



Akoustis Technologies, Inc.

First Quarter 2022 Investor Update Call

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CORPORATE PARTICIPANTS

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Kamran Cheema, *Vice President of Engineering*

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CONFERENCE CALL PARTICIPANTS

Harsh Kumar, *Piper Sandler Companies*

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Wei Mok, *Oppenheimer & Co., Inc.*

Anthony Stoss, *Craig-Hallum Capital Group, LLC*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Akoustis Technologies Fiscal 2022 First Quarter Conference Call.

As a reminder, this conference call is being recorded. At the conclusion of the Company's presentation, Akoustis' management will take questions. A replay of the call will be available on the Investor Relations section of the Akoustis website. Thank you.

Tom Sepenzis

Thank you, Operator, and good morning to everyone on the call. Welcome to Akoustis' First Quarter Fiscal 2022 Conference Call.

We are joined today by our Founder and CEO, Jeff Shealy, Interim CFO, Ken Boller, and EVP of Business Development, Dave Aichele. For this call, we've also invited Rohan Houlden, our Chief Product

Officer, and Kamran Cheema, our VP of Engineering, to take any technical questions from the investment community regarding our efforts in WiFi and 5G mobile and the competitive landscape.

Before we begin, please note that today's presentation includes forward-looking statements about our business outlook. All statements, other than statements of historical facts included in this conference call, such as expectations regarding our strategies, operations, costs, plans and objectives, including the timing and prospects of product development and customer orders, our expectations regarding achieving design wins from current and future customers, the possibility of entering into collaborative or partnering relationships, potential impacts of the COVID-19 pandemic, litigation matters, guidance regarding expected revenue, product orders, and milestones for the current and future fiscal quarters, and expectations regarding the integration of acquired business operations, are forward-looking statements.

Such forward-looking statements are predictions based on the Company's expectations as of today and are subject to numerous risks and uncertainties. The Company and our management team assume no obligations to update any forward-looking statements made on today's call. Our SEC filings mention important factors that could cause actual results to differ materially. Please refer to our latest Form 10-K and Form 10-Q filed with the SEC to get a better understanding of those risks and uncertainties.

In addition, our presentation today will also refer to certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measure is presented in our earnings call highlight release, available in the Investor section of Akoustis.com.

I would now like to turn the call over to Jeff Shealy, Founder and CEO of Akoustis.

Jeffrey Shealy

Thank you, Tom, and welcome everyone to our 2022 First Fiscal Quarter Conference Call.

Akoustis made tremendous progress during the September quarter, despite the ongoing headwinds in the macro environment, driven by COVID-19, and the associated semiconductor supply chain shortages. We delivered revenue of \$1.9 million in the quarter, in line with our prior \$2 million guidance, and remain confident that we will deliver record revenue in the current December quarter. In fact, with our recently announced acquisition of RFMi, we now believe that we will achieve revenue in the range of \$3.5 million to \$4 million for the December quarter and expect to see continued top line growth moving forward.

Our WiFi business continued to gain traction with new customers, driven by both WiFi 6 and WiFi 6E. Our first WiFi customer is leveraging our leading 5.2 gigahertz and 5.6 gigahertz tandem coexistence solution, and we are ramping production with a second WiFi 6 customer in the December quarter. We received two WiFi 6E design wins in the September quarter, one for a multi-user, multiple-in, multiple-out, or MU-MIMO gateway product, and the other for a Tier-1 enterprise-class WiFi OEM.

During the September quarter, we received an order from a Tier-1 PC chipset OEM for the development of a WiFi 6E diplexer, which is a dual-band module containing two XBAW chips and is slated to enter production in the second half of calendar 2022. I am pleased to report that we just tested our first initial prototype out of the fab last week and shipped the first samples to our customers. The initial performance was better than expected, and we remain on-time in our delivery schedule with this extremely exciting product.

To summarize our recent WiFi activity, we have more than 12 XBAW WiFi filters, four for WiFi 6 and more than eight for WiFi 6E. As of today, we have announced a total of five design wins, three in WiFi 6 and two in WiFi 6E, and we expect a number of WiFi customers for which we have products in production will increase to more than five by the end of the current calendar year. Lastly, we are developing our first

XBAW diplexer, which would allow us to enter the PC market, another substantial market opportunity in both unit volume and revenue.

Moving on to 5G mobile, we announced this morning that we have signed a development agreement with a new, leading 4G/5G mobile RF component customer to develop an XBAW filter for a challenging band, addressing significant coexistence issues for the mobile device market. We expect to develop this filter over the next six to 12 months, with the goal of delivering a product-ready filter by the end of calendar 2022.

During the September quarter, we shipped to our Tier-1 RF component customer the first samples of two new XBAW filters that are in development. We have received favorable technical feedback from our customer and expect to ship samples of the second filter to this customer by the end of the current calendar year, and we remain on track to deliver qualified parts for production ramp by the end of calendar 2022.

Given the ongoing impact of the semiconductor shortages and challenging supply chain issues, we are bringing the production of wafer-level packages, or WLP, in-house. We have determined that we can make better products with superior cost characteristics in our New York fab facility that can be sourced from alternative suppliers. I am pleased to report that we have completed the initial development of these new packages and expect to complete our design lock by the end of November 2021, with full WLP process qualification expected to follow in early calendar 2022. This will substantially enhance our ability to control the quality, cost, and customization of our wafer-level packages.

Finally, we added Kamran Cheema as our VP of Engineering during the September quarter. Kamran is an extraordinarily talented executive who brings a wealth of RF experience in product design, manufacturing, technology development, program management, and importantly, 25 years of experience in micro-acoustic hardware. Kamran recently joined us from Qualcomm RF360, and he is currently leading our 5G mobile and multi-chip module development, as well as assisting in deploying wafer-level packaging into mobile products, including 5G smartphones.

To summarize our 5G mobile activity, we have multiple customer-funded XBAW filters in design. This morning we announced a third customer engagement with a leading RF component maker for the development of a challenging BAW filter for the 4G/5G mobile device market. We have recently entered into a foundry agreement with one of our customers to produce a 5G mobile handset filter product in the second half of calendar 2022.

Further, we shipped 5G mobile samples with our new WLP technology to our Tier-2 RF front-end module customer in September. Finally, we are currently migrating the manufacturing supply chain of WLP into our New York fab, which we expect to have design-locked within the next month and available for qualified production in calendar 2022.

We experienced continued success in our network infrastructure business during the September quarter, with two design wins from a Citizens Broadband Radio Service, or CBRS, customer. We expect to ship production filters to this customer in early calendar 2022 and are shipping production filters to our other announced CBRS customer in the current quarter.

Many of you may recall that we put our plans for massive MIMO filters on hold at the end of calendar 2020, as the bandwidth requirements necessitated a new materials approach. I am pleased to report that our engineering and fabrication teams have done an amazing job over the past year and expect to have first samples of a new material that offers both a leading BAW microfilter power-handling capability and the ability to cover wide bandwidths. We are extremely excited about this new material science, and we will update you further as we get closer to introducing filters that leverage this new technology.

Lastly, we've been focused on developing an XBAW filter for the new 3.8 gigahertz U.S. 5G spectrum that was auctioned at the end of last year. We made significant progress on the development of this filter and expect to complete our first design iteration and provide samples by the end of calendar 2021.

To summarize our 5G network infrastructure activity, we have five completed 5G network infrastructure XBAW filters, four for 5G small cell base stations, and one for CBRS. To date, we have announced three design wins in small cell with our Tier-1 customer, and one from a second customer. Additionally, we have received three design wins for CBRS from two leading network infrastructure OEMs. Finally, we have over 10 customer engagements, five of which have already placed purchase orders.

In our other market segment, we recently announced entering the RF timing and frequency market with our leading XBAW resonators. We are working with a leading maker of timing RF components to develop ultra-high frequency XBAW resonators for use in the customers' finished devices.

The timing RF market represents a significant new opportunity for Akoustis in both unit volume and revenue. Our customer is developing products that could be disruptive in the timing RF components market, looking to displace older, analog technologies with ultra-low jitter and phase noise devices. We are extremely excited that our leading XBAW resonators can be a part of this groundbreaking opportunity.

In our defense contract business, we continued to progress during Q1 on our existing R&D contract with DARPA to further enhance our XBAW PDK. In addition, we submitted a multimillion-dollar contract proposal with DARPA to extend the operating range of our XBAW RF filters up to 18 gigahertz using novel materials and device manufacturing. We expect to receive feedback on our full proposal in the December quarter.

To summarize our other market segment activity, we have seven completed XBAW filter solutions for the civilian and defense markets. Our ultra-high frequency XBAW resonators are now being used to deliver disruptive digital timing and control products to the broader communications industry. We continued to refine and improve our XBAW PDK, driven by the direct-to-phase II contract with DARPA, and have submitted a new multi-year, multimillion dollar proposal with DARPA to scale our XBAW technology up to 18 gigahertz.

We have a total of four customer engagements, two of which have already placed purchase orders or provided NRE revenue.

Finally, I'd like to highlight our recent acquisition of the majority ownership position in RFM Integrated Devices, Inc., a fabless supplier of acoustic wave resonators and filters, headquartered in Dallas, Texas. It adds several benefits to Akoustis, delivering a comprehensive SAW resonator and RF filter, crystal resonator and oscillator, and ceramic catalog product portfolio, which complements Akoustis' XBAW RF products; new synergistic sales channels and numerous market-leading customers, providing significant cross-selling opportunities for Akoustis' XBAW; access to new strategic markets, including automotive/ADAS, medical monitoring and implant, energy and smart home, satellite communications, and industrial IoT; access to new wafer-level package products that are currently manufactured in factories certified to stringent automotive IATF 16949 standards; the ability to develop multi-chip modules, incorporating multiple technologies for each of the end markets, including 4G and 5G mobile; access to complementary SAW resonator, crystal resonator and oscillator products to enhance Akoustis' new XBAW RF timing product portfolio; a low Capex; fabless product business with synergistic supply chain operations, along with a proven technical, marketing, and engineering team; and a bolt-on RF filter business, which is immediately accretive to Akoustis' financials from a cash flow perspective.

With that, I would now like to hand the call over to Ken to go through our financial highlights.

Kenneth Boller

Thank you, Jeff.

For the first quarter, ended September 30, the Company reported revenue of \$1.9 million, in line with the guided range we gave last quarter, despite the ongoing headwinds from COVID-19 and the resulting supply chain disruptions.

On a GAAP basis, operating loss was \$12.9 million for the September quarter, mainly driven by revenue of \$1.9 million, offset by labor costs of \$8 million, depreciation of \$1.5 million, and other operational costs totaling \$5.3 million. As a result, GAAP net loss per share was \$0.25. On a non-GAAP basis, operating loss was \$10.7 million, and non-GAAP net loss per share was \$0.21. Reconciliation of these amounts to the corresponding GAAP measures is available in the press release issued this morning, available on the Investor section of our corporate website.

Capex spend for Q1 was \$5.7 million, compared to \$2.6 million in the prior quarter, mostly related to the continued capacity expansion and equipment redundancy in the Company's New York fab. Cash used in operating activities in Q1 was \$12.7 million, up from \$7.4 million in the prior quarter, mainly due to certain year-end payments and commercialization costs. The Company exited the September quarter with no debt and \$75.7 million of cash and cash equivalents, versus \$88.3 million at the end of the previous quarter.

During the September quarter, the Company raised \$5.4 million in cash through its at-the-market equity facility, at an average price of approximately \$10 per share. In the December quarter, we expect multiple new WiFi 6E and network infrastructure customers to ramp production, and therefore, we expect to see record revenue, in the range of \$3.5 million to \$4 million. Furthermore, we anticipate that top-line growth will continue moving forward in future quarters.

I will now turn the call back over to Jeff to discuss our future milestones.

Jeffrey Shealy

Thank you, Ken.

I am pleased to report that our view of the December quarter remains positive, despite the ongoing semiconductor supply shortages and supply chain issues that are impacting the broader industry. Our momentum continues to grow, driven by WiFi 6, WiFi 6E, CBRS, and other markets. We expect to ramp more than five customers commercially by the end of the current quarter, with additional wins expected across all of our markets as we enter calendar 2022.

In the December quarter, we expect to generate revenue from each of our business segments, including 5G mobile, WiFi, 5G network infrastructure, and other markets, including defense. We continue to strive towards executing on our targeted milestones and will continue to keep you informed of our progress. Our anticipated December 2021 milestones include, in WiFi, we first expect to ramp multiple WiFi 6 and 6E customers. In addition, we expect to end the December quarter with greater than five design wins in WiFi. Finally, we expect to receive feedback from and iterate a second design of our new WiFi 6E diplexer to our Tier-1 PC Chipset customer.

For 5G mobile, we plan to deliver in-spec filters, and ship our second filter design, utilizing our new WLP process to our Tier-1 RF component customer. Further, we expect to design lock and ship a preproduction filter design, utilizing our new WLP process, to our RF module customer. In our 5G network

infrastructure segment, we expect to deliver 3.7 gigahertz to 3.98 gigahertz 5G filters for the U.S. market and expect to sample with multiple Tier-1 customers for both small cell and DAS/AAS base station equipment, and we expect to begin shipments to both of our CBRS customers for their production ramps.

Finally, in our other markets segment, we expect to deliver the new 3.8 gigahertz filter samples for our defense customer against an NRE purchase order received in Q4 FY21, and we expect to receive feedback on a new multi-year, multimillion-dollar proposal from DARPA.

In conclusion, we believe the market opportunity for our patented, high-frequency XBAW filters is substantial. With 52 issued patents and 83 patents pending, we are well-positioned to capitalize on that opportunity. We continue to work diligently to achieve each of our stated objectives, and we will continue to update you on our execution against these objectives going forward.

Finally, I would like to thank our employees for their hard work, passion, and dedication throughout this calendar year, particularly during this ongoing pandemic as our team has kept the momentum going in R&D, which has led to multiple design wins across the WiFi, 5G network infrastructure, and defense markets. We have also experienced exceptional momentum in the 5G mobile market, driven by our leadership in filters that operate above 3 gigahertz, and our new and expanding wafer-level packaging capabilities. I also wish to thank our shareholders who continue to support the Company.

With that, I would like to open the call for questions from the investment community. Operator, please go ahead with the first question.

Operator

Thank you. Our first question is from the line of Harsh Kumar with Piper Sandler. Please proceed with your question.

Harsh Kumar

Hi, guys. First of all, congratulations. Jeff, sounds like the company is about to hit some major commercialization. I saw the revenue guide for December. I'm super excited about what you guys have in store, and the continued growth afterwards.

I'm just curious if you could answer two of my questions. First is, you've got a lot going on in a lot of different markets, and you're a relatively young company. I'm just curious, what is the risk that you might be losing focus from the original WiFi 6E space, as you sort of target everything in the filtering space? You've got PC activity, infrastructure activity. Is there a risk to that, or you think you've got things relatively well under control from an R&D and a sales standpoint?

Jeffrey Shealy

Good morning, Harsh. Thanks for your initial comments. To your first question, in terms of risk of focusing too broadly and losing and getting distracted, we have taken a strategy where we're focused on one technology, which is our XBAW technology, and commercialization of that technology. I'll give you one example where what we're doing in the packaging area, which is useful for the mobile market, is actually quite synergistic for the WiFi market in terms of size, cost, savings that we're pursuing. So, we think driving towards a cost structure for the mobile market makes us more competitive in these other markets. That's one example.

We are developing, if you look at the frequency spectrum, we've been focused in the 3 gigahertz to 7 gigahertz spectrum, which has applications in all of our market segments. I think we've been extremely

focused on maintaining product development in a focused band. I'll see if Dave wants to add anything else to that comment.

David Aichele

Good morning, Harsh. This is Dave. Yes, I think the focus that we've got from a product standpoint that we announced earlier is that we've got 12 products that we're releasing for the WiFi market, focusing four of those on WiFi 6 and eight of those on WiFi 6E. That's where the Company is moving, and we started an initiative at the beginning of the fiscal year really to keep the execution there from a product development, and also from a sales and a customer engagement ramp perspective. So, we're going to continue to maintain that focus. We need to maintain the leadership position that we've established by being the first BAW manufacturer in that 3 gigahertz to 7 gigahertz range.

The additional market segments and engagements that we do are at a lower priority, but it's important to stay engaged with these other markets based on the comments that Jeff made regarding the technology. It has a very good offering that we can service. People are looking to get access to the technology. So, it's an important focus within the Company because we don't want to lose that leadership position, and we're going to continue to invest in that but also, we're going to continue to engage with the other market segments as well.

Harsh Kumar

Hey, guys. Very helpful. Maybe I can ask a small, multi-part question. You're getting into a lot of new customers in WiFi space. The reason why I'm asking is some of them can be in different geographies, which can open up brand new areas, geographies for you. Is that what's happening? Are your customers well spread out, or are they localized to one geo? Then the second thing is, Jeff, you mentioned continued traction from here on out. Maybe you could help us think about what—I'm not asking for numbers, but maybe qualitatively, just help us think about how we think about that continued growth in the top line.

Jeffrey Shealy

To your first part of the question about geography, I'll let Dave answer that, and I'll come back on the traction piece.

David Aichele

With regards to the global perspective, we actually invested in the sales channels early on in the Company and established a well-networked distributor and rep network. We've also strategically put direct salespeople in locations, so we do have somebody over in the Asian market. That's one of the things that we're seeing is a lot of the design activity initially was in North America, but then you'd have to have somebody over in the Asian market to pick up and run with it.

So, with our distribution network, and also our direct sales force, there's a very good communication link going on between those. We're now seeing a lot of activity in design over in Taiwan, China, Japan, and Korea, and so we've got good coverage there as well. That is, as we talked about earlier question, that is a focus, and we've got a well-established network to support that.

Jeffrey Shealy

Okay, and, Harsh, to your second point, in terms of my comment regarding the traction, we made several comments, but I would say our comments are driven by and supported by a backlog, which is—we

continue from that backlog, continue to project double digit quarter-over-quarter growth for the current fiscal year. We also had previously mentioned, and we mentioned in the prepared comments, we've been migrating from one quarter ago having one customer in mass production to having, and this is in the WiFi space, to exiting the year with five customers in mass production. So, it's a product of where our business is in the cycle with our products, and the design wins that we've accumulated thus far.

I'll also add that part of what—we made some prepared comments regarding RFMi. Part of the strategy there was, and we've been very forthcoming with this, was not only the fantastic team that we picked up, but that acquisition gives us access to some new channels, as well as to some new customers that we weren't currently addressing with our product portfolio. We see some cross-selling opportunities on a go-forward basis that give us a lot of enthusiasm. We're going to see traction from that.

I'd be happy to follow up on any of that, but those are just—our traction projections are based upon a backlog of design wins and the current plan that we're running to for the current fiscal year.

Harsh Kumar

Okay. Thank you, Jeff. Appreciate it, and congratulations.

Jeffrey Shealy

Thanks, Harsh.

David Aichele

Thanks, Harsh.

Operator

Our next question is from the line of Suji Desilva with ROTH Capital. Please proceed with your question.

Suji Desilva

Hi Jeff, Ken, Dave. Congratulations on the progress here, and I believe you have Kamran and Rohan on, so I have some questions for them if they are.

First of all, for Kamran if he's there, can you talk about the advanced XBAW that Akoustis has? You came over here, obviously from a large company. Why are customers going with a discrete filter when you've seen places where they have integrated, multi-chip modules, Skyworks, Qorvo and the like? Why would customers continue to use a discrete product?

Kamran Cheema

Yes. Good morning. Thank you very much. The piezo material has been in production and matured by incumbents over 30 years and obviously, granted, occasionally rebranded and with newer and more attractive names, but it's sort of more of the same. The thing about what we do here at Akoustis is we're working on innovative piezo materials, and these piezo materials are sometimes including (inaudible) and single-crystal materials, and these materials enable us to do something which is differentiating from the perspective of, for example, providing a higher power handling, in some cases up to 2X the power handling from the devices in the discrete or in the mobile or in the module product.

These filters are essentially the engines inside, either in modules or inside a discrete component, and we tailor them to provide an application such as 5G or 6G, like—rather, it could be either discrete or the module product. As you know, in these devices, where multiple antennas which connect to multiple filters, and (audio interference) to provide these solutions in a way that they lend themselves for connecting them to fewer antennas with multiple filters.

Again, in terms of your question, in terms of multi-chip modules or for discrete, I think the market here, maybe Dave can also chime into this, but the market here is that these acoustic engines are enabling these modules or discrete components, and we continue to apply them as the customers' need arises. Lastly, I think that Akoustis is sitting in a situation where we are commercializing a lot of product. My experience in the high-volume filter production, I think, is going to be very useful for our growth of Akoustis.

David Aichele

Yes, Suji. Just a couple comments. This is Dave.

Suji Desilva

Hey, Dave.

David Aichele

With the markets that we've been focused on for the infrastructure and the WiFi 6, all of the components out there are discrete. It's a very attractive market for us, and we are going to continue to invest on that. We don't see integration being a major play for the foreseeable future. As Jeff highlighted, we're looking at engaging in the other market segments, so we think that that funnel is going to continue to increase for the discretely.

With regards to plexors and multi-chip modules, we've been making some investments there. The WLP process that we developed is one of those steps to support both the foundry customers that we have, and also to engage with the other market segments, mobile, etc.

We also see a trend that's happening, particularly in the Asian market, that some of the architectures are interested in discretely. That's enabling us because of access to fully-integrated (inaudible). It's a very complex model, so we believe we're in a very good position to capitalize, obviously, on the fixed market and then also be a player in the mobile environment moving forward.

Suji Desilva

Okay. Appreciate all that color, guys. Then my other question, perhaps for Rohan, on the product side, Akoustis has significant traction with WiFi 6E, but the last few months competitors, Qorvo, Qualcomm perhaps with ultraBAW, have been announcing products. Do they have the potential to catch up here in the marketplace?

Rohan Houlden

No, we have not seen that. We haven't lost our leadership. Our parts still outperform our competition. We've started shipping our next generation WiFi 6 and 6E parts that have improved performance to maintain market leadership. These new products enable our customers to use every WiFi 6E channel. Akoustis is the only filter supplier today to solve the very challenging, triple band UNII 4 and UNII 5 coexistence issue. This is going to shape the WiFi market in the future.

Jeffrey Shealy

Suji, this is Jeff. Let me add to Rohan's comments there. We have what we believe is the most extensive WiFi product portfolio. I think we've shared we've got greater than 12 products for those in WiFi 6, and at least eight in WiFi 6E. Again, I think it's we've got the broadest offering of our products for the WiFi market. You can look downstream, a lot of the activities that we're doing in WLP, we've made mention of a diplexer, you can see more integration coming downstream from us. So, we'll continue to innovate, not only at the engine level, if you will, at the chip level, but also in how we integrate some of these solutions together to meet very aggressive customer specifications.

Suji Desilva

Okay. Appreciate all the color, guys. Thanks. Congrats again.

David Aichele

Thanks, Suji.

Jeffrey Shealy

Thanks, Suji.

Operator

Thank you. Our next question is from the line of Richard Schafer with Oppenheimer. Please proceed with your question.

Wei Mok

Hi, good morning. This is Wei Mok on the call for Rick Schafer. Thanks for letting me ask a question. My first question is on the supply chain and semi shortages. One of the themes we hear this quarter is an emphasis on matched set orders for selective products. I was wondering if you're seeing the same, and if there are any direct or indirect impacts impacting any part of your business? Thanks.

Tom Sepenzis

Hi, Wei. This is Tom. I didn't hear. You said matched something?

Wei Mok

Yes, matched, an emphasis on matched set orders for selective products.

Jeffrey Shealy

Hey, good morning, Wei. This is Jeff. In terms of matched set orders, I'm not sure exactly what you're referring to but let me take a crack at one of the challenges. What I think of in terms of matched set is that what we see in the end market, particularly in WiFi where we've been ramping, is the customer is going to need all of the chips in order to—they need the entire kit in order to build the end product.

In terms of having all of the solutions in the bill of materials, that's been one of the challenges in the supply chain is that not all the chips have been available, and so we've been addressing that. That's been

something that's been a headwind for us the last two quarters, and we'll see how that goes, going forward. I think the benefit for us is that we've got exposure to multiple platforms as we're exiting the year, not just a single platform. That's meaningful to us.

In terms of supply chain challenges, over and above what we see, we're seeing lead times in terms of fab equipment really starting to dramatically increase. I think the good news there for us is we got ahead of this one. We saw this coming and made investments that we needed to increase our capacity. We hit a pretty substantial internal milestone middle of the year in terms of capacity expansion. We hit that in the August timeframe, and we're currently working on another milestone, which looks like we're going to wrap up our expansion on the current project in late this year to—in first quarter of next calendar year. So, just there's a couple of additional comments on supply chain.

Wei Mok

Got it. Great. Thanks for that. My second question is on RFMi. You guys had the option to acquire the remaining 49% by the middle of 2022. I was wondering if you can update us on the current integration of phase one, and I was wondering if you could talk about some of the details or criteria you'll be looking into consideration to determine whether you go through with the rest of the acquisition? Thanks.

Jeffrey Shealy

Thanks for the question, Wei. This is Jeff. I'll start. I'll also have Dave who's heading up the phase one comment, but just for clarification for the other listeners on the call, Akoustis has an option that was built into the original agreement to acquire the remaining 49%, and that window is from the February timeframe through June of next calendar year. We did significant due diligence on this business at the time we were looking at it, and so we're extremely comfortable with the team, with the products, and with their business. I'll touch on at least some of the drivers.

The obvious drivers for us would be continued traction in the business, continued execution on the roadmaps. Those sorts of things are what management here would be looking at when making a decision. I would also say, I don't think we would have entered in the original agreement if we had not checked a lot of those boxes in due diligence ahead of time. As to the phase one roll out, let me hand that over to Dave and he can kind of characterize what kind of activities is ongoing between the companies.

David Aichele

Good morning, Wei. As Jeff highlighted, the due diligence that we did gave us good exposure to the markets and the customers and the product portfolio, and obviously, a lot of the financials as well. We've gone for it with the 51% majority ownership. The integration with them, working with them is going well. We are providing some assets that can help them from a support mechanism in HR, finance, operations, and quality, and want them to stay focused on hitting the milestones, so I'm engaged with them getting periodic updates and supporting them from a strategy standpoint.

We've got milestones that we've established through to the end of the March quarter as we go into the potential next phase if we go with the 100% ownership. So, it's working with them to make sure that they're enabled to hit those milestones, and everything's projecting in the right direction. As we commented on, it's a very seasoned team here. They're experts in marketing and engineering and business, so we are really excited to obviously continue to work with these guys. Looking forward to providing updates as we make progress.

Jeffrey Shealy

And Wei, Jeff again. The final thing I'll leave you with is just a milestone. I would track to a milestone of end of our fiscal year as some sort of position on the remaining 49%.

Wei Mok

Great. Thank you so much.

Jeffrey Shealy

Thank you.

Operator

Thank you. Our next question is from the line of Anthony Stoss with Craig-Hallum. Please proceed with your question.

Anthony Stoss

Good morning, guys. The first one is for Jeff. On your decision to bring wafer-level packaging in-house, does this alter at all the timing that you can ship to your customers or change anything? Then also, what additional cost, cost of equipping the facility, will be incurred? Then, easier one, I think, for Ken. Now with the RFMi acquisition done, what's the December quarter Opex look like, and maybe if you can give us a split between R&D and SG&A? Thanks.

Jeffrey Shealy

Good morning, Tony. This is Jeff. I'll comment first and then hand it over to Ken. You had several points on your question. If we don't answer them, please redirect.

Just in terms of the timing of the WLP, this has been a project that has been ongoing. It started out in R&D. We had a—we saw some challenges early in calendar year '21 in order to achieve the type of cycle time, as well as the cost structure that we felt we needed to be competitive. The cycle time is something pretty significant for these mobile type customers, with the product cycle times and their time to market that they're trying to hit. So, this was something we've been engaged with for a while. This wasn't an abrupt move this quarter. This has been ongoing, frankly this entire calendar year.

In terms of what's involved with that, we had an equipment set and partnership that we were able to demonstrate this technology in very short order. This was some R&D that actually dated back—if you go before this year, we were actually looking at this type of solution back in 2019. We actually dumped it off that process and implemented it in pretty short order from a demonstration piece.

We did add some Capex, which I'll let Ken address what he wants to there, but that Capex was again, with the lead time from the equipment manufacturers, we got ahead of this one in the first half of the year and actually pulled the trigger, so I think some of the cost of that equipment is embedded in current numbers we've been reporting.

In terms of timing with the customer, as we said in the prepared comments, we've actually already been shipping this first samples of filters to customer. I think we mentioned one of the designs that we've already shipped. If you look at what's going through the pipeline right now, there's actually four different products that are going through the WLP process and heading towards samples in the market.

That's somewhere in the supply chain. So, it's moving not just with one customer but also multiple products with multiple customers we're currently sampling. I think in the prepared comments we had said by the end of this year it will be locked. We're currently running that process in the New York fab. It's running in one of the (inaudible) rooms that we own there in the New York plant. In terms of the December quarter, let me hand that off to Ken to give you some additional breakdown.

Kenneth Boller

Good morning, Tony. Just some more additional comments first, I guess on Capex. A couple points on Capex. I know this question was most around WLP. WLP and redundancy is another one of our projects that we have taken on that we have initial orders of the equipment needed for those. We anticipate that to be mostly completed by the end of this fiscal year, and as Jeff mentioned, the process for WLP to be finalized in calendar year '22.

From an RFMi perspective, we had mentioned that we anticipate them contributing between \$0.5 million to \$1 million in revenue for the December quarter, and they are accretive as a business, so as far as operating cash flow goes, our model still holds true that we expect to be operating cash flow break even. We're in that \$15 million per quarter range, depending on mix, which I expect to occur in the next 12 to 18 months.

Your question in particular for Opex expense, I would comment that we expect our G&A costs, which are currently in the \$4 million to \$4.5 million range, will be relatively flat, flat to up slightly, probably the \$4.5 to \$5 million range, but R&D in essence will come down, that line item will come down, as we shift costs from the R&D line up to the cost of sales line as we continue to commercialize our fab, and those costs get inventoried and pulled into cost of sales.

Anthony Stoss

Great. Thank you.

Jeffrey Shealy

Thanks, Tony.

Operator

Thank you. I will now turn the floor back to Jeff Shealy for closing remarks.

Jeffrey Shealy

Okay, thank you all for your time today. We greatly appreciate the opportunity to present to you. We look forward to speaking to you during our next update call to discuss current quarter execution against our milestones and future expectations. I want to wish everybody on the call a safe and healthy week and we'll be talking to you soon. Thank you again.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.