, President and CEO, and Michael Leabman, Founder and Chief Technology Officer. After comments by Steve and Michael, we will open the call to your questions.

Before we begin, I would like to remind everyone that during today's call, we will make forward-looking statements. These statements, whether in prepared remarks or during the Q&A session, are subject to inherent risks and uncertainties. These risks and uncertainties are detailed in our filings with the Security and Exchange Commission. Except as otherwise required by Federal Securities laws, we disclaim any obligation or undertaking to publicly release updates or revisions to forward-looking statements contained herein or elsewhere to reflect changes and expectations with regards to those events, conditions and circumstances. And now I would like to turn the call over to Steve Rizzone, our CEO.

### **Stephen Rizzone**

Thank you, Brian, and good afternoon. At Energous, we are primarily focused on two things: Our strategic vision of enabling a ubiquitous WattUp solution equivalent to WiFi and on the technical day-to-day execution of our annual operating plan. We tend not to focus on the short term fluctuations in our stock price as we are exceedingly confident that, assuming we continue to execute, the value of our Company and our strategic options will improve exponentially. However, in the past two weeks and, in particular, in the past several days, we have seen what we view as an unwarranted drop in our stock's market value based on what we believe is an unscrupulous targeted misrepresentation of the operational challenges facing the Company, an inaccurate and intentionally misleading perspective of the technological facts surrounding our product development and a misinterpretation of our go to market strategy and value proposition.

This has been further perpetuated by professional bloggers making absurd and misleading accusations about our Company. In particular, the factually incorrect article posted last week, anonymously, which, in our opinion, was an intentional effort designed to enable individuals to profit from shorting the stock for personal gain and to support other coordinated short selling activity. Today, we'd like to set the record straight by correcting these inaccuracies and providing an update on Energous and our WattUp technology.

First, we understand the condition of the markets today and are extremely pleased with our decision to go out and raise cash last year. Given the raise, our current cash and

anticipated revenues from strategic partners, based on what we know today, we believe we have sufficient cash to fund our operations into 2017 where we expect to break even sometime in the third quarter. We are standing by our guidance provided in previous earning calls of 2016 revenue from engineering services of mid seven figures.

Second, I would now like to directly address the concerns that have been brought up about our FCC strategy and progress. We are dealing with a very novel and disruptive technology that has no standard preexisting approval process. Much like a company's product and technical strategy, our FCC and regulatory approval approach is a competitive advantage. We maintain confidence, as do our advisors and partners, that we are on a path for regulatory approval for initial market entry points that will allow us to realize commercialization goals in late 2016, early 2017. As we are dealing with the federal government, nothing is done until it is done, but we have a path and no information that we currently have about the FCC's opinion of our technology, the regulations that apply, the political environment, or the base technology's assumptions associated with this path cause us to believe that we will not gain regulatory approval in time to meet our scheduled release of fully integrated WattUp enabled products to the consumer.

Third, our relationship with our Tier I partner is as strong as ever and we continue to pursue multiple product integration opportunities. Further, the relationship has already yielded significant competitive benefits in terms of the acceleration of our commercialization efforts, the positioning of our technology for regulatory approval, the miniaturization and cost reduction of the technology, and the expansion of our IP portfolio. Assuming we continue to execute, we see the potential for continued expansion of the relationship in the form of products enabled by the WattUp technology.

Next, just two weeks ago at CES 2016, we announced and demonstrated a new mini transmitter design that is both small and cost effective enough to ship in-box with wearable and other IoT devices, thanks, in part, to the progress we've made miniaturizing our technology and substantially reducing our bill of materials. Powered from a USB port, this design provides the flexibility and portability for an in-box solution that expands our ecosystem coverage and solves a problem of footprint and cost not currently addressed by any other wireless charging solution. I would also like to correct some misconceptions coming out of the show relating to the demonstrations at the show and our focus on the mini transmitter, our building block approach to the evaluation kits to be released to potential licensees this month, and by our highly advanced network management system.

The suite was specifically designed to show our customers our latest advancements and discuss the soon-to-be distributed evaluation kits. To this end, the suite and the accompanying demonstrations were hugely successful as we are confident that no less than eight top tier multibillion dollar consumer electronic, ODM, and silicon companies will sign up for evaluations as a direct result of what we showed at the suite. This expansion of our evaluation process provides the Company with more options as we seek to deliver our first products to market, which are expected to be low power devices outside the first-to-market requirements contained in the development and licensing agreement with our Tier I partner.

In conjunction with the CES show, we disclosed the signing of evaluation agreements with two top tier internet of things companies who are evaluating this new pocket sized travel transmitter with the goal of integrating WattUp receivers into their devices with the

potential to share products by the end of this year, early next year. I would like to clarify some possible concern for our shareholders surrounding the signing of these agreements. At our last conference call, we announced our intent to sign one or two licensing agreements. Instead, we announced the signing of two evaluation agreements. There's a very specific reason for this change and I want you to understand the circumstances surrounding it. We are actively engaged in licensing agreement discussions with a group of five potential licensees. However, in all cases, since we are dealing with top tier multibillion dollar companies with a global presence and not cloud funded companies, the tenor of negotiations was such that the agreements coming out of these discussions did not have the necessary level of commitment from our perspective to be valuable licensing agreements. The reasons for this was that the companies in question had not yet been able to bring the WattUp evaluation kit in-house for testing. As I said, these are coming out this month. Since the potential licensees did not have the opportunity to fully test the technology in the respective labs, they were reluctant to provide the level of commitment we felt was necessary to secure an agreement in the best interest of both parties. To remedy the situation, we signed evaluation agreements and we decided to get the technology in their labs while we continue negotiations on the formal licensing agreements. This path will both expedite the process of evaluation and integration and lead to licensing agreements that are better suited to the best interests of our Company.

In conjunction with our goal to ship commercialized product to the consumer in late 2016, early 2017, and the resulting need to ship volume ICs later this year, in December we announced the hiring of Jeff McNeil as our Vice President of Operations. Jeff was previously the Senior VP of Worldwide Operations at Cypress Semiconductor, where he supplied chips to some of the largest companies in the world. Jeff's job, and one for which he is eminently qualified for, is to lead the transformation of Energous from primarily a development and customer acquisition focus to one of fulfillment. The bottom line is that we are driving hard to make the necessary investments and put in place the required infrastructure to achieve our goal of becoming a fabulous semiconductor company, shipping in quantities before the end of this year.

Finally, in November of last year, the underwriters laboratory in one of the largest testing labs in the world evaluated the performance of the WattUp technology using standard independent testing methodology and validated the receive power at various distances, simultaneous device receive capability as well as mobility. We continue to hear uninformed, irrational, downright stupid comments about the testing process and results. Those of you that have had any experience with independent third party testing laboratories know that accuracy in testing and reporting are cornerstones of these organizations. Anyone who would look to impugn these tests or their results is either ignorant of the situation or attempting to do so for their own personal gains. Now I'd like to turn the call over to Michael Leabman, our Founder and CTO, to address the various and deliberate misleading claims published last week. Michael?

#### **Michael Leabman**

Thanks, Steve. As Steve mentioned, there have been a handful of misleading claims, either in an article last week or various blogs and different venues and I'd like to address several of them today. I'm going to take claims one by one so we can be clear about the science of how WattUp and Energous works.

So the first claim that we've heard is that radio waves are beamed, not pockets of

energy. Firstly, pockets of RF energy are absolutely possible, in fact, Marty Cooper, one of our Board members and father of the modern day cell phone, was creating three pockets of RF, 15 or 20 years ago at Raycom, one of the pioneers in beam forming and phaser rays for the last decade. Traditionally, in a ray of antennas can steer in two dimensions. A horizontal ray can steer horizontally, just like using telecom. A vertical ray can steer vertically. Therefore, a ray of horizontal and vertical antennas can steer in both directions, two dimensions. The third dimension is distance. For a single antenna, or a single ray with a target that's one or two miles away, as done in traditionally in telecom, the transmitting of a ray is very small compared to the distance of the target. So the transmitter ray looks like a single point source. In our case, though, our ray is longer wide and the target is not far from it. Therefore, the transmitter no longer looks like a point source and, hence, there are angles between the antenna and the target object. It's because of these angles that we can control how the signal converges at a point in space and form a 3D pocket.

The second claim made was that triangulation from a single transmitter is not possible. Well, we use a variety of methods to triangulate and locate the receiver, of which we have a handful of unpublished patents as well as published patents. The key is you need to use more than one antenna. We can triangulate because we have hundreds of antennas in our transmitter, which we use to pinpoint the location of the receiver. This is an important point because we use this location to focus our app to a specific spot. We are not transmitting energy everywhere in a room; we are transmitting directly to the spot in which the receiver is located. Furthermore, we only transmit energy when the receiver requires it. If the receiver is topped up, the transmitter and power transmission is turned off. Only Bluetooth in our control processor and our transmitter are left on to communicate with the receiver.

Claim 3, the author at some point compares Energous to a Patriot Missile defense system in terms of cost. I actually come from the government world and I've worked on a variety of programs, including a \$100 million defense system using beam point back in the '90's. One of our current team's huge competitive advantage is that we've done beam forming phase ray in a variety of settings, ranging from government to commercial applications such as WiMax and WiFi. We understand the vast range of technology that can be used in trade off to implement our technology while making it cost effective and commercially viable. We use standard PCBs. We control one to two dozen RF chains in a single low cost IC, this IC costing less than a dollar. We design our transmitter arrays directly onto the PCBs, leading to antennas that cost cents per antenna, not dollars. It's important to note there are obvious higher cost and higher power ways of accomplishing these things. For example, the military may use amplifiers that deliver watts to each antenna and cost tens of dollars, while we build our PAs using the same low cost CMOS and IC technology that people use when they build WiFi and Bluechips today.

Claim 4, Energous signal will drown WiFi signals. As I mentioned before, our signal is a very focused signal. We're not sending RF (ph) everywhere. In addition, we're using a band that is on the upper end of the unlicensed 5 GHz band. Both of these factors mean we are confident we can coexist with WiFi. The author also talked in his short piece about efficiency but he makes some very wrong assumptions which lead to very wrong conclusions about efficiency. First, the author assumes antenna loss of 50%, which is wrong. Most antennas are 95% efficient, so the loss is actually 5%, not 50%. He is off by a factor of 10 on the antenna loss. Additionally, he doesn't take into account the

transmitter antenna gain. Antennas can have significant gain leading to another factor of 5 to 10. The author also assumes a single antenna and an antenna with no gain. We have multiple receiver antennas and they all have gain, another factor of 10 to 20 if not more.

If you look at all these, he's off on the transmitter antenna gain, the receiver antenna gain, the number of antenna, the antenna efficiency and I can go on. We've experienced this confusion before when people aren't armed with the right assumptions, including last year at CES when some asked about batteries in our backpack battery covers. And we had to explain that we use Bluetooth to track our receiver and, of course, Bluetooth needs a battery. Exactly to this point, several months ago, as Steve mentioned, we submitted our transmitter to UL Labs. This transmitter was the size approximately 1 ½ of the speaker transmitters we showed at CES 2015, so a year ago, and composed solely of boards from that era, from CES 2015. We used a receiver with just our receiver antennas and receive ICs, no Bluetooth and no Bluetooth battery, just our passive ICs we submitted to UL.

As people can read from our UL report, we achieved a variety of power over a variety of distances, including 5 to 6 watts at 5 feet. The transmitted RFs received DC power within the range of 5% to 8% with the transmitter that is using 18 months old technology. Again, this is done with our 18 month old technology, which does not have several critical advances we've made since then. It does not include our newest receivers, which can be 2 to 3 times more efficient. It does not include our latest transmitter antenna improvements. It does not include our amplifiers, which are also 2 to 3 times more efficient than the off the shelf telecom amplifiers we used in 2015 at CES.

I'd like to talk a little bit more about the transmitter antenna improvements, as I referenced a second ago. Over the last year we've made tremendous strides in our transmit antennas, in particular with respect to our ability to pack antennas significantly more into same space or the same number of antennas into a much smaller space. Our system is very scalable which allows us to use more antennas but the same total power to achieve much higher efficiency and or trade off the size of the transmitter for more efficiency, more power or more range. The key here is we're enabling our strategic customers to decide how they would take, or how they like to trade off cost versus size versus distance versus power. We have a lot of knobs and that allows us and our customers to have market differentiation. Many, if not all, of the antenna advances and receiver advances are behind closed doors with a variety of strategic customers and unfortunately require to keep them confidential under our various agreements.

Claim 6, the claim was Energous cannot meet MPE levels of 1 milliwatt per centimeter squared. A phone by this definition would violate MPE regulations. A phone transmitting half of a watt would be 500 times over the MPE limit. Mobile phones don't fall under MPE regulation, this assumption is incorrect. He's interpreting in the blog a rule that is for routers, not for mobile devices.

Claim 7, our patents contain no information about how energy is focused to create these pockets. Well, the patent applications define a pocket of energy as RFs that are directed by the antennas to converge or accumulate to form a region of constructive patterns and someone in the industry would actually understand how this is accomplished. The patent provides the necessary explanation and additional applications, many of which are not published yet, further describe how we accomplish pocket forming. There's

another claim about our patents saying they use the same images and are, essentially, variations of the same applications. We have over 200 applications, 2 allowed applications we haven't issued yet, and 5 issued applications. Patent applications, in general, use the same figure to describe the fundamental operation. The variations between the applications are more appropriately determined by the actual claims, not the drawings. Our patent portfolio covers many aspects of the system, including pocket forming, antenna, circuitry, software and all these differences cannot necessarily be gleaned by just looking at the figures on each application.

**Stephen Rizzone**

Thank you, Michael. At this time, I'd like to turn it over to the Operator to open up the call for questions. Operator?

**QUESTIONS AND ANSWERS**

**Operator**

Ladies and gentlemen, at this time we'll begin the question and answer session. To ask a question, you may press star (\*) and then one (1). If you are using a speakerphone, we ask that you please pick up the handset before pressing the keys to insure the best sound quality. To withdraw your question, you may press star (\*) and then two (2). Again, it is star (\*) and then one (1) to ask a question. Our first question today comes from Daniel Amir from Ladenburg. Please go ahead with your question.

**Daniel Amir**

Yeah, I wanted to follow up a bit on the process here with regards to the FCC. What is the timeline from when the FCC approves it then a product can be in the market? Is it a six month timeframe, is it three months, or how should we be looking at that timeline? Thanks.

**Stephen Rizzone**

Hello, Daniel. We have to have FCC approval before we can ship a product to the consumer. That approval, and in many instances we've seen this, can come as late as the day before the product is set to ship. So there's no minimum requirements as it relates to timelines for approval prior to shipment, it just has to be approved before shipment. And we're quite comfortable, given our current schedules and the path that we see to regulatory approval, that we will have the necessary approvals for the technology well prior to shipment to the consumer.

**Daniel Amir**

And the other question is what milestone should we be looking at regarding the IC development this year? Thanks.

**Michael Leabman**

Yeah, so most of our IC development is actually related to our Tier I or other strategics, so that's not something we can actually disclose. But I think, certainly, one of the things that we focused on, as I mentioned earlier, is efficiency on both our receiver chip and PAs and that's something that, obviously, we hold dear as we go into these different applications.

**Stephen Rizzone**

One additional comment, as I mentioned earlier, we brought Jeff McNeil onboard to

qualify our products, our ICs. We will likely make announcements on the qualification process as they go through quality and tests and are ready to be mass produced and so I would expect some announcements as it relates both to progress on the qualification and testing elements of the path to volume shipments and on the availability of ICs for volume shipments themselves. So those are the likely milestones that you'll hear in the latter part of this year.

**Michael Leabman**

Yeah, I want to make one more note and I think it's something that we talked about a lot at CES which is, last year we really focused on commercialization of our product, which means the ICs that we have in hand now, our ICs that Jeff is now taking and qualifying with customers, so anything on a road map is not necessarily needed for a launch this year. It's things that are on a road map with our different customers, for other engagements.

**Daniel Amir**

Okay, great, thanks for doing this call, too. Thanks.

**Stephen Rizzone**

Thank you, Daniel.

**Operator**

Our next question comes from Bill Gibson from Roth Capital Partners. Please go ahead with your question.

**Bill Gibson**

Thank you. Stephen, could you give us a little more color on the interplay between this month's evaluation kits and then the tradeoff between cost and power to the various licensees?

**Stephen Rizzone**

Certainly. So we're releasing two evaluation kits to potential licensing partners who have signed evaluation agreements. I spoke earlier of the process that we're going through and we've developed now a formal process that involves the simultaneous evaluation of the technology in our potential licensees' labs coupled with ongoing discussions relating to formal licensing agreements. The two kits that we'll be releasing this month are a high power kit and a low power kit. And keep in mind, and this is one of the things that we've spent a lot of time demonstrating and talking about at CES, is that we've developed a building block approach and there are a number of options and issues that the potential licensee can deal with in order to reach a draft or a prototypical design that is reflective of their interest in engaging with the technology. And it relates to the number antennas, the number of transmitting, excuse me, ASSPs, I'm sorry, the number and the size of the receivers, all of these are variables and we can work with a potential licensee on cost, on power, on distance, on size, all using the basic building blocks that we've put together and demonstrated, I think, quite effectively at the Consumer Electronics Show.

So later this month, we will be sending out these kits along with an assigned application engineer to work with these potential licensees on understanding which products they would look to integrate the technology in, what are their needs and requirements and what are the options that they'd like to select in terms of the building blocks approach.



Do they want more power? Is it something they want to go far in distance? Are they looking for very near or a very near field solution? All of these variables, again as I said, can be addressed and are part of the building block approach that we'll be working with in the coming weeks and months with licensees.

**Bill Gibson**

Thank you, Stephen.

**Operator**

Our next question comes from Marc Estigarribia of Charden Capital Markets. Please go ahead with your question.

**Marc Estigarribia**

Thank you. With regards to the announcement of the IoT companies, with the signed evaluation kits agreements, can you give a little color on, as to the verticals or, we all know that internet thing are sort of a general term, can you give some sort of color on end markets or verticals or just some comment in general on the internet things?

**Stephen Rizzone**

Security and I don't know how to characterize this, [multiple voices] consumer, it's a, excuse me, it's security and a form of consumer electronics.

**Marc Estigarribia**

Okay, great, and maybe, thank you for that, just I guess it's a little bit hard to gauge, I think there's some question to milestones but can you just give us a little bit of color as to, or your estimates of what, how long do you think these evaluations will last with these two potential licensors?

**Stephen Rizzone**

Well, the evaluations, I think, are going to go fairly quickly. We have our business development team has scheduled specific time slots. We want to make sure that our potential licensees have committed resource, have lab time, so on and so forth, so we've assigned specific time slots starting at the end of this month and the beginning of next month to meet with these licensees, bring the technology in, work with them, train them, provide them the documentation that we've developed and then, as I said, get a visibility into their plans and what their needs and requirements are. We will likely leave the kits with some of the licensees, although not all of them, and then to continue to work with them on an ongoing basis to refine their requirements.

So I think the actual evaluations will be fairly quick, it's pretty straight forward. I think that what we experienced throughout the negotiation process was the need to actually be able to see the technology working in their respective labs and to run independent tests, so on and so forth, which is exactly what these kits will allow them to do. And so once that hurdle is over with, and as I said, we'll begin to, the more definitive stages of the negotiations as it relates to the licensing agreement, because we'll have a better understanding of what their needs and requirements are in terms of distance and power and size and cost. They'll have a better understanding of the products that they'll look to integrate the WattUp solution in and this is all focused, as I said, to as quickly as possible integrate the WattUp technology into consumer phasing products for shipment late this year, early next year.

**Marc Estigarribia**

Thank you, Steve, and then this basically correlates with the time that you announce results, which is beginning of March, so we should probably, hopefully, get some updates on these evaluations then that turn into definitive?

**Stephen Rizzone**

I think that we'll continue to update and certainly we'll announce the definitive agreements as they become available but let me just caution you on this. We're going to be very patient as it relates to these agreements. We want favorable agreements from our perspective that have committed resources, that have stipulated royalties and revenues, and so these things take time but we believe this process is going to yield much better agreements, much more far reaching agreements, much more profitable agreements for the Company.

**Marc Estigarribia**

And lastly, thank you, with regards to any sort of other verification in the technology, do you have any plans to go back to your labs to perform other verifications or any other processes?

**Stephen Rizzone**

I don't think so. We have actually invested significant amounts in our in-house testing capabilities. We have five testing chambers in our facility, one of which is, we believe, unique in the world in that we can test virtually, or replicate every FCC test, all the [technical difficulty] tests, the MPE tests, as well as power at a distance with mobility. And so I think that we went to UL to provide third party validation, we've done that. I think that our focus now will be to accelerate on all of our development efforts and utilize our internal testing capabilities which are quite comprehensive and, as I said, we can virtually duplicate any test that the third party lab or the FCC can within our own laboratories.

**Marc Estigarribia**

Sorry, one more, so what is your current burn rate or updated burn rate for 2016 for a month?

**Brian Sereda**

Yeah, we're in quiet period. I think we'll have much more color on our yearend results and maybe some glimpses into Q1 in early March. As we've stated in the past, we burn at an average of \$5 million per quarter historically, and it is somewhat seasonal, depending on our chip development cycle. Right now we are bringing online some new chip designs and that's going to cause us to spend some additional funds on third party expenses but we're still standing by our original metrics of somewhere between \$5 and \$6 million per quarter and we don't see us layering on significant, obviously, expenses will increase in 2016 as we've talked about in the past. We're not talking about adding hundreds of people, we adding selectively in key areas. So we're careful about the expenses we're layering on, we're not getting ahead of ourselves in terms of business model and we're definitely focused on what we have on our plate right now, which is bringing chips to market. So, again, somewhere in the \$5 to \$6 million is probably our average burn rate going forward.

**Stephen Rizzone**

One other comment, again, this is a very, very efficient model. Unlike some other competitors in the uncoupled and tightly coupled and loosely coupled arena that have elected to develop consumer products on their own, we believe the licensing model is the proper way to expand the ecosystem, to engage with a broad number of strategic partners and licensees and, quite frankly, we don't need to build an extremely large organization. We're quite comfortable with the levels that we have with selective adds and, again, when you receive the kind of margins that we can expect from our ASSPs as well as the royalties associated on a per unit basis, as these start to take hold, we think that we can be a very, very profitable company and a very efficient company with the model that we've selected and the path that we've taken.

**Marc Estigarribia**

Okay, thank you, Steve, thank you, Brian. Appreciate the call.

**Stephen Rizzone**

Thank you.

**Operator**

Our next question comes from David Pescherine from RNC Genter. Please go ahead with your question.

**David Pescherine**

Yes, thank you, gentlemen, a couple questions if I could. I guess the first, could you just clarify if there were any dollars associated with the evaluation agreements and then, on the same note, the two companies that you signed agreements with, are these brand new relationships to Energous or do they come from your prior disclosures for JDAs?

**Stephen Rizzone**

There are no dollars associated with the evaluation agreements. If a level of customization is required in conjunction with their determination of what is, what products they will look into and integrate the technology in, then there would be a component of engineering services revenue associated with the licensing agreement and we would anticipate, especially early on, that most of these agreements would have some level of engineering services revenue associated with them as we continue to expand our technology and our IP portfolio to the point where, ultimately, we would look, not look to have any degree of customization but can have a very, very broad based evaluation kit and process. But again, that's sometime in the future. In terms of the JDA's, excuse me, the licensing agreement, I believe one was a JDA partner, a former JDA partner, and one was not, one represents a new partner. And I also think that we'll be announcing additional evaluation agreements between now and likely, either now, somewhere between now and the conference call in March.

**David Pescherine**

Great, well, that was my next question and I think, Steve, you had mentioned that you were in, you've been in discussions with five folks for licenses and you signed two deals, or two evaluation agreements. Does that mean that the other three didn't need to do the evaluation and so we're still in the process of negotiating licenses or will those other three likely want to do an evaluation at some point in the future?

**Stephen Rizzone**

It's clearly the latter. I believe all five will get kits. Our problem right now is that got

these five and likely eight or nine coming out of CES and some of the names coming out of CES are truly world class well-known, well-recognized names that offer tremendous potential for us and so it's going to continue to be a balancing act in terms of providing these kits and the necessary resource. But our problem right now is not interested parties, parties that are interested in the evaluating, it our ability to support.

**David Pescherine**

Yes, well, then can you talk a little bit more about that? Because you mentioned multiple times wanting to make sure that you've got partners who have committed resources and you having resources, limited resources, so can you talk a little bit about your current resources to help do these evaluations and have you made any additional investments in personnel or is there, how can you leverage that as you get more interest in the products?

**Stephen Rizzone**

Well, I think we'll leverage it a couple of ways. As we continue to get more kits out there, we'll gain a better understanding, a firsthand understanding of the requirements from the strategic partners' perspective in terms of our technology. Up to now, we've been dealing with one major top tier consumer electronic company that has their own agenda. We believe now that we're actually getting in front of the next group and this is a much broader group, that our knowledge and understanding of their needs and requirements will expand and we'll be able to translate that into inclusions in our technology.

As far as the resource goes, this is certainly an area we're looking to expand into higher additional applications and engineers, but one thing that's very, very important to us, and this extends not only through the customer acquisition process but through the integration process, customer support and quality have to be absolute cornerstones of our Company. It would be, it wouldn't be catastrophic but it would be a big problem if we announced evaluation agreements that didn't follow through to licensing agreements because we were not in a position to support. At the same time, we are, the other place that we're investing significantly is in our infrastructure and our operations group because we have to make absolutely sure that as we transition from development and customer acquisition to fulfillment, that we're in a position to deliver high quality ICs on time in conjunction with the forecast and we won't get a second chance on this and so we can't afford any mistakes as it relates to both the quality and the functionality of our product and our ability to meet our customers' expectations, which, by the way, are very, very demanding, as you would expect from any top tier customer. So these are the two areas, in terms of customer support and operations, where we will be making additional investments in the coming months.

**David Pescherine**

And if I could, one more so that your last comments, can you then remind us who the contract manufacturer is going to be for the chips?

**Stephen Rizzone**

TSMC.

**David Pescherine**

Okay and then is your Director of Operations then going to be located in the States or in Taiwan?

**Stephen Rizzone**

First, Jeff is a member, a senior member of the executive team and he is the Vice President and, second, he is here, however he has vast knowledge and relationships, as does Cesar Johnston, our Senior Vice President of Development, with all of the, all groups within our fabrication facility as well as our packaging facility and so I think we're well covered. We have two individuals who have vast experience and relationships and Jeff, as I said, is going to be taking the lead on all of this and he's been doing this for 20 years.

**David Pescherine**

That's helpful and if I could sneak in one more quick technical one then, so what node will you be manufacturing on at Taiwan Semi and can you, have you actually taped out for your next generation? Or where are you taped out on your ICs right now?

**Michael Leabman**

Well, this is Michael. We use a variety of nodes, what node we use we can't disclose, that's pretty proprietary, we want to keep that from our competitors.

**David Pescherine**

Okay.

**Michael Leabman**

What was your second question related to tape out?

**David Pescherine**

Just thinking about if you're taped out, you know you're talking about delivery of chips potentially at the end of the year, beginning of next year, and so just thinking about have you actually taped out chips for delivery in that timeframe.

**Michael Leabman**

Well, sure, so the chips that we showed at CES this year, those are chips that have been in our hand for the last six months and been in our strategic's hands for about that time. That IC is the IC that we're going forward with and that's the one that Jeff will be qualifying, so doing test runs and everything else with that.

**David Pescherine**

Perfect. Thank you so much for all the information, gentlemen, thank you.

**Stephen Rizzone**

We've got time for a few more questions because we do have a hard stop here at, in about 10 minutes, so next question, please?

**Operator**

Our next question comes from Mike from Crispin Capital. Please go ahead with your question.

**Mike Cahill**

Hi, Steve, thank you very much for doing the call. I just had a quick question for Michael and I realize that you have certain restrictions surrounding your Tier I agreement, but I was hoping that he could possibly qualitatively discuss some of the advances that you've made in the technology since the Consumer Electronics Show in 2015 as well as the

equipment that was used in the underwriter lab tests, which I believe was the 2015 gear. Thank you.

**Michael Leabman**

Thanks, Mike. So, yes, last year, as we mentioned before, has really been a commercialization so the three kind of key areas that we focused on, one is the transmitter antenna and density and that's something, unfortunately, nobody could see at CES because that's something that's obviously very key to being able to do one or two things, either reduce the size of the transmitter significantly by packing the antennas a lot tighter and/or reduce the power or increase the efficiency by using more antennas and less power per antenna. So that's been one of the, probably one of the big advantages. The second is in our ICs. As I mentioned before, the ICs that we're releasing to the public now versus the receiver chips that we're working on and even our amplifier chips, we're targeting a lot higher efficiencies. I can't tell you those numbers, but that's something that, obviously, different customers have different requirements for what they want and that's something we've focused on, as well, over last year.

**Stephen Rizzone**

I would say one other comment on this, too, is that we're getting very good responses, especially out of the CES show from the building block approach that we put together. We have a tremendous amount of flexibility to deliver a solution that can be incorporated in just about any CE product and so I think the good work and the hard work that our marketing and development teams have done to define and develop these kits is going to go a long way for us to accelerate the whole commercialization and adoption effort of the WattUp technology.

**Mike Cahill**

Thanks, guys.

**Operator**

Our next question comes from Jim Schnieders from Schnieders Capital Management. Please go ahead with your question.

**Jim Schnieders**

Hi, guys, thanks for taking my call. So my question actually relates to a press release you guys put out last year, back in March, March 9<sup>th</sup>, and, in my opinion, had an impact on the stock. I know the stock after CES was down quite a bit, even before some of these articles came out and two things that I would like to have you guys address, I'll just read them. The first was on that press release from March 9<sup>th</sup>, was that Energous expects to demonstrate the reference design in conjunction with the strategic partner, develop products at 2016 CES show and those products are expected to be available for sale to consumers in the first half of 2016 and then right underneath that there was a paragraph saying that the company has previously targeted transmitter reference designs for both high power (full feature) and low power (bedside) applications and then based on the current agreements, they expect low power solutions to be introduced commercially in 2015 and then high powered in 2016. So, from where I'm seeing, I just want to get more clarification on why that was pushed back and then why you didn't end up showing a product with your Tier I partner at the 2016 CES show.

**Stephen Rizzone**

If you'll recall, a lot of this had to do with the signing of our Tier I strategic partner. Back

in 2014, when we were going through our raise, we had a very specific agenda to target low hanging fruit, which, at that point in time, was battery backpacks and we talked about our focus to engage with a top tier strategic partner in that particular vertical and deliver a solution because, quite frankly, integrating the technology in battery backpacks is a relatively simple straightforward and fast opportunity to integrate the technology. However, when we signed the strategic partnership in 2015, early 2015, as you may recall as part of that we gave our strategic partner first-to-market opportunities in certain verticals, one of which, excuse me, in certain products, one of which was in the area of smartphone accessories or battery backpacks and, as a result, we had to make a right turn in terms of our agenda and our development and it has impacted us. However, the benefits of the relationship that we signed far, far, far outweighed any impact on the delivery of a solution to the market and, ultimately, the decision to engage with this key strategic partner, which delayed some of the implementation, it did cause us to make a right turn, but the involvement with this strategic partner and their ability to virtually accelerate the ecosystem adoption to such a degree where we see tremendous benefit, tremendous acceleration, and are very, very pleased with the decision. But, again, that's why the dates are changed and that's the reason for the change in the, that relates to the press release and that's what we spoke about last year.

**Jim Schnieders**

So, just to be clear, you're saying that when this press release was put together in early March, when you mentioned strategic partner, it's not your Tier I strategic partner, you were going to demonstrate stuff with some other partners and, therefore, I mean, is that correct?

**Stephen Rizzone**

Okay, so I want to be clear so I'm not caught in anything here.

**Jim Schnieders**

No, I'm not

**Stephen Rizzone**

Because it sounds like we're looking to engage in more discussions. I made the statement, the statement is clear, we had to make a change in the direction and that's all I'm going to say about it. Next question, please.

**Jim Schnieders**

Thanks.

**Operator**

Our next question comes from Lou Basenese from Disruptive Tech Research. Please go ahead with your question.

**Lou Basenese**

Hey, Steve, Brian, Mike, appreciate you guys taking the time to provide this clarity. I just had one quick question for you, just so that there's no misinterpretation. When you talked about the evaluation kits being in these partners' hands for the first time, is it right to assume that your strategic Tier I partner has had the tech in their labs and in your labs and working with you already for a period of time?

**Stephen Rizzone**

Oh, first of all, hello, Lou, how are you? Second, that's absolutely the case. We actually have a separate lab in our facility that has limited access to a select number of employees as well as our strategic partner employees and our technology is in this lab, it's in their labs, they're running regulatory tests as we speak. So we've been providing the technology to them on an ongoing basis, probably since April of last year.

**Lou Basenese**

Okay, great, no, I appreciate it. I just wanted to make sure on that point and like I said again, I appreciate you guys taking the time today.

**Stephen Rizzone**

Absolutely. I think we've got time for one more question and then we're going to wrap it up.

**Operator**

Our next question comes from Charles Gonzales from Avenue Financial Group. Please go ahead with your question.

**Charles Gonzales**

Yeah, hello?

**Stephen Rizzone**

Yes?

**Charles Gonzales**

Okay, I'm sorry about that. I just want to say great call, guys. I made a call yesterday to Laurie, she was very helpful, I was getting very nervous. Very reassuring conference call, I like that you touched up on things but the one thing that I really, the real reason why I pressed this was to eliminate that doubt on seekingalpha that nobody could get on this call because the contributor actually stated on seekingalpha that he couldn't get time to get a call. I pressed star (\*) one (1), I was able to get through. Great call guys, I appreciate everything, I'll be buying tomorrow.

**Stephen Rizzone**

Thank you very much.

**Brian Sereda**

Thank you.

**CONCLUSION****Stephen Rizzone**

All right, I think that that's going to wrap it up on that note. Listen, I would like to thank everyone for attending the call and your participation and your attention. Hopefully, we've been able to clarify some of the misconceptions, inaccuracies, and downright untruths that have been circulating for personal gain by certain parties. We still continue to believe that Energous represents the only real option to deliver on the promise of a true wire-free power solution. We will continue to participate in, throughout the year in various conferences throughout the country. Our next one is scheduled to be the ROTH



Conference and hello, Kit, I know you're on the call. I think that conference is scheduled for the beginning of March. We look forward to seeing many of you at the conferences and, as always, if you have any questions or concerns, please feel free to reach out to our IR partners, Pondel, I think you'll find that we're very responsive and we want to be as transparent as we can, especially in times like this when people are looking to manipulate our stock. So thank you very much. Again, we appreciate your support and your attention and you all have a good day. Good day.

**Operator**

Ladies and Gentleman, that does conclude today's conference call. We do thank you for joining. You may now disconnect your telephone lines.