

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## Intellicheck, Inc. (NASDAQ:IDN)



**BRYAN LEWIS** is the CEO of Intellicheck Inc. He brings over 30 years of leadership positions in the financial services and financial technology sector to his role as Chief Executive Officer and a member of the board of directors of Intellicheck. A turnaround specialist who leads companies to profitability and successful exits, Mr. Lewis has a demonstrated ability to scale both high-growth and underperforming companies to create significant shareholder value. Prior to joining Intellicheck, he was Chief Operating Officer at Third Bridge, Inc., where he oversaw the growth of the company from 100 to 600 employees and a CAGR of 56% in a four-year period. Previously, Mr. Lewis held senior leadership positions at BondDesk (sold to TradeWeb), TheMarkets.com (sold to Capital IQ), Reuters, Barra (sold to MSCI) and Bloomberg. He began his career as a bond trader.

### SECTOR — BUSINESS SERVICES

**TWST:** Let's start with a short overview of the company.

**How did this all start?**

**Mr. Lewis:** Intellicheck has been around for quite a long time doing basically ID validation. We began doing it for the military. So, government installations, secure facilities, where they figured that the best way to prove that you are who you say you are when you're getting on base or into that facility is, is your government-issued identity document real? So we started validating military IDs and government IDs in the 1990s.

**TWST:** What's your background? How did you end up as CEO?

**Mr. Lewis:** My background is that I have been working, going to companies that were either underperforming or they were great companies that had awesome products, but couldn't figure out how to really monetize them or get the growth going. So I've done that in a number of places. The last company I was at, when I started and took over operations, had a great product, great research group, but they had been around for a while, they had about \$9 million in revenue, and they were unprofitable. I changed a lot of processes and four years later, we were doing \$90 million in revenue and profitable.

I ended up coming to Intellicheck really through connections with people that I knew. They had heard about this opening and connected me with the recruiter that had been hired to search for the new CEO. And then during my due diligence of the company, I was struck by the fact that never had I found a product or a company where the clients spoke so highly of what the product did. When I started looking at it, I thought this company has a phenomenal product and the clients love it. My initial

thinking was there must be some operational things that need to be fixed. I saw that as a phenomenal opportunity.

And I really liked the fact that, for a lot of my career, I've done things that in a way made rich people richer. And let me just say that my background is also steeped in fintech because it is very much a part of the investment vertical. What I found with Intellicheck was a sense of making a difference in a very different way because it has a general feeling of, we're doing something good. We work with a lot of law enforcement to stop underage access to age-restricted products and venues — things young people shouldn't get and venues they shouldn't get into. We are also having a huge impact in that every day; we are stopping literally tens of thousands of people from getting their identity stolen.

So I saw the position of CEO at Intellicheck as a great opportunity to work with a company that's having a positive impact every day in communities nationwide.

**TWST:** What were some of the operational things that you thought needed to be fixed?

**Mr. Lewis:** When I looked at the products and their target markets there were a couple of things immediately that stood out to me as needing a change. First, I think they were selling to the wrong group. When I took a step back, I said where do we have a competitive advantage in what we do compared to what people consider the competition to us. And I think there's some mistakes in what they consider competition.

But we had some clients who were using us for the onboarding of instant credit in stores. And in that space, given how we work using the barcode of a driver's license to authenticate it, we can work with existing hardware. Those vendors that require a photo on the front of the license — that would require the retailer to buy an optical scanner at the cash register

as opposed to using the scanning gun to scan the ID. So I said I wanted to focus on that, looked at that market and I realized that the focus of the company was to try and sell to the retailers.

This isn't a big focus for some retailers, where the loss is absorbed by the bank. They — the retailers in this scenario — get paid whether it's a case of identity theft or not. So when they were focusing solely on the retailers, they thought they needed to sell loss prevention. Looking closer, it became apparent that historically the company hadn't hired people who were experienced in software sales and who understood the full economic picture, so they did not recognize that the finance department really had the lead. That was mistake number one.

Mistake number two was how the company was pricing product offerings. The system in place focused on a per location model. So this system was designed to set a fee per store as opposed to per transaction, which banks are very comfortable with because they're used to doing transactional fees.

The third issue I discovered was associated with the fee structure for the product. We adjusted the pricing structure appropriately and at every renewal we reflected the new pricing structure, which was well-received because though the cost went up, the savings continued to be significant for our clients.

In addition to addressing whom we were selling to, the pricing model and structure, I also noted that the company needed to have a strong focus on selling to major clients who could in turn refer us to their customers, as well as those who would appreciate the significant savings our products can deliver. As a result of the changes we put into place, in the span of just two years we were signing agreements with the largest banks in the United States — banks and credit card issuers.

The bottom line is the product has appeal, it works and now it remains a matter of aggressively getting out there, continuing to get our message out there and signing new clients across multiple market verticals.

**“Multiple law enforcement agencies have put us to the test, checking our results against thousands of fakes and in every one of these tests we have caught 100% of the fakes that they have tried to get past our system. In North America, in my opinion, nobody can beat us in terms of accuracy and speed.”**

**TWST: The company recently launched Platform 2.0. What is that and how does it fit in with your goals and overall mission? Why is it significant?**

**Mr. Lewis:** There is no question that this is a significant step forward in supporting our goals and our ongoing mission. Platform 2.0 represents an evolution. This is the Intellicheck identity platform, and we have grown from strictly an ID validation company to an identity company that addresses every aspect of the identity life cycle. The fact is we do some things exceptionally well. We also recognize that the changing landscape, the evolution of technology and the exploding nature of domestic and global identity fraud, means our clients need or will need more.

Stopping here a moment, it's important to understand that we have established that we exploded on the identity verification scene because we have run the gauntlet of tests and we have repeatedly demonstrated we are more than 99.9% accurate in catching fake IDs and we repeatedly deliver these unmatched results with sub-second timing.

This isn't just a slogan or something we claim to do. Again, we have been tested repeatedly and we have never failed. In fact, we are even law enforcement tested. Multiple law enforcement agencies have put us to the test, checking our results against thousands of fakes and in every one of these tests we have caught 100% of the fakes that they have tried to get past our system. In North America, in my opinion, nobody can beat us in terms of accuracy and speed.

But coming full circle here, what we recognized was that a growing number of our current clients and potential clients need international capabilities as well. And like many of the vendors in this space, there are certain vendors that are good at this and are happy to be resellers. So we grew our identity platform to answer these needs and to recognize that clients can often come to the table with certain preferences.

For example, while we have offered facial recognition, some of our clients or potential clients may prefer other vendors for certain services. We understand it, we respect it, and we have responded by forging multiple facial recognition partnerships allowing our clients to select which one they feel more comfortable with. In addition, we brought on international capabilities so we can now provide identity verification on IDs and identity documents for just about any country in the world.

In assessing our capabilities, the other key need we saw was that there are many needs for clients who must do more to address AML — anti-money laundering — and KYC — Know Your Client — capabilities. You must be able to confidently with accuracy know the answer to the question, is this document real? And if it is in a digital transaction, through facial recognition, establish that the legitimate owner of the document is still in possession of it.

In addition, many clients must be able to have the information that assures them that they in fact should be doing business with that particular person. So we added additional capabilities to address these needs. Our new identity platform can do just that by identifying sanctions, PEP — Politically Exposed Person — and criminal background checks.

We satisfy the need to know that so that a company sees their potential client and says, “I'm going to take your money and I'm going to be investing your money or doing anything else with it, so I need to know that not only are you real, but you are somebody that I want to do business with. And that's what these extensive new capabilities allow us to do.

We answer these questions, and we answer them quickly. And before they go elsewhere, we feel confident that any business in any market vertical with these needs is going to start with us because the largest market for most anybody is North America. And given our efficacy in North America and the complex issues we can now address, we are the right choice.

**TWST: How do you stay ahead of the technology that the scammers or fraudsters might be doing, or how they're learning? Because they seem to be always coming up with something new and different.**

**Mr. Lewis:** I think the distinction between what we do and what our competitors do is what makes us so effective in staying ahead

of the bad actors. If you look at what a lot of the other ID validation companies say they do, when you go to their websites, they're basing it off of they take a photo on the front of the license and maybe they'll read the back of the license, they will parse the data out of the barcode. They'll take that photo from the front and compare it to a template and say, does it match? Does it have all the holograms? Does it have the micro printing and those types of things? And then they'll see if what's encoded in the barcode matches with what's printed on the front. And that is exactly what's wrong. It doesn't work because fraudsters are sophisticated and so are their products.

Our law enforcement clients use us because they are the first to tell you that even the most experienced law enforcement officers can't determine whether it is fake or real with a visual inspection. They see that all the seemingly usual qualities appear to be there because the fakes are that good. I've got a fake ID that's supposed to be issued by my state. I put it next to mine, I tried all the usual visual checks, I even tried using a blacklight on the fake ID and it looks like everything's there.

Bad actors should not be underestimated. We know that as soon as a state comes out with a new license format, every time a state brought out a Real ID, within 30 days, you can go to one of the fraudsters' websites where they sell fakes and they've got those new issues — and they're selling them.

And another thing is that we keep hearing companies using the phrase "human-assisted AI." What human-assisted AI is all about is that if the machine can't tell if it's real, you can pay extra money and it goes off and a person looks at it and that visual inspection is supposed to adequately determine if it's real. All I'm going to say is how accurate that is, I don't know.

**"We work off of the barcode in a deep and meaningful way. There's a lot of information in a barcode that's hidden and encrypted. And certain states even have digital signatures, which you need to know how to unlock. And those are things that we know how to do from the history that we have of working with the federal government on military IDs and states on the driver's licenses."**

Now, returning to how Intellicheck started, we got into this because we started working with the government. We work off of the barcode in a deep and meaningful way. There's a lot of information in a barcode that's hidden and encrypted. And certain states even have digital signatures, which you need to know how to unlock. And those are things that we know how to do from the history that we have of working with the federal government on military IDs and states on the driver's licenses. So we can tell you with 100% certainty that a barcode matches that state for that date of issuance.

Now, what the bad actors do is they take what's known as a standard barcode that's published and it is published by the umbrella organization that all DMVs belong to, but nobody uses it. But these bad actors know that if they use it and print it on the back of a license, it is going to look real, it is going to scan, it is going to show, you can read it. It's got that header record for date of birth and the address and all those things.

What's wrong here? What's wrong here is that people don't understand that there is a world of difference between scanning and parsing. Scan the license and the data comes out as if it is legitimate. But if you don't know exactly what Guam does versus Texas, versus

Nebraska, they're all different. And if you don't know all those little idiosyncrasies and nuances, you're going to get fooled.

We don't just scan, we parse, so we can tell the difference between a fake and the real thing. And it doesn't stop there, because we have other tests that we can do. We can, again, if you're not standing in front of me, for example, involving OCR, or optical character reading, along with facial recognition and more. Together, we do all these things with exceptional speed and, again, unmatched accuracy.

**TWST: What would you say are some of the most important takeaways from your most recent quarterly results?**

**Mr. Lewis:** I'd say again the number-one takeaway is what remains a reality with every quarter and that is that identity theft is not going away, and it continues to go up. So it is apparent to me that there's going to be an ever-expanding need for our products in new markets.

The quarter demonstrated solid year-over-year growth. I do believe that there are still some lingering COVID issues out there. I think there are people, and I personally know some of them, who are still afraid to go into public places and things for fear of getting COVID. Now, we are faced with the unknowns that come with the spread of this new BA.2 variant. But, returning to the quarter, while I think it was solid growth, as I said on the call, I'm always looking for more. And I do see exciting opportunities in our pipeline.

I think the other important takeaway was that we continue to work with very large companies, and as I noted on the call, we started doing the information security background check, if you will, from a top five bank that wants to start with us in their retail bank branches. This was just one example of what I believe is a good pipeline, but I am going to continue to always be looking for more growth, while we watch to see

where the new COVID variant takes us, and the unknowns associated with the situation that continues to unfold in Ukraine.

**TWST: How was your company impacted by the pandemic?**

**Mr. Lewis:** A good portion of our revenue still comes from the credit card space, involving either the customer going in and opening up a credit card, for example, or a customer walking in and they've forgotten their credit card and want to obtain a store credit card to complete their purchase — all those kinds of interactions were impacted. And keep in mind, what we're talking about here is that a legitimate customer is also imitated by the savvy fraudster who walks in with that sophisticated fake ID and is able to fraudulently get that credit and do damage not only to the business, but to the poor victim whose stolen information is being used.

Obviously, since a majority of the revenues were coming from those kinds of typical scenarios, it's fair to say that the pandemic did impact us pretty severely, as most stores were closed. Now a good thing is many of our retailers were considered essential services and were able to remain open, but obviously foot traffic went way, way down. And many of our clients were paying us just the minimums as a result. We have been seeing an uptick since things began opening up. Just like light

switches, things opened, and you see an increase in traffic. And then as things shut down again, you'd see a decrease in transaction volumes. So COVID did hit us pretty severely.

**TWST: How are you doing now?**

**Mr. Lewis:** Right now, I'd say that we're almost back to pre-pandemic levels in terms of foot traffic. The other thing that is really going to continue to be an important factor is that we're getting into a lot more verticals. I find it's interesting to see the inbound inquiries that we have for our products that are doing really well in the automotive space. And then there are uses few would have thought of just a short time ago, like remote notaries. I never would have thought of it, but they need to authenticate you when you're not standing in front of them. Think about other uses now, like buy online and pick-up in store or curbside pickup, and delivery services now offering age-restricted products for delivery.

**“There’s no need for new hardware that would cost a retailer or the bank \$5 million to \$10 million. It is my sense that our competitive advantage on many levels will serve us well, but we’re also looking at these other new verticals that our digital capabilities allow us to penetrate.”**

The list goes on and on.

**TWST: What do you see as some of the other big highlights for the company?**

**Mr. Lewis:** I'd say the biggest highlights, certainly, include the introduction of our identity platform. The identity platform to me is definitely opening up new markets for us because of the international capabilities. And I'd say expanded sales within our existing clients, who want to move to our expansive new platform because we are increasingly in a digital world. The company needs to know more about you to make sure that it is you, you're the legitimate holder of the identity document, your phone is real, we've matched your phone to your name, we've matched your address to both the phone and your real address. We offer those capabilities to our clients. So that gives us a big push into the digital space.

To offer some perspective, right now about 10% of our business now is digital, but it's been growing at a very steady pace. We just knew that in the digital world our clients are going to look for additional risk signals, if you will, or data, and we can meet those needs now.

What I see going forward that is very good for us is all of our clients continue to expand use cases, all the major clients, and this goes for the big banks as well and they're always bringing us new retailers. And by the way, those banks are also finding new use cases within their own organizations. I think the proof point for us is that we have not lost any of those clients since I've been here. That's zero churn. And with every one of them, we've established an appropriate price point at their renewals.

I see a steady, growing client base, new verticals that are coming to us and all the developments I have mentioned that I think are good highlights and are a good sign of a strong company with a great product.

**TWST: You touched on this, but maybe if you can go into a little more depth, what have been some of the biggest challenges or headwinds that you met with last year, and what do you see ahead for this year?**

**Mr. Lewis:** I think we have really covered some of the

biggest challenges. I would say that another one is one that seems to be a shared challenge. It's one that every one of my peers that I have talked to represents a shared issue. It's getting people — the right people and particularly the right salespeople. We're always looking for great salespeople. Again, I think we have a phenomenal product, and you get the right salespeople who open doors and sales happen.

Another headwind or challenge arose that I look at as sort of a double-edged sword. One of our largest clients, one of the largest providers of private label credit cards, put a hold on all new development as they've got a massive internal project that they're working on. Now that project, I think, when it's done is going to be good for us. But that hold meant we had a whole host of retailers that were in queue to be brought live using our product, that all got put on hold until later this year.

We also understand the bigger picture in terms of the importance of getting that project completed before all the retailers go into their year-end lockdown, where they don't do any work on their point-of-sale system going into the holiday season. In the short term, it's a postponement of revenue growth that we were expecting from that client.

Now, at the end of this project, one of the good news benefits is it will allow them to offer digital credit cards to 20,000, 30,000 retailers. And I look at that as a great opportunity for us to get in the door with a number of retailers not doing a lot of credit applications. But you know, even if they're only doing five a month times the many multiples all these retailers represent, and those numbers add up.

Then again, as I said, I am continuing to keep a close eye on what is going on with COVID and the new variant, but it's also the reason that we're making sure that we are moving into other verticals. I'm also watching the unfolding economic situation with the impact of Ukraine on energy prices which impact the price of everything.

We can't control those things. What we can do and what we're always going to be focusing on is opportunity and what we bring to the table because we have a unique competitive advantage. There's no need for new hardware that would cost a retailer or the bank \$5 million to \$10 million. It is my sense that our competitive advantage on many levels will serve us well, but we're also looking at these other new verticals that our digital capabilities allow us to penetrate.

**TWST: You mentioned something earlier about always looking for good salespeople. Has that always been the case or is it a byproduct of the labor shortage coming out of the pandemic?**

**Mr. Lewis:** I think the recent labor shortage has exacerbated the situation. Good salespeople are always hard to find. One thing that is typical of salespeople in general is they tend to be very good at coming in and selling themselves. But at the end of the day the real need is to make sure that they can sell the product. This becomes an issue for virtually every company. What we're focusing on now is finding those seasoned salespeople who know the space, and we just recently hired two of them and they're already making a difference.

I see it as a matter of being strategic, focused and patient to find the right people and make sure we train them well. I'm talking to a large number of my peers, and seasoned hands that now run sales departments in organizations ranging from small startups to international companies, and they're all talking about the same issue.

**TWST: Have you changed your recruitment methods at all?**

**Mr. Lewis:** We're working with a number of recruiters. But it's — it's almost like sales itself, pound the pavement and find the right people and you get the right people who can pound the pavement for you.

**TWST: What are some of your key goals and targets for 2022? And what's your growth strategy going forward?**

**Mr. Lewis:** I'd say our growth strategy is threefold. Number one, we're certainly always intently focused on signing new substantive clients. I am especially interested in exploring the synergy with large financial institutions because they're rich with opportunity. I am also looking at some other interesting verticals that I believe we can get to through partnerships. Certainly, finding channel resellers who are the right partners is one of our goals. We have successfully been doing that in the automotive space and the cannabis space, for example. I'm not going to do a deep dive here for obvious competitive reasons, but I can tell you we see good progress and promise in expanding verticals.

The other part of it is just to expand where we're at. Our dedicated account management team is focusing there. And we are also being analytic to understand why we are in this bank's automotive loan department, but not that one; why we are in that bank's call center but not that one.

And then the other part of it is continuing to establish the appropriate price point as we execute renewals. We're showing pretty significant pricing power. For example, there are two retailers that pay us directly. One, we just raised their rates 33% at renewal. The other one is one for whom we don't do authentication, we just do parsing and fill out the application.

Now, an interesting side note here is their partner bank is not a current client of ours but seems to want to be and is now looking at how to get us embedded in their technology. In this situation, we didn't raise them per se. We signed them to a three-year contract. We didn't raise their rates for year one, but they're bringing on a new use case of non-receipted returns that should significantly increase volumes. Then, year two their rates go up 87% and in year three, they go up 33%.

Going forward, we are continuing to look at appropriate adjustments. Two of our largest bank partners in terms of transaction volume are up for renewal this year and they will also be seeing price adjustments. So, signing new clients through our sales efforts, new channel partners, expansion of current client accounts and price adjustments are all factors in our growth strategy.

**TWST: What's the most important thing that a potential investor should know about the company?**

**Mr. Lewis:** You know, I'd say one of the really important

things to know is that we are unique in what we do and that resonates with clients. Competitors are just not anywhere near as accurate as we are. And I always go to the fact that, again, law enforcement uses us at the state as well as at the local level. And if you think about it, law enforcement are the only people that can actually call up dispatch and have them check everything on the license with the DMV to make sure that it's real. And they choose to use us because they put us through rigorous tests, and we routinely prove we are exceptionally accurate and much faster than actually going through dispatch.

Before the New York State DMV gave our product to their officers — and let me add they didn't tell us this, they told CBS News in Albany — they ran over 1,000 fakes against our system and we caught every single one of them. There's a level of efficacy that we have that nobody else has.

And then also a level of speed. We can return our results in 19 milliseconds. That is key when you understand that a near universal worry is cart abandonment. Every business understands why this is crucial because if a customer is feeling a delay, even if it's just a minute or two, it quickly translates into a lost sale. The same issue prevails in the digital realm. Online purchasers are no more patient. Technology has created a desire, really a demand, for near instant gratification. I want what I want, and I want it now and if I have to put up with delays, I'm gone. That's what all the research shows us and that's what customer behavior demonstrates.

I would also say that we've got clients that are highly desirable, nationally prominent brand names. You can't really walk around any size city and not see our clients. The quality and the value of what we deliver is why we are in more than 30,000 retail locations, why some of the top banks in the world are using us, and why law enforcement uses us. It really speaks to what I shared earlier regarding what I determined when I was doing my diligence before I came here. I saw the nationally recognized brands on the client list, I saw the fact that law enforcement and the military was using us, and it spoke volumes to me about the value of the product.

And now, it's just a matter of making sure that we've got all the things in place to fuel a proper growth engine. And sales and marketing, we never had marketing, now we do and the number of leads coming in every month from our marketing department is terrific. These all add up to my belief that there are exciting days ahead.

**TWST: Thank you. (CJ)**

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