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PRSO.OQ - Q2 2022 Peraso Inc Earnings Call

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CONFERENCE CALL PARTICIPANTS

David Williams

Kevin Liu

PRESENTATION

Operator

Good afternoon, and welcome to Peraso Inc.'s Second Quarter 2022 Conference Call. (Operator Instructions) As a reminder, this conference is being recorded today, Monday, August 15, 2022.

I would now like to turn the call over to Peraso's CFO, Jim Sullivan. Please go ahead.

James W. Sullivan - *Peraso Inc. - CFO*

Good afternoon, and thank you for joining today's conference call to discuss Peraso's second quarter 2022 financial results. I'm Jim Sullivan, CFO of Peraso. And joining me today is Ron Glibbery, our CEO.

This afternoon, we issued a press release and related Form 8-K, which was filed with the SEC. The press release and Form 8-K are available on Peraso's website at www.perasoinc.com, under the Investor Relations section. There is also a slide presentation that we will be using in conjunction with today's call that may be accessed through the webcast link on the IR website.

As a reminder, comments made during today's conference call may include forward-looking statements. All statements other than statements of historical fact could be deemed as forward-looking. Peraso advises caution in reliance on forward-looking statements. These statements include, without limitation, any projections of revenue, margins, expenses, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses, adjusted EBITDA, non-GAAP net loss, cash flows or other financial items. Also, any statements concerning the expected development, performance and market share or competitive performance of our products or technologies. All forward-looking statements are based on information available to Peraso on the date hereof.

These statements involve known and unknown risks, uncertainties and other factors that may cause Peraso's actual results to differ materially from those implied by the forward-looking statements, including unexpected changes in the company's business. More detailed information about risk factors and additional risk factors are set forth in Peraso's public filings with the SEC. Peraso expressly disclaims any obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Additionally, the company's press release and management's statements during this conference call will include discussions of certain measures and financial information in terms of GAAP and non-GAAP. Included in the company's press release are definitions and reconciliations of GAAP to non-GAAP items, which provide additional details.

For those of you who are unable to listen to the entire call at this time, a recording will be available on the Investor Relations section of Peraso's website.

Now I would like to turn the call over to our CEO, Ron Glibbery, for his prepared remarks. Ron?

Ronald Glibbery - *Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director*

Thank you, Jim. Good afternoon, and welcome to everyone joining us over the phone and via webcast. The timing of today's call couldn't be better as it provides a great opportunity to highlight several of the significant developments we've announced in recent weeks. Starting now with a brief overview of our revenue results for the quarter.

Revenue in the second quarter increased 25% sequentially and was up nearly 30% year-over-year. Growth in the quarter was driven by record product revenue and more specifically, the continued ramp of Peraso's mmWave ICs and modules for the fixed wireless access market.

Turning first to our most recent news. Last week, we disclosed that Peraso entered into a Technology License and Patent Assignment -Agreement with Intel Corporation. The agreement primarily includes the transfer of certain memory-related assets related to our MoSys Stellar Packet Classification platform IP, which are not core to any of our existing lines of business.

We anticipate the transaction to result in total gross proceeds to Peraso of up to \$3.5 million, which will add non-dilutive cash on the balance sheet and also contribute to a reduction of OpEx going forward. Additionally, as Intel introduces the licensed technology into the market, Peraso, as a Gold Intel Alliance Partner stands to potentially benefit from additional design opportunities for our advanced memory products.

It has been a long-standing belief that mmWave technology was fundamental to providing the necessary bandwidth capacity and speeds for future generations and connectivity. As demand for wireless bandwidth continues to grow, we are seeing increasing recognition and buying across the industry that mmWave technology is the solution for incremental wireless bandwidth, faster access speeds and more universal access in all geographies.

Lastly, the Chair of the U.S. FCC, Jessica Rosenworcel was quoted as saying, "Current users have long surpassed the 25/3 Mbps download/upload standard, which has remained unchanged since implemented in 2015." Proposals to increase the U.S. broadband standard to 100/20 in the near-term and 1 gigabits per second, 500 megabits per second longer term. With existing spectrum tapped out, leading carriers such as Verizon, are increasingly embracing mmWave technology to increase the speed, reach and performance of their networks.

MmWave is a global technology and solution, and a growing number of large international carriers that begun deploying 5G mmWave equipment. As further evidence, the 3 largest telecom carriers in China recently commenced formal collaboration to advance the broad use of mmWave technology.

Leveraging Peraso's field proven mmWave technology and multiyear track record of commercial shipments of our 60 gigahertz solutions, in May, we introduced our 5G mmWave Beamformer IC.

As highlighted last quarter, we believe 5G mmWave solution is the world's most highly integrated 5G Beamformer IC. Specifically designed to initially target end-user customer premise equipment in the 5G carrier market, our Beamformer IC supports all FR2 5G NR mmWave bands. Additionally, our single IC solution integrates Peraso's patented architecture and advanced 5G antenna technology to provide dual-stream MIMO support with 2 independent 16-channel arrays for 32 total channels per device.

I also want to emphasize that our ability to now target the end device market with this new 5G mmWave product represents meaningful expansion of Peraso's TAM by an estimated \$1.5 billion in 2025.

During the third quarter, we will demonstrate the evaluation modules based on our 5G mmWave Beamformer IC at both Mobile World Congress, Las Vegas and the European Microwave Conference in Milan. We've also made our 5G mmWave solution available for sampling to select customers and partners, and we are focused on building a pipeline of engagements for these products throughout the second half of the year.

Turning to an update on the fixed wireless access market where Peraso continues to build on our established market position as a leading supplier of mmWave IC and module solutions for 60 gigahertz applications. The fixed wireless access market continues to demonstrate growing momentum regardless of the data points used to measure number of service providers, number of subscribers or total fixed wireless connections.

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Ericsson's Mobility Report published in June includes a series of supporting data, highlighted by the forecast of over 100 million fixed wireless connections in 2022, which are then expected to double in 2027. Wells Fargo has predicted that fixed wireless access will account for 60% of net added connections, primarily taking share from what otherwise would be cable modem connections.

Another compelling data point for the recent market traction, together, Verizon and T-Mobile reported more than 550,000 new fixed wireless customers in the second quarter alone. Further supporting the continuation of these current trends, the federally funded Rural Digital Opportunity Fund, RDOF, is poised to provide \$20 billion over 10 years to incentivize deployment in broadband network access in rural communities across the U.S.

As demonstrated by our solid revenue growth in the second quarter, we continue to make great progress ramping our existing Tier 1 customers while also extending Peraso's leadership position in the fixed wireless market. As recently announced, in July, we received multiple purchase orders totaling \$6.4 million for the combination of our mmWave IC and module products for the fixed wireless applications.

Although we're not able to refer to them by name, I will say the collective orders came from 2 well-established leaders in fixed wireless access. Also notable is that a portion of the orders was for our newly introduced mmWave PERSPECTUS modules, which provide customers with comprehensive solutions that significantly reduce their time to market.

Our PERSPECTUS solutions also feature multi-gigabit access and Peraso's unique point to multipoint capability as well as superior range of nearly 10x that of the competing point-to-point offerings. We expect to begin initial fulfillment of these orders late in the third quarter with ongoing shipments through the first half of 2023. We believe these orders serve as a strong validation of our mmWave technology and product road map as we continue to expand our pipeline of new customer engagements and work to secure additional design wins and orders in the coming quarters.

With that, I'll pass the call back to our CFO, Jim Sullivan, to review the financials and provide our guidance for the third quarter.

James W. Sullivan - Peraso Inc. - CFO

Thank you, Ron, and good afternoon, everyone. It's great to be speaking with you again today. During my comments, I will make several references to non-GAAP numbers. Unless otherwise indicated, referenced amounts exclude stock-based compensation expense, amortization of reported intangible assets, business combination transaction costs and the change in fair value of warrant liability. These non-GAAP financial measures and the reconciliation of the differences between them and comparable GAAP measures are presented in our press release and related current report on Form 8-K, which was filed with the SEC today.

Now for our second quarter 2022 results. Total revenue was \$4.3 million compared with \$3.4 million in the first quarter of 2022 and \$0.7 million during the same quarter a year ago. Product revenue from the sale of our integrated circuits and modules was \$4.1 million compared with \$3.2 million in the prior quarter and \$0.6 million in the second quarter of 2021. The sequential and year-over-year growth was primarily driven by the continued ramp of shipments of our mmWave modules for the Fixed Wireless Access market.

Royalty and other revenue for the second quarter of 2022 was \$0.2 million and comprised royalty revenues from licensees. Royalty and other revenue generally consist of NRE services provided to mmWave customers and royalties related to our memory technology.

GAAP gross margin was 34.7% in the second quarter compared with 42.8% in the prior quarter and 37.6% in the year ago quarter. On a non-GAAP basis, excluding amortization of reported intangible assets, gross margin for the second quarter was 43% compared with 53.3% in the first quarter of 2022 and 37.6% in the year ago quarter.

The decrease in gross margin over the previous quarter primarily reflected increased volume shipments of our mmWave modules, which carry higher average selling prices, but lower gross margins than our IC products.

Product gross margin was 32.1% in the second quarter compared with 39.2% in the prior quarter and 27.1% in the second quarter of 2021.

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As we progress through 2022 and into next year, our corporate gross margin target continues to approximate 50%. We expect revenue growth will contribute to higher levels of scale and enable us to capture additional production cost reductions on our mmWave modules, while also realizing benefits from anticipated ongoing sales of our high-margin memory IC products.

More generally, I would also add that in the immediate term, we are continuing to see and navigate some of the same inflationary costs in the supply chain that have been cited broadly by other companies across the industry. We've experienced increased prices from our suppliers due to supply chain disruption, inflation, or a mix of both. And for certain products, we have increased prices to our customers to mitigate the impacts. Although to date, in 2022, the impacts of these price increases have been minimal.

We have and continue to experience longer lead times for certain components used to manufacture our products and therefore, have increased lead times for our customers.

GAAP operating expenses for the second quarter were \$8.5 million compared with \$8.2 million in the prior quarter and \$4.7 million in the year ago period.

Total operating expenses for the second quarter of 2022 on a non-GAAP basis, which excludes stock-based compensation and amortization of reportable intangible assets were \$6.6 million compared with \$6.9 million in the prior quarter and \$2.8 million in the same quarter a year ago.

GAAP net loss for the second quarter of 2022 was \$7 million or a loss of \$0.33 per share compared with a net loss of \$6.8 million or \$0.34 per share in the prior quarter and a net loss of \$5.4 million or loss per share of \$1.03 in the same quarter a year ago.

On a non-GAAP basis, net loss for the second quarter of 2022 was \$4.8 million or a loss of \$0.23 per share, which excludes stock-based compensation and amortization of reported intangibles. This compared with non-GAAP net loss of \$5.1 million or a loss per share of \$0.25 in the prior quarter and a net loss of \$3.5 million or a loss per share of \$0.68 in the same quarter a year ago.

The weighted average number of basic and diluted shares outstanding for purposes of calculating both GAAP and non-GAAP EPS for the second quarter of 2022 was 21.6 million shares.

In terms of adjusted EBITDA, which we define as GAAP net income or losses reported, excluding stock-based compensation, amortization of reported intangibles, interest expense, depreciation and amortization and the provision for income taxes. Adjusted EBITDA for the second quarter of 2022 was negative \$4.5 million compared with negative \$4.3 million in the prior quarter and negative \$2.5 million in the prior year period.

Turning to the balance sheet. As of June 30, 2022, our cash and investments balance was \$6 million compared with \$12.2 million in March 31, 2022. The burn of \$6.2 million for the second quarter of 2022 was primarily attributable to the negative EBITDA of \$4.5 million, payment of \$0.6 million of tape-out related costs for our 5G beamformer chip, which were expensed in the first quarter of 2022 and timing of collection of \$1.1 million of accounts receivables that were immediately received after the end of the quarter.

As Ron previously highlighted, subsequent to quarter end, we completed a Technology License and Patent Assignment Agreement with Intel, involving certain noncore memory-related assets related to a MoSys Stellar Packet Classification platform IP. The transaction is expected to result in total gross proceeds to approximately \$3.5 million, of which just over \$3 million is payable immediately, with the remaining \$0.4 million of consideration expected to be received within no more than 6 months from the closing date.

In addition to serving as a nondilutive source of capital that adds cash to the balance sheet, in connection with the agreement, 4 Peraso employees have accepted employment with Intel, and we've also terminated the services of 6 full-time equivalent consultants. Collectively, these actions and the elimination of certain associated overhead costs are anticipated to contribute to a \$2.7 million annualized reduction in our run rate operating expenses. I would also reemphasize that all of the IP and patents included as part of the agreement were noncore, and the associated technology was non-revenue-generating.

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As Ron discussed, entering the third quarter, we have significant backlog that extends well into the first half of 2023, which positions us for growth. The company expects total net revenue for the third quarter of 2022 to be in the range of \$4.3 million to \$4.5 million.

This concludes our prepared remarks, and we will now open the call to questions. Operator, please initiate the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question is coming from David Williams with Benchmark.

David Williams

Congrats on all the progress. You guys are definitely gaining a lot of momentum here.

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Thanks, Dave.

David Williams

And forgive me if I missed something. I've got a couple of calls in the background, so I might be a little confused, but just forgive me if I ask something ludicrous. But I guess, first, I wanted to ask, you talked a little bit about this on the call, but just kind of the CapEx deployment of the fixed wireless access, kind of what you're seeing that and what your thoughts are? It sounds like there's a lot of activity going on there. Lots of subscribers being added. But generally, I mean, it seems like we're in a very early stages. And how do you think about that trend as we move forward maybe over the next 6 to 12 months?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Well, do you want me to take that, Jim?

James W. Sullivan - Peraso Inc. - CFO

Yes, please.

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

So I'll jump in. So thanks, David, for being on the call and asking that question. Yes. So if you look at the second quarter results of even Verizon and T-Mobile, I mean, they added 550,000 subscribers. It was -- there was significant momentum and actually, they took many of those subscribers away from the cable modem business. So I think we're part of this overall trend. I mean, what we're seeing is this idea that in the fixed wireless market, obviously, there's a lot of unhappy people with the current Internet situation. And so we happen to be tapping into that. So obviously, from our perspective, we had a great second quarter. Our bookings for July, I think, reflected that trend of \$6.4 million. And so as Jim mentioned, we've got great momentum going into Q3, Q4 and into Q1. So I guess from our perspective, on the fixed wireless side, we just think there's a broad trend in fixed wireless growth. We certainly saw it with the big carriers. We're seeing it on our bookings. And so we think we're just really at the beginning of that wave.

David Williams

That was fantastic color. And I've heard recently a couple of folks that have spoken about the fixed wireless access and kind of needing to be the very first in line to sign up for that in the neighborhoods or in your area because it just can't support the significant bandwidth, I guess, that some of the internet has. It sounds like maybe -- you the mmWave and your 32-channels, it sounds like you might be able to help resolve some of that bottleneck. Is that fair to say or is that a problem elsewhere perhaps?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Well, we've got on our PERSPECTUS chipset close to 3 gigabits per second of bandwidth. So we support the concept of point to multipoint. So multiple users will dilute that. But on peak rates for people is in the gigabit range. So clearly, people aren't really using that, but they're certainly using the hundreds of megabits per second. And we satisfy that. That's the beauty of mmWave is that we can support these very high data rates, and we're tapping into that.

So it's really a confluence of issues here that we're seeing. It's the increase of -- and as the FCC is saying, they want to increase the rates to over 100 megabits per second. It's the ability for mmWave to provide that -- those data rates, and it's really the demand from the user base of going from their 10 or 20 megabits per second up to 100-plus megabit per second. So it's really the confluence of several things coming together here for us.

David Williams

And maybe Jim, if you kind of think about maybe the Intel agreement here, what does that do in terms of -- it sounds like it's non-core existing lines of business. And so there's OpEx and maybe a revenue component -- not a revenue, but a sales component there. So strengthening the balance sheet, it helps you kind of buffer some of the costs. What are the other benefits do you think you get out of Intel or this agreement? And maybe how you think about maybe other opportunities for similar types of agreements?

James W. Sullivan - Peraso Inc. - CFO

Yes. No, great question, David. Obviously, first off, a nondilutive source of capital for the company. And if you look back and look that way, the company has had a track record, the advantage of being an IP-rich fabless company. And obviously, when we joined the companies together here back in December, really pursuing an IP play is not on the agenda. Our R&D dollars are going towards our mmWave product efforts and new module products and obviously, now the 5G Beamformer chip, which we're very excited about.

So number one, a great way to monetize some technology. Too, on the business side, we have memory IC products. And at this stage, as others in the industry have, I would say, curtailed their road map of high-performance memory products, we found some new life for our products. And I think having this technology in the hands of Intel going forward could lead to additional opportunities for our memory chips because they are optimized to run on our silicon. So stay tuned there. We'll see how that plays out.

Obviously, as I said, putting cash on the balance sheet is always a good thing. But last, we estimate this takes out about \$2.7 million of OpEx, non-GAAP OpEx. So we'll see a benefit immediately here to our financials, let's call it, in the first full third quarter of that savings. And obviously, we're pleased that the team members who worked very hard on that technology and built something that obviously Intel valued, we're glad to see them join Intel in various capacities.

As far as the accounting for the transaction, we've got to work through that with our auditors for the third quarter here. So stay tuned. Our guidance number does not assume any revenue from that transaction. It's just purely our products and some of our royalties, et cetera. But I think it was just a win-win, and we continue to evaluate other opportunities. And particularly, as Ron said, this was technology that had been to date been non-revenue generating. So we were quite pleased. And we -- as I said, the company has always had a track record of being alert to these types of

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transactions. So we're always in tune to opportunities and particularly with the focus on selling products. The IP was -- we kept any rights we needed related to our memory products, but it's fine to have it in the hands of obviously a much larger reputable company that can push it forward.

David Williams

Yes. No doubt that you guys have done a good job just driving that IP and creating valuable assets. So it's great monetization. And maybe just a last one for me here, and I know you touched on this briefly on the call. But just on the balance sheet, you've been asked a lot about the really great deals of revenue and the Intel deal. And there just seems like you've got a lot of momentum in the business. I'm just kind of wondering how you're thinking about the balance sheet and what your level of comfort is with the working capital and cash? And just, is it resetting your ability any at all? Because it seems like the momentum is just -- has really built quickly over the last couple of quarters. So just to have you -- I know it's hard to explain, but how do you think about your balance sheet and how you're going to continue to drive this forward?

James W. Sullivan - Peraso Inc. - CFO

Yes. Let me make a few comments, and then I'll ask Ron to chip in some color after he has my perspective. Obviously, we're pursuing these non-dilutive transactions to bring in capital. We've obviously, as you can see from the growth in inventory kind of built-up some inventory. So we're carrying adequate inventory, especially during these challenging supply chain times in the industry. We have not had -- certainly, on the memory side, have not had any hiccup in being able to deliver parts timely. And on the mmWave, it's been really minimal, maybe in order to push a week or two. And frankly, the customer was not -- it didn't cause any issues. So we've been very fortunate there. So obviously, by keeping the inventory. We also have obviously long customer relationships. We haven't had any discussions around the balance sheet with customers on that front. But obviously, we're going to look opportunistically at the balance sheet. This Intel deal will help in the short run, but be alert for opportunities there. I mean, the capital markets are certainly challenging right now. And we're in such an early stage of showing our story here.

Again, just having completed a business combination right at the end of 2021 and really trying to putting up some numbers on the board, so people can see which way we're headed, obviously, and we're intending that to be up into the right. We've kind of started that trend. And I think pointing to the press release we announced last week and as Ron reiterated in his remarks, we've got a good -- a great amount of backlog, which gives us excellent visibility into the first -- at least through the first quarter of 2023 as far as what we're targeting to do.

Ron, what would you like to add?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

I think you hit the key, Jim. I think -- and so David, again, to your point, I mean, July with the bookings we had in July, \$6.4 million. Of course, that was on top of all the existing backlog we had already. So the timing is obviously terrific for us because now it gives us visibility well into 2023 even to the second quarter of 2023. So that's kind of a reasonably important position to be in, not to mention from a design win perspective, we keep racking them up. For example, we've just booked an order last week from a customer who actually got first samples in June. So it was really the quickest design kind of sampling to early production order in our history anyway at Peraso. So all those things combined, I think, bode well for shoring up the balance sheet over the next several months.

David Williams

Best of luck to you. You've got a phenomenal story and I think mmWave is going to be a very large driver here going forward in the next couple of quarters. So congrats and looking forward to seeing the continued progress.

Operator

(Operator Instructions) We have a question coming from Kevin Liu with K. Liu & Company.

Kevin Liu

Let me add my congrats on your progress as well. Maybe if we could just start with the \$6 million plus in orders you booked during July. I know you can't share the specific customer names, but can you talk a little bit more about whether these were kind of new or existing customers to you guys? And then how should we think about kind of the revenue contribution over the course of this year versus next year?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Sure, I can speak to that, Jim. So Kevin, thank you very much for joining the call today. Much appreciated. So the way you can think about it is those were existing customers, 2 different classes. One customer is an equipment supplier and another customer is actually a service provider. So it's actually quite interesting because at least from my perspective, is because I think we've shared in the past, we're actually seeing service providers now making their own equipment in some cases because it kind of helps their kind of their overall business model. So it was nice to see orders from both because it kind of implies both sides of the equation are healthy.

In terms of -- for the rest of this year, certainly, it will -- at least on the fixed wireless side, constitute, I would say, the bulk of our business. But -- and look, like I'm someone who believes in focus, and I believe that by focusing on these accounts, it's really, really allowed us to be successful. I mean, we have a direct line into both of these R&D organizations. Any issues that come up, we immediately are on top of. So -- and that's paying off now in terms of business because we've really paid our dues with these customers. And frankly, they're doing very, very well from a deployment perspective.

So now having said that, starting now in the third quarter and certainly into the fourth quarter, we really plan to expand our customer base because now we've got the beauty of our module product, and I had just described earlier on the call that we have taken really sampling in June, May or June time frame to early production now. The beauty of our module business is that we can engage new customers very quickly.

By the way, that was the other news that we had in the second quarter was -- we brought on -- well, we were -- we have a deal with Richardson for distribution of our modules. And so this isn't yet another confluence that's working in the positive vein for Peraso, which is we've got module products that really take the guesswork out of mmWave and really provides a very turnkey solution. So look, the \$6.4 million in orders was concentrated on a couple of customers. But now that the modules are fleshed out and working well, we really see that pushing out to a much more substantial customer base over the rest of the year.

Kevin Liu

And I know you're also bringing a lot of products to market to support kind of licensed 5G mmWave spectrum. You talked about some of that sampling beginning in this current quarter. Maybe if you could provide a little bit more detail around just the number of partners that you expect to be testing those solutions by year-end? And how do you think about when you get more material revenue contribution from those folks that may move forward?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Well, the 5G story, so we announced the silicon at the start of Q2. We're continually thrilled with this silicon. So we will be showing it as we mentioned, at European Microwave and also at Mobile World Congress in Las Vegas. In terms of -- really will be, in my view, limited by not so much the number of potential people to work with is actually our ability to support those designs. And it really goes back to what we're doing with the PERSPECTUS modules, which now is we have a couple of great customers that are really turned on.

I think when it comes to 5G, it won't be unlimited customers, but we will focus on -- it will be a waterfall. So we'll focus on the 20% of the customers that provide 80% of the revenue. So that's how you can see that rolling out over the rest of this year. But I think frankly, the great news on 5G mmWave is June. Obviously, we've seen Verizon continues to support mmWave. They just announced 4 new cities supporting mmWave. We're

seeing very strong continued support in Japan. And now we've been told that in China as of about 2 weeks ago, the 3 top carriers are focused on really collaborating and making sure mmWave is deployed in China.

So we're seeing it as a global deployment. Again, from our perspective, over the next 6 months, you can see us really engaging on a, I would say, selective in the sense that we are going after the customers who will provide the most bang for the buck in terms of revenue. So that's really where we see the 5G product going over the next 6 months.

Kevin Liu

Understood. And it sounds like you guys are still fairly confident in getting to a higher gross margin target by year-end. Could you just talk about some of the assumptions underlying that, whether it's predicated on just continued ramp on the mmWave side? Or what sort of operational improvements or cost inflation easing do you see contributing to that?

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Well, there's some actually nuts and bolts stuff in there. So for example, this fundamental yield test time, we are going to see some price increases commensurate with the price increases we're seeing. Certainly, as the volumes go up, that really gets prices down. So it's really the traditional vectors that you can see on increasing margins. We definitely have quite a few vectors. And I think all of those things are being looked at and executed upon simultaneously. So we actually feel quite good. So I can just give you one example. In our test facility, we're doubling the capacity. And so we're reducing our test time. That leads directly to reduced margins. So we're doing those kind of things. And there's an array of strategies we're undertaking to reduce our -- or to increase our -- to reduce our costs and of course, to increase our gross margins. So we're really over the -- frankly, over the next 18 months, not just over the next 6 months.

Kevin Liu

And just lastly for me, it sounds like much of the cost savings from this Intel agreement are going to flow through in the near-term. Do you expect that to remain the case for the remainder of the year? Or do you plan to reinvest some of those savings as you make our way into '23?

James W. Sullivan - Peraso Inc. - CFO

Right now, we would -- go ahead, Ron. And maybe the CEO and CFO have different perspectives -- I don't think so. I'm being facetious. It's been a long day already. From my perspective, we plan to take advantage of those savings and reduce our OpEx across our memory mmWave businesses. Right now, as Ron said, our 5G Beamformer chip is ready for sampling. So we have cut back some of the expenditures around that, now that we have a chip that we're comfortable sampling. We had tape-out expense for that in Q1. We had some minor follow-on items this quarter, but we'd look to take the OpEx savings.

Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Yes, Jim, the only thing I was going to say, and I actually completely agree, but I just wanted to point to Kevin and everyone on the call that the bulk or pretty much a 100% now of our R&D dollars is towards wireless. And so that -- one reason behind this decision on licensing this technology is the \$2.7 million is a pure reduction as Jim said, but it also allows us to focus on wireless and not dilute that between wireless and the memory. But that's kind of where we've ended up here. But yes, just really going to go towards cost savings.

Operator

We have no further questions in queue. I'd like to turn the call back to management for closing remarks.

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Ronald Glibbery - Peraso Inc. - Co-Founder, Senior VP of Corporate Development, CEO & Director

Well, I'll jump in with that, Jim. So just for everyone on the call, I mean, I hope that our enthusiasm for fixed wireless and mmWave and our module strategy is all coming through because I think Q2 really saw the confluence of all those strategic vectors. The \$6.4 million in bookings in July (technical difficulty) of those factors in a positive way. I was really thrilled last week with the order we got, which is the combination of early sampling in the May-June time frame. And I think that really, really underscores the benefit of our module strategy.

Our 5G chips are just really continued success that we're seeing in our 60 gigahertz modules, so stay tuned for that. But we really plan to recreate the success we're seeing in 60 gigahertz in the 5G bands, and the 28, 39 bands. So I guess from Peraso's perspective, we appreciate everyone dialing in today and listening to our story. But we're just really at the early stages here, and we really hope to plan to see continued growth over the next several quarters.

Jim, any further comments?

James W. Sullivan - Peraso Inc. - CFO

No, I think you summarized it well, Ron. I appreciate everyone's time, and we look forward to speaking to you in about three months' time.

Operator

Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect. Have a wonderful day. Thank you for your participation.

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