

Intellicheck Mobilisa, Inc. (IDN: \$1.60 Price Buy; \$3 PT)

A SaaS Play in Threat Identification and Identification Authentication Markets

Figure 1. Intellicheck Mobilisa, Inc.—Key Company Data, Prices as of 8/2/16

Key Data		FY: Dec	2013A	2014A	2015A	2016E
Price:	\$1.60	EPS:				
Price Target:	\$3.00	Q1	(0.27)	(0.21)	(0.11)	(0.22)
52-Week Range:	0.75	Q2	(0.26)	(0.22)	(0.12)	(0.14)
Market Cap (\$mn):	16.3	Q3	0.00	0.07	(0.13)	(0.12)
Shares Out. (mn):	10.2	Q4	(0.17)	(1.24)	(0.16)	(0.07)
Avg. Daily Vol.:	100,000	Year	(\$0.70)	(\$1.59)	(\$0.55)	(0.50)
Beta:	0.80	P/E	NM	NM	NM	NM
Total Debt (\$mn):	0.0	EBITDA (\$mn)	(2.4)	(7.6)	(5.5)	(4.9)
Net Debt (\$mn):	0.0	EV/EBITDA	NM	NM	NM	NM
EV (\$mn):	12.2	Revenue (\$mn)				
Dividend:	N/A	Q1	1.6	1.1	1.0	0.9
Dividend yield:	N/A	Q2	1.7	1.2	2.3	1.0
		Q3	2.6	3.2	2.2	1.3
		Q4	1.4	1.1	1.5	2.0
		Year	\$7.3	\$6.6	\$7.0	\$5.3

Sources: Company Reports and Joseph Gunnar estimates

Investment Summary

Overview: Intellicheck Mobilisa, Inc. (Intellicheck) is a technology company that is engaged in developing, integrating and marketing threat identification and identity authentication solutions to address challenges that include retail fraud prevention, law enforcement threat identification, and mobile and handheld access control and security for the government, military and commercial markets. Intellicheck's products include Retail ID™, a solution for preventing fraud in the retail industry; Age ID™, a smartphone/tablet-based solution for preventing sale of age-restricted products to minors; Age ID™ can also be integrated into point-of-sale systems for retailers; Law ID™, a smartphone-based solution used by law enforcement officers to identify and mitigate threats; and Defense ID®, a mobile and fixed infrastructure solution for threat identification, identity authentication and access control to military bases and other government facilities.

Positioning: Intellicheck core markets has a potential that exceeds \$1B in annual recurring revenues. The Company is also expanding its reach into new markets that will benefit from enhanced safety, regulatory compliance and fraud prevention. Intellicheck has transitioned to a SaaS (Software as a Service) model by moving their patented technologies to the web to provide enhanced safety, regulatory compliance and fraud prevention for the billions of transactions that occur there each day.

Summary: Intellicheck has built two decades of experience in threat identification and identification authentication. The Company is focused on markets that are benefitting from enhanced safety, regulatory compliance and fraud prevention. Intellicheck history has translated to a successful business validated by customers that include U.S. Military, Department of Homeland Security, Target, Kohl's & Neiman Marcus. With the transition to SaaS, Intellicheck business model embeds recurring revenue with high margin. The Company has a strong IP portfolio that includes 25 patents (+9 pending). Intellicheck plans to leverage their IP in the new target markets to strengthen the competitive position.

Our one-year price target of \$3 is based on 5x EV/2016E sales and is supported by DCF. This valuation multiple is within peer group valuation range. Institutional money flow is positive. The stock may find support near the February 2015 lows of \$1.36. Near-term resistance is at 10-week moving average (MA) of \$1.64.

The Disclosure section may be found on pages 23-24 of this report.

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Key Data

Symbol: IDN
Price (8/1/16): \$1.60
Rating: Buy
Price Target: \$3.00

Estimates:

2015 EBITDA: (5.5)
2016E EBITDA: (4.9)
2015 EPS: (\$0.55)
2016E EPS: (\$0.50)
2015 EV/EBITDA: NM
2016E EV/EBITDA: NM

Consensus Estimates:

F15 EPS: (\$0.55)
F16E EPS: (\$0.53)

Company Description

Intellicheck Mobilisa, Inc. develops, integrates, and markets identity systems for mobile and handheld access control and security systems. The company provides identity systems products, software products for data collection devices; and instant credit application kiosk software applications. It also offers government identification products. In addition, the company performs consulting work for other companies. It serves government, military, and commercial markets through its salesforce and distributors. Intellicheck Mobilisa, Inc. was founded in 1994 and is headquartered in Jericho, New York.

Rationale

Overview: Intellicheck Mobilisa, Inc. (Intellicheck) is a technology company that is engaged in developing, integrating and marketing threat identification and identity authentication solutions to address challenges that include retail fraud prevention, law enforcement threat identification, and mobile and handheld access control and security for the government, military and commercial markets. Intellicheck's products include Retail ID™, a solution for preventing fraud in the retail industry; Age ID™, a smartphone/tablet-based solution for preventing sale of age-restricted products to minors; Age ID™ can also be integrated into point-of-sale systems for retailers; Law ID™, a smartphone-based solution used by law enforcement officers to identify and mitigate threats; and Defense ID®, a mobile and fixed infrastructure solution for threat identification, identity authentication and access control to military bases and other government facilities.

Attractive Positioning: Intellicheck is an established player in threat identification, including authenticating, verifying and validating persons' identities in support of Fraud Prevention, Regulatory Compliance and Enhanced Safety. Intellicheck core markets has a potential that exceeds \$1B in annual recurring revenues. The Company is also expanding its reach into new markets that will benefit from enhanced safety, regulatory compliance and fraud prevention. Intellicheck has transitioned to a SaaS (Software as a Service) model by moving their patented technologies to the web to provide enhanced safety, regulatory compliance and fraud prevention for the billions of transactions that occur there each day.

Retail Market: Intellicheck Retail ID™ application is a proven identity authentication solution that can instantly and accurately authenticate identification documents such as a driver license. This solution is designed to deliver better service, increase loyalty and credit card programs and reduce fraud. Retail ID reduces liability risks and ensures compliance by checking all retrieved data against each state's privacy laws and regulatory requirements. The Company is currently in 60 day trials with two department stores.

Addressable market broadened: Intellicheck is aiming to tap new markets like Education, Emergency/Disaster management, Healthcare, Law enforcement. The combined market opportunity of the new markets is estimated at \$2 billion. Intellicheck targets a 5% market share of this market which is around \$175 million market. This is more than three times the market which is currently addressed by Intellicheck (\$50 million in 2014). The Company's target market opportunity also includes over 200 million driver licenses in the US. Around 170 ports in the US are mandated to implement the Transportation Worker Identification Credential (TWIC).

Competitive Barriers: Intellicheck currently holds twenty-two U.S. patents, two Canadian patents and one United Kingdom patent. These patents cover commercially important aspects of Intellicheck capabilities relating to the authentication and verification of identification documents, and relating to our Defense ID® System technology. Intellicheck will continue to pursue patents for all of our new technologies arising from their research and development efforts.

Augmenting Sales efforts: Intellicheck has expanded its sales, marketing and strategic communications capabilities, which are expected to fuel sales, increase awareness in key markets, build brand value, and create tactical marketing and communications initiatives that will speak to important markets, in line with the Company's long-term strategic plan. Contract awards that demonstrate growing traction in the public and private sector, include the U.S. Army Corps of Engineers, TechFlow and the U.S. Navy, as well as Helzberg Diamonds.

Summary: Intellicheck has built two decades of experience in threat identification and identification authentication. The Company is focused on markets that are benefitting from enhanced safety, regulatory compliance and fraud prevention. Intellicheck history has translated to a successful business validated by customers that include U.S. Military, Department of Homeland Security, Target, Kohl's & Neiman Marcus. With the transition to SaaS, Intellicheck business model embeds recurring revenue with high margin. The Company has a strong IP portfolio that includes 25 patents (+9 pending). Intellicheck plans to leverage their IP in the new target markets to strengthen the competitive position.

Valuation

Our one-year price target of \$3 is based on 5x EV/2016E sales and is supported by DCF. This valuation multiple is within peer group valuation range.

Institutional money flow is positive. Short interest days at 1.1 is unchanged from end of June. The stock may find support near the February 2015 lows of \$1.36. Near-term resistance is at 10-week moving average (MA) of \$1.64.

Investment Positives:

- **Technology Leader in the Identity market:** Intellicheck developed and maintains the nation's largest ID card development library. The Company is recognized as the leader in Driver License Scanning, Identification and Verification Technologies. Intellicheck has strong business relationships with Departments of Motor Vehicles (DMV) in all 50 US States. Intellicheck patents cover commercially important aspects of their capabilities relating to the authentication and verification of identification documents, and relating to their Defense ID® System technology.
- **Scalable Business Model:** As the company's software platform is already developed, we believe the company might not have to incur large product development expenses. Going forward, as revenues starts increasing, the business model will be more associated with variable costs. Expense growth should lag revenue growth. Intellicheck should see revenue improvement in 2017. In addition, currently recurring revenue is about 25% of overall revenue. As this mix improves, gross margins should improve.
- **Business model transformation:** In the beginning of 2013, Intellicheck made a decision to move into the SaaS offering from a pure play hardware provider integrating the software. This move clearly changed its business model with more recurring revenues stream and a large addressable market.
- **Addressable market broadened:** Intellicheck is aiming to tap new markets like Education, Emergency/Disaster management, Healthcare, Law enforcement. The combined market opportunity of the new markets is estimated at \$2 billion. IDN targets a 5% market share of this market which is around \$175 million market. This is more than three times the market which is currently addressed by IDN (\$50 million in 2014).
- **Large market opportunity:** The largest market opportunity for Intellicheck are in the Retail and Law enforcement space with Retail ID™ and Law ID™. Adjacent market includes the verification opportunity of over 200 million driver licenses in the US. Also around 170 ports in the US are mandated to implement the Transportation Worker Identification Credential (TWIC).

Investment Negatives:

- **Losses since inception:** Intellicheck has sustained net losses of \$5,333,951 and \$7,644,230 for the fiscal years ended December 31, 2015 and 2014, respectively, and the accumulated deficit was \$98,633,745 as of December 31, 2015. Since the Company expects to incur additional expenditures in line with the sales growth of the business, Intellicheck may not achieve operating profits in the near future.
- **Reliance on reference data provided by government and quasi-government agencies.** If governmental and quasi-government agencies were to stop sharing data with Intellicheck, the utility of the proprietary software would be diminished in those jurisdictions and business would be damaged. Currently, the fifty states, ten Canadian provinces and the District of Columbia, cooperate with Intellicheck by providing sample identification cards so that the Company may modify all of their hardware and software products to read and analyze the encoded information found on such jurisdiction's identification cards.
- **Long sales and implementation cycles.** Target customers in the commercial fraud protection, access control and age verification industry sectors include large retailers and government agencies, typically require longer sales and implementation cycles for than do potential customer base solely interested in age verification, such as restaurant, bar and convenience store operators. The longer sales and implementation cycles for larger retail companies continue to have an adverse impact on the timing of realizing revenues.

- **The industry is evolving and its growth is uncertain.** With changing administration in government, changes in government budgets, and slowly evolving government standards on use of identity products, the government sector is slowly developing. The commercial sector has the ability to develop faster than the government sector, but it is also subject to a higher level of uncertainty because of potential uncertainty in the continued financial health of commercial customers, as well as long sales cycles.

Recent Financial Results

Total revenues decreased by 4% to \$951,000 for 1Q16 from \$987,000 for 1Q15. The increase in Identity Systems revenues in 1Q16 is primarily from the modest increase in Defense ID® sales. The decrease in other revenues is a result of the sale of the wireless asset business in 3Q15. Backlog at the end of 1Q16, which represents non-cancelable sales orders for products not yet shipped and services to be performed, was approximately \$161,000 compared to \$292,000 at end of 1Q15. At the end of 4Q15, backlog was approximately \$339,000.

Figure 2. Intellicheck Mobilisa, Inc. – Statements of Operations

	Three months ended March 31		
	2016	2015	2014
Revenues	\$950,668	\$987,127	\$1,092,049
Gross Profit	787,626	594,965	729,402
Total operating expenses	2,936,232	1,922,228	1,639,230
Loss from operations	(2,148,606)	(1,327,263)	(909,828)
Net loss	\$2,143,491	(\$1,302,113)	(\$909,684)

Sources: Company Reports and Joseph Gunnar estimates

During 1Q16, Intellicheck made sales to two customers that accounted for approximately 23% of total revenues. The revenue was associated with two commercial identity sales customers and accounted for approximately 14% of accounts receivable at March 31, 2016.

Gross profit as a percentage of revenues was 82.8% for 1Q16 compared to 60.3% for 1Q15. The increase in percentage is due to higher revenues on the new SaaS model, lower equipment sales and a reduction in amortization expense.

Operating expenses, which consist of SG&A and R&D expenses, increased \$1,014,000 or 53% to \$2,936,000 for 1Q16 compared to \$1,922,000 for 1Q15. Of this increase, \$555,000 resulted from accelerated R&D efforts on two new products: Retail ID Mobile product launched in May along with another product to be announced shortly partially offset by a reduction in headcount. The remaining increase reflected higher non-cash stock-based compensation costs, legal fees, and an early termination payment on the office lease in Port Townsend.

Figure 3. Intellicheck Mobilisa, Inc. -

	Three months ended March 31,		
	2016	2015	% Change
Identity Systems	\$ 948,000	\$ 928,000	2%
Other	3,000	59,000	-95%
	\$ 951,000	\$ 987,000	-4%

Sources: Company Reports and Joseph Gunnar estimates

Intellicheck incurred a net loss of \$2,143,000 for 1Q16 compared to a net loss of \$1,302,000 for 1Q15. The Company has a net operating loss carry forward for losses generated in prior years of \$2.2 million.

At the end of 1Q16, Intellicheck had cash and cash equivalents of \$4,074,000, working capital of \$2,760,000, total assets of \$16,014,000 and stockholders' equity of \$13,384,000.

Figure 4. – Intellicheck Mobilisa, Inc. – Consolidated Balance Sheets

	March 31, 2016	December 31, 2015	2014
Assets			
Cash and cash equivalents	\$4,074,267	\$5,953,257	\$2,966,450
Total current assets	5,000,558	7,365,323	3,982,327
Property, plant and equipment, net	320,271	325,427	346,915
Total Assets	\$16,014,446	\$18,472,834	\$15,813,707
Liabilities and Equity			
Total current liabilities	2,240,479	1,705,825	2,102,071
Total liabilities	2,630,103	2,146,422	2,665,670
Total Shareholders' equity	\$13,384,343	\$16,326,412	\$13,148,037

Sources: Company Reports and Joseph Gunnar estimates

Company Background

The Company originally incorporated in the state of New York in 1994 as Intelli-Check, Inc. On March 14, 2008, the corporation was renamed Intellicheck - Mobilisa, Inc. after the consummation of the merger with Mobilisa, Inc. On October 27, 2009, the corporate name was changed to Intellicheck Mobilisa, Inc. On August 31, 2009, the Company acquired 100% of the common stock of Positive Access Corporation, a developer of driver license reading technology. The acquisition of Positive Access expanded the Company's technology portfolio and related product offerings and allowed the Company to reach a larger number of customers through Positive Access's extensive distribution network. On October 27, 2015 Intellicheck announced that their headquarters have been relocated to its Jericho, New York facility.

Intellicheck a technology company engaged in developing, integrating and marketing identity systems for various applications including mobile and handheld access control and security systems for the government, military and commercial markets. Products include the Defense ID® and Fugitive Finder systems, advanced ID card access control products currently protecting military and federal locations, and ID-Check, a patented technology that reads, analyzes, and verifies encoded data in magnetic stripes and barcodes on government-issue IDs from U.S. and Canadian jurisdictions designed to improve the customer experience for the financial, hospitality and retail sectors.

Figure 5. Intellicheck Mobilisa, Inc. - Current Served Markets

- Financial
 - Fraud prevention
 - Credit card application
- Hospitality
 - Fraud prevention
 - Hotel check-in
 - Customer loyalty application
- Homeland Security
 - Transportation Worker Identity Credential (TWIC)
 - Facility access control
 - Instant threat assessment
- National Defense
 - Military base access control
 - Instant threat assessment
- Law Enforcement
 - Mobile field identification
 - Officer and citizen safety
 - Instant threat assessment
- Retail
 - Credit card application
 - Fraud prevention
 - Age verification
 - Customer loyalty application
 - Rental car market

Sources: Company Reports and Joseph Gunnar estimates

Intellicheck plans to expand the business by pursuing a research and development strategy designed to move their technologies into new product markets that are expected to benefit from enhanced safety, regulatory compliance and fraud prevention. The Company anticipates extending their technologies into the healthcare and first responder spaces and to online applications to provide enhanced safety, regulatory compliance and fraud prevention for the billions of transactions that occur there each day.

As a complement to these new offerings, Intellicheck is also developing a data analytics platform to analyze the data we capture and to provide meaningful data, trend and predictive analysis to a variety of customers in the commercial and government spaces. Intellicheck sold the wireless enterprise assets on August 31, 2015 in order to focus the company resources on the core identity authentication business.

Intellicheck primary businesses include Identity Systems products, which include commercial applications of identity card reading and verification and government sales of defense security and identity card applications.

Intellicheck technologies address problems such as:

Commercial Fraud and Risk Management - which may lead to economic losses to merchants from check cashing, debit and credit card, as well as other types of fraud such as identity theft that principally use fraudulent identification cards as proof of identity.

Instant Credit Card Approval -retail stores uses Intellicheck technology to scan a driver license at a kiosk or at the Point Of Sale (POS) and send the information to a credit card underwriter to get instant approval for a loyalty-branded credit card. This technique protects consumer data and is significantly more likely to result in a completed transaction compared to in-store personnel asking customers to fill out a paper form.

Unauthorized Access - Intellicheck systems and software are designed to increase security and deter terrorism at airports, shipping ports, rail and bus terminals, military installations, high profile buildings and infrastructure where security is a concern.

Inefficiencies Associated With Manual Data Entry - by reading encoded data contained in the bar code and magnetic stripe of an identification card with a quick swipe or scan of the card, where permitted by law,

customers are capable of accurately and instantaneously inputting information into forms, applications and the like without the errors associated with manual data entry.

Products and Services

Intellicheck products and services are sold as Software as a Service (SaaS) where customers pay for cloud based service. The Identity Systems are marketed to the Commercial and Government identification sectors.

Figure 6. Intellicheck Mobilisa, Inc. – Products and Benefits

	ACCESS ID®	<i>Enhance security, simplify access management</i>
	AGE ID™	<i>Ensured compliance reduces risk</i>
	ANALYTICS ID™	<i>Provides easy to use trend analysis dashboards that deliver advanced decision support.</i>
	DEFENSE ID®	<i>Enhance security while managing visitor access with ease</i>
	GUEST ID®	<i>Better customer service, faster check-in</i>
	LAW ID®	<i>Increased officer safety plus faster, more accurate reporting</i>
	RETAIL ID®	<i>Enhanced customer service, increased conversions, reduced fraud</i>
	TWIC ID®	<i>Enhanced security plus easy access control</i>

Sources: Company Reports and Joseph Gunnar estimates

Commercial Identification

ID√Check® Family – The patented ID√Check® technology is a document verification software. The ID√Check® technology is embedded in many of their product lines including Retail ID™, Law ID™, Defense ID®, Age ID™, Guest ID™, Access ID™ and TWIC ID™. It is capable of reading and verifying in a swipe or scan the encoded format contained on U.S. and Canadian driver licenses, state issued non-driver identification cards, and military IDs.

ID√Check® software does not require a connection to a central database to operate, thus negating privacy concerns. The ID√Check® software applications can check if the format of the document is valid, if the document has been altered, if the document has expired and if the person presenting the document can purchase age restricted products.

Government Identity Systems

Product Enhancement. With the success of Defense ID® in the military and government industry sectors, Intellicheck has enhanced their product line to support other entities such as law enforcement, port security and commercial installations.

TWIC Program. The TWIC program continues to undergo testing for final rules regarding the reader technology. Intellicheck was on the first list of ICE readers and will continue to provide its software on additional hardware platforms to address the unique needs of each port. Intellicheck has combined Defense ID® and TWIC reader applications to provide customers with the benefits of each product in a single device and are the first company to have readers listed on the TSA's QTL (Qualified Technology List).

Intellectual Property

Intellicheck currently holds twenty-two U.S. patents, two Canadian patents and one United Kingdom patent. At present, Intellicheck has other patent applications pending in the U.S. Patent and Trademark Office as well as internationally. These patents cover commercially important aspects of our capabilities relating to the authentication and verification of identification documents, and relating to our Defense ID® System technology. Intellicheck will continue to pursue patents for all of our new technologies arising from their research and development efforts.

Target Industry Sectors

Commercial Identity Systems

Intellicheck has witnessed the increased use of false identification cards to engage in commercial fraud, to gain access to unauthorized areas and to gain entry to critical infrastructure. Since merchants are facing significant economic losses due to these frauds, Intellicheck believes that customers need is a document verification system that can accurately read the electronically stored information. Intellicheck targets the industry sectors that would most benefit from their systems and software.

Figure 7. Intellicheck Mobilisa, Inc. – Target Industries and Current Customers

- Retail
 - Retail ID™
 - Neiman Marcus, Target, Kohl's, Helzberg Diamonds, Capital One, AT&T
 - Retail ID Mobile®
 - New Product in May 2016 – Already signed Saks and Barneys New York
- Law Enforcement
 - Law ID™ (new product)
 - *Law and Order Magazine* named Law ID as Top Public Safety App in 2016
- Defense
 - Defense ID® - On 23 bases and rolling-out to new military customers
 - TWIC ID™ - at 16 ports
- Hospitality
 - Age ID™ (new product)
 - Exclusive partner to ABL (American Beverage Licensees)
 - Gaining good traction in market place
 - Guest ID™ (new product)
 - Partnered with SkyTouch (Choice Hotels) and have completed integration

Sources: Company Reports and Joseph Gunnar estimates

Government Identity Systems

Intellicheck Defense ID® system is tailored to locations that validate identification cards as a means of access. Historically, the military sector has been the primary focus, followed closely by Sea Ports, Oil Refineries and the law enforcement sector. Military bases, for example, are an ideal location for the use of the Defense ID® system because individual ID cards are checked prior to allowing base access and, in most cases, bases issue visitor/vendor passes to individuals needing access that do not possess a military ID.

Because Defense ID® is customizable, it can be used in many different environments. The information provided via instant access to multiple law enforcement databases proves invaluable to gate officers and law enforcement personnel ensuring the security of a facility.

Customers

Commercial Identity Systems

Intellicheck has generated revenues from customers from the sale of systems, licensing of software and sale of software upgrades. Representative customers that have used or are using Intellicheck systems and software for commercial fraud protection and productivity enhancement include Fidelity Information Services, MGM Grand, Caesar's Palace, and Enterprise.

Government Identity Systems

Intellicheck has generated revenue from customers from the sale of systems, licensing of software and sale of extended service agreements. Representative customers that have used or are using Intellicheck systems and software for security and identification purposes include the U.S. Airforce Academy, Fort Wainwright and Andrews AFB.

Although the composition of Intellicheck largest customers has changed from year to year, a significant portion of revenues have been attributable to a limited number of major customers. In 2015, the top ten customers accounted for approximately 59% of total revenues. In 2014, the top ten customers accounted for approximately 44% of total revenues.

Competition

Intellicheck competes in an industry that is intensely competitive and rapidly changing. Unless a device can read, decode and analyze all of the information that is legally permitted to be analyzed, which is electronically stored on a driver license, the user may not obtain accurate and reliable confirmation that a driver license is valid and has not been altered or tampered with. ID√Check® units, which can read bar codes, are at a competitive advantage because all states and Canadian provinces currently utilize bar codes to encode their driver licenses, as well as all U.S. military IDs and uniformed services cards.

In the government identity sector, there are several companies, including MorphoTrust USA, EID Passport and HID Global that are currently offering products that compete with the Defense ID® system. Several of Intellicheck competitors are also customers. The U.S. government also has DBIDS and AIE that compete with Intellicheck products. Motorola and Honeywell are offering an embedded driver's license reading solution on a tether scanner. Intellicheck will continue to experience increased competition in the document verification sector.

Marketing and Distribution

Commercial Identity Systems

Intellicheck objective is to become the leading developer and distributor of document and age verification products. To date, marketing efforts have been through direct sales by sales and marketing personnel, through resellers and license agreements. Intellicheck markets their products through direct marketing approaches such as web marketing, a small number of select trade shows and well known public interest and trade associations.

Intellicheck generates revenues from the licensing of software and the selling of bundled solutions that contain hardware and software. The bundled solutions are sold as a Software as a Service (SaaS).

The ID√Check® software is available to customers via the cloud (SaaS) and available for Microsoft Windows and Windows Mobile platforms in addition to devices such as credit card terminals and other operating systems such as Linux. Intellicheck is marketing the ID√Check® technology to the government, airlines,

airports, high profile buildings or infrastructure, mass merchandisers, grocery, convenience and pharmacy chains, casinos and banks.

Government Identity Solutions

When dealing with military and government entities, Intellicheck must comply with applicable procurement regulations. In addition to sole source awards, Intellicheck also respond to Requests for Proposal ("RFPs") and Requests for Qualifications ("RFQs") when their technological capabilities meet that of the desired system.

Worldwide Identity and Access Management Forecast

Identity and access management (IAM) has always been a market somewhat separate from the rest of security because it is much more about "letting the good guys in" than it is about "keeping the bad guys out." Enterprises will find out that these are two sides of the same coin. The increasing popularity of user behavior analytics and dynamic authentication combine to allow for the coveted two sided approach. This recognition can be both lucrative and risky for traditional IAM vendors that must not only compete with traditional players in the space but also with vendors in other areas — most notably intrusion detection and security information and event management submarkets.

Meanwhile, the traditional IAM solutions in user provisioning, multifactor authentication, and single sign-on (SSO) submarkets are consolidating as distributed architectures, and strong standards allow enterprises to select a single vendor for the bulk of its IAM needs.

To remain competitive, IAM vendors must continue to integrate their solutions into suites while providing additional value-add in terms of user behavior analytics, dynamic authentication, and strong authentication. In addition, they must consider how privileged access management (PAM) and cloud based solutions will affect their positions.

Identity and access management vendors like Intellicheck are looking toward real time, dynamic use cases and supporting new architectures to differentiate their solutions.

Technology Suppliers

IAM vendors must recognize that the identity management space appears lucrative in the eyes of other vendors and, therefore, must evaluate nontraditional competitors to ensure that they are positioned for future success.

Submarkets are collapsing quickly as new distributed architectures along with existing standards make it easier to tie together technical components such as strong authentication, single sign-on, and user provisioning. In addition, newer functionality like dynamic authentication and user behavior analytics can span product categories.

The cloud is coming but not in its purest, whitest form. The IT version will actually be a mass of storm clouds that vendors will need to navigate. Keep in mind that the datacenter is still the ship to large enterprises, and there is no sign of it disappearing, so integration between newer cloud technologies and older on-premise systems is key.

Compliance has always been a driver for security spending, but its limitations are becoming noticeable. Vendors must recognize the shift toward risk and particularly insider threat as a potential driver of enterprise requirements.

Market Forecast

The future of identity and access management can be characterized as one of market collision and evolution as companies look to adopt third-party platform technologies and architectures.

IDC forecasts, Identity and access management revenue to grow at a CAGR of 8% by 2019. IAM product and SaaS sales are benefiting from a strong focus on internal policy enforcement, especially context-driven identity.

Figure 8. Worldwide Identity and Access Management Revenue by Submarket, 2014-2019E (\$M)

	2014	2015	2016	2017	2018	2019	2014-2019 CAGR (%)
Single sign-on	2,051	2,232	2,429	2,646	2,860	3,087	9
Authentication	1,609	1,753	1,909	2,076	2,251	2,438	9
Provisioning	768	819	874	930	988	1,046	6
Privileged access	436	490	547	604	662	721	11
Legacy authentication	188	177	166	156	147	138	(6)
Total	\$5,052	\$5,470	\$5,925	\$6,413	\$6,907	\$7,430	8%

Sources: IDC and Joseph Gunnar estimates

Demand for IAM solutions remains high; however, newer distributed architectures, an increasing adherence to standards, and integration of new capabilities into native platforms are all driving the market slightly lower and forcing vendors to find new ways to differentiate.

Drivers and Inhibitors

Drivers

Insider Threat

Assumption: The threat pendulum is swinging back toward insider concerns in enterprises. Whether or not actual insiders are identified as a threat for acting maliciously or compromised accounts are identified as a key part of the attacker kill chain, strengthening the identity validation process and monitoring user activity is a priority issue.

Impact: Organizations are still working on enterprise wide strategies for provisioning, single sign-on, and most importantly multifactor authentication. In addition, user behavior analytics is on the horizon of adding context to user sessions. There is still a lot of work to be done in enterprises, and vendors will benefit.

Privileged Access Management

Assumption: Privileged access management is still on the minds of enterprises as they defend against credential theft and other account compromise. The focus on shared accounts and partner access continues to drive the need. Furthermore, the architecture lends itself to broader use as user activity monitoring and dynamic authentication become more popular.

Impact: The privileged access management space continues its strong growth. Vendor decisions in the next couple of years will make or break the opportunity for success as the need increases but also overlaps with other product categories.

Inhibitors

Microsoft

Assumption: Microsoft continues to enhance its identity management offerings, especially with its Azure AD Premium cloud-based solution. With strong enterprise momentum behind Office 365, the company is also successfully changing its active directory story from device-oriented group policy management to user-oriented identity management.

Impact: Most immediately, the pure-play, cloud-oriented, single sign-on providers must strengthen their positioning against the Microsoft story by focusing on either user constituencies (consumers, partners, etc.), functional differentiation, or industry alignment. Major suite vendors must continue to build out their integration capabilities.

Strong Authentication

Assumption: Hardware tokens for remote access via enterprise VPNs along with the mainstay use case for the strong authentication market are no longer a strategic need for enterprises. Newer software-based solutions, typically offered on smartphones, are becoming the de facto standard for strong authentication. Moreover, with the smartphone also replacing the need for specialized biometric capture/input devices, its value proposition is ensured.

Impact: Hardware tokens won't disappear overnight, but fewer and fewer contracts will be renewed. Meanwhile, cheaper tokens and wearable devices will blur the lines a bit. However, even while demand for strong authentication increases, decreasing per-user prices amidst commoditization will add some drag.

Market Share

Worldwide revenue for the identity and access management market reached \$5.1 billion in 2014, up from \$4.7 billion in 2013. We anticipate that the overall market will increase to \$7.4 billion in 2019. Market drivers include the convergence of mobility, social networking, big data analytics, and an increasing demand for the cloud and SaaS delivery of traditional IT software and services.

Figure 9 shows worldwide revenue for 2013 and 2014 and the growth and market share of 2014 for identity and access management vendors.

Figure 9. Worldwide Identity and Access Management Revenue by Vendor, 2013 and 2014 (\$M)

	2013	2014	2013 Share (%)	2014 Share (%)	2013–2014 Growth (%)
IBM	578	616	12.4	12.2	7
EMC	528	586	11.3	11.6	11
Oracle	499	510	10.7	10.1	2
CA Technologies	437	427	9.3	8.5	(2)
Gemalto	376	411	8.1	8.1	9
Symantec	342	332	7.3	6.6	(3)
Micro Focus	188	203	4	4	8
Dell	158	176	3.4	3.5	12
Datacard	89	96	1.9	1.9	8
CyberArk Software	61	87	1.3	1.7	41
Subtotal	3,256	3,444	69.7	68.2	6
Other	1,419	1,608	30.3	31.8	13
Total	\$4,674	\$5,052	100	100	8%

Sources: IDC and Joseph Gunnar estimates

Market Leaders

The market leaders offer comprehensive portfolios of IAM and IAM SaaS offerings for their customers.

We see the following differentiators among them:

IBM continues to capitalize on its appliance strategy, which makes its suite appear more flexible and easier to implement.

EMC has strong growth but will face significant challenges if it doesn't solidify its single sign-on offering.

Gemalto bought SafeNet in August 2014, so it inherits the combined revenue. However, as with EMC, the jury is still out on whether the company can combine disparate SSO offerings into a cohesive solution.

CyberArk is growing significantly faster than its submarket, highlighting its dominance of that area. However, competition is heating up, and the company will need to figure out how to expand into a market dominated by much larger competitors.

Market Developments

The market continues its drive toward consolidation with major players supporting key standards and integrating strong authentication, single sign-on, and provisioning capabilities into suites.

Multifactor authentication continues to grow in demand, but the move to software solutions (e.g., smartphone apps) and new entrants into the market are driving prices down and offsetting traditional upside potential.

Privileged access management continues to grow at a healthy rate. Use cases remain disparate with niche opportunities available; however, monitoring sensitive accounts — particularly third-party access — will drive the market and create newer, broader opportunities for PAM architectures to be deployed for all users.

User behavior analytics and dynamic authentication will become a key battleground as vendors from other security markets vie for attention. Integration of capabilities into existing processes will determine the outcome.

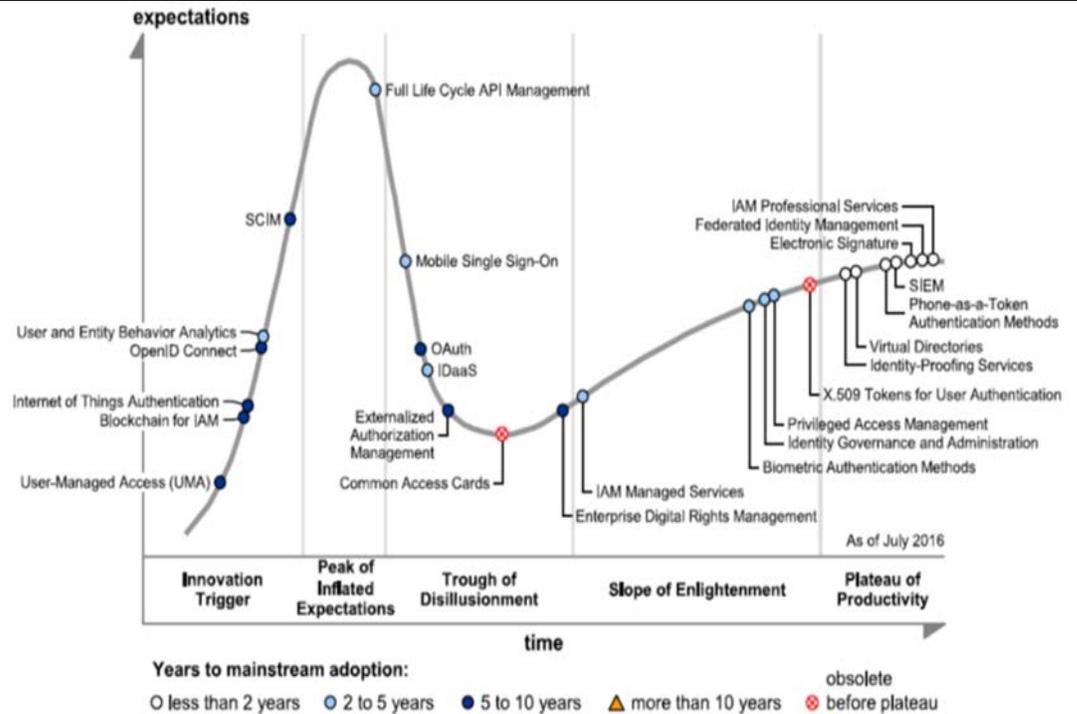
Identity and Access Management Market Trends

IAM is an information security and risk discipline, and it is set of processes and technologies that manage the identities and entitlements of people, services and things, and the relationships among them. It provides the right access for the right reasons, enabling the right interactions at the right time, to help drive business outcomes.

Electronic signature products and services have proven their business value in the marketplace. IAM professional services has seen broad adoption, and use of these services is particularly prevalent for strategy, process analysis, design and identity governance, and administration (IGA) tool implementations.

Security information and event management (SIEM) has been deployed widely for threat identification and prevention use cases. While SIEM's direct value for IAM use cases is not often realized, SIEM provides data collection capabilities that can be used by more advanced analytical tools, such as user and entity behavior analytics (UEBA), to identify potential breaches enabled by compromised privileged accounts. Privileged access management (PAM) technologies have continued to penetrate the market to help prevent breaches and provide better visibility and control for privileged access.

Figure 10. Adoption Cycle of Identity and Access Management Technologies



Sources: Gartner and Joseph Gunnar estimates

Phone-as-a-token authentication methods continued to have a strong adoption trend due to increased mobile device presence as well as their advantages over legacy hardware tokens. However, out-of-band SMS and voice modes are being eroded, while mobile push methods are on the rise. Federated identity management, particularly SAML-based identity federations, is mainstream and widespread SaaS usage has spurred federation technology's market growth. IAM as a service (IDaaS) is moving rapidly through the adoption cycle as more organizations realize rapid time to value, albeit mostly for "lightweight" functional requirements that don't include in-depth identity governance needs.

System for Cross-Domain Identity Management (SCIM) advanced because prevalent SaaS providers began to support the standard. Vendors have begun to support OpenID Connect in their access management products and services, although interoperability testing is in its early days and implementations are relatively rare. User managed access (UMA) had its first production implementations during the last year.

Figure 11. Priority Matrix for Identity and Access Management Technologies

benefit	years to mainstream adoption			
	less than 2 years	2 to 5 years	5 to 10 years	more than 10 years
transformational				
high	Electronic Signature Federated Identity Management IAM Professional Services Identity-Proofing Services	Full Life Cycle API Management IDaaS Identity Governance and Administration User and Entity Behavior Analytics	Blockchain for IAM Internet of Things Authentication	
moderate	Phone-as-a-Token Authentication Methods SIEM Virtual Directories	Biometric Authentication Methods IAM Managed Services Mobile Single Sign-On Privileged Access Management	Enterprise Digital Rights Management Externalized Authorization Management OAuth OpenID Connect SCIM User-Managed Access (UMA)	
low				

As of July 2016

Sources: Gartner and Joseph Gunnar estimates

IAM technologies are predominantly infrastructure technologies. They are implemented to support one or more business process improvements or compliance initiatives. For this reason, many of the business benefits from IAM adoption are indirect. The ability to deliver accountability and transparency of access to the business remains important. However, IAM has a significant opportunity to deliver direct business value by enabling easy, lower-cost, risk-managed interactions with partners and customers.

Technologies that have seen mainstream penetration, such as federated identity management and IAM professional services, have repeatedly demonstrated their impact and value. So have technologies with anticipated mainstream adoption in two to five years, such as IDaaS and IGA. Early phase technologies, such as Internet of Things authentication and blockchain technologies for IAM applications, hold great promise, but have a long way to go to be proven.

Competitive Positioning for Identity and Access Management

Gartner forecast that by 2020, 40% of identity and access management (IAM) purchases will use the identity and access management as a service (IDaaS) delivery model - up from less than 20% in 2016.

A vendor in the IDaaS market delivers a predominantly cloud-based service in a multitenant or dedicated and hosted delivery model. The service brokers a set of functionality across multiple IAM functions - specifically, identity and governance administration (IGA), access enforcement, and analytics functions - to target systems on customers' premises and in the cloud.

Competitive vendors must provide a baseline level of functionality in all of the following IAM functional areas:

IGA: At a minimum, the vendor's service is able to automate synchronization of identities held by the service or obtained from customers' identity repositories to target applications and other repositories. The vendor also must provide a way for customers' administrators to manage identities directly through an IDaaS administrative interface, and allow users to reset their passwords.

Access: Access includes user authentication, single sign-on (SSO) and authorization enforcement. At a minimum, the vendor provides authentication and SSO to target applications using web proxies and federation standards. Vendors also may offer ways to vault and replay passwords to get to SSO when federation standards are not supported by the applications.

Identity log monitoring and reporting: At a minimum, the vendor logs IGA and access events, makes the log data available to customers for their own analysis, and provides customers with a reporting capability to answer the questions, "Who has been granted access to which target systems and when?" and "Who has accessed those target systems and when?"

The IDaaS market remains roughly split between two styles of offerings.

Web-centric IDaaS providers support web and mobile architected application targets in the cloud or on customers' premises. Web-centric IDaaS providers generally have strengths in multifactor authentication and SSO. Offerings tend to support the basic user administration, self-service and identity synchronization aspects of IGA, but lack legacy application connector support, and customizable multilevel approval workflow and governance features, such as access certification, role mining and role life cycle management, and segregation of duties violation detection. Web-centric IDaaS usually deploys rapidly because the services are designed to be multitenant, and customization and legacy integration requirements are not the primary design goals.

Legacy, full-featured IDaaS providers have services that were developed to support web applications on-premises and in the cloud, as well as legacy applications. More IGA connectors are available for legacy applications, and customizable approval workflows are supported. More of these vendors also provide governance features, such as access certification, role mining and role life cycle management, and detection of segregation of duties violations. Legacy supporting implementations can be deployed rapidly, but will generally take longer and be more costly, because the more advanced IGA features they support are needed by larger organizations, often from regulated industries and with complex requirements. Also, customized IGA implementations often need implementation support from system integrators.

Over the next four years, the "fuzzy" dividing line will continue to blur as web-centric IDaaS providers deliver more IGA features that are good enough for more organizations.

Figure 12. Magic Quadrant for Authentication



Sources: Gartner and Joseph Gunnar estimates

The market is mature, with several vendors offering products that have been continuously offered during the past three decades (although ownership has changed over that time). However, new methods and vendors continue to emerge, with the most rapid growth occurring within the past decade in response to the changing market needs for different trade-offs among trust, user experience (UX) and total cost of ownership (TCO).

The greater adoption of user authentication over a wider variety of use cases, the impact of mobile, cloud and big data analytics, and the emergence of innovative methods continue to be disruptive.

There are more than 250 vendors offering some kind of stand-alone user authentication product or service, although only approximately 100 of these might be commercially viable, and perhaps fewer than 50 vendors have offerings that we would consider to be credible choices for enterprise clients. Gartner's Magic Quadrant depicts the 14 vendors with the most significant market presence by number of customers or number of end users served. The largest vendors in this Magic Quadrant account for the majority of the market by customer and end user numbers.

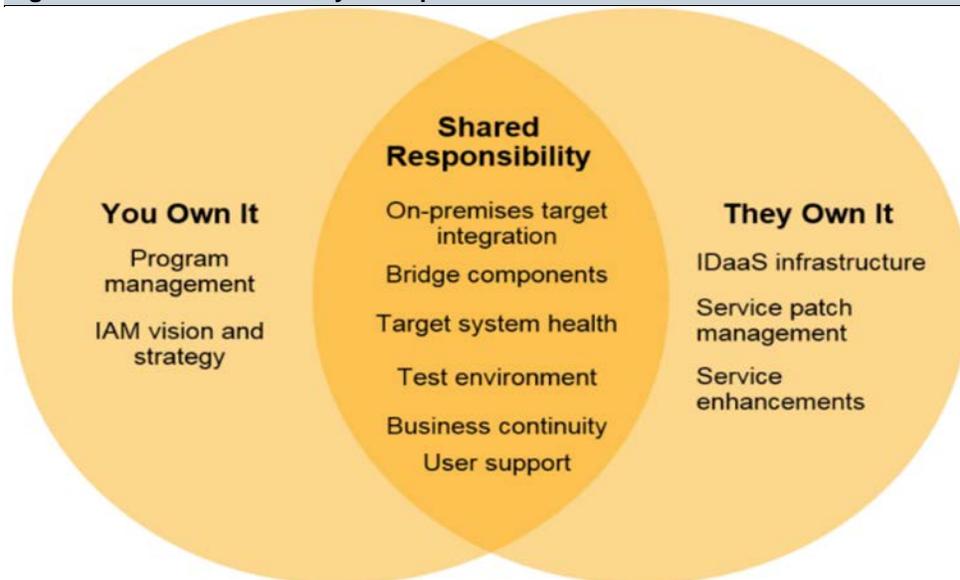
IDaaS, evolution of the opportunity

Growth in the identity and access management as a service (IDaaS) market is expected to outpace that in the overall identity and access management (IAM) market. This is in large part to increased adoption of SaaS and platform as a service (PaaS) computing models. Compared with even a few years ago, the IDaaS market is much more competitive, varied and diverse. Longstanding players, such as CA Technologies (CA), Okta, OneLogin and Ping, compete with new entrants, including broader platform vendors (such as Microsoft and Salesforce) and providers with an integrator background. This will put pressure on IDaaS pricing in the next few years, changing the competitive dynamics of both the cloud and on-premises IAM markets.

The IDaaS market is still in its early stages, but will carry on, growing rapidly. Gartner estimates that, over the next five years, the average annual growth rate in the IDaaS market will be 37%, compared with 8% for the overall IAM market. Authentication as a service is a simple function to deliver compared with multifunction IDaaS. Estimated total spend on multifunction IDaaS was almost \$300 million in 2014, and Gartner expects it to exceed \$1 billion by year-end 2018.

Figure 13 shows the responsibilities that are primarily the IDaaS vendor's, the buyer's or are shared between the vendor and buyer. Figure highlights the cost categories that organizations should analyze in total when comparing the organization's own costs for managing current or planned on-premises software implementations versus IDaaS. Many of these costs are for labor. Organizations should consider fully burdened labor costs, including recruitment, training, salaries and benefits.

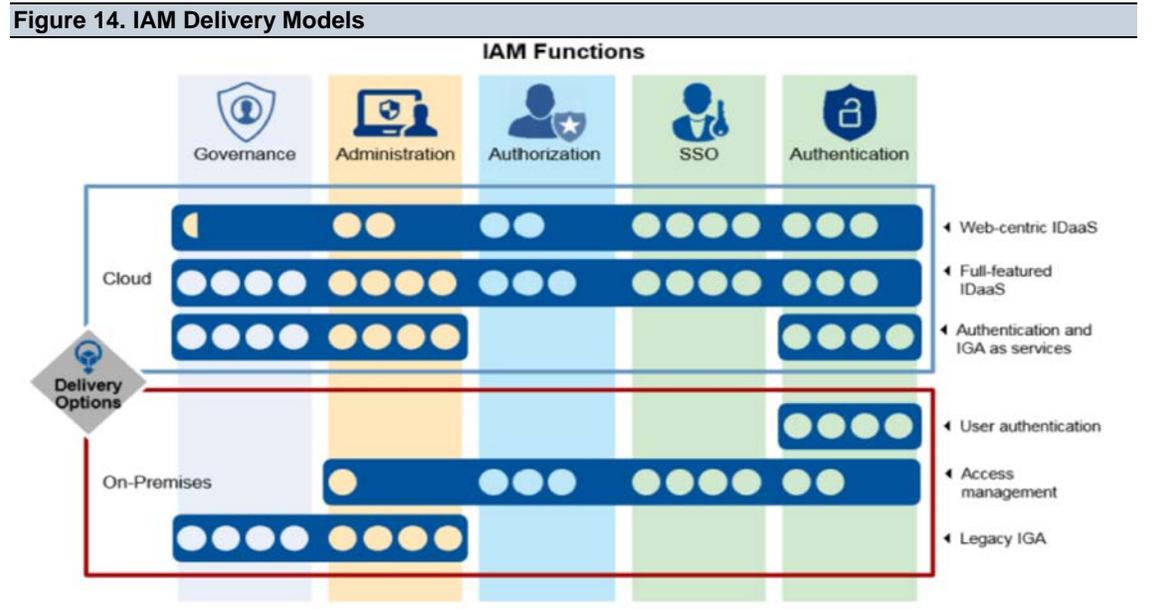
Figure 13. Vendor Versus Buyer Responsibilities for IDaaS



Sources: Gartner and Joseph Gunnar estimates

Buyers believe they can reach their IAM goals more rapidly by going with IDaaS. This has been proved, although mostly for web-centric application use cases that don't require the full features of a traditional IAM software stack, particularly identity governance and administration (IGA). Buyers should expect faster implementation times with IDaaS than with on-premises deployments. This also applies, but less so, to full-featured IDaaS and projects that include legacy applications and functional depth requirements for IGA. IDaaS vendors know their solutions, and have worked to streamline implementation and operations. However, these more-complex projects can still require significant time and money to implement, and customization demands are a common cause of prolonged projects and cost increases.

Figure 14 depicts the set of core IAM functions, the common set of cloud and on-premises IAM delivery models, and the extent to which the typical, cloud-based market offerings can deliver IAM functional depth found in traditional IAM software stacks that have been deployed on-premises.



Sources: Gartner and Joseph Gunnar estimates

The IDaaS solutions market is composed of many startups that often specialize in IAM. This is in contrast to the traditional on-premises IAM market, which is dominated by big providers such as IBM, Oracle, CA and Microsoft, which offer products that span the security and IT space. But growing interest in cloud-based IAM, and the sheer numbers of smaller players in the market, have resulted in a recent spate of mergers and acquisitions (M&As) and market consolidation, which has now peaked. Many IAM providers are less likely to acquire in this space as a result of prior acquisitions or internal development of their own IDaaS capabilities.

Financials

Total revenues for 2015 were 6% higher in fiscal year 2015 as compared to fiscal year 2014. The increase in the Identity Systems revenues in 2015 is a result of increased commercial identity sales. The decrease in Other revenues in 2015 is a result of reduced wireless installation projects and the sale of the wireless assets on August 31, 2015.

Figure 15. Intellicheck Mobilisa, Inc. – Segment Results

	Year ended December 31,		
	2015	2014	% Change
Identity Systems	\$ 6,646,000	\$ 5,650,000	18%
Other	369,000	963,000	-61%
	<u>\$ 7,015,000</u>	<u>\$ 6,613,000</u>	<u>6%</u>

Sources: Company Reports and Joseph Gunnar estimates

Backlog at the end of 2015, which represents non-cancelable sales orders for products not yet shipped and services to be performed, was approximately \$339,000. The backlog consists of Defense ID® contracts and commercial sales orders. Backlog at the end of 2014 was approximately \$530,000.

Gross profit increased by \$158,000 or 4% to \$4,008,000 for the year ended December 31, 2015 from \$3,850,000 in the year ended December 31, 2014. Gross profit, as a percentage of revenues, was 57% and 58% in 2015 and 2014, respectively. The decrease in percentage in 2015 is due to increased sales of a particular type of equipment to a commercial customer that has a lower margin.

Operating expenses, which consist of selling, general and administrative and research and development expenses increased by \$2,201,000 or 30% to \$9,489,000 for the year 2015 from \$7,288,000 for, 2014. Selling expenses increased 6% to \$1,450,000 for the year 2015 from \$1,374,000 for the year 2014, principally as a result of increased salaries due to the hiring of sales representatives. General and administrative expenses increased 33% to \$5,444,000 for the year 2015 from \$4,091,000 for the year 2014, principally as a result of an amortization of the covenant not to compete, higher costs for stock-based compensation for stock options and restricted stock units issued during the year. Research and development expenses increased 42% to \$2,595,000 for the year 2015 from \$1,823,000 for the year 2014, principally as a result of the utilization of a specialized consulting firm for certain projects beginning the second quarter.

Figure 16. Intellicheck Mobilisa, Inc. – Selected Financial Data

	Years ended December 31,				
	2011	2012	2013	2014	2015
<i>(in thousands)</i>					
Statement of Operations:					
Revenue	\$12,484	\$8,803	\$7,298	\$6,613	\$7,015
Loss from operations	(282)	(2,261)	(2,424)	(7,645)	(5,480)
Net loss	(291)	(2,260)	(2,424)	(7,644)	(5,334)
Balance Sheet Data:					
Cash and cash equivalents	\$1,394	\$1,686	\$224	\$2,966	\$5,953
Working capital	1,984	744	(720)	1,880	5,659
Total assets	22,945	20,461	17,902	15,814	18,473
Total liability	3,190	2,782	2,546	2,666	2,146
Stockholders' equity	19,755	17,679	15,356	13,148	16,326

Sources: Company Reports and Joseph Gunnar estimates

As of December 31, 2015, Intellicheck had cash and cash equivalents of \$5,953,000, working capital of \$5,659,000, total assets of \$18,473,000 and stockholders' equity of \$16,326,000.

Cash used in operating activities was \$4,436,000 in 2015 as compared to cash used in operating activities of \$2,374,000 in 2014. The increase in cash used in operations in 2015 is primarily a result of increase in the net loss. Cash generated in financing activities was \$7,601,000 in 2015 compared to \$5,247,000 in 2014.

Management

Michael D. Malone, Chairman: From November 2004 to February 2011, Michael D. Malone was the President of Skarven Enterprises. The Boeing Company acquired Skarven in December 2008. Until February 2011, Admiral Malone stayed with Skarven as a part of transition management team. He serves as a technical advisor and consultant to Pequote Capital – a venture capitalist and Environmental Tectonics Corporation. Several due diligence projects in support of Pequote investments and acquisitions are conducted by him and has developed a government marketing strategy for ETC. Admiral Malone, has served 34 years in US navy before joining Skarven. He graduated in 1970 from the United States Naval Academy. His graduate education includes the Navy Nuclear Propulsion Program, and studies at the National Defense University, Harvard University, and The George Washington University.

William Roof, CEO: William Roof, Ph D joined Intellicheck as CEO in October 2014. Prior to Intellicheck, he was CTO at Techflow Inc., where he managed technology incubator division focusing on big data analytics technology, energy and law enforcement technology for commercial and governmental segments. Dr. Roof served as VP of Research and Product development at IntelliDOT Corp. from 2004 to 2009. At earlier stages, Dr. Roof was in roles like VP R&D at Cardinal Health's Pyxis Division, Program Manager at SAIC, Lear Siegler and Senior systems Engineer at Litton Industries. Dr. Roof served in military in both the Army and Navy and retired as a Captain from naval intelligence. In 2001, 2002 and 2003, Dr. Roof served in the Middle East at Operations Noble Eagle, Enduring Freedom and Iraqi Freedom. He earned a BS in engineering from United States Military Academy at West point, an MBA from Loyola Marymount University and PhD in software engineering from United States Naval Post graduate school.

Bill White, CFO: Bill White has around 30 years' experience in business development, financial management and operations. He was the Cofounder, CFO secretary and Treasurer of Focus Micro Inc. He played an important role on growing FM's annual revenue to \$36 million in 5 years. Prior to cofounding FM, he was in various financial roles in the government for 15 years. Mr. White has a BA degree in Business Administration from Washington State University and a Certified Fraud Examiner.

Figure 17. Intellicheck Mobilisa, Inc.—Income Statement, 2013-2016E

	Mar-13	Jun-13	Sep-13	Dec-13	2013	Mar-14	Jun-14	Sep-14	Dec-14	2014	Mar-15	Jun-15	Sep-15	Dec-15	2015	Mar-16	Jun-16	Sep-16	Dec-16	2016E	
	1Q13	2Q13	3Q13	4Q13		1Q14	2Q14	3Q14	4Q14		1Q15	2Q15	3Q15	4Q15		1Q16	2Q16E	3Q16E	4Q16		
Revenues	1,632,875	1,720,501	2,578,863	1,366,298	7,298,537	1,092,049	1,197,041	3,218,344	1,105,622	6,613,056	987,127	2,291,570	2,199,473	1,536,495	7,014,665	950,668	1,000,000	1,300,000	2,000,000	2,000,000	5,250,668
Cost of Goods Sold	738,326	760,057	797,488	477,113	2,772,984	362,647	447,812	1,202,760	750,213	2,763,432	392,162	1,250,746	803,484	559,967	3,006,359	163,042	370,000	481,000	740,000	740,000	1,754,042
% of revenues	45.2%	44.2%	30.9%	34.9%	38.0%	33.2%	37.4%	37.4%	67.9%	41.8%	39.7%	54.6%	36.5%	36.4%	42.9%	17.2%	37.0%	37.0%	37.0%	37.0%	33.4%
Gross Profit	894,549	960,444	1,781,375	889,185	4,525,553	729,402	749,229	2,015,584	355,409	3,849,624	594,965	1,040,824	1,395,989	976,528	4,008,306	787,626	630,000	819,000	1,260,000	3,496,626	
Gross Margin	54.8%	55.8%	69.1%	65.1%	62.0%	66.8%	62.6%	62.6%	32.1%	58.1%	60.3%	45.4%	63.5%	63.6%	57.1%	82.8%	63.0%	63.0%	63.0%	63.0%	66.6%
Research and development	507,734	611,612	472,711	464,687	2,056,744	430,523	443,831	453,022	495,771	1,823,147	495,938	680,815	692,310	725,615	2,594,678	919,456	700,000	400,000	400,000	400,000	2,419,456
% of revenues	31.1%	35.5%	18.3%	34.0%	28.2%	39.4%	37.1%	14.1%	44.8%	27.6%	50.2%	29.7%	31.5%	47.2%	37.0%	96.7%					46.1%
Selling, general and administrative	1,307,858	1,267,408	1,292,941	1,025,014	4,893,221	1,208,707	1,406,847	1,234,876	1,614,216	5,464,646	1,426,290	1,578,255	2,083,137	1,806,155	6,893,837	2,016,776	1,600,000	1,200,000	1,200,000	1,200,000	6,016,776
% of revenues	80.1%	73.7%	50.1%	75.0%	67.0%	110.7%	117.5%	38.4%	146.0%	82.6%	144.5%	68.9%	94.7%	117.6%	98.3%	212.1%	160.0%	92.3%	60.0%	60.0%	114.6%
Goodwill Impairment	-	-	-	-	-	-	-	-	4,207,000	4,207,000	-	-	-	-	-	-	-	-	-	-	-
Total OpEx	1,815,592	1,879,020	1,765,652	1,489,701	6,949,965	1,639,230	1,850,678	1,687,898	6,316,987	11,494,793	1,922,228	2,259,070	2,775,447	2,531,770	9,488,515	2,936,232	2,000,000	2,000,000	2,000,000	2,000,000	8,436,232
% of revenues	111.2%	109.2%	68.5%	109.0%	95.2%	150.1%	154.6%	52.4%	571.4%	173.8%	194.7%	98.6%	126.2%	164.8%	135.3%	308.9%	200.0%	153.8%	100.0%	100.0%	160.7%
Operating Income	(921,043)	(918,576)	15,723	(600,516)	(2,424,412)	(909,828)	(1,101,449)	327,686	(5,961,578)	(7,645,169)	(1,327,263)	(1,218,246)	(1,379,458)	(1,555,242)	(5,480,209)	(2,148,606)	(1,370,000)	(1,181,000)	(740,000)	(740,000)	(4,939,606)
Operating Margin	-56.4%	-53.4%	0.6%	-44.0%	-33.2%	-83.3%	-92.0%	10.2%	-539.2%	-115.6%	-134.5%	-53.2%	-62.7%	-101.2%	-78.1%	-226.0%	-137.0%	-90.8%	-37.0%	-37.0%	-94.1%
Interest and Other Income	15	-	73	68.0	156	144	382	57	356	939	25,150	4,273	111,661	5,174	146,258	5,115	5,000	5,000	5,000	5,000	20,115
% of revenues	0.0%	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	0.2%	5.1%	0.3%	2.1%	0.5%	0.5%	0.4%	0.3%	0.3%	0.4%
Pre-tax Income	(921,028)	(918,576)	15,796	(600,448)	(2,424,256)	(909,684)	(1,101,067)	327,743	(5,961,222)	(7,644,230)	(1,302,113)	(1,213,973)	(1,267,797)	(1,550,068)	(5,333,951)	(2,143,491)	(1,365,000)	(1,176,000)	(735,000)	(735,000)	(4,919,491)
% of revenues	-56.4%	-53.4%	0.6%	-43.9%	-33.2%	-83.3%	-92.0%	10.2%	-539.2%	-115.6%	-131.9%	-53.0%	-57.6%	-100.9%	-76.0%	-225.5%	-136.5%	-90.5%	-36.8%	-36.8%	-93.7%
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(921,028)	(918,576)	15,796	(600,448)	-2,424,256	(909,684)	(1,101,067)	327,743	(5,961,222)	(7,644,230)	(1,302,113)	(1,213,973)	(1,267,797)	(1,550,068)	(5,333,951)	(2,143,491)	(1,365,000)	(1,176,000)	(735,000)	(735,000)	(4,919,491)
Net Margin	-56.4%	-53.4%	0.6%	-44%	-33.2%	-83.3%	-92.0%	10.2%	-539.2%	-115.6%	-131.9%	-53.0%	-57.6%	-100.9%	-76.0%	-225.5%	-136.5%	-90.5%	-36.8%	-36.8%	-49.8%
EPS	\$ (0.27)	\$ (0.26)	\$ 0.00	\$ (0.17)	\$ (0.70)	\$ (0.21)	\$ (0.22)	\$ 0.07	\$ (1.24)	\$ (1.59)	\$ (0.14)	\$ (0.12)	\$ (0.13)	\$ (0.16)	\$ (0.55)	\$ (0.22)	\$ (0.14)	\$ (0.12)	\$ (0.07)	\$ (0.07)	\$ (0.50)
Shares Outstanding	3,465,533	3,474,449	3,480,170	3,487,183	3,487,183	4,431,589	4,900,330	4,945,807	4,801,059	4,801,059	9,057,326	9,835,927	9,851,764	9,888,367	9,658,346	9,678,318	10,100,000	9,800,000	9,900,000	9,900,000	9,869,580

Sources: Company Reports and Joseph Gunnar estimates

Figure 18. Intellicheck Mobilisa, Inc.—Valuation Comparables, Prices as of 7/31/16*(In USD and millions, except per share data)*

Ticker	Company Name	Stock Price 7/31/2016	% of 52-Week		Shares Out	Market Cap	Enterprise Value	Revenue		EBITDA		EPS	
			High	Low				LTM	CY+1	LTM	CY+1	LTM	CY+1
NYSE:MSI	Motorola Solutions, Inc.	69.38	90.3%	117.3%	174.6	12,113.7	15,163.7	5,665.0	5,984.4	1,253.0	1,560.3	2.98	4.52
NYSE:HON	Honeywell International Inc.	116.33	96.9%	133.7%	760.9	88,512.6	95,750.6	39,106.0	40,319.0	7,978.0	8,420.9	6.32	6.67
DB:A6T	artec technologies AG	6.36	61.9%	243.2%	2.1	13.6	13.3	4.3	4.5	1.1	1.1	0.24	0.24
Catalist:5NK	Artivision Technologies Ltd.	0.02	34.7%	100.0%	1,334.8	25.8	33.1	8.4	NA	(5.5)	NA	(0.01)	NA
OTCPK:ACFN	Acorn Energy, Inc.	0.23	46.9%	323.9%	29.3	6.7	12.1	20.1	NA	(7.6)	NA	(0.36)	NA
SEHK:802	RCG Holdings Limited	0.07	67.9%	238.8%	1,523.7	104.1	29.9	4.4	NA	(3.8)	NA	0.03	NA
AIM:IGE	Image Scan Holdings plc	0.04	83.3%	271.8%	125.6	5.2	4.5	3.2	2.7	(0.5)	(0.8)	(0.00)	(0.01)
OTCPK:MGNT	Meganet Corporation	1.20	100.0%	101.7%	100.0	120.0	120.8	0.1	NA	(0.3)	NA	(0.00)	NA
Max		116.33	100.0%	323.9%	1,523.7	88,512.6	95,750.6	39,106.0	40,319.0	7,978.0	8,420.9	6.32	6.67
Median		0.72	75.6%	186.2%	150.1	65.0	31.5	6.4	2,994.4	(0.4)	780.7	0.01	2.38
Min		0.02	34.7%	100.0%	2.1	5.2	4.5	0.1	2.7	(7.6)	(0.8)	(0.36)	(0.01)
Mean		24.20	72.8%	191.3%	506.4	12,612.7	13,891.0	5,601.4	11,577.7	1,151.8	2,495.4	1.15	2.86

IDN	Intellicheck Mobilisa, Inc.	1.57	71.4%	209.3%	10.2	16.0	11.9	7.0	NA	(5.51)	NA	(0.63)	NA
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Ticker	Company Name	LT Growth Rate (%)	Est. 1 Year Growth (%)		TEV/Revenue			TEV/EBITDA			P/E		
			Revenue	EBITDA	LTM	CY+1	CY+2	LTM	CY+1	CY+2	LTM	CY+1	CY+2
NYSE:MSI	Motorola Solutions, Inc.	6.6	5.1	18.6	2.68x	2.53x	2.47x	12.0x	9.7x	9.1x	23.3x	15.4x	14.0x
NYSE:HON	Honeywell International Inc.	9.7	4.5	9.3	2.45x	2.37x	2.29x	12.0x	11.4x	10.6x	18.4x	17.4x	16.0x
DB:A6T	artec technologies AG	NA	15.3	(3.0)	3.03x	2.98x	2.05x	11.6x	12.3x	6.8x	26.3x	26.5x	11.6x
Catalist:5NK	Artivision Technologies Ltd.	NA	NA	NA	3.92x	NA	NA	NM	NA	NA	NM	NA	NA
OTCPK:ACFN	Acorn Energy, Inc.	NA	NA	NA	0.60x	NA	NA	NM	NA	NA	NM	NA	NA
SEHK:802	RCG Holdings Limited	NA	NA	NA	6.82x	NA	NA	NM	NA	NA	2.5x	NA	NA
AIM:IGE	Image Scan Holdings plc	NA	34.7	NA	1.53x	1.83x	1.44x	NM	NM	NM	NM	NM	NM
OTCPK:MGNT	Meganet Corporation	NA	NA	NA	NM	NA	NA	NM	NA	NA	NM	NA	NA
Max		9.7	34.7	18.6	6.82x	2.98x	2.47x	12.0x	12.3x	10.6x	26.3x	26.5x	16.0x
Median		8.1	10.2	9.3	2.68x	2.45x	2.17x	12.0x	11.4x	9.1x	20.9x	17.4x	14.0x
Min		6.6	4.5	(3.0)	0.60x	1.83x	1.44x	11.6x	9.7x	6.8x	2.5x	15.4x	11.6x
Mean		8.1	14.9	8.3	3.00x	2.43x	2.06x	11.9x	11.1x	8.9x	17.6x	19.8x	13.9x

IDN	Intellicheck Mobilisa, Inc.	NA	NA	NA	1.71x	NA	NA	NM	NA	NA	NM	NA	NA
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Ticker	Company Name	5-Year Historical CAGR (%)			LTM Margins (%)			Ratios			Returns (%)		
		Revenue	EBITDA	EPS	Gross	EBIT	EBITDA	DSO	DPO	DIO	ROA	ROE	ROIC
NYSE:MSI	Motorola Solutions, Inc.	(6.0)	1.5	14.5	47.59	19.10	22.12	71.7	62.9	40.9	7.3	58.5	13.0
NYSE:HON	Honeywell International Inc.	2.5	11.8	15.8	31.11	17.96	20.40	74.0	73.8	62.0	9.0	26.3	14.3
DB:A6T	artec technologies AG	9.4	38.3	NM	71.35	16.21	26.24	62.6	39.3	44.9	12.6	16.5	13.7
Catalist:5NK	Artivision Technologies Ltd.	84.0	NM	NM	17.26	(73.10)	(65.20)	76.0	32.6	14.3	(39.3)	(348.6)	(48.6)
OTCPK:ACFN	Acorn Energy, Inc.	14.4	NM	NM	32.71	(39.93)	(37.60)	210.1	77.3	26.1	(20.2)	(800.7)	(89.6)
SEHK:802	RCG Holdings Limited	(59.2)	NM	(26.6)	6.62	(87.23)	(85.57)	116.6	108.1	NA	(3.3)	32.7	(3.7)
AIM:IGE	Image Scan Holdings plc	10.9	NM	NM	42.62	(14.36)	(14.17)	65.5	270.9	160.9	(13.0)	(36.8)	(28.3)
OTCPK:MGNT	Meganet Corporation	(26.5)	NM	NM	100.00	NM	NM	NA	NA	NA	(506.1)	NM	NM
Max		84.0	38.3	15.8	100.00	19.10	26.24	210.1	270.9	160.9	12.6	58.5	14.3
Median		5.9	11.8	14.5	37.66	(14.36)	(14.17)	74.0	73.8	42.9	(8.2)	16.5	(3.7)
Min		(59.2)	1.5	(26.6)	6.62	(87.23)	(85.57)	62.6	32.6	14.3	(506.1)	(800.7)	(89.6)
Mean		3.7	17.2	1.2	43.66	(23.05)	(19.11)	96.6	95.0	58.2	(69.1)	(150.3)	(18.5)

IDN	Intellicheck Mobilisa, Inc.	(11.0)	NM	NM	60.20	(90.30)	(79.02)	33.5	43.5	12.4	(20.6)	(37.5)	(23.9)
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Sources: Company reports and Joseph Gunnar estimates

Risk Factors

- **Reliance on reference data provided by government and quasi-government agencies.** If governmental and quasi-government agencies were to stop sharing data with Intellicheck, the utility of the proprietary software would be diminished in those jurisdictions and business would be damaged. **Long sales and implementation cycles.** Target customers in the commercial fraud protection, access control and age verification industry sectors include large retailers and government agencies, typically require longer sales and implementation cycles for than do potential customer base solely interested in age verification. **The industry is evolving and its growth is uncertain.** With changing administration in government, changes in government budgets, and slowly evolving government standards on use of identity products, the government sector is slowly developing. The commercial sector has the ability to develop faster than the government sector, but it is also subject to a higher level of uncertainty from long sales cycles.
- See Intellicheck Mobilisa filings with the Securities and Exchange Commission for additional risk factors.

Important Disclosures, Certifications and Other Information

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Equity Ratings Definitions (as of 8/4/16)		
Buy	100%	Buy: Total return expected to exceed S&P 500 by at least 10%
Hold	0%	Hold: Total return expected to be in-line with S&P 500.
Sell	0%	Sell: Total return expected to underperform S&P 500 by at least 10%
This Equity Ratings Distribution reflects the percentage distribution for rated equity securities for the twelve month period 8/1/15 through 8/4/16. Rating definitions are expressed as the total return relative to the expected performance of S&P 500 over a 12-month period. Within the twelve month period ended 8/4/16, Joseph Gunnar & Co., LLC (JG) has provided investment banking services to 50% of companies with equity rated a Buy, 0% of companies with equity rated a Hold and 0% of companies with equity rated a Sell.		

For a discussion of the valuation methods used to determine our price target, if any, please see page 3. See page 23 for the risks that may impede achievement of such price target.

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COMPANY	DISCLOSURE
Intellicheck Mobilissa, Inc.	5,6 and 9
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