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Q3 2019 Atomera Inc Earnings Call

EVENT DATE/TIME: OCTOBER 30, 2019 / 9:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Atomera Third Quarter 2019 Financial Results Conference Call. (Operator Instructions) I would now like to hand the conference over to your speaker, Mike Bishop. Please go ahead, sir.

Mike Bishop

Thank you, Sidney. And good afternoon. I'd like to shift with the company's Investor Relations. And joining me on today's call is Scott Bibaud, Atomera's President and CEO; and Frank Laurencio, Atomera's CFO. If you are joining by telephone, please go to the Events section of our Investor Relations page on our website to follow a slide presentation that accompanies our remarks. That presentation will remain available on our website after the call. After prepared comments by Scott and Frank, we will open the call up for your questions.

Before we begin, I would like to remind everyone that during today's call we will make forward-looking statements. These forward-looking statements, whether in prepared remarks or during the Q&A session are subject to inherent risks and uncertainties. These risks and uncertainties are detailed in the Risk Factors section of our filings with the Securities and Exchange Commission, specifically in the company's prospectus supplement filed with the SEC on May 30, 2019 except as otherwise required by federal securities laws. Atomera disclaims any obligation to update or make revisions to such forward-looking statements contained herein or elsewhere to reflect changes in expectations with regards to those events, conditions and circumstances.

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

Now I will 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 everyone and welcome to our third quarter update call. I will begin with some comments on our progress this quarter and will discuss our recent announcements, after which I'll turn the call over to Frank to review our financial results and we'll open it up to questions. Over the last few quarters, we've been able to provide some detailed insight into the technical breakthroughs that Atomera has been introducing into the market.

I would like to focus this call more on our recent customer and market activity. It is certainly true that these last 3 months have been more consumed with customer engagement activity than earlier in the year when our R&D work was getting more of the focus. Due to the demand generated as a result of that breakthrough R&D work Atomera has been able to bring new high potential customer into the fold, like the new licensee we announced today. We have also conducted a historic number of MST deposition sections on customer wafers during the last 3 months, which allowed us to achieve record revenue in the third quarter. We continue to be very busy working with customers on interpreting results, preparing for work on additional customer programs using MST and planning next steps to get closer to production.

As you know Atomera illustrates our customer activity with the phases of engagement shown here. Phase 1 includes customers under NDA who are planning an evaluation of our technology. In phase 2 we deposit MST film on customers' wafers and conduct physical characterization. Phase 3 is where customers incorporate MST on their wafers during an R&D run in their fab and use the test results to

justify licensing our technology. It is generally in Phase 3 that we are most likely to sign integration licenses with customers. Phase 4 where customers execute a manufacturing license and install MST on EPI tool in their fab and in Phase 5 customers get a distribution license and transition to production.

Atomera gets revenue from 3 sources engineering services revenue, which will grow as more customers pay us to conduct MST deposition runs, upfront revenue for integration, manufacturing and distribution licenses, which will increase as we signed more license deals get into the later stages of licenses on existing deals and license additional process nodes to existing customers. Finally, customers who pay us royalties based on the sale of licensed MST wafers and chips when they get into production.

During the last 3 months. Our customer engagement process has been exhibiting consistent growth and face advancement. We have succeeded in moving 2 engagements in the Phase 3 while conducting a number of other MST deposition sessions for customers already in Phase 3. We have also added one new customer engagement and advanced another into Phase 2. As a result, I'm pleased to report that we now have 19 customers with 25 engagements meaning 6 customers are working on multiple process nodes with us.

Our customer engagements, continue to be skewed towards larger companies with at least 50% of the world's top semiconductor companies engaged with Atomera. Our focus continues to be on advancing existing customers through the pipeline towards production. That being said, we continue to get new opportunities as a result of the breakthrough work we've done earlier this year. We evaluate each of those and pursue opportunities that make sense.

To continue to support this level I mean engagement growth, it will be necessary for us to increase engineering and deposition resources to keep up a good problem to have. We are extremely pleased to announce the execution of a new integration license with a large fabless semiconductor company. They are working with MST to provide improved performance to RF devices designed using RF-SOI technology. This is an excellent market opportunity for both of us and the 5G market starts to expand research. Indicates that the 5G cellular market will grow significantly over the next 5 years to a point where over 50% of phones shipped in 2023 will include the RF devices required to support its new frequency bands and bandwidth.

5G technology will drive the RF content in cellular handsets to new levels. And it will also drive the development of a number of new high-performance, low power devices using RF technology and we believe that MST will make all of them performed better. This integration license gives our new customer, the ability to develop these cutting edge next generation RF devices for the mobile 5G market.

This also marks our first license with a fabless semiconductor supplier. In this case, the company is large enough to have established its own proprietary manufacturing process with its foundry partners and we are working with them on development of the next generation of that technology. Although this is not the most common and typical relationship that fabulous players have with their foundries it's not that uncommon. Many of the world's largest fabless companies develop their own proprietary manufacturing technologies, which represents a very exciting growth area for Atomera.

Of course most fabless companies work directly on a manufacturing process owned by their foundry partner. Because they have strong influence there is that the foundries development roadmap it's important that we engage with them. You can imagine that if an important customer request their foundry to implement MST we may immediately get a higher priority than if we are trying to convince that fab on our own. So all this type of fabless company would not be an Atomera licensee they would generate demand for licensed wafers. Both types of engagements with fabless companies are an excellent development for Atomera's future business.

Today's announcement of a license with our fabless partner also represents something else that we believe is a very good trend faster time to revenue. But before I illustrate that let me give you some more insight into the different flavors of MST technology.

Since the early days of Atomera we've had 2 different versions of our MST technology MST one was developed as a film that was applied to a brand new wafer before any other processing was done. The industry calls that a blanket technology and the great thing about a blanket technology is that it's very easy to integrate into our customers' manufacturing process. We typically, work with them to understand their needs, so that we can customize the cap layer on top of MST and from there deposition and integration is quite easily

done. The downside to MST one as a blanket film is that -- it is applied right before the transistor building blocks called STI and well modules, which are the most challenging process steps from a time and temperature perspective, which we call DT.

This protracted high heat environment can have detrimental effects on the MST films quality which can negatively impact the performance. In order to bypass these early stages Atomera created another version of our technology called MST 2 that is applied after the FTI and well modules thereby avoiding the worst high temperature steps. MST 2 is what they call a selective process. Unlike a blanket process it's only applied where it's needed on the wafer surface, because the film is applied after the highest heat cycles it generally retains its high performance through the whole manufacturing process and because we can deposited only where needed on the wafer surface it also allows our customers more flexibility in their designs.

Maybe, for example, they want MST on some circuits, but not on others. MST 2 can support that MST 2 does require a much higher level of integration then MST one since it is applied right in the middle of our customers' manufacturing process. Sometimes require modification to their standard process steps just before and after the deposition of MST.

Generally speaking, if a wafer can be manufactured using MST 1, we believe it will be easier to integrate and we'll give Atomera faster time to revenue. But MSC 1 will only be an option where the customers process uses a lower DT regime. As a rule of thumb newer process now generally use lower temperature profiles. So 28 nanometer is usually manufactured at lower temperatures then 65 nanometer. And when we speak about Atomera advances in FinFET technologies they are achieved using MST one technology.

The work we are doing in RF SOI also uses MST one. Since most RF SOI tends to be manufactured at lower temperatures. It is our belief that customers using MST one including in RF SOI will be capable of getting to production sooner than those using MST 2, this is very good news since our newest licensee is using MST one and we have many other customers working on MST one as well. Most of the work we are doing today, with 50 customers users using MST 2 technology, all of the integration work is challenging the potential upside there obvious and the breakthrough advantages advances we have shown in prior calls, are offering customers advantages that aren't available through any other method.

The use of MST 1 and MST 2 with different customer shows our Atomera is providing flexible solutions for many different process nodes and applications. Our engineering team continues to generate better films and integration techniques to provide compelling solutions to many problems the industry is facing.

One way to gauge how much innovation is happening in Atomera is to look at our patent portfolio metrics. Over the last 12 months Atomera has grown our patents granted and pending from 184 to 230. This is a 25% growth year-over-year and shows how we continue to build the value of our company in core MST patents along with the devices and next generation architectures MST enables

Since our technology is discoverable in end customer chips our patents can be defended making them more valuable and since we all also licensed know-how, which has no expiration date our licenses will have very long lives. The foundation of any great licensing businesses their patent portfolio and any semiconductor technologists can attest to the value of having over 200 patents in a company this size. Speaking of technologists, I'm pleased to welcome a pioneer of the semiconductor industry to our Board of Directors comes to us with a very impressive track record of leadership within our company as well as deep experience assisting semiconductor companies at the Board level.

She was the first and only woman in the history of TI to be awarded their highest technical fellow and technical title of senior fellow and has participated in all aspects of the business at TI from development through running fabs to working with partners.

The contacts and experience she has bring to the -- from the industry to our board will be very helpful. She currently sits on the Board of Directors of 3 multi-billion dollar companies including National Instruments, Cree and Ballard Power Systems. Xulon is joining our company at a very auspicious moment. We are engaged with an impressive cross section of the industry with technology that can take advantage of some of the most important trends in the industry with the slowdown in Moore's Law semiconductor companies have fewer tools than before to bring new innovations to market. Atomera's MST is one of those rare tools that companies can use to continue to drive major performance enhancements and best of all this is not an exotic technology under development in a lab somewhere, it can be

used today on tools that are available in our customer fabs right now.

Let me turn the call over to our CFO to discuss our financial results. Frank.

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

Thank you, Scott. At the close of the market today we issued a press release announcing our operating and financial results for the third quarter of 2019. Our summary financial results are shown here, and I will review them now in more detail. Our GAAP net loss for the 3 months ended September 30, 2019 was $3.1 million compared to a net loss of $3.4 million in the third quarter of 2018.

Our lower net loss was primarily due to a $254,000 increase in revenue and lower operating expenses, which were $3.2 million in the third quarter of this year as compared to $3.5 million in the third quarter of 2018. Revenue of $254,000 consisted of $222,000 of engineering services revenue and $32,000 of license revenue

In Q3, we did not have any revenue and in Q2 2019 we had $70,000 of revenue. Gross margin of 20% in Q3 compared to 70% in Q2 due to much higher mix of engineering services this quarter. On a per share basis, our GAAP net loss in Q3 2019 was $0.19 per share, down from a loss of $0.28 per share in Q3 2018.

This decline reflects a lower net loss, as well as an increase in weighted average shares outstanding to $16.6 million in Q3 2019 from 12.1 million shares in Q3 2018. Our press release and this slide contain reconciliation between our GAAP and non-GAAP results. As you can see the major difference between our GAAP and non-GAAP results is stock-based compensation expense, which is a non-cash item. Our stock compensation expense in Q3 2019 was $798,000 as compared to $630,000 in Q3, 2018.

Non-GAAP adjusted EBITDA in the third quarter was a loss of $2.4 million compared to a loss of $2.8 million in Q3 2018 reflecting the same factors that affected our GAAP results. I will now go into more detail on the components of our operating expenses.

R&D expenses in Q3 2019 were $1.7 million, a decrease of approximately $176,000 from $1.9 million in Q3 2018, which reflected both a decline of outsourced fabrication and test expenses as well as an allocation of more of our R&D expense to cost of revenue from engineering services as that was a higher mix of our revenue.

Our G&A expenses in Q3 2019 were $1.2 million, a decline of $85,000 from Q3 2018 G&A expenses of $1.3 million. This decline reflected lower professional fees and payroll costs. Offset in part by higher non-cash compensated expense. Looking at our results on a sequential quarterly basis, third quarter 2019 GAAP net loss was $3.1 million compared to a net loss of $3.6 million in the second quarter.

GAAP net loss per share in Q3 declined to $0.19 per share, from $0.24 per share in Q2 reflecting the note lower net loss, as well as the increase in weighted average shares outstanding as our most recent equity financing closed on May 30 2019. So those shares were only outstanding for one month of Q2. Non-GAAP adjusted EBITDA loss declined $2.4 million in Q3 from a loss of $2.9 million in Q2.

This decline was primarily due to lower R&D expenses in Q3 due to a surge in outsourced fabrication and test expenses in the first half of this year related to the development of our MST SP technology for the analog market. Although we do not expect Q4 R&D expenses to revert to the level of the second quarter we do expect to see gradual increases in R&D expense continuing into next year as we add more capacity for epitaxial deposition and growing customer support. G&A expenses were also down sequentially, principally due to the timing of professional fees.

Turning to the balance sheet, our cash at September 30 2019 was $16.8 million, down $2.3 million from our $19.1 million cash balance at June 30 2019. Our Q2 cash consumption was $2.4 million exclusive of the proceeds of our May 2019 financing. We are reiterating the full-year 2019 guidance that cash consumption as well as non-GAAP operating expenses will be in the range of $11.5 to $12.5 million. On previous earnings calls, I talked about our plans to lease an additional Epi tool to use for both customer wafers and internal R&D.

We have now reached agreement to lease, a new tool and during Q4, we will be making a deposit of $450,000, which obviously will impact our cash balance. Lease payments will not hit our income statement. Until the new tool is accepted, which we expect will happen

in the first quarter of next year.

As Scott mentioned, we just executed an integration license agreement with a fabless vendor and we will recognize revenue from this vendor in Q4. This is probably a good time to review how we recognize revenue from license agreements. Under ASC 606, the most important factor for timing of revenue recognition is when our performance obligations have been met. Because our integration license agreements, provide that Atomera will do the MST deposition on our customers' wafers revenue recognition from those contracts depends on both when we signed the contract which confers rights to work on our MST technology as well as on when we deliver the wafers.

Our arrangements with integration license customers generally also require payments for the engineering service work. So wafer runs for a licensee can give rise to both types of revenue. Based on our recent license signings the associated engineering service work and our other customer engagements, we currently anticipate that our Q4 revenue will be in the range of $125,000 to $150,000. We continue to see momentum in paid engagements for engineering services, resulting from our breakthrough and 5-volt analog, RF SOI and FinFET. And we are also in discussions with multiple customers about licenses, but our visibility remains our visibility on timing of those licenses and engineering services remains limited.

With that I will turn the call back 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. I think you will agree that these last 3 months have resulted in many fine accomplishments for Atomera. We signed a new licensee, achieved record financial results, expanded our customer engagements and continue to build our patent portfolio.

Our existing licensees, continue to move forward on their scheduled for production and we hope, our newest licensee using MST 1 will move on that track even faster. We continue to push for new licenses and to be paid for our MST deposition work and are making good progress in that direction.

The customers and programs we are working on today are each very high potential and capable of making the company successful on their own. When we get these folks into production we will certainly be a powerful IP provider to the semiconductor industry and a much more valuable member of the semiconductor ecosystem. We look forward to sharing more of our successes with you as we continue to build Atomera into an important technology provider to the semiconductor industry.

Operator, we will now take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Cody Acree with Loop Capital.

Cody Grant Acree ***Drexel Hamilton, LLC, Research Division - Former Director of Research***

Yes, congratulations on the progress. Maybe Scott and or Frank, if you can kind of talk about how long you are engaged with this new licensee and how you worked in any other areas with this licensee, are we expecting multiple projects under this or is it just simply in the RF SOI world?

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

Yes. Thank you. Cody, actually it's a great story, we first announced to our investors. And I think to the general public that we had gotten kind of this breakthrough performance on the RF SOI technology in our earnings call that happened in the first week of May and it was only just very shortly before that we got those results. So our work with this new customer started only in that timeframe might say maybe March or April. I can't remember exactly, but to progress from the point of just having first discussions with them in that

timeframe. To getting a license in roughly 6 months, we think is a great accomplishment. We are definitely in discussions with them about working with them on some other technologies, other than RF SOI. We have, it's quite a large fabulous company and so they are working in multiple areas. And, but we don't have anything to announce there yet. But so far so good.

Cody Grant Acree ***Drexel Hamilton, LLC, Research Division - Former Director of Research***

Scott, just following that and then I have one last question, just do you, how do you done work in the past and gallium arsenide for these RF solutions and if so, I guess what benefits do you bring versus RF SOI?

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

So we haven't done work in gallium arsenide Cody, did you mean that when you ask gallium arsenide.

Cody Grant Acree ***Drexel Hamilton, LLC, Research Division - Former Director of Research***

Yes. Just working here.

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

So the work. So -- yes, you're right, there is and mean, if you will know gallium arsenide is very popular solution for making power amplifiers for cellular transceivers, but we haven't actually done work on that and a relatively more exotic technology, our work has been focused on our RF SOI and on CMOS that can be used for RF applications, both of which we think MST a big advantage on. I can't say whether we bring an advantage in gas are not just because we haven't done work there.

Cody Grant Acree ***Drexel Hamilton, LLC, Research Division - Former Director of Research***

Got it. Okay. And lastly, Scott, if you believe that the SME sector is moving into 2020 recovery cycle, which I do, then how does that impact your view of licensing given that you've said in the past at the industry slowdown was actually creating a little bit of a pocket for you to work. Does this, if we go into an uptick, is that going to create a headwind for you?

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

Yes, I agree with your assessment as well. Cody, we kind of see signs of the green shoots that are starting to come up, but we haven't seen that impact yet with our customers. I still think it's too early. So, typically what we would see is there a recovery and then some period maybe a year before it starts to really get to this impacted capacity that we were experiencing in the last couple of years and it made it very hard for us to get it. So I'm hopeful that we still have some good runway here to do a lot of work with customers and hopefully take advantage of that recovery when it comes in full force.

Operator

(Operator Instructions) Our next question comes from Suji Desilva with Roth Capital.

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

Scott, Frank, congratulations on the third license agreement announcement as well as a very impressive Board of Director addition. I think it's a great testament to your technology. So I think, Frank, you already answered that in our prepared remarks, but given there is no deferred revenue on the balance sheet, I presume this license was executed and the new customer after the close and if it had been with there be deferred revenue, not just understand that dynamic.

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

So you're right, that in fact the announcement I think was just made in the license was executed during in Q4, so there wouldn't have been any deferred revenue that would have shown up on the Q3 balance sheet related to this one, but you may see that related deferred revenue on our Q4 balance sheet. But as I said in my remarks, the revenue recognition has to do with a couple of factors, not just the signing of the license, but also the related work that we do since we're required to put the MST on the wafers. So, to some extent, how much deferred revenue shows up at the end of the quarter has to do with the work that we do on the wafers. So, I'm not able to guide on that until we actually get through the quarter and do that work.

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

That's fair. Frank. That was the color I was looking for. And, maybe a bigger picture question, or even 2 questions in one, about working with fabless and foundry versus an IBM. Now that you have this foundry using the technology for a fabless, does that now potentially open that foundry up for other fabless companies in a faster cycle? And, is that timeframe shorter in terms of getting another fabless customer up and running, and more broadly, how is it different, working with the fabless foundry pairing versus an IBM?

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

Yes, let me handle that one. Suji, it's an interesting set of circumstances. As I said in my comments, some of the very large fabless companies have a process development technology underneath their umbrella. They develop a specialized process and then they use their foundry partner to manufacture that process just for them. However, the foundry certainly gets to know us as part of that engagement, because we're working with both the foundry and the fabless supplier very closely. And I think it's very reasonable to assume that, as the foundry gets to know us and the benefits of our technology, they would want to engage with us directly to make a technology that they would sell to the rest of the market. That's not proprietary to this large fabless provider. So, we definitely see that there is many benefits to this, from our perspective in terms of sharing our technology with a wider base out there. Now if foundry does adopt our technology and they make it available on their standard process flow to all of their fabless customers, then obviously that's a very wide group of people that we'd be making that offering available to and that would be great.

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

Okay. Just to add some color to that. Any of the 19 customers you're engaged with now, would you turn this as foundries, or is it all fabless-idea?

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

No. So, the 19 customers, very healthy mix of foundries and IBMs, and it's only one fabless so far, which are these guys. I could see that growing in the future, but right now we have a lot of foundries and a lot of IBM's.

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

Okay. Good to know. This is your first and only fabless customer so far. And then a couple of questions back in the financials, you talked about OpEx moving to support new customers, what's that growth rate look like in 2020 and what kind of impact might that have on the cash burn?

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

I've been talking about this now to give a heads up that there at some point was going to be an increase in R&D expense, because we could see coming a need for more Epi capacity. Right now, we process a customer wafers and we do MST on internal R&D runs with one tool and we have at times been constrained to balance the internal requirement and the external, I mean, that's why we're bringing on additional tool capacity. The increased operating expense isn't going to happen until we bring the new tool online and start actually making the lease payments. That will happen we anticipate in Q1 of 2020. It's not a significant increase; I think there is going to be some initial start-up costs when we bring on the second tool, but on a run-rate basis, you're looking at probably in the range of $50,000 to $75,000 a month, more of operating expense, with maybe during the first quarter, a little bit more than that, maybe twice as much, due to the upfront installation and qualification of the new tool

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

Okay. And then along those lines, Frank, the year-over-year increase in customer service R&D headcount to support that, is that a material element as well? Or, is that always in the plan and not something that's incremental for this call?

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

It's not incremental as a result of this call. I mean, we are planning to add headcount, if anything, we had in our plan to probably have a new headcount on board right now. And that hasn't quite happened yet, but the head count openings that we have are ones that were already in our plan. So, when Scott talked about supporting more customers with engineering resources, that's not incremental to what we already have planned.

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

Okay. And then, last question and I'll pass along. Just remind us, Scott or Frank, the customer run, the volume of those happening, the dollars you get from that, and how we should think about that being correlated or not correlated to how close to the finish line you're getting on converting from their customers licensing? It was a lot of moving parts there as well.

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

Yes, it's kind of difficult to correlate the engineering services revenue. I think you're talking about when they will get the licenses. So, our engineering services revenue, we've talked about it in the past. Typically, I would say we charge customers a little bit less than $100,000 to do a run with us, but that can vary pretty widely because it's on our statement of work, by statement of work basis, and some of our early customers, as you know, we've had agreements in place that we didn't charge them for that. So, we're trying to change that and have been making good progress. But, I don't think that there is a way that you can look at that and figure out. Well, obviously, I guess the more customer runs people do, the further they're advancing in Phase 3 and hopefully getting closer to licenses and closer to manufacturing. At a gross level, you could say if our engineering services revenue is very high, then that good shows are making very good progress towards the licenses, but there is no way to get specific about that.

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

Okay. I appreciate you guys answer my question and congratulations again on the progress.

Operator

(Operator Instructions) And I'm not showing any further questions at this time, I will now turn the call back over to Mr. Bibaud for any further remarks.

We do have a re-queue from Cody Acree with Loop Capital.

Cody Grant Acree ***Drexel Hamilton, LLC, Research Division - Former Director of Research***

I just wanted to real quickly follow up on Suji's question. I think he had asked about cash burn in 2020. Do you have any guidance there?

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

No, I mean, I'm not giving guidance for next year, but I would expect from a gross operating expense level, as compared to this year, that it will be about in line with where we are, as I said about a $75,000 a month increase with incremental R&D on tool and head count.

Operator

And there are no further questions at this time. I would now like to turn the call back to Mr. Bibaud.

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

All right. I want to thank you all for attending today's presentation. Atomera had a very successful quarter and we believe we'll continue to drive more compelling results during the rest of Q4. Please continue to look for our news, articles and blog posts to keep you up to date on our progress. You can sign up for them, along with Investor alerts on our website atomera.com. Should you have additional questions, please call Mike Bishop, and we'll be happy to follow up. We look forward to seeing some of you during our scheduled marketing activities, which we will be announcing soon.

Thanks again for your support and we look forward to our next update call with you in February.

Operator

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