

Intellicheck, Inc.
Q3 2021 Earnings Call
November 10, 2021

Presenters

Bryan Lewis, CEO

Bill White, CFO

Gar Jackson, Investor Relations

Q&A Participants

Mike Grondahl – Northland Securities

Scott Buck, H.C. Wainwright

Jeff Van Rhee - Craig-Hallum

Rudy Kessinger - D.A. Davidson & Co

Operator

Good day, ladies and gentlemen, and welcome to the intelligent third-quarter 2021 earnings conference call. All lines have been placed on a listen-only mode, and the floor will be open for your questions and comments following the presentation. At this time, it is my pleasure to turn the floor over to your host, Mr. Gar Jackson. Sir, the floor is yours.

Gar Jackson

Thank you, operator. Good afternoon and thank you for joining us today for the Intellicheck third-quarter 2021 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 used in this conference call, words such as will, believe, expect, anticipate, encourage, and similar expressions as they relate to the company's forward 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 are as of today, November 10, 2021. Management will use the financial term adjusted EBITDA in today's call.

Please refer to the company's press release issued this afternoon for further definition, 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 Q3 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

Thank you, Gar, and thank you all for joining us today for our 2021 third-quarter Intellicheck earnings call. We have started to see things open up, although there are still lingering COVID impacts to one component of our business. Year-over-year, we believe that more people will be shopping brick-and-mortar which, of course, is positive.

We recognize that due to savings rates and stimulus received during the pandemic, right now shoppers are not necessarily buying on credit or, more importantly, opening new credit card accounts. While we believe this will continue to impact us in the short term, we believe that as things start to return to pre-pandemic levels and people begin to spend in normalized way, this will drive credit card applications and additional card not present transactions.

I would also like to point out the distinction I made just a moment ago when I noted COVID-19's lingering impact to one component of our business. I talk to many people who seem to think we're just a brick-and-mortar credit card business. Three years ago, that may have been the case, but we've been on a transformational path since I arrived. We've expanded our client base far beyond just credit cards into banking, call centers, gambling, cannabis, stadiums, as well as the digital world which continues to become an increasing portion of our business. This transformation continues with new technologies and partnerships that we'll be discussing shortly.

Returning to customer shopping habits, we know that shoppers will continue to make in-store purchases, online pickup in-store purchases. They will make purchases online with delivery. They will make buy now, pay later purchases. And yes, the holiday shopping season will likely see an increase in credit purchases. And what each of these behaviors have in common is the risk of fraud and identity theft. Neither is going away.

The data shows identity theft and fraud rates continue their upward trend at a record setting pace. The breaches we continue to see and the enormous amount of personal information already available on the dark web would suggest fraud is only to get worse, and criminals will continue to see dollar signs when it comes to identity theft. Criminals continue to impersonate people with fake IDs created using the identities that they have purchased on the dark web, and we don't see this going away.

Looking at the quarter, our Q3 SaaS revenue was up 32% over Q3 2020, and it was flat to Q2 2021, driven largely, we believe, by what I was discussing at the start of the call. We saw an interesting mix in transaction volumes among our clients. Department stores, particularly those predominantly selling apparel, were down 7% to 10% in transaction volumes during the quarter, while those retailers selling electronics, appliances, and our banking clients were up almost the same amount. Interestingly, those same retailers that were down in the quarter had October volumes that were up 15% over September.

Again this quarter, much of what we have been investing in and working on this year has been transforming the company to be more of a digital identity company, rather than purely an ID validation company. As I said earlier, this transformation will allow us to move into many more markets and provide more services to our clients and prospects than purely ID validation. Any time you need to validate an identity, whether in a physical or digital setting, we believe our efficacy makes us the best and most vital first step and, therefore, the logical partner to get other risk signals from.

We stop the bad guys from getting in. But even if you are who you say you are, there is additional information we can provide through partnerships to help clients and prospects with their KYC or Know Your Customer obligations. We believe that this opens up opportunities for new verticals that need a much more in-depth identity check that goes beyond is the ID authentic. We view this as incremental product offering with a large addressable market that includes fintech, gambling, and other markets.

Moving forward, there are developments on a few fronts that I want to share with you and bring you all up to speed. As usual, we are first going to look at some highlights with our existing clients and some new wins. We're also going to look at the changes we made to our pricing model and our new efforts on channel partner sales. I'm also going to tell you about the reseller agreements we have entered into to expand the product set we can offer our clients, and the launch of our new Platform 2.0 that makes this all possible.

First, the updates on our financial services clients. Financial services company number two completed its project to provide applications and account lookups through a tablet instead of having to go through the point-of-sale system. This allows them to get their clients up and running and using our services much quicker. In addition, we are working with two new retailers with approximately 600 locations each, and they expect to be live in early Q2 for credit apps and account lookups. Number two is also very excited about their new business pipeline, and they tell us it should be a very good year for new clients using our services.

Financial services company number three has rolled out their pilot of their teller workstations. So far, all is going well, and they expect full deployment to their 720 branches in Q1. They continue to work with their home-improvement client to expand to their multiple point-of-sale systems. However, that requires some changes to the bank's internal systems, and that timing remains out of our control. Given the speed at which number three moves, I would expect that

to be second half of 2022 event. The good news is that they continue to be an excellent reference for us, both with industry analysts and prospects. It never hurts to have the SCP (PH) of fraud tell prospects that he thinks we are one of the top five fraud-fighting tools of all time.

Financial services company number four is pushing to integrate our services into all of their retailers' digital channels. A big benefit of online is that it does not impact their point-of-sale system, so we can be working during the normal holiday code freeze. In addition, as they look to increase the use of our products in Canada, we are bringing live the ability to authenticate Canadian health cards. These are valid forms of ID for some provinces and have barcodes like the Canadian drivers' licenses.

Additionally, they are in the process of rolling out their mobile banking project that allows their clients to validate themselves on the bank's mobile app. This effectively adds a layer of security for both the bank and their client, as the banks add more digital use cases. They estimate that 40% to 45% of their clients have the mobile app installed on their phones.

In addition, you may remember from the last call that they prepaid for what they believed would be a year's worth of transactions. At the current rate of consumption, it looks like they will draw that current allocation down by May. We anticipate that if the additional clients and use cases they plan on rolling out happen on time, more likely they will run out by Q2.

I'm also pleased to share with you the latest development with the bank consortium owned company we signed late in Q4 last year that helps financial firms detect and prevent fraud. They've agreed to be a beta client for our new Platform 2.0, which I'll be discussing shortly. This will allow them to use our products more frequently in their call center, and their intention is then to roll our services out to their digital payments network.

In addition, we now have a new financial services client. We signed a master services agreement with a California-based provider of, among other things, mobile banking, personal loans, credit card, and student loan refinancing. They are going to start with our no integration product while they integrate our API into their systems. We expect rollout in Q1.

As we look at expanding into other markets, one of the markets we have been targeting is college stadiums. With more colleges and universities selling alcohol in their stadiums on game days, there is an increased focus on preventing underage access. And we're talking about more than football games. This trend is cutting across a variety of sports. It has brought greater focus on the continuing and growing use of its sophisticated fake IDs by minors. Recognizing this opportunity, we've targeted an increasing number of college stadiums selling alcohol with good effect.

We recently signed two major SEC schools who are pre-purchasing 20,000 transaction buckets that automatically refill when the balance gets low. We have proposals out to several other schools as we continue to grow our footprint in what we see as a very promising market. You

notice that I've been saying transaction buckets. As we discussed on the last call, we are having customers prepay for a specific amount of transactions they can use in a month or year. This has gone very well. Most new clients are being signed this way. All renewals are now under this model. And looking at renewals, I'm pleased to report that we've continued to have a very sticky client base. As our clients' contracts come up for renewal, it is important to note that we are raising prices for each of those contracts. Our client acceptance of these double-digit price increases underscores the value our technology solutions continue to provide.

Earlier in the year, I alluded to our plan to refocus our efforts involving channel partners to resell our products, and we are making strides in that area. First, we signed an agreement with one of the largest providers of inventory and point-of-sale systems for the cannabis industry. Integration is complete and we've begun joint marketing efforts targeting their customers.

We have also signed agreements with two major point-of-sale system providers to the hospitality industry to incorporate ID validation into their systems. Collectively, these two point-of-sale system providers represent over 2400 bars and restaurants. Integration with both is now underway.

In addition, we have signed an agreement with a company that sells an omnichannel multi-biometric platform to banks, marketplaces, and healthcare systems to use our ID validation tools as part of their onboarding process. They have pre-purchased 250,000 transactions.

We continue to work on other channel partners and resellers as part of our Intellicheck inside strategy that features (INAUDIBLE) our technology solutions and then selling them through our partners. In a similar vein, we've signed deals where we are the reseller of additional validation tools, in a similar manner to what we've done with biometrics. As part of the KYC process, many clients need to know about criminal backgrounds. So we've signed a deal with the company to sell access to criminal background data.

Another significant development that opens up global opportunities revolves around the expansion of our validation capabilities beyond North America. We signed a deal with a company that will give us the capability to validate identity documents from over 200 countries. We'll be sharing more details with you shortly, but what it comes down to is this: we believe our superior accuracy compared to what some view as our competition in North America, coupled with being on par with over 200 additional countries with less sophisticated forms of identification, gives us a distinctive competitive edge for clients that need international coverage, while at the same time potentially expanding our footprint globally. Integration for both the background checks and the international validation is underway, and we intend to update you with press releases when we are ready to launch in Q1.

As I said earlier, this has been a very transformational year, and to achieve this advancement has required additional investments in the business. We started by retooling the salesforce, and by the prospects I see in our CRM, this is paying off. Looking ahead, we believe we should show

notable growth in 2022. As you know, we also invested in creating a marketing department and that also has paid off. We signed twice as many clients in Q3 from inbound leads as we did in Q2. While so far, most of these new agreements signed have been for smaller clients, given the number of these deals, the ACV or annual contract value adds up. I can also say that lately we have had inbound needs from ranking people at major financial institutions. So our brand and market awareness continues to grow.

The stage for this major phase of transformation is what we are calling Platform 2.0. Historically, we did only one thing and we believe we did it far better than anyone else, and that is validating North American IDs, drivers' licenses, and military IDs. Unfortunately, our backend was lacking the level of flexibility needed to become more of a powerhouse within identity validation and digital identity. For example, what we formerly called age ID was a separate platform from what we called retail ID. This level of complexity didn't make a lot of sense, as they both did the same thing, validate the ID. The only difference was what was returned to the client and how they wanted to consume the services, a handheld device or a direct integration. It also made it difficult to quickly incorporate new features that clients want to utilize as part of their KYC process.

Remember, to open an account, I may be who I say I am, but there are other things you might want to know about me to evaluate the risk of doing business with me. Depending on the nature of your business, other essential questions you may need to answer include: Am I a politically exposed person? Am I a special-interest person? Am I a relative or close associate of any of those people? Are there any sanctions against me or have I committed a crime? These are important data points to know that we need to offer to fully support many of the markets we are attacking. (INAUDIBLE) we can easily integrate new risk signals into the platform. And while doing so, we are able to make it very easy for our clients to pick and choose off of a menu based on their needs, enabling them to select additional risk and identity services they would like us to provide them.

I'm excited by where all of these developments are taking us. We truly believe we have effectively moved the company forward to become a future-ready, on-demand global platform. We are allowing our clients a more flexible, refined solution for validating any ID in both physical and digital use cases, with the additional risk signals of their choice. All of that while continuing to distinguish ourselves in the industry by providing what no one else can with near perfect certainty. We believe we continue to be a leader in authenticating government issued ID as the first critical step in combating identity fraud, keeping age controlled products out of the hands of the underaged, and increasing police officer effectiveness and safety.

In closing, early in my tenure I told you that I was excited by the prospects that I believe the future held. My feelings have not changed. I remain excited and energized by the opportunities I believe lie ahead and what I believe is a bright future for this innovative company.

I will now turn the call over to Bill to go over our financial results for the quarter.

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 third quarter ended September 30, 2021. I'll begin with the third-quarter results. Quarter over quarter SaaS grew 32% to \$3,245,000 versus \$2,451,000 in the prior year. Total revenue for the third quarter ended September 2021 increased 79% to 4,831,000 compared to \$2,699,000 in the prior-year comparable period.

Gross profit as a percentage of revenue was 68.7% for the quarter ended September 30, 2021, compared to 89.1% for the quarter ended September 30, 2020. During the quarter, the company sold scanning equipment to a bank that is continuing to roll out our software to their bank branches, which are normally sold at lower margins. Excluding the sale of hardware in both periods, on a pro forma basis gross profit as a percentage of revenue was 93% for the quarter ended September 30, 2021, compared to 92.6% for the quarter ended September 30, 2020.

Operating expenses that consist of selling, general, and administrative, and research and development expenses increased by 79.5% or \$1,892,000 to \$4,272,000 for the quarter ended September 30, 2021, versus \$2,380,000 for the quarter ended September 30, 2020. The increase is primarily due to higher stock-based compensation costs, increased headcount, and related accrued incentives along with expanded marketing costs.

The company posted a net loss of \$952,000 for the three months ended September 30, 2021, compared to a net income of \$32,000 for the quarter ended September 30, 2020. The net loss per diluted share was \$0.05 versus a net income per diluted share of \$0.00 in the prior period. Adjusted EBITDA for the quarter ended September 30, 2021 was a negative \$271,000, compared to a positive adjusted EBITDA of \$169,000 in the September 30, 2020 quarter. Interest and other income expense were negligible for the quarters ended both September 30, 2021 and 2020.

Now, I'd like to focus on the company's liquidity and capital resources. As of September 30, 2021, the company had cash of \$13.3 million, working capital defined as current assets minus current liabilities of \$12.9 million, total assets of \$25.9 million, and stockholders' equity of \$21.8 million. During the nine months ended September 30, 2021, the company gained net cash of \$145,000 compared to a net cash provided of \$9.5 million during the nine months ended September 30, 2020.

Now, cash provided by operating activities was \$407,000 for the nine-month period ended September 30, 2021, compared to a net cash used of \$311,000 for the same period in 2020. Net cash used in investing activities was a negative \$339,000 for the first nine months of 2021, compared to a net cash used of negative \$408,000 for the nine-month period ended September

30, 2020, and we generated \$76,000 from financing activities for the nine months ending September 30, 2021, compared to \$10.2 million for the same period in 2020.

The company has a \$2 million revolving credit facility with Citibank that is secured by collateral accounts. There are no amounts outstanding under this facility. We currently anticipate that our available cash as well as expected cash from operations will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. As of December 31, 2020, the company had a net operating loss carryforward of approximately \$17 million.

I'll now turn the call back over to the operator to take your questions. Operator?

Operator

Ladies and gentlemen, it is *1 if you have a question or comment at this time. If you're using a speakerphone, we ask that while you're posing your question, you pick up your handset to provide the best sound quality. Once again, it was *1 on your telephone keypad if you have a question or comment.

Our first question is Mike Grondahl with Northland Securities. Your line is open, sir. Please go ahead.

Mike Grondahl

Hey, guys. Interesting developments kind of expanding out the platform a little bit. Maybe, Bryan, can you give a little bit more color on the prepay? Were you saying all new customers are prepaying? I guess I'd just like a little bit more color there. And then maybe, Bill, if you could kind of mention what's the outlook for hardware sales? Is there anything to call out the next couple quarters that you may be expecting?

Bryan Lewis

Hey, Mike, so it's Bryan. I'll start. So yeah, the model that people are doing is they're buying buckets of transactions. And, you know, it just makes it easier for us to get a handle on what we expect things to be. So instead of last--what we used to do was you'll pay a small minimum and then you're going to pay us every month based on what you used. Now, we know--we've learned that people have a pretty good idea of how much they're going to use. So let's just enter into a contract where you are going to sign up for this amount. You know, if you go over, we'll charge you for it. But for the most part, people are either buying a bucket that they're going to--they think will cover a period of time. And if they use that bucket up, they re-roll their contract. So it's a much simpler way for us to track what our clients are doing with more certainty.

Mike Grondahl

Do you have a rough guess of the percent of revenue that's under that model?

Bryan Lewis

Right now, I'd say that certainly number four went to that model. We will be moving number three to that when they come up for their renewal. Number two, I think, is also up for renewal later on in that year. But right now, it's anybody that we have signed for the most part that's been, you know, not major banks yet, but it's a model that they all seem comfortable with. You know, we had really no issues when we were renegotiating with four to do it. So we're doing it with everything from, you know, the corner bar all the way up to major banks.

Mike Grondahl

Yeah, it seems smart. And you've got the functionality to kind of dictate that.

Bryan Lewis

Yeah.

Bill White

As far as the hardware sales, Mark, we don't have anything major on the horizon here that we know about at this point.

Bryan Lewis

Yeah. And Mike, remember, we do hardware only as an accommodation. It's not the line of business we want to be in. It's not like the salespeople make really any money off of it. It's if it helps us get the deal done, because we might have a better way to get the hardware to get them started, we do it, but we're not actively out selling hardware.

Bill White

Right.

Mike Grondahl

Got it, yeah. No, I understood. I just wanted to--you had a couple quarters there with hardware, and I just wanted to make sure most of it was done and if we should be thinking about it, modeling it going forward. So I got it. Thanks, guys.

Bryan Lewis

Thanks.

Operator

We'll move next to Scott Buck with HC Wainwright. Sir, your line is open. Please go ahead.

Scott Buck

Hi. Good afternoon, guys.

Bryan Lewis

Hey, Scott.

Scott Buck

Bryan, could you provide a little bit of color on the competitive environment, once you get out of your legacy credit card vertical and get into some of these--you know, whether it's cannabis or gambling or any of these others that you listed; whether the environment is meaningfully different from like a competitive standpoint?

Bryan Lewis

Well, I think that one of the things I'd say is that depending on how they're doing it, and honestly what I'll say is what they want to do. Do they really want to catch the people or not? And I think that's what changes in that. Because some of these market you could say, well, the loss might be a fine, you know, if I'm selling and letting somebody gamble on a platform where maybe I checked the box that I made sure they were of age, but I don't know.

What we're finding is that the same things that win in identity theft win in making sure that you're not in a casino gambling that you should not be in. People want to know that they're catching the people, and efficacy wins. So that's why I think we're seeing some wins in casinos and other areas, is that they want to do the right thing. Because at the end of the day, the loss could be really big to them. If they lose their liquor license, and they're pretty strict on it in casinos, you know, I'm going to the casino down the street where I can get a drink. So they're looking at it as more than just, oh, the one-off fine of getting--selling to a minor, as to the overall big picture.

So I think that, you know, we had some major competitive advantages in the traditional business, in that no new hardware. Same type of thing plays into this world, but I think because we are coming into it a little bit later--you know, we first started wanting to own the banks and have real reference clients. Here we're seeing more where we might be looking at somebody who's already in place and we're doing a replacement. But the smart clients, the smart prospects, want to do the right thing and want the most accurate system. So I think we still win there.

Scott Buck

All right, that's very helpful. And second one, can you help us understand how you guys think internally about the balance between investing in growth and maybe generating positive EBITDA or showing some operating leverage in the model to appease some investors?

Bryan Lewis

The way that I'd look at it is we're not--and we've been pretty frugal on how we've spent. You know, we certainly added headcount this year which I think was necessary, mostly sales, marketing, and then also some development so we could get things like 2.0 out there, Platform 2.0. I don't see us needing a ton more than we currently have. Obviously, I'm always going to be looking--I think I've said this multiple times--for really good salespeople, because they pay for themselves. So that is something that we should add, especially as now that I look at what we

have brought to our system in the platform, we have a lot more markets. I'm going to need some salespeople to get into that--those places very quickly.

But I think that we've got a lot of leverage in the model. We don't need to spend a ton more money on the advertising and people, other than sales. So I think it will end up coming out through growth that we're doing well.

Scott Buck

All right, that's great. And then last one for me, imagine you have even better visibility under the new pricing structure. Are we approaching somewhere where you guys might start to feel comfortable providing some guidance?

Bryan Lewis

Yeah, it's a question we get all the time, and it's something that is discussed at the board level. So I would say that remains to be seen.

Scott Buck

Fair enough. Well, I appreciate the time, guys. Thanks.

Bryan Lewis

Thank you.

Bill White

Thanks.

Operator

We'll go next to Jeff Van Rhee at Craig-Hallum. Your line is open, sir. Please go ahead.

Jeff Van Rhee

Great, thank you for taking my questions, several. On the implementation, I guess two questions. How many implementations in the quarter? I think you commented coming into the quarter, you had 40 in the backlog. So I guess just, one, how many implementations; and then any other quantification of the increase in value to the pipeline?

Bryan Lewis

I think we did--implementation slowed down in the quarter. I think we only did about six. Correct me if I'm wrong on that, Bill.

Bill White

Yeah, that's right.

Bryan Lewis

Yeah, that was right. Some things that our clients were looking at got pushed out. So not canceled or anything like that, but moved farther out. Sometimes, unfortunately, we are always ready; the other side of the equation is not. I look at the pipeline and one thing I really try and shy away from is putting a dollar value on a pipeline. Because you can really, in my mind, screw yourself up doing that. Because at the end of the day, it becomes pretty binary. And if I've got a salesperson saying, oh, this is going to be a million-dollar account, and they could be but they don't come in. What I will say about the pipeline is that I look at it on strength based on who are the client types that we are talking to. You know, have we had--traditionally, have we won in that space? Are we having conversations at the right level? Because a salesperson can get all excited about talking to somebody, but they're a junior and they really haven't gotten their way in there yet.

So the quality of the prospect, the quality of the people that we are talking to, and are we making headway in new markets. And I would say that the answer to that, all three questions, is plus, plus, plus. I'm happy with how each of those were. So I think that, you know, the investments that we made in the sales team, they are good people. They're doing the right job. You know, these sales are not short cycle sales. You know, seeing to a bar, short cycle. Getting the buy-in of a major financial institution, certainly not short cycle. But the road marks that we have to see if the sale is moving along the way that we should all are positive.

Jeff Van Rhee

Was there commonality in terms of the customers and why they (INAUDIBLE) or pushed out on the implementation?

Bryan Lewis

No, I wouldn't--I'd say really it was two major clients that just had just some internal issues going on. Their dev ran into roadblocks or got issues that they had. Nothing that I'm concerned about. The business sponsors behind all of it are pushing very, very hard to get things as soon as possible. The good thing is some of these things are not issues related to any sort of point-of-sale shutdown, you know, development for the holiday season. So from my end, sometimes things happen in IT. You know, it happens to us sometimes. So it's unfortunate. I wasn't very happy about it, out of our control, but it's not a cancel. It's just a delay.

Jeff Van Rhee

I think that commentary following Q2 was that scan volumes were down roughly 10% (INAUDIBLE) Q3?

Bryan Lewis

I didn't--yeah, how did we look on that? Unfortunately, I was running all of the numbers and that's one I didn't do. Because I was really looking at how did we track quarter to quarter to look at things. And again, you know, the way I was looking at it is by our major clients. And that's where I saw that there was certainly a distinct difference between the type of retailer. And again, apparel was down; electronics and appliances were up, as were banking

transactions. And I think the other thing that was really an interesting number to look at is the Q3 digital transactions over the year, they were 34% over Q1. So I think it shows that our push into the digital world is working. But, you know, a mix. It was a real blend. I don't know if COVID, you know, the Delta variant slowed people down going into certain stores but not others. But again, I'm hoping that as we just finally continue to get back to a normal world, we go back to completely pre-pandemic levels. I just don't think we are there yet.

Jeff Van Rhee

Last for me, if I could, in terms of the sales reps. I think you had some commentary, obviously been adding to capacity. You know, I think last quarter you commented that their time to productivity was running at least in line, and in many cases and overall on average was running ahead of expectation. What are you seeing this quarter with respect to the latest cohort and the pace of ramp to productivity for the reps?

Bryan Lewis

I think that by and large, they are doing quite well. I think we've added another one since we spoke, so--I think we were at 10 before. Now we are at 11. We've got some interesting candidates that we are looking at. So I look at our target-rich environment out there and say, you know, you guys are overworked. You'll do better off if we got more and start to focus on you're going to sell into this market, and you are into this market. Right now, I think what's kind of tough with the size that we have, you've got to kind of jump from the language of this industry to the language of that industry to the next one. And I think it's better off to maybe have people who specialize in the language of each industry, because you have way more credibility even on that initial cold call.

So we will be expanding again as we feel that, you know, as particularly Bruce feels that he's got the training bandwidth to make sure that they ramp up quickly. So, so far I'd say it's working, and we're just going to continue to push the envelope and bring people in as we find the right people, and Bruce is ready for them.

Jeff Van Rhee

Great, I'll leave it there. Thank you.

Bryan Lewis

Thanks.

Operator

We'll take our next question from Rudy Kessinger, D.A. Davidson. Your line is open, sir. Please go ahead.

Rudy Kessinger

Yes, thanks for taking my questions. I want to go back to kind of the commentary on the different types of retailers. I guess, you know, with Q3 SaaS revenue being essentially flat with

Q2 and the apparel companies being down about 7% to 10% sequentially, just what percentage of either total scan volumes or revenue or the number of retailers you have out there are apparel versus the rest?

Bryan Lewis

They are a larger part for sure. They are--I'm going to say--

Rudy Kessinger

You mean the majority or--?

Bryan Lewis

Yeah, I'm going to guess--Bill, correct me, but I'm just thinking about overall transaction volumes, they are probably the majority.

Rudy Kessinger

Okay, got it. That's helpful. With customer number three, when did that price increase go through? Did it go through in the quarter or after the quarter? And with them maybe changing to the new kind of purchase the volumes ahead of time, did that maybe limit kind of the impact it might have had on the quarter? Or just more color there would be great.

Bryan Lewis

No, because--so it happened in the quarter. So the effect of it wasn't there in the full quarter. And since they basically have bought a bucket of transactions, we bill as they go. So it's just a guarantee on what they are going to do, as opposed to in the old pricing model, it was the only thing they guaranteed was kind of a minimum to cover hardware. Now, they are guaranteeing what they think they're going to do in volume. And we are billing as they go. And as I said--and it was number four who we put this on. They thought it was going to last for the full year. It certainly appears as there's no way that's going to happen and they'll have to re-up, which means if they're smart, they buy a larger bucket.

Rudy Kessinger

And that was going to be my next question. I mean, with them and both (PH)--some of the college stadiums, some of your other new customers that you've signed, typically are people buying what they estimate will be about a year's worth of transactions, or shorter or longer?

Bryan Lewis

It depends. You know, I'd say that there is a mix of it. Because we will give you, if you want a guarantee, we will give you a better deal. You know, the longer that you want a guarantee, you know, we might discount a little bit more. Not a ton, because I hate that word. But there is a benefit to them for prepaying for a longer period of time.

Rudy Kessinger

And then just lastly, you know, as I think about Platform 2.0. I'm sorry, I lost my train of thought. Platform 2.0 and some of these new capabilities, you know, doing the global ID, stuff like that, where is all that stuff in terms of being generally available?

Bryan Lewis

We assume that we are going to--most of this will launch--for full production launch, we're looking in Q1. As I said, we have beta clients. I think we've got around 10 of our existing clients who want to test it with us, go beta on it. So there's certainly interest in the platform.

Rudy Kessinger

All right, got it. That's it for me. Thanks, guys.

Bryan Lewis

Thank you.

Operator

We have no other questions holding. I'd like to turn the conference back to Mr. Lewis for any additional or closing comments.

Bryan Lewis

So I just want to thank everybody for dialing in. You know, as I think you can see, we're a quite different company than we were at the start of the year. You know, I believe that the transformation in our new platform opens up new markets to us, and plenty of opportunities for the company as a whole. And I just want to say I look forward to working with the team to make great things happen. So thank you very much, and enjoy the rest of your evening.

Operator

Ladies and gentlemen, that will conclude today's call. We thank you for your participation. You may disconnect at this time, and have a great day.