



Airgain, Inc.

First Quarter 2019 Conference Call

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Kevin Thill, *Senior Vice President of Engineering*

CONFERENCE CALL PARTICIPANTS

Craig Ellis, *B. Riley*

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PRESENTATION

Operator:

Good afternoon. Welcome to Airgain's First Quarter 2019 Earnings Conference Call. My name is Christine, and I'll be your coordinator for today's call.

Joining us today on today's call are Airgain's CEO, James Sims; CFO, Anil Doradla; and President, Jacob Suen. I would now like to turn the call over to Mr. Doradla who will be providing the necessary cautions regarding the forward-looking statements made by Management during today's call.

Anil Doradla:

Thank you, and good afternoon, everyone. Please note that certain information discussed on the call today is covered under the Safe Harbor provisions of the Private Securities Litigation Reform Act. I caution listeners that during this call, Airgain Management will be making forward-looking statements about future events and Airgain's business strategy and future financial and operating performance, including performance for the second quarter 2019. Actual results could differ materially from those stated or implied by these forward-looking statements due to risks and uncertainties associated with the Company's business. These forward-looking statements should be considered in conjunction with, and are qualified by, the cautionary statements contained in Airgain's earning release and SEC filings, including its Form 10-K and Form 10-Q, which will be filed today May 9, 2019.

This conference call contains time-sensitive information that is accurate only as of the date of this live broadcast, May 9, 2019. Airgain undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this conference call. This conference call may include a discussion of non-GAAP financial measures, including non-GAAP net income, non-GAAP EPS and Adjusted EBITDA. Please see today's earnings release, which is posted on Airgain's website, for further details, including a reconciliation of GAAP to non-GAAP results. Any discussion of non-GAAP measures is not intended to detract from the importance of comparable GAAP measures.

Finally, I would like to remind everyone that this call will be recorded and made available for replay via a link available in the Investor Section of the Company's website at www.airgain.com. Following Management's prepared remarks, we will open up the call for questions from Airgain's publishing sell-side analysts.

Now with that, I would like to turn the call over to our CEO, Jim Sims. Jim?

James Sims:

Thank you, Anil. Welcome, everyone, and thank you for joining us today. After the market closed, we issued the press release announcing our results for the first quarter ended March 31, 2019, which is available in the Investor Relations section of our website.

I'm pleased with our first quarter 2019 results with sales of \$15.1 million, up 14% on a year-over-year basis and within our guidance range of \$15 million to \$15.25 million. Key highlights in the first quarter results included a strong sequential improvement in the company-wide gross margin, especially in the historically seasonally weak quarter, largely driven by the efforts that we put in place over the past several quarters around the efficiency improvements on the manufacturing front, along with favorable product and pricing mix. Like the last several quarters, we witnessed healthy design wins across our consumer, enterprise and automotive markets and underpinning these wins are the ever increasing demand for complex antenna design to support high-bandwidth applications.

We are also witnessing great activity on the 5G front as we engage with multiple customers across each of our markets. We believe 5G plays well into our core strength as the frequency of operation, emphasis on MIMO antenna and focus on indoor coverage are the areas Airgain has built extensive experience over the past several years. We're excited and look forward to the industry transition to 5G and over the next several quarters, we look forward to sharing updates on our design wins.

We also before the first quarter 2019 GAAP and non-GAAP diluted earnings per share of \$0.04 and \$0.09, respectively, well ahead of our prior expectations of \$0.01 on a GAAP basis and \$0.04 to \$0.05 on a non-GAAP basis. The strength was largely achieved by our efforts that we put in place over the past several quarters, both on gross margin front and operating expenses front.

Consistent with our outlook for the first quarter that we provided in February, we witnessed the impact of seasonally (inaudible) across our customer base with some customers taking longer than expected to ramp up programs. For a handful of larger customers, the timing issue carried over into our second quarter, resulting in the outlook being down on a sequential basis. We believe these issues are short-term in nature and expect customers to start ramping up in the second half of 2019 and onwards.

It is worth highlighting that one of these customers is expected to ramp towards the end of the second quarter, resulting in a partially benefit while the others are expected to ramp in the second half of 2019. Furthermore, it's important to note that this short term pause had nothing to do with the loss of market

share in the competition but rather a variety of reasons that include macro factors as well as customer specific trends.

I'd like to highlight some notable design wins and key programs in the first quarter across our consumer enterprise and automotive market. On the consumer front, we continue to maintain strong momentum in fiber gateway market. During the quarter, we won two designs at global Tier 1 OEMs. We expect revenues to commence in the 2020 timeframe. These new design wins built up on last quarter's wins were highlighted a win with one of the largest service providers in Asia. On the enterprise front, we won two designs at a Tier 1 global provider of enterprise routers. These solutions are largely focused on 802.11ac with one of the design wins focused on outdoor networking applications.

In the industrial IoT market, we won a design at a North American Tier 1 service provider to IoT applications. One of the key applications of this design win is centered on parking lot monitoring. Finally on the automotive front, we won a design win at a telematic company as their exclusive antenna provider.

In a moment I'll be happy to take any questions you have but before I do, I'd like to turn the call over to Chief Financial Officer, Anil Doradla, who will walk us through the financial highlights of the quarter. Anil?

Anil Doradla:

Thank you, Jim, and good afternoon. I will provide key financial highlights for the first quarter 2019 and provide some preliminary color around the second quarter 2019.

As you may recall from last quarter, we switched to providing quarterly guidance as we believe this will provide more clarity to the investment community and keep us more focused on the execution front. That said, I will also like to remind investors that our business is subject to short lead times and this may result in short-term quarterly fluctuations in our ability to accurately predict our business.

Now coming to the first quarter 2019 highlights. Sales of \$15.1 million declined 9% on a sequential basis and grew 14% on a year-over-year basis and was within our guidance range of \$15 million to \$15.25 million. The strength in the first quarter was largely driven by our service router business combined with our automotive to a lesser extent.

First quarter gross profit was \$6.8 million or 45% of sales versus \$6.9 million or 42% in the fourth quarter and \$6.2 million or 47% of sales in the same period a year ago. The strong sequential improvement of 350 bps was largely driven by the benefits derived from our efforts over the last several quarters around restructuring our operations, combined with streamlining our relationships with existing and new contract manufacturers. As we highlighted in our last quarter's call, we believe our fourth quarter 2018 marked the bottom on the gross margin front and our first quarter margin trend is consistent with our previous comments of an upward trend in 2019. We believe our efforts around operational efficiency improvements combined with favorable product mix leads us to be positive on the gross margin front in 2019.

Our GAAP net income totaled \$0.3 million or \$0.03 per diluted share based on 10 million shares compared to a GAAP net income of \$1.1 million or a loss of \$0.12 per diluted share based on 9.5 million shares in the same period a year ago.

On a non-GAAP basis, our net income was \$0.9 million or \$0.09 per diluted share compared to a loss of \$0.6 million or a loss of \$0.07 per diluted share in the same period a year ago. These results are better than our prior outlook of a flat to \$0.01 on a GAAP basis and \$0.04 to \$0.05 on a non-GAAP basis. The better than expected results was largely driven by our strong showing on the gross margin front, combined with continued focus on nonrevenue generating expense control.

Once again, we were active during the quarter in terms of our share buyback program, which, as a reminder, currently expires on August 2019. During the quarter, we purchased roughly 14,000 shares at \$193,000. Since the share buyback program was implemented, we have repurchased a total of 372,000 shares for \$3.6 million. Going forward, we will continue to be opportunistic in our repurchase of shares under this program.

Finally, our cash, cash equivalents and short-term investments totaled \$33 million, which was down from \$33.8 million last quarter.

Now I would like to provide preliminary outlook for the second quarter 2019. For the second quarter 2019, we expect sales to be in the range of \$14.2 million to \$14.4 million. At the midpoint of \$14.3 million we expect to decline 5% sequentially and 4% year-over-year. The sequential decline is largely driven by near term positives with certain customer programs driven by a combination of macro related issues as well as customer specific issues. We expect these customers to resume these shipments and ramp in the second half of 2019. I would like to reiterate Jim's comments that these near-term pause is not related to loss of market share and competition but rather timing related issues.

On a GAAP basis, we expect second quarter diluted earnings per share to be between a loss of \$0.05 to a loss of \$0.03 and on a non-GAAP earnings basis, we expect diluted earnings per share to be in the range of a loss of \$0.01 to positive \$0.01.

This completes my financial summary. I will now turn the call over to Jim. Jim?

James Sims:

Thank you, Anil, and thanks to everyone for being on the call today. Before we open the call for your questions, I want to share a couple of closing thoughts.

While 2018 was the year of getting the Company streamlined and efficient across operations, sales and marketing and R&D, 2019 and beyond will focus on Airgain capturing significant opportunities across the consumer, enterprise and automotive front. We believe there are significant opportunities in front of us and are confident of the multiyear secular growth tailwinds. To realize these goals on the R&D front in addition to reorganizing the group under Kevin Thill, we are focused around two strategic areas: While the first is 5G, the second is the enterprise market.

On the 5G front, we have been diligently engaging several customers and applications. Our efforts have started to pay off and over the next several quarters, we'll be providing you with our traction on a design win front. Over time, our aspiration is to become a leader in 5G advanced antenna focused on solving difficult RF coverage and capacity challenges and we believe investors will view Airgain as a pure play investment on the 5G front.

Our second area of focus is around the enterprise front. As many of you may know, Airgain's success over the past several years has been centered around the service provider centric consumer market. We believe the enterprise market is right in adopting complex antenna solutions and over the next several quarters, we expect to rollout more products centered around the enterprise market and gain more design wins.

With that, we're ready to open the call for your questions. Operator, please provide the appropriate instructions.

Operator:

Thank you. We will now take questions from Airgain's publishing sell-side analysts. In order to ask a question, please press star, and the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Now, our first question comes from Craig Ellis from B. Riley. Please proceed.

Craig Ellis:

Yes, thanks for taking the question and congratulations on the gross margin progress in the quarter, guys. Jim, I wanted to start just by following up and better understanding what the Company has seen with the program delays that started in the first quarter and that continue in the second quarter. Is your sense that those are multi quarter in nature or would you expect that those would largely be on track in the third quarter? Said differently, would you expect the overall business to be back to a growth pattern in the third quarter?

James Sims:

Yes, that's it. Thanks, Craig. Can you hear me all right?

Craig Ellis:

Yes. Thank you.

James Sims:

Okay, great, yes. There are several programs that had really kicked off in the beginning of the first quarter that we thought would be a full rollout during the first and the end of the second quarter. One of them, fortunately enough, we think will be kicked off around June. We're going to get some positive impact on that. We originally thought it would kick off during the first quarter and it just didn't; had nothing to do with us. There's two other programs. Both of those had to do more with the macro environment that was going on. Both of those clients were moving production out of China and moving them to other facilities across the world to deal with the potential impact of the—what's going on with China today. Those we expect to rollout during the third quarter. We're pretty confident that all three, by the third quarter, will be rolling out; one around June, the other two probably a little later in the third quarter.

Craig Ellis:

Okay. Then a follow-up question on some of the design win commentary. Is it possible to quantify the impact of design wins that you saw in the first quarter, either versus the activity in the fourth quarter or where you were in the prior year to give us a better sense for the momentum the team is seeing as it engages with new products and customers?

James Sims:

Well, there are really two separate areas. One, the design wins that's going on in the consumer and the enterprise and the second, what's going on in the old Antenna Plus business with the nine new products that we announced within the fourth quarter of last year. In a competitive situation, we're winning every time we go out there to win. However, most of those wins we're winning now are not going to kick off until the fourth and the first quarter. They're really about next year. We're positioning ourselves to make sure, across the automotive, across the consumer, that we're well positioned going into next year and all that is developing. Remember, we had one big Tier 1 win in the gateway business that we announced last quarter. We've got several more this quarter. That sets us up really well for 2020.

On the other hand, when we get to subletting the Antenna Plus business, we could see more of an impact sooner because those products turn quicker. In other words, if we win those like the one we announced with Axon, we can start seeing that rolling out both in the second quarter and in the third quarter.

Craig Ellis:

That's helpful and then not to ignore you, Anil. I'll ask one for you.

James Sims:

Anil is never ignored.

Anil Doradla:

All right.

Craig Ellis:

Three factors helped drive strong gross margin: cost, mix and pricing. Can you give us a sense of what the priorities were for the sequential improvement, because it was quite large? Relative to the comments that the Company is positive on gross margin prospects for 2019, would you expect further improvement for gross margin or did that comment simply mean that the Company thought 45% was sustainable?

Anil Doradla:

Great question, Craig. I'll break your question into two parts. The first part, as you pointed out, you highlighted three factors. The way I would characterize the improvement is in a couple of ways: one is, as you know, we talked about putting in place several efficiency improvements and this has been a multi-quarter event. We knew that it would just take some time for these to culminate into some positive impact. All of that came together and we showed up.

Second part, which was important is, remember, as you set into 2019, you have some of the older contracts expiring. Some of the terms and conditions that we had in our older contracts started rolling off. Then we took a little bit more fiscally aggressive and more operationally efficient approach towards these things.

Finally, I haven't talked about it in the past but part of that contract renegotiation were newer terms, part of that was some of the FX movements. When you put all those things together, they all impacted. Now coming back to your next question on where it is, I think let me put it this way. As we highlight it, what we like to do is keep our gross margin profile somewhere in the 44% to 45% range. As you know, this quarter, we came on the high-end. If you look at the business over the next 12 to 24 months, the trends bode well for us, both in terms of a mix, both in terms of efficiency improvement and all that stuff. That said, how it plays out on quarter-to-quarter, Craig, perhaps there's so many moving parts. I will kind of reiterate what I said in my opening comments that Q4 was the bottom. Now do we go a little up, little down? On a quarterly basis, we'll see how it plays out based on how we kick off our new contract manufacturers. But I do feel good about where we're going to be in 2019.

Craig Ellis:

That's very clear and helpful. Thanks, guys, and I'll hop back in the queue. Thank you.

Operator:

Your next question comes from the line of Karl Ackerman from Cowen. Your line is open.

Karl Ackerman:

I wanted to go back to an earlier question. We understand that one of your larger home gateway and router customers is experiencing some supply chain realignment efforts. But could you just speak to the design wins you have across both that customer and perhaps more broadly the landscape of connected home OEMs that would indicate demand for your antennas do in fact pick up beyond the June quarter.

James Sims:

What might make sense, Jacob, do you want to address the design wins that Carl mentioned?

Jacob Suen:

Yes, I'd be happy to. Hi Karl.

Karl Ackerman:

Hi Jacob.

Jacob Suen::

It's Jacob, here. On the service provider front, we are continuing to maintaining our leading position with the major carriers. The one you talked about in particular, we're still owning all of the designs. I think that we are also working on the next-generation designs, not only on that particular service provider but on others as well.

Karl Ackerman:

Okay. No, that's helpful. Perhaps, year-to-date, you introduced a new line of 5G antennas and highlighted some opportunities in 5G, I think fixed wireless access. How do you think about those opportunities in the context of your revenue outlook for 2019? Understanding that revenue outlook is going to be a little bit less than what you may have thought previously but how do we think about the growth trajectory of those new products?

James Sims:

Really good question, Karl. There are two areas around the 5G; one is the six gigahertz and below. Those, we've been very successful. I'm going to have Kevin, in a little bit, just talk about our strategy around 5G, both 6G and the 5G millimeter wave length. But we're in the process of bidding and winning the 5G, six gigahertz and below today, multiple clients, and we're bidding new designs now for the millimeter. I don't expect us to see any 5G millimeter in any sort of volume until sometime next year. What we will see is the six gigahertz and below that, that'll start rolling out probably around the fourth quarter and into next year. Kevin, you might want to give a little update on what we're doing in 5G.

Kevin Thill:

Yes. Thanks, Jim. We're in the process of developing CBRS antennas, which are in the sub-6 band for 5G, and integrating those into all of our gateways, all of our routers. We are also in the process of

developing those antennas and implementing them into all of our fleet antennas. I think the prognosis is good for us being in a position to where, when those technologies are needed, we're in a position of being able to go ahead and produce those products. On 5G millimeter wave, on front, we have been actively going ahead and working with carriers, trying to go ahead and figure out what's they're going to need as far as from a subscriber side and developing antennas internally to meet those needs. I think, as a company, I feel very confident that we're going to be in position when, the network and providers start to roll out on that 5G millimeter wave on system, that we'll be able to have products on to meet their demands.

James Sims:

Kevin, one thing I just might want to mention. Kevin took over right around nine or 10 months ago, he made significant improvement in the management of that organization. You just might want to touch on that because that's crucial in our design centers as we start interacting with these clients across the world for what's going to happen around 5G.

Kevin Thill:

Sure, Jim. I'll talk on that. Yes, we actually have five design centers around the world and what we've been doing over the last few months is trying to identify on key managers to go ahead and lead up those facilities and we recently went ahead and identified a Director of Engineering for our China operation. He will come onboard in July. We went ahead and also hired a Director of Engineering for our Scottsdale facility. He came onboard I think two months ago. We went ahead and internally promoted Dr. Wang (phon) for our San Diego on design center. I think it's important to understand that we have a structure in place that we can go ahead and scale our development with the demand for these products and wireless is exploding and now I think that we've got key personnel in place to where when the demands are increasing that we can go ahead and meet the demand. Currently right now, we have over 135 projects that we are actually designing and I see that demand going up exponentially over the next year. I think we're well positioned for growth so I'm happy about that.

Karl Ackerman:

Thanks, Kevin, I appreciate the color. I appreciate the color. Thank you, gentlemen.

James Sims:

Thanks, Karl.

Operator:

Your next question comes from the line of Gus Richard from Northland. Please proceed.

Gus Richard:

Thanks for taking the question. In terms of the delay, clearly, part of it is one of your customers relocating their production out of China. Is there any impact from the upcoming Wi-Fi 6 and product transition? Are people idling going into that transition as the standard is ratified in Q3?

James Sims:

No, Gus, we don't see that at all. Look, the reasons we've outlined—and we just wanted to be upfront with all of you on the second quarter. This was a temporary—this is a change in our projections and it all had

to do with several clients. None of them were industry-wide transition issues at all. Several were the movement because of what's going on in China. By the way, we always have—we're bringing up new SKUs every week, every month, every quarter. It's not unusual that a client will have some technical difficulties in bringing that up and delay us too by a week or month or a quarter. Often we're able to plan for that. We plan for that strategically. We put together our revenue plan, but that taking place right along with what's going on in the transition because of the tariffs in China, we were not able to cover up that for the second quarter. But our design wins, look, it's all about, we've got to keep winning these designs, we have to be prepared for next year and the year after. We've done, I think, a miraculous job of keeping our expenses in line that we can still be profitable though. We'll get through the second quarter but I think things look very good for the Company as we go forward.

Gus Richard:

Okay, got it. Then just in terms of your 5G designs, can you characterize, are they coming from infrastructure or more client? Are they mixed? Can you just give a little bit more color on where you're winning designs in 5G?

James Sims:

I'm going to have both Kevin and Jacob answer that.

Kevin Thill:

I think right now we're seeing is that the wins are coming from the sub-six 5G arena with the CBRS activities that we have going on right now on the gateway side and also the router side. We're also seeing a tremendous opportunity on the fleet side for CBRS and LA implemented into those fleet antennas and stuff. Really comfortable with where we're going there. The 5G millimeter-wave activity, we're focusing on the complex problem which all the operators are going to have is trying to go ahead and get the signal from the outside into the building. That's our focus. I think that's the key for this Company going forward. If we can resolve that technical issue, then I think the opportunities are going to be there for us and the future is definitely be bright for us from a design standpoint and a design win standpoint.

Anil Doradla:

Yes, and to add to that, I think what we're seeing, the sub-6 GHz are the immediate opportunities. We're already working with major carriers in North America as well as Asia in several key opportunities. The millimeter wave, it's a long-term solution that's going to apply to multiple markets including automotive. You've heard about the terms V2X (phon), etc., and that's going to come, but we do see that being two years out.

Gus Richard:

Got it. Then last one for me. It sounds like you're shifting and moving towards working with enterprise class routers. I was just wondering, your customer engagement, does that require more customer engagement or less? Are the qualifications more difficult or how do you see that playing out in terms of timing and effort?

James Sims:

Yes, that's a really good question, Gus. Our first big win was probably nine to 12 months ago with one of our clients in the enterprise space. It's a more complex design and it has more reorganization (phon) of the structure that we enclosed the antennas in. We've come a long ways in that nine-month period. Now

we've won a second and we're winning a third major new client. As we go forward now, we have a design set up to interact with that. We have the experience now based on the first new major wins that we have in that area. We're pretty confident. Kevin, you might want to just touch base on—don't tell them the clients we're working on, but just a little bit of how comfortable you are what we're doing in the enterprise space on the routers now.

Kevin Thill:

I feel really comfortable. I think that we're leveraging our expertise in that area and introducing new designs and it's going to allow us to go ahead and win new business. From a confidence standpoint, I'm very confident in our team.

Anil Doradla:

Gus, this is Anil, just adding on to that. The definition that we in Airgain have for the enterprise is not only corporate enterprise but like a small stadium arena and so forth falls under the enterprise. When you look at our strategy around the enterprise, yes, the normal suspects in the enterprise world, that's one aspect of it. But there is another aspect of this deployment that even goes through some of the service providers also. From that point of view, what we're finding is that we're going directly to the well-known Tier one brands in the enterprise world. But there's also an element where we're having access through the service provider world into some of these enterprises.

Gus Richard:

Got it, makes complete sense. Thanks so much.

James Sims:

Thanks, Gus.

Operator:

Your next question comes from the line of Alessandra Vecchi from William Blair. Your line is open.

Alessandra Vecchi:

Hi guys. Thanks for taking my question. Just on the OpEx side. You guys have done a tremendous job there but how should we be thinking about it going forward through the rest of the year and maybe into next year? Is it something on hold sort of flat at these levels or does that continue to tick up?

Anil Doradla:

Right. Alex, it's a function of multiple things, right? The investment that we're making, some of the ramps that we're doing with some of the efforts around 5G and enterprise. I think what you will see in Q2, you would see a little bit of a ramp. But from that point onwards, we're not going to see a lot of significant movement on the operating expense front. That's how we're looking. But again, we're very strategic, right? If there is something we need to do, we will do it because that will create a significant growth opportunities in the next year or two. But as Jim pointed out, we're very focused around our expenses. That's how I'm looking at through the rest of the year.

James Sims:

Maybe I could just add something to that is, look, we went through painful restructuring to get our operating expenses in line with where our revenues are going to be. However, at the same time, we've really significantly started investing in the hiring of new people in our R&D and into our marketing. Our goal all along has been to keep the operating expenses low but make sure we invest in marketing and development and we're going to grow the revenues to the point that we get to the profitability that we think our shareholders expect and we expect.

Alessandra Vecchi:

Understand. That's very helpful. That's it for me. I think everybody got my other questions.

Anil Doradla:

Thanks, Alex.

Operator:

Your next question comes from the line of Craig Ellis from B. Riley. Please proceed.

Craig Ellis:

Yes, thanks for taking the question. Jim, I wanted to start with more of a higher level question. One, I think it's a real plus that you've got Kevin and Jacob on the call today and I think it helps us understand that there's a lot of development going on in the organization and operationally. But as we look forward to the rest of 2019 and 2020, can you help us understand where you think the organization is relative to where you would like it to be? What, if any, further appointments or development needs to happen? Related to that, how do you regard the productivity of the team's new product and customer engagement capability? Where are we on that curve, and what would be milestones for further development as we look through 2019?

James Sims:

Well, yes, that's great questions. Let me start with the organization. Look, we put in Kevin. Jacob had been in that position but expanded his role into marketing. All of a sudden, Anil came onboard. He expanded his role in operations. My first goal was, look, we brought on Kathy for our HR area. We've got the team with the five of us now, all first class. But this team can absolutely take the Company to where I think it has to go in 2019, 2020. The issue I had, and not an issue but at least the concern that I had, we had to make darn sure that we built an organizational structure under them that can both take their place and expand the business.

We started with that in development and Kevin has done—I mean, we have all five centers now of being managed by directors who are world class. We can take a significant design all over and what Kevin has been doing is to make darn sure that in each area, we have something innovative going on. That not only is the business to bid on the current SKUs but we're going to be innovating into what we're going to do next, what's going to be the new technology and how we can solve more complex problems for our clients. I think the engineering team, we've really pushed into great shape.

On the marketing front and sales front, our sales force have been first class. I mean, through all the difficult times we had the last several years, it was the salespeople that really kept the consumer, they moved us into the enterprise and they moved us into the automotive. Our weakness there has been in marketing. Our strategy has been to make darn sure we have two very senior people reporting into Jacob. One of those just came onboard. If you recall what I said earlier what I wanted to do that each one

of our verticals have all these subsegments and to be successful, you have to put product plans and product life cycles around these subsegments in order to win overall. We brought in our first Director of Product Marketing. He's onboard now. He's focused on that. He's been onboard, I think, three weeks.

The last area there is to bring us in the strategic area that could help Kevin and myself and help Jacob, where do we take this Company next three years from now or two years from now. We've really focused on marketing and development. Anil has been now focusing on broadening his organization. We are in the process of bringing on one more senior finance person into that. I'm comfortable with that.

Across-the-board, my focus was to get the next level of Management in place so everybody has a replacement. Second, they can not just do the technical work of next quarter and the quarter after but be well positioned strategically on where we are going to take this Company. We have made enormous progress in the last six months around that. Not only were we able to reduce the cost, improve the margins, get us into two new verticals, I think now we have an organizational structure that will serve us well.

Craig Ellis:

That's very helpful, and in light of that structure and the momentum that you have, how do you think about the road ahead over the next 12 to 24 months? Growing the business organically versus using inorganic growth in Antenna Plus seems like it's been a very nice add to the business. Are you ready for something like that? If not, when would the firm be ready for another move such as that?

James Sims:

What a great question. Look at our business. I'm going to answer it in two directions. One, what we could do organically, and then one, what may be non-organic. On the organic side, we've looked at the consumer. First around the consumer market, we have a big play in that market. We continue to win in that market, but there's an extraordinary opportunity around how 5G will affect the home. I can tell you, we are all over that. We are going to solve that problem. That will give us significant growth in 2020, '21, and '22. Kevin and his team, and Jacob and his team, we're working on that now, because we think we can bring—we know more about how you move data around the home than anybody. I think we're the right people to go solve that problem as we move into 5G.

The second piece was, we had to get new markets growing because, like it or not, when you start to dominate one market, it matures. You have to have new markets, that's our enterprise and automotive. Look, a year ago, we weren't even in the automotive, and now we have two major wins, and we're bidding on projects. I'm really comfortable what's going on in those markets.

The other area of growth is really the non-organic. We were not ready, for the last nine months, to do an acquisition. I've had discussions, I turned them all down. The primary reason was, until we had our organization, and we had strength at a level—look, these four guys, gals can do an acquisition, but if we don't have the backup and Management under them to absorb an acquisition or a merger, or to take over, as we're focused on an acquisition and merger, we'll fail. We just weren't ready to go forward. I believe now we are ready for non-organic growth, and we're going to work on a plan and a strategic plan to say, where should we be doing tuck-ins? Is there are some strategic play we'll take? But I can tell you this, anything we do will be around what we're currently doing in the antenna market, or what goes up-scale in the antenna market, maybe getting more integrated with a solution to help our clients solve their complex problems more effectively.

Craig Ellis:

Makes sense, Jim. Thanks for the help.

James Sims:

Thanks, Craig.

Operator:

At this time, this concludes our question-and-answer session. If your question was not taken, you may contact Airgain's Investor Relations at investors@Airgain.com. I would now like to turn the call back over to Mr. Sims for his closing remarks.

James Sims:

First, I'd like to thank all of you for joining us here today on this call. I especially I want to thank, seriously, all of our employees, partners and investors for their continued support. I know this transition in the second quarter is difficult but I've got to tell you, we got the right Management team that's really focused on that and where we're going to take this Company and position us for the second half of this year and to position us for next year. I look forward to talking to all of you on the next call at the end of the second quarter.

I do want to say, as a reminder, we will be pretty active on talking at various industry events over the next quarter. We'll be at the B. Riley FBR 20th Annual Conference at Beverly Hills on May 23, the Cowen and Company 47th Annual TMT Conference in New York City on May 29, and William Blair on the 39th Annual Growth Conference in Chicago. If you want to hear more about our story and understand what we're doing, join us there. Thanks.

Operator:

This concludes today's conference call. You may now disconnect.