



Airgain, Inc.

Fourth Quarter 2019 Earnings

February 20, 2020

C O R P O R A T E P A R T I C I P A N T S

David Lyle, *Chief Financial Officer*

Jacob Suen, *President, Chief Executive Officer & Director*

Kevin Thill, *Senior Vice President, Engineering*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Craig Ellis, *B. Riley FBR, Inc.*

Alessandra Vecchi, *William Blair & Company*

Karl Ackerman, *Cowen and Company*

Gus Richard, *Northland Capital Markets*

Carlin Lynch, *B. Riley FBR, Inc.*

P R E S E N T A T I O N

Operator

Good afternoon. Welcome to Airgain's Fourth Quarter and Full Year 2019 Earnings Conference Call.

Joining us for today's call are Airgain's CEO, Jacob Suen; Senior Vice President of Engineering, Kevin Thill; and CFO, David Lyle.

As a reminder, this call will be recorded and made available for replay via a link available in the Investor Relations section of Airgain's website at www.airgain.com. Following Management's prepared remarks the call will be opened up for questions from AirGain's publishing sell-side analysts.

I would now like to turn the call over to Mr. Lyle.

David Lyle

Thank you, and good afternoon, everyone.

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. 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 are qualified by the cautionary statements contained in today's earnings release and Airgain's SEC filings.

This conference also contains time-sensitive information that is accurate only as of the date of this live broadcast, February 20, 2020. Airgain undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this conference call. In addition, this conference call may include a discussion of non-GAAP financial measures, including non-GAAP net income, non-GAAP diluted earnings per share and Adjusted EBITDA. Please see today's earnings release for further details, including a reconciliation of the GAAP to non-GAAP results.

Now with that behind us, and before I hand it over to Jacob, I thought I'd provide a brief introduction about myself. Airgain will be my seventh CFO role, predominantly in high tech, having spent the last 12 years as a public company CFO. I joined Airgain just over five weeks ago, and I'm already more excited about Airgain's prospects than when I arrived. I believe there is something special here as the talent and technology are exceptional and the markets we are addressing provide a very large growth opportunity, both in the near term as well as the long term. I'm looking forward to working with Jacob and the team to deliver long-term value to our shareholders.

With that said, I'd like to now turn the call over to our CEO, Jacob Suen.

Jacob Suen

Thank you, Dave. Welcome, everyone, and thank you for joining us on the call today.

I will first give a brief overview of our financial results, then discuss our strategy in each of our markets and then finish up with our strategy around 5G.

Let's start with Q4 2019 results. We delivered fourth quarter revenue of \$13 million within our guidance range of \$13 million to \$13.5 million, and we recorded GAAP earnings per share of \$0.01 and non-GAAP earnings per share of \$0.07. Adjusted EBITDA was a positive \$800,000, and we added \$1 million to our cash balance, which is \$34.9 million at year-end. Dave will provide more financial details later in the call.

Before discussing our markets, I want to address the impact of the coronavirus outbreak as it relates to our business.

We have many customers, suppliers, partners, employees and friends in China, and I want to assure them that we are all concerned for their well-being, and we are here to help. In terms of our employees, thankfully, they have been unaffected to date, and we have daily communications with our China team to adapt to the day-by-day changes. All employees have been working from home following the Chinese New Year. One of the buildings where our offices are located have reopened and the other is expected to open in two weeks.

As it pertains to our customers and suppliers, we are working with both to ensure timely delivery of our products. For our two contract manufacturers in China, for which we generate a large portion of our revenue, they are both now up and running as of last week. We have an open and active dialogue with both of them, and we believe that they will be able to fulfill much of our demand in Q1 as it stands today. However, as you know, this could change quickly, given the dynamic day-to-day changes we have seen since the situation began.

Now let's move on to our strategy for the markets we currently serve.

The consumer market will continue to generate the bulk of our revenue in the short-term despite current headwinds and should continue to be foundational revenue for Airgain longer term, with slower growth in our auto market. Our strategy in the consumer market is to win new designs with our lineup of Wi-Fi 6 embedded antenna solutions which includes support for Wi-Fi 6E as well as CBRS. Wi-Fi 6E is an area where more complex antenna technology is required and where we are innovation leaders. With regard to our core historical service-provider-based antenna business which is primarily in North America, from a

revenue perspective we believe we will maintain business with these top service providers. However, the market is becoming increasingly competitive and will provide both opportunities and challenges while we are in an upgrade cycle to Wi-Fi 6 devices.

On the enterprise market front, we are targeting new 5G device programs, primarily sub-6 gigahertz, CBRS and Wi-Fi 6 opportunities for integrated smart antenna systems. This allows us to leverage our core competencies in advanced antenna designs in a market that offers significantly higher selling prices in the tens of dollars to hundreds of dollars range. We are currently working with one of the leading enterprise wireless LAN networking equipment providers on an active stand-alone high-gain antenna system for a significant enterprise Wi-Fi platform. Additionally, we are seeing a growing opportunity for external machine-to-machine antennas as part of a major 5G refresh cycle, and we have developed fixed asset 5G antennas in several different form factors.

The automotive market continues to be our largest growth opportunity in the current year, but also a significant long-term growth opportunity. Our strategy is to leverage our Antenna Plus brand in the North American fleet and public safety auto aftermarket segments to generate near-term revenue. For longer-term revenue growth opportunities, we are pursuing the European and North American auto OEM markets as well as the fleet aftermarket in Europe. We have launched CENTURION Next, the first of the 5G family which will generate further opportunity with new innovations in fleet solutions. Our remaining fleet products are expected to be refreshed in 2020.

For international markets, we will offer European-compliant products that will enable distributions of our 5G-capable fleet and M2M antenna products. In North America, we ship regularly into the off-the-shelf antenna market in the public safety and first responder markets. We are now leveraging our mass transit design win from Q3 of 2019 with our CENTURION products in one of the country's largest metropolitan transit systems to pursue opportunities nationally. We have already become the incumbent supplier for a major truck fleet, diagnostics and analytics market leader with our Antenna Plus glass product. And we have a design win with a Tier 1 in-car video systems providers for fleet applications.

In the European auto OEM market, we secured our first-ever design win that will go into a major European auto OEM and begin shipping in 2021. Other projects underway include a European public safety and branded auto opportunity with our CENTURION and MULTIMAX products.

Now I would like to highlight some notable design wins in key program initiatives that occurred specifically in the fourth quarter across our markets.

On the consumer front, we continue to see momentum in the cable gateway market. During the quarter, we won a design for a European operator, and we expect to ramp up in the first half of this year. Additionally, we received single orders in Q4 2019 for a major gateway program in North America. This program is the successor of a current program still in production, and we expect this to ramp significantly in the second half of 2020. We continue to be engaged in the advanced design stages of a Wi-Fi 6 gateway program in a Tier 1 operator in North America, which is expected to launch later this year. We also are seeing some diversity in IoT applications with our first project in the health care segment with a leading multinational medical technology company. We are currently finalizing a unique design for a body-worn monitor, and we expect to see production shipments in the second half of 2020.

On the enterprise front, we are seeing an increase in demand for small cell applications requiring advanced antenna systems. In Q4 2019, we won a program with sub-6 gigahertz, 5G-capable small cell gateway device with a Tier 1 global cellular infrastructure provider. We expect volume shipments for this program to commence in the late 2020 time frame. We are also in final stages of collaboration of a new outdoor IoT gateway with one of the largest global energy management leaders and expect commercial shipments to commence in the second half of this year.

Focusing on smart city applications. In Q4 of 2019, we shipped our M2MAX antenna to one of the largest cities in Florida for traffic management, and also to one of North America's largest outdoor media companies for machine-to-machine kiosk applications.

In the automotive market, in Q4 2019, we launched CENTURION Next, the industry's first 9-in-1 5G fleet antenna with full Wi-Fi 6 support. This flagship product will be shipping in the first half of 2020 and is a part of a major initiative to aid 5G support to all of our fleet antenna products. We also announced a significant deal with Getac Video Solutions, where we were selected as the exclusive antenna partner for in-car video systems for shipments this year. In addition, we were selected by Didi Chuxing, one of the world's leading mobile transportation platform companies, to provide cellular vehicle connectivity on an autonomous vehicle pilot in China.

Before moving on to our financial results, I'd like to spend some time on how we see our 5G strategy playing out.

A new wave of 5G-enabled CPE devices and small cell is presenting significant opportunities for Airgain. We are beginning to ramp up small cell and fixed wireless access device integration projects. Technical challenges we are solving relate to the complexity of integrations and coverage of a broader range of frequency bands. This lands squarely in Airgain's core competency. We are really excited about our first phase of active beam steering millimeter wave 5G technology, which is now ready for customer engagement. We successfully conducted a live demo at CES in early January of this year, demonstrating active beam-forming and beam-steering capability that will be vital to enabling acceptable user experience for multiple millimeter wave 5G applications.

Our 5G efforts will benefit us in the near-term with early design wins beginning to generate first revenue, and we expect 5G to contribute significantly to Airgain's top and bottom line in the long term.

Lastly, at CES this past January, we showed in private customer demonstrations how we are now innovating around the migration to active antenna technology. This innovation can be a game-changer for Airgain as it will open up opportunities in the automotive OEM and aftermarket, and play a significant role in our future 5G offerings. From a growth perspective, the significance here is that we are intersecting a product cycle in a very large existing market with selling prices in the hundreds of dollars per unit. We will let you know more about this opportunity in the near future.

In 2020, we will be laser-focused on making the right investments in personnel and capabilities, diversifying our customer base and achieving share gains in large markets that we have historically successfully penetrated. We will actively explore acquisition opportunities that either expedite our time-to-market for new innovative products or that help us gain the benefits of scale in our space. Over the next several years, we believe the demand environment for complex antenna designs will continue to be robust and we believe we are well positioned to capture market share with our products.

Now I'd like to turn the call over to our new Chief Financial Officer, Dave Lyle, who will walk us through the financial highlights for the quarter.

David Lyle

Thank you, Jacob, and good afternoon to everyone.

I will provide key financial highlights for the fourth quarter 2019 as well as our outlook for the first quarter 2020 and then provide some color commentary around how 2020 could play out.

Fourth quarter 2019 revenue of \$13 million was relatively flat with Q3 revenue of \$13.1 million and within our previous guidance range of \$13 million to \$13.5 million. From Q3 to Q4 2019, strength out of our consumer market revenue, primarily through first revenue from a new design win in an over-the-top set-

top box and revenue growth from an existing IP set-top box, was offset by a large onetime order in Q3 for sales into one of the country's largest metropolitan transit systems that did not repeat in Q4; but a design that we believe should establish Airgain as a leading antenna specification for use in other metro transit opportunities in the future.

Q4 gross margin of 44% was down from 46% in Q3, but within our long-term gross margin target range of 44% to 45%. Although we continue to benefit from operational efficiencies in Q4, unfavorable product mix as well as some end-of-year inventory cleanup item adjustments impacted gross margin.

Q4 Adjusted EBITDA improved from \$0.6 million in Q3 to \$0.8 million in Q4, primarily due to a benefit from a management bonus and commission accrual catch-up adjustment which more than offset lower sequential gross profit. Q4 non-GAAP net income grew from \$0.5 million in Q3 to \$0.7 million in Q4, and Q4 GAAP net income grew from negative \$0.1 million in Q3 to positive \$0.1 million in Q4.

Moving to earnings per share. Our Q4 2019 non-GAAP and GAAP diluted earnings per share of \$0.07 and \$0.01, respectively, exceeded our expectations of positive \$0.04 to \$0.05 on a non-GAAP basis, and negative \$0.03 to negative \$0.02 on a GAAP basis. Regarding our share buyback program, we repurchased approximately 45,000 shares for about \$0.4 million during the quarter. We will continue to opportunistically repurchase shares.

And finally, our Q4 cash, cash equivalents and short-term investments improved by \$1 million over Q3 to \$34.9 million as we benefited from positive working capital changes.

Now I'd like to provide a preliminary outlook for the first quarter of 2020. In Q1, we expect revenue to be in the range of \$10 million to \$12 million. The first quarter outlook continues to be tied to macro and customer-specific factors as well as typical seasonal softness and some impact from the coronavirus outbreak. We expect first quarter non-GAAP earnings per share to be between negative \$0.14 and negative \$0.07. On a GAAP earnings basis, we expect earnings per share to be in the range of negative \$0.21 and negative \$0.14 based on a basic share count of 9.7 million.

Although we are not providing specific annual guidance, I would like to characterize how we expect revenue to play out this year. We expect new design wins to drive revenue growth beginning in Q2 with more material growth in the second half of the year. We expect our consumer market revenue to continue to be the bulk of our total revenue in 2020, but are excited about the potential growth in 2020 in our automotive and enterprise markets. We are particularly excited about our active antenna and system product design wins that generate much higher ASPs than our historical consumer-embedded antenna market products.

In terms of inorganic growth and technology expansion potential, we are actively exploring opportunities that either expedite our time-to-market for new innovative products or that help us gain the benefits of scale in our markets. We'll give more details on these opportunities as we progress throughout the year.

Now I'll turn it back over to Jacob.

Jacob Suen

Thanks, Dave.

Before I open the call for your questions, I wanted to share a couple of closing thoughts. I believe we have continued to strengthen Airgain's foundational position across our market over the last two years. I believe that although we are currently transitioning our Company from a passive embedded antenna company to a more diverse, active antenna company, we're on the cusp of hitting a real growth opportunity that will begin to play out in the second half of this year, with more significant growth in 2021.

We believe there are additional inorganic strategic opportunities that can either expedite the curve of that growth or can expedite our innovation road map.

Lastly, I also stated in our last call that we believe the timing is right as the technological disruptions with 5G, next-generation automotive and technological shifts on the enterprise connectivity front will provide a favorable backdrop for companies such as Airgain. Progress with design wins innovation in the first quarter has increased my confidence on this front.

And with that, we are ready to open the call for your questions. Operator, please provide the appropriate instructions.

Operator

Thank you. If you would like to ask a question please press star, followed by the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Your first question comes from Craig Ellis from B. Riley FBR. Your line is open.

Craig Ellis

Thanks for taking the question and congratulations on the earnings performance in the quarter, guys. David, I wanted to clarify one of your comments for the first calendar quarter's guidance. How much of an allowance is there for the issues in China? And with respect to the comments that you made about growth in the second quarter, is the second quarter growth the absence of the first quarter's headwinds? Or is there growth beyond just the absence of the operational issues that exist for you and others in the first quarter?

David Lyle

Yes. Craig, there are two parts to the question. On the first part of the question, I think we provided \$10 million to \$12 million as the range. The low part of the range was really to take into account potential impact from the coronavirus, not being able to ship, and more on the higher side of that range if we're able to ship everything that we need to.

The second part of the question goes into Q2, what's really changing there. I think the big one is we've kind of gone through this product cycle transition with some of our larger customers and we're now starting to see the beginning of the new design wins start to take effect in Q2.

Craig Ellis

Okay, that's helpful. And then related to the other point that you made about Calendar '20 and the fact that you expect growth to pick up in the back half of the year. Can you characterize the specific drivers to the growth in the back half? And to what extent is that really driven by some of the new design wins that have taken place over the last 18 months? Or is it more legacy product that would be triggered by programs that are coming back online?

David Lyle

Good question. It's kind of a combination of both. I think it's more of a function, though, on the growth out of our new design wins. You heard Jacob list quite a few of them across all the markets that we're serving. I think you're going to see a bigger impact there. The real question for us at this point is how fast and how big that ramp can be. As you know, especially with these bigger markets and customers, quarter-to-quarter it's a little harder, more difficult to predict.

Craig Ellis

Sure. Do you have enough visibility to determine if this can be a year of growth? Or is it too early to put a stake in the ground about either a flat year year-on-year or even potentially some growth with the momentum you're seeing in the back half of the year?

David Lyle

Yes, I'll take a shot at that, and then Jacob, maybe you can add some color to it. You've seen our Q1 guidance of \$10 million to \$12 million relative to historical periods, that's kind of a low point. So that anchors us into having a bigger second half of the year as a requirement to get to where we were in 2019. That being said, if you actually look at the design wins, at least from the visibility we have, we certainly have the prospects to grow year-over-year. But again, it will be a question of timing.

Jacob Suen

Yes. Craig, Jacob here. Great questions, by the way. We do anticipate some of the newer design wins to start trickling in, in the second quarter of this year. And we really expect a lot of these programs to really ramp up in the second half. We are very optimistic about the growth potential from a number of the projects that we're seeing. And therefore, the newer markets, specifically for enterprise, for automotive, which we have been investing heavily in the last couple of years, and we are now going to start to see the fruitions of those projects turning into revenues.

Craig Ellis

That's helpful. And then the last one for me before I get back in the queue. Given that the mix is moving towards the new products, where I think the company has had a concerted effort on more robust margins and ASPs, can you talk maybe more quantitatively or even qualitatively about the gross margin implications back half of the year? Can we get back to some of the levels that we saw, say, in 2019, where we start to purchase the high 40s? Or for some reason, would we be looking at more mid-40s gross margin?

David Lyle

Yes. At this point, we're going to stick with what the historical guidance is, is really just kind of long-term model of 44% to 45%. We'll give updates to that as we kind of move into the year and understand a little better about product mix, especially as it pertains to the new design win revenue.

Operator

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

Alessandra Vecchi

Hi everybody. I'm glad to hear all the employees are safe. Aside from that, I think, Jacob, early on you made a comment about increased competition for Wi-Fi 6. Did you mean on the gateway side from the provider standpoint, or from a competitive landscape for antennas and for you guys?

Jacob Suen

I think that Wi-Fi 6, we are actually the innovator in that regard. So actually, I think that we have less competitor on the Wi-Fi 6 versus some of the more mature technology, such as the 11n, 11ac.

Alessandra Vecchi

Okay. That's what I would have thought. I just wanted to make sure. And then similarly, David, just on your earnings guidance for Q1, it looks like back of the envelope, it implies a pretty steep Opex increase. Is that correct? Are there any—I know there's increased payroll taxes, but are there other factors that we should think about as we model Opex for the year?

David Lyle

Yes, you're exactly right. It does imply an increase from Q4 to Q1 in total operating expense. Let me walk you through kind of some of the math, so you can understand it. If you actually look at Q4, we recorded a benefit in Q4 related to kind of the end-of-year catch-up for the bonus and commission plan, which was pretty significant, was about \$700,000 total or so. So you actually have a situation where if you normalize the Opex in Q4 and added that back in, you'd be at about the same level that we're kind of indicating through our bottom line ranges that we'd be at.

Alessandra Vecchi

That's very helpful. That's it for me.

Operator

As a reminder if you would like to ask a question please press star, one.

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

Karl Ackerman

Hi, Jacob. David, welcome to the Airgain team, and I look forward to working with you.

David Lyle

Thank you.

Karl Ackerman

Both of you referenced several product transitions of large volume embedded antenna products. I'm assuming that's for your U.S. service provider business. Are the product platforms you're on today being phased out and you're not winning the new designs? Or are you not—are you maybe becoming a second source or a third source? Or is it just simply a demand issue? And I have a follow-up.

David Lyle

I'll start and then maybe Jacob can add some color. And I think you're looking at this correctly, the North American service providers obviously provide us with a pretty material contribution in terms of revenue every quarter, and in fact, every year, if you look historically for the past couple of years. The product cycle is typically a couple of years long, can be as long as three or four years. There's a tail to it when you go through those product cycles into the next-generation boxes. And we're kind of in the middle of that part of the transition where some are tailing off, and we're now waiting for the new designs to start to ramp. Would you like to add any color to that, Jacob?

Jacob Suen

Yes. I think that one of the questions you asked, Karl, was the fact that, are we winning the new designs, the next-generation design. The answer is yes. In fact, this presents a great growth opportunity for us. As a lot of them are moving into transition from the ac to the Wi-Fi 6 to the Wi-Fi 6E, and the more complex

the design, it's to Airgain's advantage. I think that it's a great opportunity for us on the consumer side. Does that help answer your questions, Karl?

Karl Ackerman

Yes, it does, Jacob and David. For my follow-up, I guess, given this secular or cyclical headwinds to the residential gateways and set-top boxes as the carriers are grappling with subscriber challenges, how do we prioritize R&D and design win opportunity funnel from here is, I guess, the question.

And I also really appreciate all the color on the new design wins across your businesses. But as we think about the growth profile in 2020, 2021, am I right to think that the gateways and home connectivity will drive the bulk of our revenue over the next few quarters, but the design wins across automotive fleets and industrial markets and fixed wireless should be a larger driver for diversification of top line and bottom line in '21. Is that the right way to think about that?

David Lyle

Yes, I think you're dead on there. We're definitely going to see, based on the design win activity that we were looking at right now, the majority of growth out of the North American fleet side, initially, like Jacob said in his comments, which includes public safety, auto aftermarkets in the near-term and then eventually in the long term, moving on to North American auto OEM as well as European, and then adding on the fleet aftermarket in the European market longer term. And so we believe that entire market provides a pretty significant opportunity for us that we're pretty excited about. There are also opportunities, depending on the type of product that we're working on, I mean, I'm sure you've heard this in the past, working on innovative products to move from the old embedded passive antenna technology on to new technology, more active antenna technology, which allows us to also demand higher ASPs, which we're pretty excited about.

In terms of the enterprise, the enterprise is actually starting off at a much smaller number, and will take a little more time than some of the near-term auto opportunities we're seeing. But eventually, will start to provide some real growth for us in the midterm and the long term. And then really, to your question about the North American service provider side, we expect that to continue to be a pretty big contribution in terms of revenue, but eventually, over the midterm and long term, we hope that these other markets allow us to start surpassing those revenue levels.

Jacob Suen

Yes. And I'll add a couple of comments to it. You also mentioned about R&D expenses. This is a—if we're going to spend the money, this is where we want to spend the money, and we have. For the last two plus years, we have expanded our R&D centers from two to five, and really, we feel like that's really important and the key to help our future growth, especially into these newer markets. And our investment is starting to pay off. You see the number of design wins we are now able to produce in Q4 last year, and that's going to translate into revenue this year and the foreseeable future. And we're going to continue to invest with R&D, and we're going to expand our sales channel, and that's what we're going to go after with the newer markets as well.

Karl Ackerman

Perfect. Gentlemen, I appreciate the color.

Jacob Suen

Thank you.

David Lyle

Thank you.

Operator

Your next question comes from Gus Richard from Northland. Your line is open.

Gus Richard

Yes, thanks for taking the question. In terms of the active antennas, which market do you expect to start to ramp active antennas in first? And when do you expect to start to see the revenue from those designs?

Kevin Thill

Gus, it's Kevin. I think that you will start to see ramping up in the enterprise side. We're heavily involved with on design and active antennas in that market sector. I think from a revenue standpoint, we'll see that coming up here real soon. But following that, I think we'll start to see revenue this year coming in on the fleet side also.

Gus Richard

Okay. Is that Q2 or Q3? And just any color there.

Kevin Thill

I think we should see a ramp-up going towards the second half of this year for both of those new products that we're going to be introducing. I think it's fair to say.

Gus Richard

Okay. Got it. And then in terms of the impact of the coronavirus, I know that you have a lot of activity in China. So where are your biggest concerns? Is it supply; is it demand? Is it logistics? Is it just the uncertainty? Can you just add a little bit of color as to what you're currently seeing on the ground now and kind of how you expect that to unfold over the coming quarter?

David Lyle

Yes, I'll take an initial shot and then Jacob, you can chime in here. Just from understanding how that coronavirus will impact us, although we don't give guidance out in terms of billings and backlog, the quarter in terms of linearity, looking historically, looks okay. And so really, it's going to be a question of can we convert that backlog into shipments, which will ultimately be determined by end customers. Right now, we're in daily communications with our CMs in China, and they're actually producing product. The question is, could there be something that surprises us in March? We've all been following the story and that's always a possibility.

Jacob Suen

Yes. And Gus, I think from our personnel perspective, there has been minimal impact. It's just more about how quickly they can turn the factories back on, which already happened last week. And I think the uncertainty, it's a big thing that we will have to evaluate for the coming weeks and months, right?

Kevin Thill

And I think from the engineering side, Gus, I mean, we were very fortunate that half of our team in China was based on the town where our office is located and so they were back online working right away. And the office opened up this week. So the other half of our team has been in self-quarantine for, now I think, going on close to the two week requirement, and so they'll be all back in the office next week. So that's important from going forward, from a strategic standpoint because there's a lot of new projects that we have discussed in this call that we're developing over there, too. We hope that's not going to impact us at all.

Gus Richard

Okay. I appreciate it. Thanks for the color.

Kevin Thill

Thank you.

Operator

Your next question comes from Carlin Lynch from B. Riley FBR. Your line is open.

Carlin Lynch

Hey, guys. This is Carlin on for Craig. Just wanted to clarify, and I might have missed this, so I apologize if it's repetitive. Some of the puts and takes around gross margin in the first quarter and what the allowances are for coronavirus and what impact that has had, are we still within that 44% to 45% range? Or is there anything that I'm missing?

David Lyle

No, you're not missing anything. That's the range we think is a good range to forecast at. In terms of the impact of the coronavirus on gross margin specifically, I don't see anything in particular there that would create any volatility.

Carlin Lynch

Got it. So the gross margin ramp is basically kind of where it's been despite the lower revenue and all that stuff?

David Lyle

Yes, that's correct.

Carlin Lynch

All right. Thanks guys.

David Lyle

Thank you.

Operator

We have no further questions. I turn the call back over to Mr. Suen for closing remarks.

Jacob Suen

Thank you for joining us on today's call. I especially want to thank our employees, partners and investors for their continuing support. We look forward to updating you on our next call. Thank you.

Operator

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