Intellicheck
Q4 and Year End 2019 Earnings Call
March 11, 2020

Presenters
Gar Jackson, IR
Bryan Lewis, CEO
Bill White, CFO

Q&A Participants
Mike Grondahl - Northland Securities
Scott Buck - B. Riley
Amy Norflus - Neuberger Berman
Roger Liddell - Clear Harbor Asset Management
Jim Kennedy - Marathon Capital
Yi Fu Lee - Oppenheimer
Claflin Hall - RBC

Operator
Greetings and welcome to the Q4 Year-end 2019 Earnings Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require 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, Gar Jackson. Please go ahead.

Gar Jackson
Thank you, operator. Good afternoon and thank you for joining us today for the Intellicheck Fourth 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 used in 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 of 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, March 11, 2020.

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 Q4 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 welcome, everyone, to the Q4 and fiscal year 2019 earnings call. I think I've started each one of these calls by saying how excited I am to be hosting it, but for this call I would have to say that I am ecstatic. I'm delighted to announce that this is the first EBITDA positive quarter the company has had since Q3 2014. We set quite the challenge for ourselves this year, and that was to drive sales and accelerate implementations with a focus on achieving profitability. Through dedication, focus, and a lot of hard work, together, we rose to that challenge. I am very pleased to report to you that Intellicheck achieved positive adjusted EBITDA in Q4 2019 of over $216,000.

We'll begin by highlighting some of the numbers for the quarter and the year. Total revenue for Q4 was up over 50% versus Q3 2019 and up over 118% over Q4 2018. More importantly, sequential SaaS revenue was up 64% versus Q3 2019 and 209% over Q4 2018. Total revenues in 2019 grew 72% over 2018, and total SaaS revenue's up 126% over 2018. We ended the quarter with 3.35 million in cash versus $2.8 million in Q3. In addition to the positive earnings, the company had some shareholders exercise warrants that were issued in 2016 that help strengthen our cash position. The change in our pricing to a per scan model with monthly minimums from a per store pricing model certainly propelled much of the revenue growth during the fourth quarter.

As I said, total 2019 revenues were up 73% over 2018 while total scan volumes were up 46%. Isolating Q4 revenues demonstrates this even more acutely. Revenue was up approximately 209% over Q4 of 2018 with Q4 2019 scan volumes up just 98%, less than half the revenue growth. An interesting milestone to note is that Black Friday was the largest scan day of the year with over 620,000 scans in one day, a 125% increase over 2018. The data also suggests that a lot of people waited until the last minute to shop during the recent shortened holiday shopping season. Christmas Eve was the second highest day with 430,000 scans.

If you recall, Q4 had traditionally been a flat quarter revenue-wise for Intellicheck under the per store pricing model. Retailers do not want to touch the point-of-sale system or introduce new processes during their busiest season. The per scan model allowed us to take advantage of the seasonality of scans. We've seen that, historically, 21% of all scans came in during Q1, 23% in

Q2 and Q3, and 33% in Q4. So, we expect an approximate 10% lift in scanning activity in Q4 over Q2 and Q3, and we are modeling accordingly. By the same token, we would expect SaaS revenues to be dampened in Q1 2020 over Q4 2019 by this seasonality affect.

Before looking at some of the highlights for Q4 and some things we've already accomplished in Q1, I want to bring to your attention a change I'm making in how I refer to our banks and credit card issuer clients. A few quarters ago, I started naming these clients as bank one, two, three, et cetera in order to bring clarity to the growth story. Now, that approach has become a bit confusing as some of these clients aren't really banks as much as they are financial services companies. So, going forward, it will be financial services company one, two, three, etcetera.

As we look at our progress with financial service companies, I'm happy to share with you that the financial services company number one continues to add to the roster of retailers where you can apply for a credit directly from the retailer's website, and Intellicheck authenticates the ID. They added 10 retailers in Q4. While this is not a high volume of scans, it underscores their commitment to Intellicheck's authentication technology.

A similar story from financial services company number two. They continue to add to the list of their retailers they are looking to bring live. We are very pleased with the growth in this relationship since contract renewal and the implementation of our pay per scan model. I'm excited to say that it is been quite the turnaround. Financial services company number three completed the rollout of their large electronics retailer in Q4 for the account lookup use case. This is a very high scan client. On Black Friday alone, they were our second-highest scan client.

This quarter financial services company number three placed the scanner hardware order through us for $220,000 to perform ID authentication in their bank branches. This is currently scheduled for rollout beginning in April. While I see this as a very positive sign, I will also caution that this project is already a year late due to delays on number three side. So, I view the state as green and trending to yellow.

Financial services company number four completed their rollout through their bank branches in Q4. This current quarter, they rolled out our web-based authentication product to their auto loan center. In addition, in April they will begin rollout of the web product for several interesting used cases whenever they feel the need to challenge someone's identity both internally and externally. Here are a few examples they shared with us. One is if an employee needs to log into a very sensitive system, they will need to authenticate. Another use case involves if someone is going online or calling in to change details of their account. This would require that the individual authenticate who they are to proceed with the sensitive changes. We continue to be excited about the number of ways number four is finding to use Intellicheck.

I am very happy to say that we have also signed a financial services company number seven. This is not a pilot. They are going straight to production. Number seven in a global financial services company providing innovative payment, travel, and expense management solutions for

individuals and businesses of all sizes and is one of the largest credit card issuers. They will be deploying Intellicheck's authentication technology in their US call centers for new account openings, as well as for inbound calls on account queries and changes. They're also planning to expand use of this solution into their Canadian call centers in Q2.

We have signed financial services company number eight to a pilot. This will be our first Canadian lender. They're a sales financing company that has become a leading provider of point-of-sale financing and payment solutions for businesses across Canada and are in 5,000 retail locations. This will be a four-month paid pilot.

I've spoken about the fact that 10 banks, plus Amex and Discover, account for probably 98% to 99% of the credit cards issued. We now have 5 of these 12 issuers as clients and now our first Canadian lender. I believe this is a strong validation of our service. The good news is that we have all these financial institutions as clients. Now, we are focusing on bringing live [sp] their retailers as fast as we and they can, as well as minding all the possible used cases within each company we can. This is what brings in the revenue. I believe we have tremendous growth ahead of us with these five issues alone, but we're not stopping there.

As contracts come up for renewal, our solutions are proving so valuable we are able to assert pricing power. Many of our existing contracts were below what I would consider current market value, meaning the value proposition to the clients compared with our pricing model were not aligned. While clients and customers are not happy with price increases, they understand the value we bring to the table and the level of losses they would be sustaining without our services. As an example, we have a retail big-box client we've been working with since 2013 with over 1,100 locations whose contract renewed in February. Driven by the effectiveness of our services, we were able to increase these 56% and renewal. This client is also now on our per scan platform with monthly minimums and additional outside during the peak holiday shopping season.

On the last call I spoke about another important development in the retail sector. I shared with you that we brought a 580 store retail chain live in pilot right before the holiday season. I'm delighted to say that, on the week after Black Friday, they called us up ecstatic to tell us we had basically eliminated their fraud problem related to card not present account look up. They are now out of [sp] pilot, in production, and are working on expanding the used cases for Intellicheck. This major retailer is now our reference client speaking to prospects and industry analysts about our ability to stop fraud and identity theft. As we look forward, our implementation pipeline remains robust with 33 projects in various stages of implementation ranging from active implementation to early planning stages.

Our sales into the age restricted markets remain strong, and we are continually adding new clients and even more importantly law enforcement clients using age ID. In Q4, we added three new law-enforcement agencies. The fact that over 60 agencies use our products gives us a level of credibility that our competitors simply don't have. The pace of data breaches and the data

that has been harvested makes it clear that identity theft is not going away. The estimate for the number of records breached in 2019 is around 8 billion. Financial firms were hacked for highly sensitive data of over 1 billion records alone.

Now healthcare related firms are being targeted. Both Quest Diagnostics and Labcorp we [unintelligible] exposing names, addresses, Social Security numbers, and medical records. Every day, more data is out there and available for a criminal to learn so much about your life they can easily steal your identity and pass any knowledge-based authentication challenges. I've mentioned that 14.3 Americans had identities stolen in 2018. It's a big number, but I didn't realize how big until I did the math. That's an identity stolen every two seconds, and readers from experience suggests that almost a third of all data breach victims have their identity stolen. This underscore the fact that this problem isn't going away for banks, retailers, and consumers. In fact, it's getting worse.

It's a week shy of the two-year anniversary of my first earnings call as CEO of Intellicheck, and what an amazing two years it has been. I've said for a long time that I believe the market was coming our way, and I think the evidence proves that out. I'm very proud to be part of the Intellicheck team, and I want to thank everyone for their hard work and dedication. That effort in our invigorated strategic approach is what has turned our story around. With all that we've accomplished and all that I see to come, I look forward to a very exciting 2020.

Before passing the call over to Bill, I have two final items. Like all of you, we are watching the reports on the coronavirus. At this time, we've seen no impact on our business. We believe it will have no impact on our daily operations, because everyone can work remotely at Intellicheck. We will continue to monitor the situation as it evolves.

I also wanted to note today's Board of Directors announcement regarding two new board additions, Dylan Glenn and myself. Dylan is the CEO of KBBO Americas LP. KBBO Americas is a US-based investment vehicle for the KBBO group, a diversified investment company headquartered in the United Arab Emirates. Prior to joining the KBBO group, he was Senior Managing Director of Guggenheim Partners where he joined in 2005. He currently serves as the Chairman of Guggenheim KBBO Partners. Additionally, he led Guggenheim's government relations efforts in Washington and was a member of the Guggenheim Partners Public Affairs Committee.

Prior to joining Guggenheim, he served as the Deputy Chief of Staff to Governor Sonny Perdue of Georgia and served in the White House in Washington DC as Special Assistant for President George W. Bush for economic policy where he was a member of the National Economic Council team advising the President on various economic issues. We are very excited to have Dylan on board, and I look forward to working with him in at Intellicheck. With that, I will turn it over to Bill to discuss the financials.

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 fourth quarter and fiscal year ending December 31, 2019, which we released this afternoon. I'll begin with our fourth-quarter results. Revenue for the fourth quarter ended December 31, 2019 grew 118% to 2,897,000 versus 1,330,000 for the same period last year. Our software as a service revenue was approximately 2,557,000 for Q4 2019, a 209% increase from 826,000 in Q4 2018 and with a 64% sequential increase versus approximately 1,564,000 in Q3 2019.

Gross profit as a percentage of revenue was 88.8% for the quarter ended December 31, 2019, compared to 93.1% for the quarter ended December 31, 2018. Operating expenses, which consists of selling, G&A, and research and development expenses, increased by 28%, or 547,000, to approximately 2.5 million versus 1,953,000 in the prior year. The increase was primarily driven by an increase in sales commissions due to increased sales development personnel to support our growth and new annual incentive bonus plan, which is contended to bond achieving certain goals established by the Board of Directors and Compensation Committee.

The company posted net income of 106,000 for the three months ending December 31, 2019, compared to a net loss of 664,000 for the quarter ending December 31, 2018. The net income per diluted share was $0.01 versus a net loss per diluted share of $0.04 in the prior year. Adjusted EBITDA for the quarter ended December 31, 2019, was 216,000 compared to a negative $633,000 in the quarter ended December 31, 2018.

Now turning to our full year 2019 results, revenue for the full year ended December 31, 2018 was up 73% to 7.67 million compared to 4.43 million for the prior year. Our SaaS revenue for the calendar year 2019 was 6.1 million, an increase of 126%, as compared to 2.66 million in the prior year. Driven by growth in our SaaS business, gross profit as a percentage of revenue was 87% for the year ended December 31, 2019, compared to 91.3% for the prior year. Operating expenses were 9.3 million for the year ended December 31, 2019 from 8.1 million for the year ended December 31, 2018.

Selling, general, and administrative expense increased 8% to $5.7 million for the year ended December 31, 2019 from 5.2 million for the prior year, primarily as a result of increased stock-based compensation expense, sales commissions, and a new annual incentive bonus program, which is contingent upon certain goals being achieved as set by the Board of Directors and Compensation Committee. Research and development expenses increased 26% to 3.7 million for the year ended December 31, 2019 from 2.9 million for the year ended December 31, 2018, driven by increased development personnel and the new annual incentive bonus plan as previously mentioned, offset by decreases in outside research and development efforts. The company had a net loss of 2.5 million for the year ended December 31, 2019 as compared to 4 million for the calendar year 2018. The net loss per diluted share was $0.16 versus $0.26 in the prior year period.

Weighted average share count were 15.7 million and 15.5 million respectively. Adjusted EBITDA was a negative 1.8 million for 2019, an improvement of approximately 1.9 million as compared to adjusted EBITDA of a negative 3.7 million for 2018. Interest and other income was 99,000 for the year ended December 31, 2019 compared to 130,000 during the year end December 31, 2018.

I'd like to now focus on the company's liquidity and capital resources. As of December 31, 2019, the company had cash of 3.4 million, working capital to fund its current assets minus current liabilities of 3.2 million, total assets of 14 million, and stockholders' equity of 11.7 million. During the year ending December 31, 2019, the company used net cash of approximately 1 million compared to net cash used of 3.6 million during the year ended December 31, 2018. Net cash used in operating activities was 1.8 million for the year ended December 31, 2019 compared to 4.2 million for the same period in 2018. Net cash provided by investing activities was 22,000 for the year compared to a net cash used by investing activities of 100,000 for the year ended December 31, 2018, and we generated cash of 794,000 from financing activities in 2019 compared to generating net cash of 688,000 from financing activities in 2018.

On February 6, 2019, the company entered into a revolving credit facility with Citibank. This agreement allows for maximum borrowings of 2 million secured by collateral accountant and bears interest at Citibank space rate of minus 2%. As of today, there are no amounts outstanding under this facility. 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 31, 2019, the company had net operating loss carry forwards of approximately 17 million. I'll now turn the call back over to the operator to take your questions. Operator?

Operator
Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, 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 would 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. Our first question comes from Mike Grondahl with Northland Securities. Please go ahead.

Mike Grondahl
Thank you and congrats on the quarter and the progress, guys. Really, really great to see. Bryan, is there any update on financial services company number five or number six?

Bryan Lewis
Yeah, number five, as I kind of consistently said, they are the online bank. I don't expect a lot of scan volume out of them. And number six just continues to roll it out to their different subprime loan location. So, it's just there is a usual rolling out, rolling out, rolling out to their

stores. Number five, more from my standpoint on that, was a proof of concept that showed that we can do onboarding and authentication for person not present to prove who they are.

Mike Grondahl
Got it. And with the two new wins, seven and eight—and I understand eight's a pilot. When do you think we'll begin to see scans? How do we think about layering those two new ones in?

Bryan Lewis
Number eight is in production now. They're going to begin rolling it out. They do a lot of things in tablets [sp] in the stores. I'm not expecting a massive flood of scans to begin with from them. Number seven, it's a matter of how fast they train their call center folks. They are definitely one of the largest credit card providers out there. They just weren't really able to give us a really good idea of what they thought scan volumes were going to be. But, given that it's new accounts and then account queries, I'm expecting it to be a decent client, but I can't give any—right now I don't have enough clarity to say, "Here's going to be the ramp volume from them". They're just too new, and this is a brand-new process for them.

Mike Grondahl
Got it. But it will be in the US call centers soon and in Canadian call centers in 2Q?

Bryan Lewis
Yeah, that's plan. Correct.

Mike Grondahl
Got it. And then, did you say that you did 33 implementations in 2019, or that there's 33 in the backlog now?

Bryan Lewis
It's 33 in the backlog now and 36 implementations. Bill, is that [unintelligible]. Yeah, 36 implementation in all of 2019. We've got 33 currently in queue.

Mike Grondahl
Got it. And then maybe just last question, when you talk—I think you were talking about financial services company three. You said something about a 220,000 hardware order. Could you just maybe go over that again and explain what's going on there? And was that in the fourth quarter?

Bryan Lewis
Yeah, so, a couple of things. So, that—they placed that order in Q1. Those are scanners that they need for their retail teller workstations that will be used to—we can authenticate drivers licenses and passports on that particular scanner. So, there's a reason that they place it throughout—sometimes it's easier for these banks to buy it through us, because they already have a Master Services agreement with us, and it's quicker than going out and trying to get an

MSA [sp] with the vendor to purchase the hardware through. So, we do have more of an accommodation to help out our clients. It's certainly not my intent to get in the hardware business. So, this was just---it made it a lot easier for the client to get the order placed and the scanners delivered.

Mike Grondahl
Okay. And did they expand some service? I think you may be said at first it was account look up, and then it also includes something else. Maybe just finish that thought, and I'll be done.

Bryan Lewis
No, I think what you're talking about is that 580 store retailer that we brought live right before the main part of the holiday season. They were doing it purely for account look up, and now, they are looking to expand into new credit issuance, non-receded returns, the other main used cases for our retailer. [Unintelligible].

Mike Grondahl
Okay. Got it thanks a lot and congratulations.

Bryan Lewis
Thanks, Mike.

Operator
Our next question comes from Scott Buck with B. Riley. Please go ahead.

Scott Buck
Good afternoon, guys, and thanks for taking my question. I'm curious if you've seen any kind of hesitation from any of your eight customers now, or, probably more specifically, their retailers in regards to setting up implementations or anything like that given some of the broad coronavirus fears that are out there.

Bryan Lewis
I think the good thing is, the implementations don't require anybody to be face-to-face or in the stores or any of that kind of stuff, because it's all done in the—we're in the cloud. A lot of these guys are also in the cloud. It's just they're calling our APIs to plug into their point of sale system. So, no need to worry about slowing anything down because of coronavirus. So, definitely not any education on implementation, implementation schedules, getting anything going in life.

Scott Buck
Okay. That's great. Second, in terms of percentage of staff's revenue, what is generated in-store at the checkout counter versus some of these newer online customers that you signed?

Bryan Lewis

I would say the vast majority of it is currently in-store. I think that over the course of time, things will become more of a mobile environment. But I will definitely say that account look ups and new account in-store is the majority of the revenue stream.

Scott Buck
Okay. Great and last one. In terms of your new financial services company number eight, any difference in pricing or margin profile in Canada versus the States that we should be thinking about?

Bryan Lewis
No.

Scott Buck
Okay. Perfect. Thanks, guys.

Bryan Lewis
Thanks, Scott.

Operator
Next question comes from Amy Norflus with Neuberger Berman. Please go ahead.

Amy Norflus
Hi. I have two questions. Number one, can you give me an idea of how big the Board will get with new people coming on the board? Does anybody leave, or how are you thinking about the board size?

Bryan Lewis
Well, since I just got on, and I have my first Board Meeting today as a member, I can't say much. There is a max of nine that are allowed on the board. This was a net [sp] to add. There were no—nobody left the Board.

Amy Norflus
Okay. And then, can you explain if there's less retail traffic—so I understand you're [unintelligible] where the implementation doesn't need anyone to be face-to-face, but what happens if people aren't coming into the stores if they're buying online? And then, I think the financial company number seven, I think, how are you validating IDs online if somebody is trying to do an online purchase?

Bryan Lewis
So—well, I guess we'll go backward. So, to validate a license online two ways that, that happens. One is if I'm on somebody's website, and I decide that I want to get credit. As part of the credit application online, it asked for a mobile phone number. A text is sent to that mobile phone. You click on the text that. It ask if you can your camera. It opens up the scanning

technology sort of one time use stuff that instructs them how to scan the back of their driver's license, the barcode. And then, from that, we authenticate the license, and if it's good, we also populate the applications. So, we make it much easier for good customers to get online. If it is say a call center, and I call in and I want a credit card, the call center employee again asks for my mobile phone number. Same text is sent, and we authenticate and send the data back. As far as—yeah, go ahead. I'm sorry. Go ahead, Amy.

Amy Norflus
How are you matching up that the mobile phone number is the correct number?

Bryan Lewis
The person is giving us their phone number. We're not matching it up. What we're matching is that the license that they and the identity associated with that license the license is real. That's what we're telling. For some of the more financial services client number five, we also will then take—they want to go a few steps further than your average retailer or somebody issuing a credit card, and they will then also ask for a photo of the front of the license and then a selfie with liveliness to make sure that the plastic is real, it's a real driver's license. And I am still in control of my license, because my face matches what's printed on the front of the license.

Amy Norflus
Okay. And so, this is just being rolled out right now, so whoever wants to get a credit card, this is the process that they would have to go through.

Bryan Lewis
For which client?

Amy Norflus
I get confused. I'm sorry. Five I think. I am just trying to understand the scalability of this how it really works. I don't really care if it's client number one, six, or five, it's just more—it's just a new norm, and then what happens when the fraudster [sp] says I couldn't get a credit card through, hypothetically pick a name, J.P. Morgan, and when I try Wells Fargo—are you seeing the same card names coming up? Are you seeing like—what else are you able to tell from all of the fraud data that you have?

Bryan Lewis
We don't say [sp] they need a PII. So, the only thing is that we know after an attempt comes in—because the data comes into us. We authenticate it. And if it's good, parse the data, send the data back to our client for whatever purpose they're using it for, and then we immediately scrub that PII from our system. What we track is data scan, location of scan, if our client—and we're having them all do it now—programs in the used case, new credit account lookup, et cetera, jurisdiction of the license. So, we know location of scan, jurisdiction of the license, what state it's from, or province, and then what happened. It was good. It was expired. It was a bad license. That's what we keep, because there is no PII associated with that.

As far as the call centers, we've got bank number four has been doing that for quite a while now. I think next month will be the one year anniversary of them going live on the system. So, we're in multiple call centers with clients. Financial services company number seven is just starting using it in call centers. Financial services company number one has now I think about 14 retailers that, if you go to their website and you want to get credit, that's that you enter in your own cell phone number, and we send you the text for authentication. So, I wouldn't call it new technology. It's been around for quite a while.

Amy Norflus
Okay. And this will be the norm going forward for all new applications I guess?

Bryan Lewis
Well, we're working with clients to deliver it in whatever way works best for them. Do they want it just purely on a mobile device? Do they want to integrated into the point of sale system? Do they want it immediately implement with no integration? Fine, use our web-based tools. So, it's really—we can deliver the product multiple ways to fit whatever the use case and the hardware is that the client have. A good example is, bank number four, we rolled out to their retail bank branches. We just integrated with the same scanner they had on their desks to read checks and automatically read the check and do the check deposit. Just a slight configuration change and that worked to read the barcode. So, were very flexible on how we can install this at our client.

Amy Norflus
And each thing—they pay you more money for each scan and what integrated, you mentioned four items? Each one of those with an incremental higher revenue to the company?

Bryan Lewis
I'm not sure I followed the question. To me, a san's a scan. If we're doing things like facial recognition, there's obviously an up-charge for that.

Amy Norflus
Okay. Perfect. I'll jump out of queue let somebody else come back in. Thank you.

Bryan Lewis
Thanks, Amy.

Operator
Next question comes from Roger Liddell with Clear Harbor. Please go ahead.

Roger Liddell
Bryan, I would like to follow up with you on the whole call center. I had trouble describing exactly what they are and the leverage or lack of leverage in them. So, certainly financial

services entities one on four are right in there. Is there an enterprise wide call center with all private label business funneling in, or are there call centers for each private label, so we get, not just organic growth, but bringing additional call centers on within the same financial institution?

Bryan Lewis
I guess sort of two different things there. Call centers—the very first call center that we had was bank number four and then now—I'm sorry, financial services company number four and financial services company number seven. Our work for their own branded cards not the white label cards. So, if you saw the commercial on TV, decided you want that credit card, and you call them to apply for a card, that's when they would authenticate you. They are moving to their call centers that deal with almost any account query. So, certainly financial services number four is, they're looking to authenticate as much as they can, because they realize it's stopping so much of the fraud. So, if you call up for account query, and they feel they have a need to challenge you, they will authenticate. Number seven, their plan is to [unintelligible] their card all their own card inquiries and all their card applications. That answer the question, Roger?

Roger Liddell
Yes, but let me try to get a little more insight as there always a wave—is there a large number of call centers which are available with rollout going forward? So, we have step functions as one after another call center comes online?

Bryan Lewis
What I would say is we're talking to all of our banking and financial services clients about their call centers and rolling into them, which is why we announced. For the most part, there is one call-center group. They might have multiple locations. For number seven, they have a couple of locations that are in the US that are all scheduled to go live at the same time, and then I believe they only one location in Canada, might be two, but I am not sure. But again, scheduled to go live at once, not like it's a rollout.

Roger Liddell
Okay. Auto dealership opportunity from the fourth press release was useful but didn't have as much texture as I would've preferred. Can you put some more texture [unintelligible] terms of the applicability of this? Could it rollout across significant sectors of the dealership world?

Bryan Lewis
Here's what I'll say. The folks at Dealers Safeguard Solution [sp] seem to be very excited about it. They were out at the Auto Dealers Association convention in Vegas and came back with quite a few leads, people that were their existing customers but really like the combined package. It seems to me that that is a lot larger in this space than I thought. It also seems to be very important in the used-car business, because, if you have too many of these cars walk off your lot, banks won't give you financing anymore.

So, I think it's going to be probably larger than I thought. I thought it's going to be sort of a side business, but dealer safeguard solution has about 500 dealer families as clients now. It's a different pricing model, because there's far fewer scans. So, we're charging a per store model certainly significantly higher than we're doing per stores in the past, because we know one car that drives off the lot and you don't get it back or you get it back trashed, pays for a lot of scan. So, we're making sure we're getting our fair value for it. I think it's still early days, but, again, our partner is very excited about the opportunities that they are seeing.

Roger Liddell
Finally, on the data for each, is the something like one year 18 month lag time for breach to where that—those data start showing up on the 10% [sp], is that lag time still relevant, or is the cycle time decreasing just with the pace of everything?

Bryan Lewis
I haven't seen any studies that have come out and talked about it, but what, anecdotally, I would say is, there is so much of it out there that you could be in multiple regions [sp] it seems in the same year. So, the guys are packaging it up, and they're selling it, and we're not seeing any slowdown in our fraud rates. They certainly go up with I think the holiday season, [unintelligible] rates are up. I don't have the exact numbers in front of me, but I think the fact that there is so much data out there—and the one thing I'll say the experience studied saying that a third of us who have our data breached will become victims of identity theft. It seems to be far and few in between people who have not been part of a breach nowadays. So, again, I continue to think it's going to get worse.

Roger Liddell
Okay. Thank you.

Operator
Our next question comes from Jim Kennedy with Marathon Capital. Please go ahead.

Jim Kennedy
Hey, Bryan. Hi, Bill. Congratulations on a great year.

Bryan Lewis
Thanks, Jim.

Jim Kennedy
I want to drill down a little bit more granularity on the online business. What percentage of your retail customers have elected to use your online services or business?

Bryan Lewis

The retailers—like right now I think we've got about—well, again, let's just talk [sp] about online few ways. There is the online which is I'm applying for something through a call center, and there's online where I as a consumer am on a website for a retailer, and I want to get credit.

Jim Kennedy
Talk just about the retailer, not the call center.

Bryan Lewis
It's probably about 10% of the revenue.

Jim Kennedy
Okay. Well—so, it is fair to say what percentage of your retailers not revenue actually avail themselves of your online services?

Bryan Lewis
About 14 of them right now.

Jim Kennedy
Okay. So, the question becomes, if this virus continues in passage going [sp] and there are shutdowns, there are conventions being stopped et, cetera, I suspect there's going to be a lot more online retail business done over the next 90 days than we've seen how long time. How quickly are you able to spin up that service for an existing retail client that comes back to you or you approach them and say, hey, you really need this online service tomorrow? How quickly can you get that up and running for someone you already have a relationship with?

Bryan Lewis
Most of the work is on our partner side. We just give them—here's the code. You need to embed in your website to make this work on the link. From our end of it, very, very simple.

Jim Kennedy
So, have you seen that service started in a week, or is it typically take a month or three months?

Bryan Lewis
It's like any of the development cycles we have with the retailers, so it depends on how motivated they are. That 580 store retailer I think was two, two and half weeks to go live in terms of—from the time we gave them stuff, and they were testing and saying, "Alright, we're ready to go". So, again, from our end of it, no problem. Bill's team is standing by ready to do it, and they know what they're doing. It matters on how—what resources the retailer wants to put on ,and if they want to—if they make it a priority, they can do it very quickly in matter of weeks.

Jim Kennedy

Okay. I suspect you're going to get a lot more interest in that very quickly. So, again, congratulations on the numbers, guys.

Bryan Lewis
Thank you very much, Jim.

Operator
Our next question comes from Yi Fu Lee with Oppenheimer. Please go ahead.

Yi Fu Lee
Thanks for taking my questions. Congrats on the strong finish to 2019. Two quick questions for Bryan and one quick one for Bill. So, Bryan, on the coronavirus, you mentioned obviously there is no disruption to your internal operations. Was wondering, due to the coronavirus, the media we seem like families stocking up for goods. Has there been any pickups on the per scan from your retailer, and how is that affecting your Q1 business? If you can, give us some color on that front.

Bryan Lewis
I am not seeing coronavirus take up. I think we're seeing scans where we thought they would be in line with the guidance that we've given on the seasonality of scans. So, I wouldn't say that [unintelligible] nobody is taking out credit to buy toilet paper kind of thing. So, that seems to be the run has been on everything. So, that being said, so far, we've not seen any impact on scanning, but we're watching it.

Yi Fu Lee
Okay. And then, the next ones the example you gave on the 1,100 retail location on your prepared remarks. You're able to get a nice markup I think over 50% on the fee. Can you give us some of the magnitude like on the other relationship—the current relationships within your pipes that are in that process within—whether it’s this year or the next year? And would the magnitude be like similar to this or lower or more? [Unintelligible]

Bryan Lewis
You mean like do I think that I can get that level of pricing power?

Yi Fu Lee
Yes, and what's on the pipe, Bryan.

Bryan Lewis
I don't know that we have any other major renewals this year just given the cycle of when [unintelligible] sign and how long the contracts were. If you think about it, most of the big deals we signed were in the past year. This was just a very long term client that had much lower rates. What I would say is, we know the value of what we're providing. So, going into new deals now, we are certainly not pricing the way that we were in the past.

Yi Fu Lee
Got it. That makes sense. And my final one for Bill. [Unintelligible] they've been up 180% top row and net income as was EBITDA. Bill, can you give us a little guidance on like how should we think of 2020 this year as we approach our model in terms of inspecting [sp] positive—based upon the results you're seeing with the momentum we're seeing closing in 2019?

Bryan Lewis
Q4 was a solid quarter for us, and we began 2020 with great momentum. But, given the evolving coronavirus situation, we're not going to give guidance in 2020 at this point. One thing that is true is that the coronavirus is not going to stop fraud. That's for sure.

Yi Fu Lee
Okay. Thanks for that. Thanks, Bryan and Bill, and congrats again on the quarter.

Bryan Lewis
Thank you.

Operator
Next question comes from Claflin Hall with RBC. Please go ahead.

Claflin Hall
Nice numbers, guys. Congratulations. A couple of questions. A little while back, you had mentioned that you did 36 implementations in '19, and there's 33 in the backlog. How long do you expect that it'll take you to clear out that backlog, and how fast is it getting refilled?

Bryan Lewis
I'd say that our financial services clients who deal with retailers are—their goal is to get all of their retailers on the system. So, they bring people retailers to us all the time that they want us to work with. I would anticipate that this backlog will be concealing some of these guys go into next year. It's just a matter of how they are looking to schedule them. The way that we look at the backlog and who we look and put into that number are retailers who have committed to doing the work with some date [sp] to get it done. And I'd say sometimes it speeds up, sometimes it slows down. The mix happens in there, but these are all retailers who have scheduled a date when they are going to get the implementation done.

Claflin Hall
Thanks. One follow-up. When you go talk to financial services organization, you're up to what? Nine now or eight?

Bryan Lewis
Eight.

Claflin Hall
Eight? So, when you go talk to 9, 10, 11 and 12, do you ever lose?

Bryan Lewis
I'm going to knock wood. To date, we haven't. I think one of the good things is, I'm able to go out there and say, "Here's how effective we are", and they say, "Yeah, everybody says that", and I have a spreadsheet with me of retailers and financial institutions, financial services companies who are my references, and it said just do me a favor. You don't have to ask when you hand this out. Just shoot me an email so I know to expect the call and from whom, because I'll be happy to get on the phone with you and tell him why you're the best solution out there. These guys all look at it as they're working together to fight fraud. So, I'm very happy to say that if I've got financial services company number 10 who is like, "Are you really that good?" Well, here, go talk to financial services company number four and financial services company number one. That's just going to tell you and one, two—actually all of them have agreed to be references for us. So, it's a really good position to be in.

Claflin Hall
Do you—does your business plan, at least your internal one—how many institutions do you hope to get in front of, let's say, the during '20?

Bryan Lewis
Well, my goal is, I've said many times is, 10 banks plus Amex and Discover, who are the main providers of credit cards, either their own branded credit cards or private label cards. That's the one target market that I really want to own. We're certainly on a nice trajectory to do that, and they all talk, which is a very good thing. We're certainly in discussions with almost all of them now. It's just a matter of what they're doing. What their time frames are. Their IT. We're hard-pressed to find somebody who doesn't see the benefit of what we provide.

Claflin Hall
Okay. Thanks again, and congrats.

Operator
Thank you. I would like to turn the floor over to Bryan Lewis for closing comments.

Bryan Lewis
Thank you all for attending the call today. Again, so far, my favorite call that we've had in the past two years and hopefully did many more. So, everybody, stay healthy and keep shopping. Thank you very much.

Operator
This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.