Intellicheck
Q1 2019 Earnings Call
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Operator: Greetings and welcome to the Intellicheck First Quarter 2019 Earnings conference call. At this time, all participants are on a listen-only mode. A question and answer session will follow the formal presentation. If anyone should acquire operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, R. Jackson, Investor Relations for Intellicheck. Please go ahead sir.

R. Jackson: Thank you, Kevin. Good afternoon, and thank you for joining us today for the Intellicheck First Quarter 2019 Earnings call. Before we get started, I will take a few minutes to read the forward-looking statement. Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. When using this conference call, words such as will, believe, expect, anticipate, encourage, and similar expressions as they relate to the company or its management, as well as assumptions made by and information currently available to the company's management, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances. And the company undertakes no obligation to and expressly disclaims any obligation to update or alter its forward-looking statements, whether resulting from such changes, new information, subsequent events, or otherwise. Additional information concerning forward-looking statements is contained under the headings of safe harbor statement and risk factors listed from time to time in the company's filings with the Securities and Exchange Commission.

Statements made on today's call or as of today, May 1st, 2019, management will use financial term adjusted EBITDA in today's call. Please refer to company's press release issued this afternoon for further definition and reconciliation and context for the use of this term. We will begin today's call with Bryan Lewis, Intellicheck's Chief Executive Officer. And then Bill White, Intellicheck's Chief Financial Officer, who will discuss the Q1 financial results. Following their prepared remarks, we will take questions from our analysts and institutional investors. Today's call will be limited to one hour, and I will now turn the call over to Bryan.

Bryan Lewis: Good afternoon, everyone, and thank you for joining us for the Q1 2019 Intellicheck Earnings call. We continue to make progress towards the goals we set for ourselves, and I continue to be excited every day that I walk through the door to our office. I would like to start with some general comments about our growth. Our SAS revenue continues to grow. SAS revenue was up 45% quarter over quarter, and 4% sequentially. We are off to a solid start after our first month of the second quarter, and we believe we will see our sequential SAS revenue growth accelerate leading into the third quarter.

Notwithstanding to non-cash expenses in Q1, operating expenses were up slightly over Q4. But as we have previously explained, it is largely driven by investments we have made in the business. We needed to expand our implementation team to make sure we had the right number of people with the right skill set to be able to capitalize on the opportunities presented to us. We believe that we are well-positioned to drive solid growth numbers throughout the remainder of the year, which will become clear when I discuss the onboarding process and our current status with a number of key accounts.

Although we do not typically onboard new retail customers in Q4, because of the holiday shopping season, the shift to the per scan revenue model will take in a bit of seasonality moving forward, given the high volume scans retailers experience during Q4. Also we discussed on several of our earnings calls that we no longer do custom development for free. We are in the process of developing a systems integration with the large financial institution that we signed in Q3, and recognize the first of two $185,000 development payments last quarter. We expect a second payment reflective of our completion of development by early Q3.

I have spoken many times about the numerous and significant recent data breaches, with good reason. There has been an unrelenting recurrence of these incidents. The Identity Theft Resource Center reported a 120% increase in personally identifiable information breached in 2018 versus 2017. In the six weeks since our last earnings call, a quick Google search revealed seven major breaches, and a report by Symantec that two out of every three hotel sites exposed people's names, addresses, email addresses, passport numbers, and payment info.

On April 29th, an online, unprotected database storing the names, addresses, marital status, dates of birth, income brackets, home ownership status, and more data for 80 million American households was discovered. To put the size of this open data cache in context, it represents 65% of all households in America. The scariest part, the researches could not determine who the database belongs to, and it's just sitting there for identity thieves to access for free. The problem of identity theft is not going away, it is growing.

There are a few topics I would like to discuss today to help everyone understand the opportunity in the financial services space, and how we are capitalizing on it. To give you an idea of the addressable market and provide a better understanding of the onboarding process and it's timing, we will first look at the specific use cases where we stop fraud, and the size of the opportunity that a single credit card issuer represents. Then I will discuss the progress and implementations in some recent wins. I will also provide some of the usual metrics on scans and fraudulent transactions stops.

So let's move to the opportunities, starting with the use cases. I often get asked by people, how we stop stolen credit cards from being used, or why do people need authentication if the EMV chip in the credit card ensures that the card is real? Simply put, we don't. That's not our market. There are three main areas for retail, in addition to retail branch banking where we stop fraud. The first is new account openings. This is where a criminal uses a stolen or synthetically created identity to open a new charge account.

Fraud involving new accounts opened with the victim's stolen personal data in 2018 accounted for an estimated 3.4 billion in losses. This loss is actually greater when you look beyond the initial theft. The bank loses the money on the transaction. The customer loses an average of 300 hours of their time to clear up their name. And studies show the consumer blames the retailer. Interesting and significant is that 69% of consumers change their shopping habits, and reduce their spending with the retailer where the trouble occurred. So we have the initial loss, the loss of time, and the loss of future revenue. The simple solution that is frictionless to a consumer, and I would say actually makes it easier for the consumer, is to authenticate the license at the beginning of the transaction.

I recently went to one of our retail clients and opened a private label credit card account. This was on a busy Saturday morning. This retailer is typical with a line at check out, funneling you to a bank of registers. A sign behind the register said, "Save 10% when you open a charge account." When asked, I said, "Sure," and the clerk asked for my driver's license. She scanned it, Intellicheck authenticated it, and prepopulated the application. All I had to do was enter in my social security number and income on the debit card PIN pad.

In seconds I was approved. That's all it takes to protect consumers, authenticate, don't just scan. A crook can easily buy my social security number for a dollar, and a fake license for $100, with my address and his photo on it. He can walk into a store, open a charge account at a retailer who only scans, make a huge purchase, and walk out just as quickly as I did, leaving me a 300-hour headache, and the retailer or a bank on the hook for the money.

You've heard me talk about private label credit cards versus non-private label. On the last call, I told you we were working with a new bank, authenticating new account applications for their non-private label cards. A private label card is one with the retailer's logo, like the one I applied for in the previous example. It has the retailer's branding on it, but is backed by the bank running the program. Non-private label is the bank's card with its own branding.

The second use case is referred to as card not present. Retailers are expected to lose about $130 billion in revenue between now and 2023 in fraudulent card not present transactions. Given all the data breaches, criminals know where you have charge accounts. All they need is a standard credit report that they use like a roadmap. So instead of opening an account, they charge to your existing account.

I'm sure that many of you at one time or another have forgotten your charge card for a particular retailer. When you go to check out, you let them know you forgot your card. They'll ask you for your license, and the last four digits of your social security number. The clerk visually inspects the license, enters in the four digits, and that quickly the crook impersonating you successfully makes the purchase, and their getaway. Given that trained law enforcement officers will say these fakes are so good they can't detect them with a naked eye, the sales clerk doesn't stand a chance.

The third area in which we help retailers are non-receipted returns. In a recent study, receipt-less return fraud was costing the retail industry 9.7 billion a year. Most often, this is perpetrated by organized retail crime rings who return stolen goods for a gift receipt or loaded gift card. These are easily turned into cash. The National Retail Federation recently raised a study in which retailer said their average loss under this crime was over $1700 per incident.

In retail branch banks, we help authenticate people from everything from anti-money laundering know your customer, or AML KYC requirements, for things like account opening and check cashing. When we look at market sizing, I think it's best explained with an example. So let's talk about one credit card issuer we are currently working with. We reviewed all of the private-label credit card programs they run, and took a very conservative approach to determine their clients, who we thought would benefit from our services.

For example, we didn't consider dental practices or gas stations as a viable target. This very conservative list totaled 55 companies. You've heard us say that a small client be worth $250,000 per year, and a large client $800,000 to over a million dollars annually. We researched a number of locations for each of these 55 retailers, and put them in three buckets; below 500 locations, 500 to 1500 locations, and greater than 1500 locations. So basically small, medium, and large. The number was 28, 20, and seven respectively.

If we think a conservative average revenue for the three buckets is, say, 200,000 per year, 500,000 per year, and 900,000 per year, this would represent almost $22 million in annual SAS revenue from this credit card issuer alone. The market is very large, and we believe that we are just scratching the surface with the banks we have contracts with.

As we have reported, we have been working with 16 retailers in various stages of the onboarding process, and several have asked for clarity on the process and the length of time it takes to onboard these customers. The simple answer is, it depends, but I will give some guidance around the process. We have made the customer-required coding to incorporate our authentication system very simple by providing integration tools and sample code. The actual time it takes simply depends on the resources available at the retailer and/or the bank.

Generally, the coding can be done in anywhere from one to three months. Once the coding is done and approved in the retailer's test systems, they will do a limited rollout to their stores to ensure it works in production, and that they have their training on the new process in order. This limited rollout generally lasts between one and two months, and then they roll out system wide. The speed of the system wide deployment generally depends on the training resources available. Remember, they need to train all full and part time staff.

We have had clients rollout to thousands of stores in six weeks, and some that do that same number over a period of months. In all cases, rollout typically stops in early October. No retailer wants to change systems and procedures during the holiday shopping season. They generally pick up the rollouts again in mid-January after the return season is over, or in early February, often at the beginning of their fiscal year. Most of our retailers are pushing to get as many stores up and running by the October cutoff so that they are well-prepared for the high volume holiday season.

Given this cycle, you can see that some retailers will be potentially fully implemented in 2019, and others won't be fully implemented at every location until 2020. Given the retailers push to get as many stores live by October, coupled with more of our customers being charged under our per scan model, we expect Q4 to continue to reflect some positive seasonality moving forward.

We continue to be on track with our implementation schedules and dates at this time. Beginning in late Q1 through the end of April, we began the widespread deployment of four retailers totaling 2900 stores, ranging in size from just under 300 stores to just over 1500. Later this month, we will begin the deployment of another large retailer with 1300 stores.

The development to the large bank that we signed last year has been completed and turned over to them. So we expect the second half of the development fees to be paid in late Q2, or early Q3. We are on schedule to begin SAS revenue collection in late Q2, with the anticipated continued rollout of retailers throughout Q3.

Last call I spoke about the four banks we were working with, and specifically about piloting Retail ID for the issuance of their own non-private label credit cards. One of these banks was a new relationship, and after a successful 60-day pilot, they committed to the service and Retail ID is now deployed to every user in their call centers, so about 1600 users. This was an important pilot as it was viewed as a test of the Retail ID solutions for their retail branches and retail partners. They have already begun the introductions to their retail partners to begin invitations, and we are negotiating a statement of work for their retail branches.

The large retailer that was using us for pricing only, not authentication, began their post-holiday season rollout to last of their three brands. That final brand has over 1,000 locations. More importantly, they have asked for a meeting to discuss their fraud rates and moving to authentication in addition to parsing. We said on previous calls that the reason we offered them a parsing solution is that it would lead up to an upsell for authentication, an introduction to their credit card issuer who did not work with us, and it did.

There are 3,000 locations moving from a parsing to an authentication solution with a significant additional revenue stream for us. New markets are opening up as well. Hospital groups get hit with insurance fraud, and we have begun contracting with hospital groups for authentication. The same for auto dealerships. We're up to six dealer groups that have contracted for Retail ID, and have signed an agreement with one of the providers of dealer management software to incorporate Retail ID in their suite of products. I believe this serves as a great indicator of all the markets where authentication is needed, and that we are just now tapping into.

Retail ID scan volumes were up seven and a half percent year over year, and attempted fraud was up three percent. We believe that the increase in fraud did not go up in lockstep with scans because of the delay between the time of a breach and when the data is used to perpetrate fraud.

The Accenture study found it takes 18 months from breach to fraud, so the nature of breaches like the Experian data breach are just beginning to become ripe. In addition, organized criminals learn which stores have our Retail ID authentication system, and we see fraud attempts migrate away from stores where Retail ID has been in place over time, to unprotected establishments.

Moving to Age ID, the continued focus by the press, state, and local governments including the FDA on vaping is helping to fuel interest in Age ID. We continue to lobby the FDA and other legislatures to call for authentication before selling any age-restricted products, and recently commented on the FDA's proposed guidelines on the sale of vaping products, specifically calling for authentication as the only sure way to make sure you are not selling to the underage.

Our partnerships with the Smoke Free Alternatives Trade Association and the New York Vaping Association are generating great leads. Age ID sales for Q1 2019 were almost double Q1 2018. As we have said, this is a very large market, where the law has not kept up with technology. The law states a visual inspection of a license is all that's needed to sell an age-restricted product.

Thankfully, the growing pressure on businesses to do the socially responsible thing, and go beyond a visual inspection is making up for the lack of a legal change. More and more retailers are doing the right thing, significantly reducing their liability and buying Age ID. Age ID continues to prove to be much easier to sell to law enforcement than Law ID, since it does not require the time and budget associated with the additional training and security that an officer and associated mobile device are required to have to use Law ID. Three new law enforcement agencies signed up to use Age ID in Q1.

Overall, I will reiterate what I said on the call in March. The changes we put in place in how we sell and implement our solutions are generating success. We will continue to focus our efforts on financial services retail, as we believe it is a massive, under tapped market where we are generating great momentum with the fastest path to growth and revenue.

It is an over $14 billion pain point for banks, retailers, and consumers annually. A pain point that large requires that businesses do something about the problem. ID authentication is proving to be the best way to stop identity theft. The problem isn't going away, and our clients and prospects are seeing us as the best solution to this massive and growing problem.

Our implementation plan is on schedule, and we are bringing new clients on when we said we would. As long as we execute on the opportunities our clients have set in front of us, we believe that we are well-positioned to have a banner year. In addition to what is already in front of us, we have new prospects call us, and these prospects are household names, and we are winning those deals. I am very much looking forward to the rest of 2019. I will now turn the call over to our Chief Financial Officer, Bill White, to discuss the financial results.

Bill White: Thank you, Bryan, and a good day to our shareholders, guests, and listeners. I'd like to discuss some of the financial information that was contained in our press release for the first quarter ended March 31st, 2019. I will begin with our first quarter results. Revenue for the first quarter ended March 31st, 2019 grew 20% to 1,279,000 versus 1,062,000 for the same period last year. Our SAS revenue was approximately 861,000 for Q1 2019, a 45% increase from

595,000 in Q1 2018, and with a four percent sequential increase from approximately 826,000 in Q4 2018.

Gross profit as a percentage of revenue continued strong at 85% for quarter ended March 31st, 2019 compared to 90.5% for the quarter ended March 31st, 2018. Operating expenses that consists of selling, general, and administrative, and research and development expenses increased by 13%, or 263,000 to 2,306,000, versus 2,043,000 for the prior quarter. The increase was primarily driven by higher non-cash stock-based compensation costs, and an increase in development personnel.

The company posted a net loss of 1,213,000 for the three months ended March 31st, 2019, compared to a net loss of 1,068,000 for the quarter ended March 31st, 2018. The net loss per diluted share was eight cents versus seven cents in the prior period. Adjusted EBITDA for the quarter ended March 31st, 2019, was -787,000 compared to -962,000 in the quarter ended March 31st, 2018.

Now I'd like to focus on the company's liquidity and capital resources. As of March 31st, 2019, the company had cash of 3.8 million, working capital defined as current assets minus current liabilities of 3.4 million, total assets of 13.9 million, and stockholders' equity of 12.1 million.

During the three months ended March 31st, 2019, the company used net cash of 535,000 compared to net cash used of 244,000 for the three months ended March 31st, 2018.

Net cash used in operating activities was 542,000 for the three-month period ended March 31, 2019, compared to 865,000 for the same period in 2018. Net cash provided by investing activities was 7,000 for the first quarter of 2019, compared to a net cash used in investing activities of 67,000 for the three-month period ending March 31st, 2018. And we did not have any financing activities during the first quarter of 2019, while we generated 688,000 from financing activities in the first quarter of 2018.

On February 6th, 2019, the company entered into a revolving credit facility with Citibank. This agreement allows for maximum borrowings of two million, secured by collateral accounts and bears interest at Citibank's rate, minus two percent. As of today, there are no amounts outstanding under this facility, and we currently anticipate that our available cash, as well as expected cash from operations, and available under the revolving credit facility will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. As of December 31st, 2018, the company had net operating loss carry forwards of approximately 15 million. I'll now turn the call over to the operator to take your questions. Operator?

Operator: Thank you. We're now conducting a question and answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Once again, if you'd like to ask a question at this time, please press star one at this time. One moment please, while we pull for questions. Our first question today is coming from Shaul Eyal from Oppenheimer. Your line is now live.

E. Puri: Thank you gentlemen. This is actually E. Puri in for Shaul. And thank you for providing the deep color on the pipeline, for the update for the quarter. My first question is in regards to the gross margin. I know, Bill, you mentioned last quarter that because last quarter's gross margins 93%, that's going to drop off a bit this quarter. And you guys spoke about the implementation of the team, can you give us some color on what the implementation of the team consists of? Like are there new hiring, new equipment that you guys use?

Bryan Lewis: We had to add personnel, was the main part of it.

E. Puri: Okay, like how--

Bryan Lewis: --Building the implement--yeah.

E. Puri: How big was the add?

Bill White: The overall engineering salaries are up about 217,000 year over year, first quarter versus-- this year versus first quarter last year.

E. Puri: Okay. And in terms of the interest in other income lines, I noticed that the same pair last year, it was like almost more than double. Were there certain things that led to the drop off, from 13.8 million to six million?

Bill White: That's thousands, not millions.

E. Puri: Thousands, sorry. I'm sorry.

Bill White: Yeah, no. As far as the interest income, our cash balance has been decreasing so we had less interest income.

E. Puri: And then you mentioned about the October rollout, stores tend to stop rolling out the implementations. In terms-and then you mentioned that on 4Q that seasonality that's still going to be positive. Do you, should we expect a drop off for the fourth quarter?

Bryan Lewis: What I said was the scans go up significantly in Q4 compared to any other quarter. So when you think about the fact that people are rushing to get stores live by the end of Q3, we'll have what's probably the maximum number of stores going in Q4, during the maximum number of scan quarter. So those two things, as we roll more and more of our clients into the per scan model, should make that a seasonally high quarter.

E. Puri: Okay. So net out, okay. And then like last quarter you mentioned about the four banks, 16 retailer pipeline. For this quarter's update, there's already four retailers, right, as well as one that's going to come in at the end of this month.

Bryan Lewis: Yep.

E. Puri: Can you give us an update on the pipe for the retailers, as of today?

Bryan Lewis: We still have the 16 that we're dealing with, obviously there's five that we are in the process of where I have a confirmed date that we're rolling them out. The remainder are, like I said, some have scheduled roll out dates. Until I'm 100% it's going to rollout, I'm not going to talk about it and say it's going to happen if it doesn't.

And as I said, the retailers--I'm sorry, the banks that we're dealing with, their hope and goal is to get all of their clients up and running. So it's--we're continually talking to additional retailers, but if they don't have a definitive date in which they want to start talking, implementation--I'm not going to say throw out the number. I'd rather say that we're still at 16 until I can get more definitive dates of when we think some of these people would be going live.

E. Puri: Okay. And in terms of the hospital opportunity you mentioned, the new opportunities with the hospital, can you give us a little more color on what are some of the products that you're launching, and the opportunities there as well?

Bryan Lewis: It's really no new product. If you think about the core of all of our products, it's what we call ID check. Is the document you're presenting to me real? Is it a real license, state ID, or military ID? And the hospitals are using this because people will give somebody their insurance card and go in and get insured, get their arm set, and then they come back to me and say, "Hey, you didn't pay us for your broken arm," and all it takes is an x-ray to prove I never broke my arm. So fraud is rather large in that sector, and we're basically just repurposing existing product of Retail ID, who are you, and now we have a record of you coming into the hospital.

E. Puri: Okay, got it. And in terms of like the pipe for this one, is this still an early stage?
Bryan Lewis: Very early stage. Very early stage, but just some large--yeah, some large groups that we could be talking to about it.

Operator: Thank you. Our next question is coming from Roger Liddell from Clear Harbor Asset Management. Your line is now live.

Roger Liddell: Bryan, following up on these new opportunities. The auto dealership arrangement, I'm interested that a provider of software for that business is the repository of your software, I take it. Can you go into some detail there give us a sense of what do you think implementation speed might be, and are these large retailer or middle size retailer kinds of opportunities?

Bryan Lewis: Yeah. I'd say that they're probably more in the small end. The thing is, if you think about it, every time you walk into a showroom, the first thing they want to do is get your driver's license so they can scan it. For two reasons, one, they want to go get your credit report, and two, they want to send your information off to all the banks who then want to bid on a loan, should you decide to go through a loan with them. So it's a pretty standard practice in auto dealerships. And the thing I like about being integrated with the software, unlike integrating with the retailers' point-of-sale system where there's a ton of customization, these systems are all off the shelf.

The auto dealer does not do a lot of--they don't allow to do any customization. So once it's in the system, it could be, as soon as somebody wants it, they can just flip the switch, and we've got somebody that's reselling it for us. So that works out pretty good. And there are plenty of auto dealers out there. And when we started looking at this, it happens so much more often than I thought, that people do go in and actually lease cars or just take them on a test ride and never come back using false credentials. And it's the return, the reward, is pretty good.

If you walk in and walk out with a mid-level Lexus for about 50 grand, that's quite significant compared to our average retail establishment. So early days yet but it's an interesting area for us to look into, and it's one of those things that just really opened our eyes as to how many other markets are there for this. We've been focusing on financial services, but the one good thing I do like about the auto associations, the auto dealers, they all know each other and talk really well. So things like going maybe to the NADA annual show might be a great way to showcase what we do.

Roger Liddell: But that presupposes a trained salesforce and being able to tell 30 jokes in the parlance of that particular customer segment. That's how you get the business done.

Bryan Lewis: That is very true.

Roger Liddell: So what is your--realistically, what's your bandwidth for bringing on the hospital and the auto, totally different cultures, languages? The only common thing is the losses.

Bryan Lewis: I think that for the auto dealers, that's the reason we're--for my preference for that is there are really three main dealer management systems, DMS as they call it. My preference is to sell it to them, to then sell it out. Because they've got an incentive to do it both ways because they can now prove--cause mostly DMS systems make money on a lending tree model, they get paid for every application that they send to a bank for credit. So they now know that they're sending only good applications, cause it's a real card.

The auto store owner knows that they don't have to worry about having an expensive car drive off the lot and never come back. This is one where we think--I'm not always a huge fan of reseller arrangements because it's not always aligned. This is a really good enhancement to their products, and they seem excited to go out and sell them.

Roger Liddell: And what kinds of losses get experienced? I take it that somebody who makes off on a test drive, there's at least a few thousand that one would expect of wear and tear, or fender benders, you know. So what are the losses that the dealerships are eating, or the financial institution eating when you're talking cars?

Bryan Lewis: It's generally totaled. More often than not, it's gone to a chop shop, or taken for a demolition derby joyride.

Roger Liddell: Okay. Big bucks, then.

Bryan Lewis: Yeah, yeah.

Roger Liddell: Okay. Thank you.

Operator: Thank you. Our next question is coming from Michael Samuels from Berthel Fisher. Your line is now live.

Michael Samuels: Hi, Bryan. Just one quick question. The last two conference calls we seem to be focusing on retail. And my question is, what's going on with like universities, law--I mean, we haven't heard much about that, is that still growing as fast as it should be?

Bryan Lewis: That's Age ID. So this quarter we grew almost double what we did in Q1 2018. So that is, I'm going to say, we're seeing very good growth in that area. The one thing, you got to find a socially responsible. Universities are really good for us; especially universities are beginning to sell alcohol at their stadiums. They want to make sure that they're selling to only the right people. So it is growing, Law ID is not growing as fast, and I think it has a lot to do with what I said.

There is--the officers have to go through additional training, there's additional software that they have to buy to put on the phone, there's annual reviews. And what they're finding is, Age ID pretty much does the exact same thing without having to have all of that additional training and cost. They'll know right away are they dealing with the right person. And they also can go in and raid bars and do all those things.

I think New York State is a great example, they are always putting out press releases about, we raided this bar and we found 80% of the people in it were underage. And they're using our tool to do that, they're using Age ID for the SLA, the State Liquor Authority is using Age ID. That's the sale, it seems to be, that's resonating very much with law enforcement. As I said we brought out three new law enforcement agencies in Q1. And they are our best sales people, because they raid a bar, the bar owner usually says, "What did you use?" They say, "Age ID from Intellicheck," and we get a phone call, and a sale. So they're good for us.

Michael Samuels: So I guess you're just not announcing it like we used to. Because we used to always be--that was the big thing back then, now we're not seem to be announcing, like you just saw key up in the first quarter, we haven't seen an announcement on it. That's why I was just curious.

Bryan Lewis: Yeah. We'll probably start putting out more press releases on it than we have. There are--it's nice when you sell to a law enforcement agency. But as I said, one of the reasons we're focusing on the financial services area, it is instead of selling--I'm just thinking of how many police departments are there here on Long Island, and how many in New York state? Each and every one of those is an individual sale, where an individual Chief of Police has to sign off on it and all those types of things.

Our resources are certainly better focused on; we sign up a bank. As I said, that's a $20 million, and a very conservative estimate opportunity. And I'm focusing our resources on bringing in those opportunities. I do have, the way that I teach the young kids to sell, is they start working on cold calling police departments and bar owners. And it's a good way to get them out there while they're keeping my senior sales people out in the field dealing with the financial services groups.

Michael Samuels: One last question. Going forward for the next--as we keep closing these retailers and all that, do you expect revenue to grow exponentially in the 50, 100% a quarter coming up?

Bryan Lewis: Yeah, I can't say how much it would grow and I can't give those kinds of numbers because quite frankly it depends on which retailer we bring on. And there are some surprising, some small retailers either with not a ton of stores who do very large amounts of scans. And then there's large guys who don't do as many scans. So I can't really give guidance on that, cause it depends on the mix of who we're bringing on when.

Michael Samuels: Right. And once we get retail on, then obviously the fourth quarter around the Christmas time should probably be the biggest quarter for us then.

Bryan Lewis: I think going forward that would be very--you could probably bet on that. It's just, we know looking back historically, the jump that we see in scans versus the average scans for the first three quarters is significant.

Michael Samuels. Right. Thanks a lot. Good job.

Bryan Lewis: Thank you.

Operator: Thank you. Our next question is coming from Amy Norflus from Neuberger Berman. Your line is now live.

Amy Norflus: Hi, Bryan. Great job. I think you're doing a really good job growing the retail business, and giving us more details about it, which is great. Maybe the next quarter, if you could maybe give us a slide presentation, cause I feel I have to go back now and read the transcript cause the numbers were really great and I wrote them down really fast. But if it was something to compare and contrast, that would be really helpful going forward.

Bryan Lewis: Sure.

Amy Norflus: Can you also talk about the sales force; do you have enough sales people? Do you need to add more? You said we have enough money to last us for the next 12 months but what are you thinking where you want to be and what's the sweet spot in ramping up? And all that stuff.

Bryan Lewis: Well again, here's when I say, Paul Fisher the head of sales and I were always talking, are we right size, do we need more? Certainly one thing is, we're always looking for good sales people because they pay for themselves. So they're usually a smart, easy add. At this point in time, I think we're good. I think as we start to think about some of these new areas and new markets that might represent an easy--a sale to one entity that could bring in a lot of revenue, we'll look to hire people.

Amy Norflus: Okay. And what is the biggest pushback that your salespeople are getting? So you're going in and you're presenting this opportunity, you're saying we can save you money, we have data.

Bryan Lewis: Mm-hmm.

Amy Norflus: What's the biggest pushback? I mean why isn't it an easier sell, or maybe it is an easy sell?

Bryan Lewis: Part of it is inertia, just cause people--one of the things I believe that we're finding is, in the past I talked about shiny new toys and all the cool things people thought they could do, which they're finding out they can't. And it's an industry that people are beginning to realize they can solve simply. And I think that we've done a lot of education with our existing clients to have them become clients. And now they're becoming the best references that we have. They're the ones that are talking to the fraud risk people at other credit card issuers and saying, you need to talk to Intellicheck. So part of it was educating them on what we could do, educating them to the fact that it is legal to do.

I think another thing is, we did not make it very easy for somebody to integrate with us. We almost made them ask all the questions to get it done. Part of what we've changed over the past year was to provide proper implementation packets with everything they need to get going. We've proven ourselves to the bank partners that we know what we're doing. So they're now bringing us to their retail partners so that we can explain it, and we're driving the process. So I think that the fact that we're getting more and more adoption will make it easier to do.

When we first started doing this, I always go back to nobody gets fired for buying IBM. Well, we would do something drastically different than IBM, so people were worried in a way, is it right, can I do it? Now we're becoming IBM, so people know that it's a simple thing to do. Those are all the things that in the beginning, that we had to overcome. It was an educational sale.

Amy Norflus: Gotcha, gotcha. And the last question, you stated that the fraudsters are realizing which retailers have this. Is that because they're just going in with a fake ID and it's getting turned down?

Bryan Lewis: Yeah, they get to know what's going on. Like we were out, I remember Paul and I, last fall were out visiting some of our clients in the Midwest area and we went into one of the furniture stores. And we were talking to the guy who ran that region, and he said that they realized that it had been installed and rolled out in some of the stores in the region, and they realized nobody was coming in there anymore. But the stores that they had where they didn't have it installed yet, they were getting wacked on fraudulent credit cards. So they know. This is, again, very organized. Whenever you read about somebody getting arrested for this credit card fraud, where they've opened up 300 new credit card accounts, it's not just one person. It's always a ring.

Amy Norflus: Is there any chance that we'll be able to find out who some of your retail partners are?

Bryan Lewis: I am doing my best. It's funny, they'll all talk to each other. If I bring in a prospect, we've got people at all the banks and the retailers are like, sure have them give me a call, just give me a heads up if they're going to call. You don't even have to ask my permission, just let me know so I take the call. But they all seem slightly reticent to put their name out there, and I guess admit that they're victims of fraud when everybody knows that everybody's victims of this fraud, 14.4 million Americans in 2018, $14.7 billion eaten by banks. Why they want to pretend it doesn't exist, I don't know when every research report proves it does.

Amy Norflus: Got it. Alright, perfect. Well, keep up the good work.

Bryan Lewis: Thanks, Amy.

Operator: Thank you. That does conclude our question and answer session. I'd like to turn the floor back over to management for any further or closing comments.

Bryan Lewis: I'd just like to thank everybody for dialing into the call. We're happy with the quarter. We're happy with the fact that, as I said, the changes we put in place and the discipline, and the accountability. And everything that we're doing is showing results. And as I said, we expect to see the continued results in rollouts of the retailers throughout the year. And I look forward to our next earnings call.

Operator: Thank you. That does conclude today's teleconference. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.