



Intellicheck Announces Third Quarter 2017 Financial Results

Financial Results Conference Call Today at 4:30 p.m. ET/1:30 p.m. PT

JERICHO, NY – November 14, 2017 --[Intellicheck](#), Inc. (NYSE American: IDN), an industry leader in delivering real-time threat identification and identification authentication that provides the antivirus to the epidemic of counterfeit IDs, today announced its financial results for the third quarter ended September 30, 2017.

Revenue for the third quarter ended September 30, 2017 decreased 20% to \$967,000 compared to \$1,214,000 for the quarter ended September 30, 2016. SaaS revenue increased 73% to \$520,000 for the third quarter, compared to approximately \$300,000 during the second quarter of 2017. Gross profit as a percentage of revenues increased to 89.1% for the three months ended September 30, 2017 compared to 77.1% for the three months ended September 30, 2016. The Company's booked orders for the third quarter decreased 20% to approximately \$931,000 compared to \$1,169,000 during the prior year comparable quarter.

Operating expenses, which consist of selling, general and administrative, and research and development expenses, increased by approximately 16% or \$267,000 to \$1,944,000 for the three months ended September 30, 2017 from \$1,677,000 in the comparable prior year period. The net loss for the three months ended September 30, 2017 was \$1,075,000 or \$0.08 per diluted share compared to a net loss of \$727,000 or \$0.07 per diluted share for the comparable prior year period.

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation expense and certain non-recurring charges) for the quarter ended September 30, 2017 was a loss of \$888,000 compared to an Adjusted EBITDA loss of \$490,000 for the third quarter of 2016. A reconciliation of net loss to Adjusted EBITDA is provided elsewhere in this release.

“We are pleased with the sequential increase in our SaaS revenues and we are confident that we have the right products at the right time that will allow us to continue to execute our plans for future growth,” stated Intellicheck Interim CEO Bill White. “We are excited about the prospects ahead of us at a time when we see several important indicators that point to what we believe will be strong growth in product adoption in key markets. Although it has taken longer than we anticipated, we have demonstrated our software’s efficacy in the numerous market verticals we serve.”

“Additionally,” White concluded, “we have some significant patents in the biometric space that we look forward to seeing through to commercialization as we pursue our vision for innovative product development that we believe will allow us to remain competitive as technology evolves.”

The unaudited financial results reported today do not take into account any adjustments that may be required in connection with the completion of the Company’s review process and should be considered preliminary until Intellicheck files its Form 10-Q for the fiscal quarter ended September 30, 2017.

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

**INTELLICHECK, INC.
CONSOLIDATED BALANCE SHEETS**

ASSETS

| | September 30, 2017 <u>(Unaudited)</u> | December 31, 2016 <u></u> |
|--|---|---------------------------------|
| CURRENT ASSETS: | | |
| Cash | \$ 8,940,762 | \$ 3,092,172 |
| Accounts receivable, net of allowance of \$18,750 and \$74,354 as of September 30, 2017 and December 31, 2016, respectively | 725,562 | 502,126 |
| Inventory | 81,591 | 70,547 |
| Other current assets | <u>312,977</u> | <u>165,473</u> |
| Total current assets | 10,060,892 | 3,830,318 |
| NOTE RECEIVABLE, net of current portion | 81,407 | 114,909 |
| PROPERTY AND EQUIPMENT, net | 211,256 | 270,776 |
| GOODWILL | 8,101,661 | 8,101,661 |
| INTANGIBLE ASSETS, net | 1,917,890 | 2,154,563 |
| OTHER ASSETS | <u>59,940</u> | <u>61,298</u> |
| Total assets | \$ <u>20,433,046</u> | \$ <u>14,533,525</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|-------------------------------------|----------------|----------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 98,433 | \$ 14,140 |
| Accrued expenses | 692,006 | 519,957 |
| Deferred revenue, current portion | <u>706,972</u> | <u>825,538</u> |
| Total current liabilities | 1,497,411 | 1,359,635 |
| OTHER LIABILITIES: | | |
| Deferred revenue, long-term portion | 100,348 | 177,306 |
| Deferred rent | <u>-</u> | <u>61,133</u> |
| Total liabilities | 1,597,759 | 1,598,074 |

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS EQUITY:

| | | |
|---|----------------------|----------------------|
| Common stock - \$.001 par value; 40,000,000 shares authorized; 14,981,633 and 10,718,553 shares issued and outstanding, respectively | 14,982 | 10,719 |
| Additional paid-in capital | 126,332,780 | 117,293,158 |
| Accumulated deficit | <u>(107,512,475)</u> | <u>(104,368,426)</u> |
| Total stockholders' equity | <u>18,835,287</u> | <u>12,935,451</u> |
| Total liabilities and stockholders' equity | \$ <u>20,433,046</u> | \$ <u>14,533,525</u> |

INTELLICHECK, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|-------------------------------------|---|----------------------------|--|------------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| REVENUES | \$ 966,690 | \$ 1,214,308 | \$ 2,630,684 | \$ 3,105,330 |
| COST OF REVENUES | <u>(105,013)</u> | <u>(268,137)</u> | <u>(419,083)</u> | <u>(622,833)</u> |
| Gross profit | 861,677 | 946,171 | 2,211,601 | 2,482,497 |
| OPERATING EXPENSES | | | | |
| Selling, general and administrative | 1,459,234 | 1,268,915 | 3,984,478 | 5,115,838 |
| Research and development | <u>484,970</u> | <u>407,615</u> | <u>1,350,615</u> | <u>2,024,818</u> |
| Total operating expenses | <u>1,944,204</u> | <u>1,676,530</u> | <u>5,335,093</u> | <u>7,140,656</u> |
| Loss from operations | (1,082,527) | (730,359) | (3,123,492) | (4,658,159) |
| OTHER INCOME | | | | |
| Interest and other income | <u>7,682</u> | <u>3,437</u> | <u>13,337</u> | <u>12,630</u> |
| Net loss | \$ <u><u>(1,074,845)</u></u> | \$ <u><u>(726,922)</u></u> | \$ <u><u>(3,110,155)</u></u> | \$ <u><u>(4,645,529)</u></u> |
| PER SHARE INFORMATION | | | | |
| Loss per common share - | | | | |
| Basic/Diluted | \$ <u><u>(0.08)</u></u> | \$ <u><u>(0.07)</u></u> | \$ <u><u>(0.27)</u></u> | \$ <u><u>(0.48)</u></u> |
| Weighted average common shares used | | | | |
| in computing per share amounts - | | | | |
| Basic/Diluted | <u><u>13,167,955</u></u> | <u><u>10,246,629</u></u> | <u><u>11,565,340</u></u> | <u><u>9,680,010</u></u> |

INTELLICHECK, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the nine months ended September 30, 2017
(Unaudited)

| | <u>Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Total Stockholders' Equity</u> |
|---|---------------------|---------------|---|--------------------------------|---|
| | <u>Shares</u> | <u>Amount</u> | | | |
| BALANCE, January 1, 2017 | 10,718,553 | \$ 10,719 | \$ 117,293,158 | \$ (104,368,426) | \$ 12,935,451 |
| Cumulative adjustment upon modified retrospective adoption of ASU 2016-09 | - | - | 33,894 | (33,894) | - |
| Balance after adoption of recent accounting pronouncement | 10,718,553 | 10,719 | 117,327,052 | (104,402,320) | 12,935,451 |
| Stock-based compensation expense | - | - | 282,330 | - | 282,330 |
| Issuance of common stock, net of costs | 4,168,750 | 4,169 | 8,573,692 | - | 8,577,861 |
| Exercise of stock options | 10,000 | 10 | 10,090 | - | 10,100 |
| Exercise of warrants | 63,500 | 63 | 139,637 | - | 139,700 |
| Vesting of restricted stock | 20,830 | 21 | (21) | - | - |
| Net loss | - | - | - | (3,110,155) | (3,110,155) |
| BALANCE, September 30, 2017 | 14,981,633 | \$ 14,982 | \$ 126,332,780 | \$ (107,512,475) | \$ 18,835,287 |

INTELLICHECK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

| | <u>Nine Months Ended September 30,</u> | |
|---|--|---------------------|
| | <u>2017</u> | <u>2016</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (3,110,155) | \$ (4,645,529) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 311,871 | 328,105 |
| Noncash stock-based compensation expense | 282,330 | 802,623 |
| Provision for doubtful accounts | (55,604) | 12,764 |
| Deferred rent | (34,122) | (27,115) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (167,832) | 318,318 |
| (Increase) decrease in inventory | (11,044) | 491 |
| (Increase) in other current assets | (146,193) | (120,776) |
| Decrease (increase) in other assets | 1,358 | (1,498) |
| Increase (decrease) in accounts payable and accrued expenses | 229,331 | (11,087) |
| (Decrease) in deferred revenue | (195,524) | (127,079) |
| Net cash used in operating activities | <u>(2,895,584)</u> | <u>(3,470,783)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (15,678) | (50,707) |
| Collection of note receivable | 32,191 | 29,020 |
| Net cash provided by (used in) investing activities | <u>16,513</u> | <u>(21,687)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from issuance of common stock | 8,577,861 | 1,780,341 |
| Net proceeds from issuance of common stock from exercise of stock options | 10,100 | 389,879 |
| Net proceeds from issuance of common stock from exercise of warrants | 139,700 | - |
| Purchase and retirement of common stock | - | (1,096,608) |
| Net cash provided by financing activities | <u>8,727,661</u> | <u>1,073,612</u> |
| Net increase (decrease) in cash | 5,848,590 | (2,418,858) |
| CASH, beginning of period | <u>3,092,172</u> | <u>5,953,257</u> |
| CASH, end of period | <u>\$ 8,940,762</u> | <u>\$ 3,534,399</u> |

A reconciliation of GAAP net loss to Non-GAAP Adjusted EBITDA follows:

| | (Unaudited) | | | |
|--------------------------------|-------------------------------------|---------------------|------------------------------------|-----------------------|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| Net loss | \$ (1,074,845) | \$ (726,922) | \$ (3,110,155) | \$ (4,645,529) |
| Reconciling items: | | | | |
| Interest and other – net | (7,682) | (3,437) | (13,337) | (12,630) |
| Depreciation and amortization | 103,271 | 104,935 | 311,871 | 328,105 |
| Stock-based compensation costs | 90,812 | 134,929 | 282,330 | 802,623 |
| Adjusted EBITDA | <u>\$ (888,444)</u> | <u>\$ (490,495)</u> | <u>\$ (2,529,291)</u> | <u>\$ (3,527,431)</u> |

Earnings Conference Call Information

The Company will hold an earnings conference call today, November 14, at 4:30 p.m. ET/1:30 p.m. PT to discuss operating results. To listen to the earnings conference call, please dial 877-407-8037. For callers outside the U.S., please dial 201-689-8037.

The conference call will also be webcast simultaneously and can be accessed at <http://www.investorcalendar.com/event/21668> by clicking on the link to the webcast.

The webcast will be available for 14 days following the conference call.

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Contact

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About Intellicheck NYSE American: IDN

Intellicheck is the industry leader in technology solutions that are the antivirus to the epidemic of counterfeit IDs providing real-time threat identification and identification authentication. Our technology solutions make it possible for our clients to enhance the safety and awareness of their facilities and people, improve customer service, and increase operational efficiencies. Founded in 1994, Intellicheck has grown to serve dozens of Fortune 500 companies including retail and financial industry clients, police departments, national defense clients at agencies, major seaports, and military bases, and diverse state and federal government agencies. The Company holds 25 patents including many patents pertaining to identification technology. For more information on Intellicheck, visit <http://www.intellicheck.com/> and follow Intellicheck on [Twitter @IntellicheckIDN](#), on Instagram [@IntellicheckIDN](#), on LinkedIn <https://www.linkedin.com/company/intellicheck-inc>, on Facebook <https://www.facebook.com/intellicheckidn/>, on YouTube <https://www.youtube.com/user/ICMOBIL>, and read Intellicheck's latest blog post at <http://intellicheckidn.com/>.

Adjusted EBITDA

Intellicheck uses Adjusted EBITDA as a non-GAAP financial performance measurement. Adjusted EBITDA is calculated by starting with net income (loss) and adding back interest, income taxes, impairments of long-lived assets and goodwill, depreciation, amortization and stock-based

compensation expense. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing Intellicheck financial results with other companies that also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as impairments of long-lived assets and goodwill, amortization, depreciation and stock-based compensation, as well as non-operating charges for interest and income taxes, investors can evaluate the Company's operations and compare its results on a more consistent basis to the results of other companies. In addition, adjusted EBITDA is one of the primary measures that management uses to monitor and evaluate financial and operating results.

Intellicheck considers Adjusted EBITDA to be an important indicator of the Company's operational strength and performance of its business and a useful measure of the Company's historical operating trends. However, there are significant limitations to the use of Adjusted EBITDA, because it excludes interest income and expense, impairments of long-lived assets and goodwill, and stock based compensation expense, all of which impact the Company's profitability, as well as depreciation and amortization related to the use of long-term assets, which benefit multiple periods. Intellicheck believes that these limitations are compensated by providing Adjusted EBITDA only as a supplement to GAAP net income (loss) and clearly identifying the difference between the two measures. Consequently, Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) presented in accordance with GAAP. Adjusted EBITDA as defined by the Company may not be comparable with similarly named measures provided by other entities.

Safe Harbor Statement

Statements in this news release about Intellicheck's future expectations, including: the advantages of our products, future demand for Intellicheck's existing and future products, whether revenue and other financial metrics will improve in future periods, whether Intellicheck will be able to execute its turn-around plan or whether successful execution of the plan will result in increased revenues, whether sales of our products will continue at historic levels or increase, whether brand value and market awareness will grow, whether the Company can leverage existing partnerships or enter into new ones, and all other statements in this release, other than historical facts, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA). These statements, which express management's current views concerning future events, trends, contingencies or results, appear at various places in this website and use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "forecast," "future," "intend," "plan," "potential," "predict," "project," "strategy," "target" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would" are forward-looking statements within the meaning of the PSLRA. This statement is included for the express purpose of availing Intellicheck, Inc. of the protections of the safe harbor provisions of the PSLRA. It is important to note that actual results and ultimate corporate actions could differ materially from those in such forward-looking statements based on such factors as market acceptance of Intellicheck's products and the presently anticipated growth in the commercial adoption of the Company's products and services, changing levels of demand for Intellicheck's current and future products, Intellicheck's ability to reduce or maintain expenses while increasing sales, customer results achieved using our products in both the short and long term, success of future research and development activities, Intellicheck's ability to successfully manufacture, market and sell its products, Intellicheck's ability to manufacture its products in sufficient quantities to meet demand within required delivery time periods while meeting its quality control standards, any delays or difficulties in the Company's supply chain, the success of the Company's sales and marketing efforts coupled with the typically long sales and implementation cycle for its products, Intellicheck's ability to enforce its intellectual property rights, changes in laws and regulations applicable to the Company's products, the Company's continued ability to access government-provided data, the risks inherent in doing business with the government including audits and contract cancellations, liability resulting from any security breaches or product failure, and other risks detailed from time to time in Intellicheck's reports filed with the SEC. We do not assume any obligation to update the forward-looking information.