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PRESENTATION

Operator

Good afternoon, and welcome to Everspin Technologies Third Quarter 2020 Financial Results Conference Call. With us today from management are Kevin Conley, Everspin's President and CEO; and Daniel Berenbaum, Chief Financial Officer. (Operator Instructions)

Comments made during today's call may contain forward-looking statements regarding future events, including, but not limited to, the company's expectations for Everspin's future business, financial performance and goals, customer and industry adoptions of MRAM technology successfully bringing to market and manufacturing products, and Everspin design pipeline and executing on its business plan.

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.

The company encourages you to review their SEC files -- filings, including the 2019 Form 10-K filed with the SEC on May 8, 2020, and other SEC filings made from time to time in which they 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, the company does not intend to update this information.

Additionally, the company press release and statements made during this conference call will include discussions of the certain materials -- measures and financial information in GAAP and non-GAAP terms. Included in the company's press release are definitions and reconciliations of GAAP to non-GAAP items as well as GAAP net loss to adjusted EBITDA, which provides additional details.

As a reminder, this conference call is being recorded today, Thursday, November 5, 2020. This conference call is being available for audio replay for at least 90 days in the Investor Relations section of Everspin website at www.everspin.com.

And with that, I would like to turn the call over to Everspin's President and CEO, Kevin Conley, Mr. Conley, please go ahead.

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Thank you, operator. Good afternoon, everyone, and thanks for joining our call today. We are pleased to report that in the third quarter, for the first time since its founding, Everspin delivered positive cash flow from operations. This is an important milestone and reflects both the healthy demand for our products as well as our internal operational improvements.

We are also pleased that on a run rate basis, we achieved our targeted $5 million in annual operating expense reduction one quarter early. This happened despite a challenging demand environment and continued operational limitations due to COVID 19.

This notable achievement is a testament to the laser focus by the Everspin team on our path to profitability, while continuing to deliver on our key business initiatives.

Throughout the quarter, our operations team has continued to execute under the restricted protocols due to the COVID-19 pandemic that have existed for the last couple of quarters. I'm pleased to report that the 1 gigabit production ramp challenges that we faced earlier this year as a result of these conditions have been mitigated, and progress is back on track.

And as expected, our operations team delivered 1 gigabit production samples to our second customer for a persistent memory card application that sells into the data center segment.

Our revenue -- our Q3 revenue was up 10% compared to Q3 of 2019, but down 14% sequentially. This reflected the anticipated slowdown in near-term demand, as discussed on our Q2 call, and was mostly driven by the fall from a peak -- the Q2 peak in MRAM demand driven by data center applications.

And coming in weaker than anticipated, industrial applications showed noticeably lower demand in the quarter, primarily due to customer uncertainty associated with the pandemic resulting in inventory digestion at distributors.

While revenue was under pressure in Q3, we continued to make measurable progress in new customer engagements, both for our STT-MRAM and new Toggle MRAM products. This was our fifth consecutive quarter of expanding design wins, with design wins year-to-date up 50% compared with last year.

The good news here is that, despite many customer engineering teams working in restricted, limited or remote work environments, we continue to see progress with programs that, while delayed due to varying degrees, still results in increasing design wins. But we do recognize for now, there is a slower pace for deployment to the market for many of these products as continued delays in the end market investments and infrastructure projects continue.

While this may not return to historical norms until the global economic situation becomes more stable, there are some signs of strengthening in the broader industrial market that we continue to monitor. We believe that with the progress on our 1 gigabit DDR4 MRAM, our expanded Toggle product line and our new line of high-performance serial STT-MRAM products that we are well positioned to drive growth in 2021.

On the licensing front, we were pleased to see public announcements from customers that are detailing their plans for using embedded 22-nanometer MRAM that was developed as part of our JDA with GLOBALFOUNDRIES.

First, Sony announced that their newest IoT wearable solution for the GNSS market and recently -- they recently detailed how their chip leverages eMRAM to achieve a new level of system energy efficiency.

Another customer announced their newest AI-enhanced application processor for the wearables market using eMRAM where, again, low-energy consumption is a key application requirement.

Based upon these announcements, we expect both products will go into mass production in 2021. These applications showcase the low energy benefits of MRAM in IoT/wearables and artificial intelligence. We are pleased to see the visible progress GLOBALFOUNDRIES is making with customers, leading the path towards increased royalty revenues for Everspin.

While these positive forward-looking developments unfold against an uncertain market backdrop, we remain focused on cultivating increased sales, driving new customer design wins, operational execution and providing world-class support to our customers as end markets recover. With positive cash flow now achieved, we are well positioned to weather current market conditions and remain deeply committed to further improve gross margins from operational improvements, paired with a dedication to further market progress through our expanding customer success.

I will now turn it over to our CFO, Dan Berenbaum, who will take you through our third quarter financial results and fourth quarter guidance.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Thank you, Kevin, and good afternoon, everyone. Today, I'll focus my discussion on GAAP financial results. We previously used certain non-GAAP measures to help investors understand our business. These non-GAAP measures had primarily excluded stock-based compensation.

Moving forward, we intend to use discussions around cash flow to help investors understand our business better. We will continue to provide breakouts of stock-based compensation as well as highlighting other components of our expenses which we think are important for investors to understand our ongoing business.

Revenue in the third quarter of 2020 was $10.1 million compared to $11.8 million in the second quarter of 2020 and $9.2 million in the third quarter of 2019. MRAM product sales in the third quarter, which includes both Toggle and STT-MRAM revenue, was $9.6 million compared to $10.9 million last quarter and $8.4 million in the third quarter of 2019.

Licensing, royalties and other revenue in the quarter contributed $0.5 million compared to $0.9 million in the prior quarter and $0.8 million in the prior year period.

Our largest customer, which we serve with our high-density STT-MRAM product for data center applications, represented 38% of revenue in the quarter compared to 25% of revenue in the year ago quarter and 34% of revenue in Q2.

Turning to gross margin. As part of our normal quarterly review of inventory valuation and demand forecasts, we determined that it would be appropriate to take a reserve against certain aged inventory for which there was currently limited or no demand forecast.

In conjunction with this, we also recognized accelerated depreciation from masks sets related to some of these products. This led to a $1.7 million inventory reserve and a $0.4 million accelerated depreciation charge. These are both non-cash charges.

Roughly $1 million of this combined non-cash charge, including the accelerated depreciation charge, was related to our 256-megabit STT-MRAM product, where we ended up with higher-than-anticipated inventories due to yields that exceeded operational plans, coinciding with a successful rapid transition by our lead customer to our 1 gigabit product.

The remainder of the charges related to down bin Toggle products, where we have been able to recover salable die at lower categories, but where unfortunately there is now limited or no demand.

Wrapping this all together, GAAP gross profit for the third quarter of 2020 was $2.3 million or 23%.

Our cost of goods sold includes the noncash $1.7 million inventory reserve and the $0.4 million accelerated depreciation, as well as $0.1 million related to a prior period cost adjustment. This compares to prior quarter gross margin of $5.2 million or 43.9% of revenue and $4.4 million or 47.4% of revenue in the third quarter of 2019.

We expect to see continued improvements in gross margin in Q4 and into 2021, as we continue to mature production of our 1 gigabit STT-MRAM product and continue to improve Toggle MRAM costs.

GAAP operating expenses for the third quarter of 2020 decreased to $6.0 million from $6.3 million in the previous quarter and $7.9 million in the third quarter of 2019. Research and development was $2.6 million compared to $2.8 million last quarter and $3.4 million in the same quarter a year ago. SG&A was $3.5 million compared to $3.5 million in the prior quarter and $4.5 million in the third quarter of 2019.

The decrease in operating expenses reflects the ongoing cost-reduction initiatives set in motion at the beginning of the year. Operating expenses for each of these periods included non-cash stock-based compensation of $0.9 million.

GAAP net loss for the third quarter of 2020 was $3.9 million or a loss of $0.21 per share based on 18.9 million weighted average shares outstanding. To reiterate, this GAAP net loss includes the non-cash $1.7 million inventory reserve, $0.4 million of accelerated depreciation and $0.9 million of stock-based compensation as well as the $0.1 million charges related to prior periods.

This compares with a GAAP net loss of $1.3 million or a loss of $0.07 per share in the prior quarter, and a net loss of $3.7 million or a loss of $0.21 per share in the same quarter a year ago.

Year-over-year, bottom line EPS was flat, despite the large inventory reserve in the quarter, which underscores the continuing benefits from our expense reduction initiatives and ongoing cost improvements across our products.

Turning to the balance sheet. Cash and cash equivalents increased to $13.9 million at the end of the third quarter compared to $12.9 million at the end of the prior quarter. As Kevin mentioned, we reached our goal of achieving positive cash flow from operations as a direct result of the actions we have taken throughout the year.

Cash flow from operations was a positive $0.7 million in the third quarter compared to cash used in operations of $1.6 million last quarter and used $0.6 million in the third quarter of last year.

At the end of the quarter, we had a balance of $2 million on our $5 million line of credit. We continue to believe we have sufficient cash to support our operations and growth objectives.

Investors should note that today, we will also file an S-3 registration statement with the SEC. This will simply replace our current shelf registration, which is set to expire on November 13, 2020. The new shelf is similar to the last, a $100 million mix shelf.

Importantly, with this new filing, we have intentionally allowed our at-the-market instrument to expire. We had suspended trading on the ATM since March of 2020. Now this simply means that we no longer have an ATM, we no longer have an at-the-market instrument.

To reiterate, we believe that our cash on hand, combined with cash we expect to generate from operations, is sufficient to support our operations and our growth objectives.

Turning to our fourth quarter guidance. We expect revenue in a range of $10.1 million to $10.9 million, which, at the midpoint of $10.5 million, represents an 8.7% increase over year ago's $9.7 million.

We expect a GAAP loss per share between a loss of $0.10 and a loss of $0.04, which reflects expected stock-based compensation expenses of approximately $0.9 million.

Operator, you may now open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question, from the line of John Fichthorn with Dialectic Capital.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Dialectic Capital, I believe.

John A. Fichthorn ***Dialectic Capital Management, LLC - Co-Founder and Portfolio Manager***

Congratulations on the cash flow. That's great to see. Love to see the elimination of an ATM. I think that's a positive statement of the market that you guys are confident in your ability to stay profitable.

What I'm really wondering is kind of from here, as you guys look out and not really looking for any kind of specific guidance, although if you want to give it, feel free. Just trying to get a sense, the company has been hanging out in this $40 million-ish, give or take $5 million or $10 million for the last handful of years, revenue line. And I'm trying to figure out, it feels like we hit an inflection recently, whether it's 1 gig or maybe embedded on the horizon. But I'm trying to figure out what the shape of your growth curve is because, obviously, the world is going to be a little disappointed with this number and the guide in December.

Stock traded down on, whatever, 100 shares after hours, no one cares. But really, just kind of a sense of the future, however you guys want to talk about it, 1 year, 3 year, 5 years, I'm just kind of curious what this company is building towards and what your vision is because it's not really immediately apparent, looking at the immediate present and even short-term future.

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Sure, John. That's a great question. So first of all, yes, these last 3 years have been quite unusual from the standpoint of the industrial recession -- industrial semiconductor recession back in 2019 and dealing with the COVID pandemic this year.

If you discount some of the strategic actions that we took from 2018 in terms of profitable customer selection, and if you look at what we've been able to do with new products, actually, things have gone very well according to plan. And as you noted, our new products are significant sources of new revenue for us now.

Certainly, the pace last year started to recover coming out of last year. But then, we went to this year with new challenges on the COVID front certainly put some of that damper on those markets. But we do believe now those markets are showing signs of recovery from the hardest-hit markets of mobile and auto, which passed us by in the beginning part of the year and are now recovering, have already gone full cycle. Our industrial market segments that we participate in, a little more delayed in terms of showing that impact. And we believe now that they're also starting to turn the corner in indicating that next year will be healthier.

So if we think toward next year how the inflection will go, we do believe that we will see the markets that we serve and the customers that we're very well engaged with will return back to the healthier growth trajectories. Our new products are doing well, and we'll start to introduce new product segments next year as well that will help grow the share of market in those products.

Additionally, on the licensing front, as I mentioned, we'll now start to see production revenue from our GLOBALFOUNDRIES engagement. And licensing is, of course, something that we also pursue as a part of our revenue mix on an ongoing basis.

So if we think about next year, and some of these recoveries coming back and starting to give a little tailwind to us, we actually believe that we're very well positioned now, both with our legacy products that we work very hard to solidify, maintaining their pristine level of quality for the customers and reliability; and as we brought out the new products based upon our more advanced Spin Torque technology, offering new density, new value propositions and new economics to our customer base.

So we believe that, that will help us get beyond kind of where we've seen things. And I do want to point out that, that $40 million-ish level in the past included much higher levels of things that were either onetime in nature or part of the legacy of nonmemory portions of the company.

So from -- if you do look just strictly at the memory components that I've been talking about, you do see that we come from kind of the low 30s. We're now above -- headed above 40 this year, and then we'll continue growing next year with better market conditions supporting that.

John A. Fichthorn ***Dialectic Capital Management, LLC - Co-Founder and Portfolio Manager***

So maybe another quick way of asking that question. If you look back 1 year or 2 years, whatever it's convenient, how much bigger do you think your served available market is in the businesses you're in today in the memory space, roughly?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Well, roughly, I mean, if I look historically, and it's a very complicated market in terms of the fragmentation of the various subsegments, but generally, how the models that we've built have been fairly consistent, growing at about a 6% a year average CAGR, 2018 was kind of inflected kind of a downward at the beginning kind of flattish to the year, expected something more upward this year. But again, I think we're coming out a bit more flat.

So I think these last 2 years probably did not reach the historical average, and I hope that helps. But in terms of total magnitude, we do believe we're probably today around $750 million total TAM.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

And John, I'll just add, I mean, that 6% comment, that's a market comment. We are still relatively small compared to our overall market, so we obviously think that our growth potential is much higher than the growth of our markets.

John A. Fichthorn ***Dialectic Capital Management, LLC - Co-Founder and Portfolio Manager***

Right. It just seems like you have products that can reach more of the market now. And I'm just trying to figure out, like is -- the opportunity seems like it's bigger and you're just ramping into it is what I'm trying to get a feeling for, just another way of trying to figure out what your growth trajectory should look like.

And maybe the last question, then I'll shut up, is it seems like, at the very least, March should be -- or even this quarter is really a quarter that you're only going to grow off of. I don't know whether there's a seasonality in your business based on kind of the new product introductions and the licensing ramping up. But is it a fair assumption that there should be some form of linear growth from here? Or is there some kind of lumpiness to this that we should be anticipating as we model it going forward?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

I think the 2 parts of our business, I mean, first of all, my general commentary was on the bulk of our products, which serve the industrial customer base. It should be recognized that the 1 gigabit product that we sell into the data center space is far lumpier than the rest of our products.

So on the high-density 1 gigabit for the data center market, we would expect that to be lumpy as new customer opportunities go to production. But on the Toggle side, as the market recovers, these are a low-volume, very high mix type of thing with various cycles of the introductions with the various customers. So it should be much more kind of monotonic in terms of its growth pattern.

John A. Fichthorn ***Dialectic Capital Management, LLC - Co-Founder and Portfolio Manager***

Got you. And on the data center side -- I'm sorry for following on one last time. On the data center side, I don't know how diverse the customer base is, but from a lumpiness standpoint, obviously, lumps go up and down. Is it getting more diverse, so it's less lumpy? Are you adding customers generally? Or is it kind of a flat you've reached all the customers, so we're just at the whims of their demands? How should we think about that?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Well, I think we're still at the beginning. We're now serving 2 customers, as we said. It had been a one horse race for a while, the second customer not having tremendous impact on lumpiness.

As we get to other companies that are based upon ASICs in the storage space, those could have different inflections, and we just kind of have to see how it plays out. Again, these are kind of high-end specific niches where we serve there a varying potential, so I think we have to wait and see how those unfold.

Operator

And next question, line of Denis Pyatchanin with Needham & Company.

Denis Pyatchanin

I'll be asking these on behalf of Raji Gill today. So my first question is, so can you tell us a little bit more about kind of like the ramp of the STT-MRAM and maybe what you're seeing from the data center side of the business? I think that was challenging more recently as things kind of fell off from the initial COVID demand, but what's happening in that space right now? Hello?

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Yes. Sorry, I think Kevin's muted there. Kevin, I think you're muted.

Denis Pyatchanin

I'm not muted, though, am I?

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

No, you're not muted. Sorry, actually...

Operator

Kevin's line has disconnected.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Sorry. Why don't you go ahead and repeat the question again? Give me a little bit of time to think while we get the CEO reconnected.

Denis Pyatchanin

Sure. So I was basically just curious if you guys could go over maybe like the ramp of STT-MRAM a little bit with us, what we can expect going forward? And maybe tell us what you've been seeing from the data center side of things. So I guess, that was -- some of the demand has fallen off there from the initial kind of COVID spike in demand. So what are you seeing in that space now? Kind of what's the latest? And what can we expect, perhaps, from that space?

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Yes. So on the STT side, in line with how Kevin answered the question previously, the STT side of the business is certainly lumpier than the Toggle side of the business, right? So now we've moved on. We've started production shipments to the second customer as we expected to in Q3. But clearly, that side of the business is far lumpier than the Toggle side of the business. Even within Toggle, the data center side of the business, we do serve for things like RAID arrays, for example, through the Toggle business. So we've seen that for us be a little bit slower to recover. There's still some inventory digestion that's going on there in the data center side. So I hope that helps answer the question.

On the STT side, definitely, it's -- the way we think about that is more of larger, more discrete customers, and they grow a bit more lumpily.

Denis Pyatchanin

Great. That was definitely helpful. And then the other question that I wanted to have is it's definitely a little bit more broad and kind of also kind of a bigger picture question, like one of the previous ones you've received. So I mean, maybe Kevin could chime in as well if he's back.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

We'll get him back. Go ahead and ask the question. It's all right.

Denis Pyatchanin

Yes. So I just want to know, are there any applications where you believe that...

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Apologies. I'm back on now. I apologize. We had some telephonic issues.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Go ahead, Denis, with your question. Go ahead.

Denis Pyatchanin

Yes. Perfect. My second question was kind of a bigger-picture question. And now I was wondering if you guys could speak about, maybe do you believe that there's some applications where kind of your products, either the STT-MRAM or the Toggle product, where they're underutilized? Like where you -- like new spaces where you think this RAM should be used, but it's not being used, can you speak about that a little bit?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Yes. Absolutely. I mean, so yes, there are very many places where this gets used. One that we've been working at for a long time, and growth has been slow beyond the first customer, is in storage. We still believe that the best way to produce very economical, high-performance storage applications is using our non-volatile buffer technology to use the most cost-effective NAND flash memory in these storage applications without sacrificing the latency or the performance or the reliability of those devices, especially in enterprise storage.

The same value proposition of high-performance, low-latency non-volatile memory also has a lot of value anywhere where there is mission-critical information used in systems. These can be both data storage related, such as traffic accelerators for software-defined storage applications, it can be persistent memory cards and a host of high-speed logging-type applications as well.

So I think there's definitely a broad set of applications today that could benefit from the technology, and we're working with several companies on seeing those come to market. But it is something that architects take a lot of handholding to get through to understand how that can not only bring the performance benefits to it but do it cost economically.

Denis Pyatchanin

Great. And then just to clarify, you've mentioned today about a buffer technology. Could you -- what was the buffer technology that you mentioned?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Excuse me, it's a non-volatile write buffer. So our 1 gigabit MRAM is -- the function that it performs in many of these storage applications is a non-volatile write buffer.

Operator

(Operator Instructions) You're next line comes from the line of Richard Shannon with Craig-Hallum.

Richard Cutts Shannon ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Maybe a couple of simple ones here. You're looking for some nice growth here at the midpoint in your fourth quarter guidance. Kevin, I think you referred to some improvement in industrial. I want to get a sense of how much of that is due to industrial and -- versus how much we can see from other applications, specifically that might be related to STT.

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

What I see -- I mean, in general, I think we're starting to see, as we entered the quarter, an uptick in demand and kind of an improvement in the non data-center levels of inventory. So I think based upon that, I think we're seeing a general improvement in the broad industrial channel.

Richard Cutts Shannon ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Okay. That is helpful. And it sounds like based on the other comments, Kevin, that you're seeing or at least hopeful of a general sustained improvement, obviously, absent any strange happening from COVID. Is that a fair statement as you look into next year?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

I'm not going to jinx it by coming up with strange events because dealing with recessions and pandemics and economic shutdowns, I think we'll weather the storm.

I think the good news here, Richard, is that despite the pressures that we've been under this year, we've come through each one of them pretty strongly. We've stayed on track with our operational objectives and our business initiatives. We continue to support customers who remain dedicated to the programs that we've been working on.

So given where things are at, we're confident in our current positioning and our ability to continue to execute. As Dan said, we're signalling part of that confidence by not renewing the ATM at its expiration. And we think we're in a good position to grow as the market starts to recover. And hopefully, the initial signs that we're seeing over the past few weeks will be a positive harbinger of things to come.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

I'll just add, something that we mentioned briefly before, our design wins do continue to tick up. And so one of the things that we talked about last quarter, the behavior that we continue to see this quarter is the new product introductions have been delayed because of COVID conditions, but our design wins continue to tick up, and we obviously think that's a great leading indicator for our future revenue.

So that gives us good positive indications for the future, and we do expect gross margin to continue to improve. We've had some real improvements on our product cost on our STT-MRAM side, which we talked about. And longer term, we clearly think this is a greater than 50% margin business, so we'll be executing to get there.

Richard Cutts Shannon ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Guys, that's helpful. A couple more questions for me. I guess, following up on the design win environment here, I think, Kevin, you had mentioned a 50% growth in wins here. How long does it take in general for these wins to come to production? And obviously, we're not in normal times here, but what's the general time lag between win and production?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

Normally, I mean -- normally, it's fairly short. Our experience is that a design win -- when we qualify a design, when we qualify that as -- is that we've received a letter from our customers saying that they've completed qualification of those products and they're going to production. So generally, that's an indication that we're nearing production order. Sometimes it's indicated with a production order, right? So it can be a couple of weeks, and it can be up to a few months, depending on product introductions and timing, et cetera.

These days, it's actually quite a bit different for a number of reasons. In the factory automation space, as you know, the -- over the last 2 years, there's been delays in investments there. So even though the companies -- our customers are developing their new platforms, readying those for introduction, many of them are delaying those introductions due to the end market demand.

As we said, we believe that some of that is now starting to turn around, and that's kind of the dynamic that we went into this year, although it was exacerbated with the conditions of COVID and what that was doing to the end markets as well.

But I will say, on the positive side, it's been surprising to us. We had mentioned in the Q1 call that we expected the design win activity to slow down. And while we do have several bits of information about engineering teams working remotely and being challenged in their work, the numbers continue to go up.

So as Dan said, I think that's a very positive forward-looking indicator for the potential, once these products then do start to see the ability to come to market.

Richard Cutts Shannon ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Okay. That's helpful perspective, Kevin. A couple of last questions for me. You identified a 10% customer, and I can't remember the exact numbers. I think they were in the 30% range or so. I'm assuming those customers are also taking not just -- they're taking not just STT, but also taking Toggle. Is that fair?

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Our largest customer is -- was 38% of revenue in the quarter. We did not break out if they were taking both Toggle and STT.

Richard Cutts Shannon ***Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst***

Okay. Last question for me. You mentioned in your prepared remarks about some announced customers using embedded MRAM at your GLOBALFOUNDRIES partner. Are you getting any visibility into royalties there and what visibility? Like how far out do you -- if you're not getting it, how far out do you expect to get that kind of visibility?

Kevin Conley ***Everspin Technologies, Inc. - CEO, President & Director***

So we had -- as we've talked about on previous calls, while we do expect something to hit production this year, we don't expect it to be material. As we mentioned from the public announcements of both the companies that I did refer to in their statements, those both look like -- at least one of them is kind of mid- next year in summer, and Sony will be sometime during the year, I don't know specifically which quarter.

Operator

(Operator Instructions) And at this time, no other questions. I would like to turn the call over to Mr. Berenbaum for closing remarks.

Daniel Alan Berenbaum ***Everspin Technologies, Inc. - CFO & Principal Accounting Officer***

Thanks, Tricia. Before we leave you, we'd like to inform investors that Everspin will be participating in the Craig-Hallum Virtual Alpha Select Investor Conference on November 17 and in the Benchmark Capital Discovery 1x1 Conference on November 18. We will also be presenting and meeting with investors at the Needham Virtual Growth Conference the week of January 11, 2021. Please contact me or the managing firm to request a meeting.

With that, we conclude today's call. Thank you all for joining us, and we look forward to reporting our progress and results for the year in next quarter's call.

Operator, you may now disconnect the call.

Operator

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