



Everspin Technologies

Fourth Quarter and Fiscal Year 2016 Financial Results Conference Call

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CORPORATE PARTICIPANTS

Phil LoPresti, *Chief Executive Officer*

Jeff Winzeler, *Chief Financial Officer*

David Allen, *Investor Relations*

PRESENTATION

Operator

Good morning, everyone, and welcome to the Everspin Fourth Quarter and Fiscal Year 2016 Financial Results Conference Call. Please note this event is being recorded.

At this time, I would like to turn the call over to Dave Allen, Investor Relations for Everspin. Please go ahead, sir.

Dave Allen

Thank you, Operator, and thanks to all of you for joining Everspin's Fourth Quarter and Fiscal Year 2016 Financial Results Conference Call.

Before we begin the call, I want to remind you that this conference call contains forward-looking statements regarding future events, including, but not limited to, our expectations for Everspin's future business, financial performance, and goals; customer and industry adoption of MRAM technology; and successfully bringing to market and manufacturing products in Everspin's design pipeline; and execute on its business plan and deliver shareholders an attractive opportunity with a long-term growth model and healthy profits.

These forward-looking statements are based on estimates, judgments, current trends, and market conditions and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. I would encourage you to review our SEC filings, including Everspin's Third Quarter 2016 Form 10-Q filed with the SEC on November 18, 2016, our Prospectus filed with the SEC on October 7, 2016, and other SEC filings made from time to time in which we may discuss risk factors associated with investing in Everspin. All forward-looking statements are made as of the date of this call, and, except as required by law, we do not intend to update this information.

In today's call, we will be referencing GAAP and adjusted EBITDA numbers. Adjusted EBITDA numbers are provided to enhance the investors' understanding of Everspin's operating performance as it primarily excludes certain non-cash charges for depreciation and amortization, stock-based compensation expense, and compensation expense related to the vesting of common stock held by GLOBALFOUNDRIES, resulting from our joint development agreement. The use of adjusted EBTIDA is not meant to be a substitute for results presented in accordance with GAAP but, rather, should be evaluated in conjunction with GAAP.

This conference call will be available for audio replay in the Investor Relations section of the Everspin website at www.Everspin.com.

Joining me today are Everspin's CEO, Phill LoPresti, and CFO, Jeff Winzeler, and I'd like to turn the call over to Phil. Phill?

Phil LoPresti

Good morning, everyone. For those of you who might not have seen our financial results press release, you can find the press release and an updated investor slide deck on our website. Before I ask Jeff to discuss our Q4 results in detail and provide our Q1 guidance, I would like to quickly make a few comments about our fourth quarter and full year results as well as highlight five accomplishments that are critical to our future business.

While revenue for Q4 was essentially flat with Q3 for reasons that Jeff will cover, demand, as measured by our book-to-bill metric, improved significantly in Q4, with our Gen 1 Toggle MRAM products showing particular strength. Our next Gen 3 Spin Torque 256 Mb and 1 Gb MRAM product development work continued to proceed on schedule. Our customer design activity for both our Gen 1 Toggle and Gen 3 Spin Torque MRAM solutions continued to gain traction.

For the full year, our Gen 1 Toggle MRAM revenue grew 7 percent, we expanded our total gross profit dollars by 8 percent, and increased our gross margin percentage to 56 percent. At the same time, we reduced our full year operating expenses by 4 percent, while continuing to advance our product roadmap. In short, our business plans remained on track in 2016.

Over the last several years, we have significantly expanded our addressable markets and built a stronger company. We are continuing to expand our ecosystem partners and focus on execution of new product deployment.

First, we've successfully completed qualification of our latest Gen 3 Spin Torque MRAM products ahead of schedule and now have a 256 Mb production-ready part that customers can use to start their system validation of their design-ins.

Second, we have already secured three enterprise storage class design-ins for our Gen 3 Spin Torque MRAM products.

Third, we have expanded our ecosystem by adding Xilinx, a leader in all programmable FPGAs with its UltraScale Memory Interface Generator, or called MIG, to support our Generation 3 both DDR3 and DDR4 product interfaces.

Fourth, our strategic partnership with GLOBALFOUNDRIES provides Everspin with state-of-the-art manufacturing capacity and future embedded MRAM licensing revenue opportunity.

And, fifth, we completed our IPO in October, which significantly strengthened our balance sheet.

After Jeff's financial commentary, I will come back and share some additional thoughts on our business progress and market opportunity before opening the call to questions. Jeff?

Jeff Winzeler

Thank you, Phil, and good morning, everyone. First let's review our Q4 income statement.

Revenue in the fourth quarter was \$7.1 million, with product sales representing 97 percent of total revenue, or \$7.0 million, while licensing and royalty contributed \$184,000 in the quarter.

Our Q4 2016 revenue of \$7.1 million was roughly flat to our revenue in Q3 2016. Looking at product sales alone, our revenue was \$7.0 million in Q4 2016 compared to \$7.0 million in the prior quarter. Generation 1 Toggle MRAM sales, which were up \$139,000, or 2.5 percent, from Q3 2016, were offset by our legacy products which decreased by \$185,000, or 14 percent, when compared to the prior quarter.

While demand was, and remains, strong for our MRAM products, the shortfall of revenue in Q4 relative to our guidance for the quarter of \$7.3 [million] to \$7.6 million was the result of timing of quarter-end shipments out of our distribution network.

Our gross profit for Q4 2016 was \$3.6 million, a decrease of \$684,000 over Q3 2016. The resulting gross margin for Q4 2016, was 51 percent, in line with our long-term model of 48 to 52 percent gross margin, but lower than 60 percent in the prior quarter. Our gross margin contraction in Q4 2016, when compared to the prior quarter, was the result of Gen 1 Toggle MRAM product mix sold in the quarter.

Our Q4 2016 operating expenses were \$8.5 million compared to \$5.5 million in Q3 2016, an increase of \$3.0 million. Looking at the elements that make up operating expenses, research and development expenses in Q4 were \$4.9 million compared to \$3.1 million in Q3 of 2016. As discussed in our Q3 earnings call, our R&D expenses for Q3 included a \$691,000 non-cash credit in stock comp expense associated with the GLOBALFOUNDRIES' Joint Development Agreement or JDA. The non-cash stock comp expense valuation in the fourth quarter of 2016 was \$214,000, resulting in a non-cash net spending increase of \$900,000 quarter over quarter. Additionally, our research and development spending for product qualification expenses, including test and development wafers and engineering consumable spending, was higher in Q4 2016 than in the previous quarter due to activities related to Gen 3 Spin Torque MRAM technologies.

SG&A spending for Q4 2016, was \$3.6 million compared to \$2.4 million in the previous quarter. The \$1.2 million increase was due to \$645,000 of increased accounting, legal, and insurance costs associated with being a public company, \$193,000 in additional non-cash stock comp expense, and \$385,000 in performance-based payments.

Interest and other expenses for Q4 2016 were \$359,000 compared to \$264,000 in the prior quarter.

Our GAAP net loss for Q4 2016 was \$5.3 million compared to \$1.4 million net loss in the previous quarter. Our Q4 GAAP loss per share was \$0.48 versus \$0.54 loss per share Q3 2016.

In our Q3 earnings call, we projected a GAAP loss per share of \$0.33 to \$0.31 based on a projected share count of 14,442,000 shares. Our post-IPO actual weighted-average shares outstanding in were Q4 2016 were 11,138,158. In reconciling our Q4 2016 loss of \$0.48 per share against our Q4 guidance of \$0.33 lost per share, \$0.11 of the delta was due to a lower average share count denominator, and the remaining \$0.04 per share was due to \$548,000 in higher net loss.

At this time, I would like to discuss our year-over-year financial results. Total revenue for 2016 was \$27.1 million versus \$26.5 million in 2015. Total product sales were \$26.6 million, up from \$25.9 million in 2015, an increase of \$736,000, or 3 percent. Within the product sales numbers, our Gen 1 Toggle MRAM revenue was up 7 percent year over year, while Gen 1 Toggle MRAM units shipped were up 32 percent year over year. Our legacy product sales were down 14 percent year over year. Our non-product revenues, consisting of licensing and royalty income, were also down \$188,000, or 28 percent, when comparing 2016 to 2015.

Gross profit for 2016 was \$15.0 million, an increase of \$1.1 million, or 7.9 percent, year over year. Gross profit from product sales increased by \$1.3 million, or 10 percent, year over year, while gross profit from licensing and royalties decreased by \$188,000, or 28 percent.

Gross margin for the company was 56 percent in 2016 compared to 53 percent in 2015. Gross margin from product sales increased to 55 percent in 2016 from 51 percent in 2015.

Looking at operational spending, R&D expenses in 2016 were \$19.2 million compared to \$21.1 million in 2015, a decrease of \$1.9 million, or 9 percent.

Sales, general and administrative expenses for 2016 were \$11.0 million compared to \$10.4 million in 2015, an increase of \$598,000.

Total operating expenses were \$30.2 million for 2016 compared to \$31.5 million in 2015, a decrease of 4.1 percent.

Interest and other expenses were \$1.5 million in 2016 compared to \$647,000 in 2015. The increase was primarily due to additional debt service payments on our \$8 million term loan.

The company's net loss in 2016 was \$16.7 million compared to \$18.2 million in 2015, a decrease in net loss of \$1.5 million, or 8.4 percent.

On an adjusted EBITDA basis, the net loss in 2016 was \$11.4 million compared to a 2015 loss of \$14.0 million. You can view a reconciliation of adjusted EBITDA to GAAP in the investor presentation on our website.

Our GAAP loss per share was \$3.52 in 2016 compared to \$7.12 in 2015.

In summary for the full year, we were able to grow the revenue of our core MRAM business, expand our gross profit dollars and gross margin percentage, reduce our operating expenses, and reduce our net loss.

Turning to the balance sheet, our cash and cash equivalents were \$29.7 million at the end of 2016 compared to \$2.3 million at the end of 2015. The increase in cash was due to the net proceeds of our IPO and concurrent private placement, offset by a payment of \$6.3 million for expenses relating to the GLOBALFOUNDRIES' JDA agreement and quarterly net loss.

Total assets at the end of 2016 were \$41.8 million compared to \$11.0 million at the end of 2015. The increase in assets was the result of the cash raised from our 2016 IPO and private placement.

Total liabilities were \$14.6 million at the end of 2016, a decrease of \$2.1 million from the \$16.7 million in 2015. The majority of the decrease in liabilities was the result of the payment of accrued liabilities associated with the GLOBALFOUNDRIES' JDA expense.

Shareholders' equity was \$27.3 million at the end of 2016 compared to a shareholder deficit of \$70.4 million at the end of 2015.

Capital spending for 2016 was \$1.0 million compared to \$1.3 million in 2015.

In looking ahead to the first quarter of 2017, we expect our total revenue to range between \$7.3 [million] and \$7.6 million.

We expect our resulting GAAP loss per share will range between \$0.48 and \$0.49 based on 12,250,000 weighted-average shares outstanding.

I will now turn the call back over to Phil for his thoughts about Everspin's market and our longer-term outlook. Phill?

Phil LoPresti

Thank you, Jeff. Overall, I am pleased with our business performance and execution of our business plan which remains on track.

The market for memory continues to evolve. Our Gen 1 Toggle MRAM products have been successfully used in the industrial, automotive, and transportation markets. Our next generation Spin Torque MRAM products have the potential to significantly expand our total addressable market.

As I mentioned in my introductory remarks, demand, as measured by our book-to-bill metric, improved significantly in Q4. Total company bookings increased 50 percent in Q4 over Q3, fueled by our Gen 1 Toggle MRAM products which experienced a 59 percent increase in bookings sequentially.

Our Gen 3 Spin Torque 256 Mb and 1 Gb MRAM product development work continued to proceed on schedule.

Our design win momentum continues as we see acceleration in our targeted market areas. Our Gen 1 Toggle MRAM products, which target persistent SRAM applications with memory densities ranging from 128 Kb, up to 16 Mb, remains the bulk of our business and saw a 32 percent increase in units shipped in 2016 over 2015. We continue to see steady design win activity in this area including an increase of 16 Mb design wins that will gradually shift the unit mix to higher ASP products. Our annual design win count in 2016 was our fifth consecutive year with over 200 Gen 1 Toggle MRAM design wins, with most in the automotive and IOT markets.

Let me share with you just two examples. First, JAG Jakob Ltd., a leading process technology company, recently adopted and put into production our Gen 1 16Mb Toggle MRAM product for their latest Process Control Systems.

The second design win I want to mention involves a major automotive manufacturer which recently selected our products for their in-car infotainment system and emergency call function. As you know, the automotive market has a very long product cycle. We expect this design win will continue to be shipping well into 2022.

Our revenue per design win is expected to increase as we ramp our Gen 3 Spin Torque MRAM over time, thus providing Everspin with significant opportunities. Our Gen 3 Spin Torque products with higher density levels compared to our Gen 1 Toggle chips enable us to pursue persistent DRAM applications in the enterprise storage class market.

We have secured three enterprise storage class design-ins for our Gen 3 Spin Torque MRAM solutions: an M.2 storage module from a storage system supplier, a U.2 SSD, and a flash array product from a major OEM. We expect additional companies that have been evaluating our Gen 3 Spin Torque MRAM will also follow with future design wins.

I am also pleased that earlier this week we announced our nvNITRO line of storage accelerators, which deliver extremely fast read and write times with ultra-low latency. These nvNITRO accelerators operate at a blazing 1.5 million IOPs, with 6 microsecond end-to-end latency for enterprise storage system applications, with initial capacities of 1 GB and 2 GB of Spin Torque MRAM today and then growing to 16 GB later in the year. We expect general availability of the cards in the June quarter. nvNITRO accelerators will also be available in the M.2 and U.2 form

factors, with capacity options ranging from 512 MB to 8 GB. These products offer quick deployment for our customers.

In conclusion, we remain focused on our business plan and believe Everspin can deliver its shareholders an attractive opportunity with a long-term growth model and healthy profits.

As I did in our last earnings call, before moving into the Q&A portion of our call, I want to thank the entire Everspin team who have worked tirelessly to bring our Gen 3 Spin Torque MRAM product to the production-ready stage. I would also like to reiterate my thanks to our ecosystem and manufacturing partners and suppliers who have given us a significant time-to-market, first-mover advantage over potential MRAM competitors, and, finally, to our customers and investors, without whose support we would not exist. Now we will open the call up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then 2. At this time, we will pause momentarily to assemble our roster.

The first question comes from Kevin Cassidy of Stifel. Please go ahead.

Kevin Cassidy

Thank you, and congratulations on bringing the Gen 3 products to production. And along those lines, you mentioned that it's going to be a higher dollar content per design. Can you give us a ballpark of what you think that would be, the dollar content?

Phil LoPresti

So during our road show and presentation, we highlighted that the difference between Gen 3 design wins and Gen 1 design wins would be an increase in the number of chips per system used. So in Gen 1, we typically see one chip per design win, perhaps two, but in Gen 3 design wins, we see that increasing to between five to nine chips. So the expectation level for the design win revenue opportunities for Gen 3 is significantly higher.

Kevin Cassidy

Okay. Great. And can you give us an idea of when you might see revenue from the designs that you mentioned and actually when would we know who those customers are?

Phil LoPresti

So we can't predict when customers are going to specifically announce their product rollouts, nor can we be sure that they're going to allow us to use their names in future releases; however, what we've also indicated in prior discussions during the road show and also in the Q3 earnings call, is that these designs typically take somewhere between three to nine months to convert into a production ramp at our customers. The variance depends, since some customers have been evaluating our engineering samples since August of last year, some may be better prepared to ramp earlier, while others will be looking at maybe a longer cycle based on the timing of the evaluation beginning.

Kevin Cassidy

Okay. Great. I'll get back in the queue and let others ask questions.

Operator

The next question comes from Rajvindra Gill of Needham & Company. Please go ahead.

Rajvindra Gill

Yeah, thank you for taking my questions, and congrats as well on continued execution. Just on the guidance, Jeff, so the loss of about \$0.48 to \$0.49 would imply that the opex is going to creep up and gross margins might be staying in that 50.7, 50.8 percent range. Is that a correct assessment, or are there other, say, below the line — below operating income line that might be contributing to the loss?

Jeff Winzeler

Yeah, Rajvi, so it's not really factors that are below the line. It think if you look at our trend for the year for gross margin, both historically and looking at 2016 in total, it's a pretty constant number from a gross margin percentage, and I don't really see a lot of changes in the business that would — other than quarterly fluctuations of product mix — that would cause me to believe that it's going to deviate significantly from that. From an opex perspective, if you look at our opex, again, quarter over quarter for all of 2016, we were at about \$8 million in Q1, \$8.5 [million] in Q2. We had an anomaly that we talked about in Q3 that drove opex down due to accounting issues, and then in Q4, we're back up to \$8.5 [million]. So I think in looking at that run rate of spending, and you look at SG&A specifically within that, we did see a bump up in Q4 because of our cost of being a public company. We went from \$2.4 million in Q3 to \$3.6 million in Q4. I think there's definitely an adder going forward in terms of our SG&A, and also in Q1, I'm anticipating that we will have spending related to closing the year that will be higher than what our run rate of spending is. But in terms of fundamental changes in the business or the structure, other than going public and the cost of being public, I don't see a lot of changes.

Rajvindra Gill

Okay, great. That was helpful. And on the Gen 3, the three enterprise SSD design wins — and Phil detailed them out — how do you think that will shape the second half ramp? I know you talked about three to nine months to convert into production and it varies by customer, but do we have better visibility now that the product has been sampled for quite some time, and is there increasing confidence that those three design wins will start to hit the model in the second half?

Phil LoPresti

Yes, so, Rajvi, thanks for the question. What I wanted to clarify is that the three design wins are actually not all SSD. One is an SSD. One is a M.2 card. The other is a U.2 form factor SSD, and the third is with a significant player in the flash array market that's going to be utilizing our Gen 3 products. Each of those have various qualification cycle times that you have to deal with. In some cases, some of them may have gotten a head start with our early sampling that we did in August, and others are going to be really doing their heavy qualification now that we have our production parts ready. As we indicated during the road show meetings and in the Q3 earnings call, the design win process gets solidified once the customer gets the green light that we have production-ready parts, and that's why it was critical and why we highlighted our target, was to achieve that by the end of Q1 of this year. We're really excited that we were able to get this done in early March, ahead of schedule, and we're now giving our customers the opportunity to plan out their take-to-market plans and their product schedules. So at this point, I would say the detail on those is too early to provide, but we're working closely with these three particular customers and with several others that are planning to convert into design-ins.

Rajvindra Gill

That was helpful, and last question for me, and I'll step back in the queue, the GLOBALFOUNDRIES' announcement back in September for embedded MRAM, seemed very promising. And in the slide deck, you're saying you're prototyping this and expect it 2017 in volume production and 2018. Can you maybe talk about the rationale, the thought process of GLOBALFOUNDRIES to start embedding MRAM technology and maybe describe the market possibilities for embedded MRAM as GLOBALFOUNDRIES starts to sell these wafers to their customer base?

Phil LoPresti

Sure. So we were very fortunate to align with a major innovator in the market such as GLOBALFOUNDRIES. They quickly saw the difficulty and challenges of the existing memory technologies to allow their SSC customers to cost effectively design products and also to be able to utilize their leading-edge process technologies with non-volatile performance-based embedded memory. What's been pretty clear that most foundries are seeing is that the embedded flash solutions that are very prevalent in the microcontroller space are going to continue in the IOT space.

The problem, though, has been the embedded flash technologies that have been available typically trail the leading-edge process significantly. So even today, major foundries have in production, embedded flash in 40 nanometers, just barely going into production recently and probably the bulk of shipments in larger geometries. The challenge of getting below 28 nanometer with embedded flash certainly opened the door for new emerging memory technologies, and with Everspin's MRAM being ahead and already putting products into production, GLOBALFOUNDRIES saw an opportunity to be able to deploy their leading-edge process that's targeted for low-power applications — it's a fully depleted SOI process — with the combination of an embedded memory that is both non-volatile and performance-based.

So I think you have to obviously factor in what the attrition rate is for designs to move from pre-existing process nodes with foundries, but we believe, and we believe our partner also has the same conviction, that as projects migrate microcontroller-based designs to sub-28 nanometer, and they want to do it at a faster pace than they've done in the past, being able to adopt their, for example, 22-nanometer FDX process nodes as early as possible, that that's going to open the door for the use of Everspin's embedded MRAM technology for those types of projects.

Rajvindra Gill

Great. Thank you very much.

Operator

The next question comes from Logan Bender of Canaccord Genuity. Please go ahead.

Logan Bender

Hey, guys, congratulations on the design wins. I wanted to talk a little bit about the expanding SAM in enterprise and RAID markets, and what kind of traction do you guys see there in 2017 and 2018? Anything would be helpful. Thanks.

Phil LoPresti

Okay, so the markets that we address, as indicated in our Investor Relations deck, shows that our Gen 1 Toggle MRAM products can achieve or address upwards of a \$500 million addressable market. It also highlights that the expectation with the introduction of our 256 Mb and the future release of our 1 Gb DDR4 Spin Torque MRAM products will also open up an additional \$1.2 billion

in addressable market. And we've highlighted that we believe that this market is built upon the enterprise storage class types of opportunities that are including SSDs, whether they are NVMe-based or U.2 form factors, the new and up and coming M.2 form factors, which there's a lot of excitement around, and obviously the significant traction that you're seeing for flash array-based products, which we have secured already a significant design win there, that will really showcase where our MRAM technology has value.

Those types of opportunities are going to take, as we highlighted in a previous question, somewhere between three to nine months before they will start ramping into production, and so it's hard to exactly gauge when those revenue opportunities kick in, but, as I said earlier as well, the fact that we are now shipping five to nine chips per these design wins with ASPs that are, on average, higher than what our Gen 1 products are, because they're significantly larger density parts, we can expect, with these design wins, that the revenue growth can add up.

Logan Bender

Okay, that's great. And then as far as — I understand that gross margin fluctuates with Gen 1 MRAM versus the legacy mix. I think last quarter on the call, it was mentioned that Gen 1 was around 80 percent of the mix. Anything that we can find about Q2 or going-forward visibility and demand trends in 2017 that would affect that?

Phil LoPresti

Yeah, so I think our Gen 1 MRAM products, as you correctly surmised, is about 80 percent of the business, and that will continue to the point that we start ramping our Gen 3 Spin Torque MRAM products. That base of business continues to grow, and it continues to be the large portion of our revenues today. All of our new revenues will come from the growth of that Gen 3 product, and therefore, the percentages will start changing over time. The only other variable in that equation is we still do some licensing business. We're very opportunistic about it. In the past, we've licensed our legacy products, our sensor IP portfolio, and when we see opportunities for that to come along, we will continue to exploit those as that IP revenue obviously is 100 percent margin.

Logan Bender

Okay, great. Thanks a lot, guys.

Operator

The next question comes from Jorge Rivas of Craig-Hallum. Please go ahead.

Jorge, your line is open if you wish to ask a question.

Jorge Rivas

Sorry about that. Good morning, guys. Thanks for taking my question. This is Jorge on behalf of Richard. First, to touch on the embedded MRAM initiative, I wonder if you can tell us what the revenue stream would be like for this initiative with GLOBALFOUNDRIES. Is it like the typical [unintelligible] licensing fee and then when products go into volume production, you get royalties?

Jeff Winzeler

Yeah, so, Jorge, GLOBALFOUNDRIES was granted a license to our technology as part of the joint development agreement we struck with them in 2014. And so our royalty stream from that agreement will start happening as GLOBALFOUNDRIES ramps those embedded MRAM wafers out in time. They said last year, I believe the third quarter of last year, that they are planning to use MRAM technology in all of their advanced process nodes as their memory of choice for embedded memory. The size of that opportunity obviously is directly tied to the timing and

success of their ramp of that embedded flash memory — or that embedded MRAM memory, so, you know, those products, we don't anticipate that we'll see ramps of those products in significant volumes throughout '18. I think from a revenue perspective, it's probably a little bit longer term, more in the 2019, 2020 timeframe based on their roadmap for ramping those advanced process nodes.

Jorge Rivas

Okay, great. And then one last question for me. Also, on Gen 2, it seems that you have sampled the product with over a dozen customers, and the product's ready for production. I'm just wondering if you can give us a sense of how many customers you expect to ramp production volumes in the second half of the year.

Phil LoPresti

Jorge, thanks for the question. So starting in last August, we started sampling our 256 Mb device, and those were engineering sample grade, as we indicated in the earnings third quarter call and as well as today. We've sampled over two dozen various projects. Now, to date, we have three design-ins that we highlighted, and, again, the ability to predict the actual ramp time for those is still too early. All of the triggering of design ins as we have mentioned in previous discussions, was going to be tied to the release of the device as production ready, and that was really the big driver for the company to execute and get 256 qualified and released for production before the end of this quarter, and so now that that's happened, we will be much more closely engaging with the customers as they have confidence that they can place orders for products and they can be delivered. They will now start to plan out their product take-to-market plan as well as their roadmap of various products and use cases for us, so, as I said earlier, I think it's too early to gauge or provide specifics on which quarter we will see any of these design wins ramping at this time, but we hope to get more clarity with that over the next coming months.

Jorge Rivas

Excellent. That's all for me, guys. Thanks a lot.

Operator

Once again, if you have a question, please press star, then 1.

The next question is a follow-up from Kevin Cassidy of Stifel. Please go ahead.

Kevin Cassidy

Thanks for taking my follow-up. You mentioned that bookings improved in the fourth quarter, and I just wanted to know what percentage of your guidance is covered by your backlog now.

Phil LoPresti

Hi, Kevin, and thanks for the question. So I believe with the strong bookings that we've sought from Q3 to Q4, that there now is in place a pretty high confidence for the backlog that we have in Q1. As far as a percentage base goes, I would feel pretty confident that what Jeff mentioned as our guidance, that we certainly have that level covered.

Kevin Cassidy

Okay, and have the bookings continued to be strong into this quarter, the first quarter?

Phil LoPresti

Yes, we continue to see a positive trend for Gen 1 demand. These are being fueled by upsides, in particular that we have seen from the automotive space, where the product that we had

designed in earlier, prior to the one we announced today, has now been able to be incorporated in more of their series vehicles, and their consumption rate has gone up, so we're seeing that positive trend in the bookings from those customers in particular.

Kevin Cassidy

Okay, great. So even your visibility going out into the second quarter is improving?

Phil LoPresti

With these customers, for sure. As you know, automotive or industrial makes up a pretty good piece of the Gen 1 business, and they are a lot more predictable than a consumer application, so we certainly do see some pretty good visibility for those particular projects and for those applications, and, as I said, right now we do see the positive trend continuing in this quarter.

Kevin Cassidy.

Okay, great. Thank you.

Operator

And this concludes our question-and-answer session. I would now like to turn the conference back over to Dave Allen for any closing remarks.

CONCUSION

Dave Allen

Thank you, Carrie. Everspin will be participating in the ROTH Conference on Monday, March 13, and we look forward to seeing many of you at this event. A webcast of our presentation for those not attending this conference will be available on the Investor Relations section of Everspin.com.

Thank you for your interest in Everspin, and good-bye for now.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines. Have a great day.