

Intellicheck, Inc.
Fourth Quarter and Year End 2022 Earnings Call
March 21, 2023

Presenters

Gar Jackson, Investor Relations
Bryan Lewis, Chief Executive Officer
Jeffrey Ishmael, Chief Financial Officer

Q&A Participants

Rudy Kessinger - D.A. Davidson
Scott Buck - H.C. Wainwright
Jeff Van Rhee - Craig-Hallum Capital Group
Mike Grondahl - Northland Securities

Operator

Greetings. Welcome to Intellicheck's Fourth Quarter and Yearend 2022 Earnings Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “*”, “0” on your telephone keypad.

Please note, this conference is being recorded.

I will now turn the conference over to Gar Jackson, Investor Relations. Thank you. You may begin.

Gar Jackson

Thank you, operator. Good afternoon and thank you for joining us, today, for the Intellicheck fourth quarter and full year 2022 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, as 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 21, 2023. Management will use the 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'll begin today's call with Bryan Lewis, Intellicheck's Chief Executive Officer and then Jeff Ishmael, Intellicheck's Chief Financial Officer, who will discuss the Q4 and full year 2022 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 full year 2022 earnings call. I am pleased to report the progress we've made on a number of fronts. We begin this afternoon with a quick review of the SaaS revenue numbers. As a reminder, we had significant one-time hardware orders in Q2 and Q3 of 2021 that skewed the full year total revenue comparable numbers.

Q4 SaaS revenue was up 20% to \$4.48 million versus the prior year and total SaaS revenue for the year grew 21% to \$15.7 million.

We achieved a positive adjusted EBITDA of \$389,000 for the quarter versus a loss of \$555,000 in Q4 of 2021. For the year, our adjusted EBITDA loss was a negative \$924,000, which was flat to the prior year period. Please note that this full year number includes the non-recurring restatement expenses of approximately \$500,000, which Jeff will speak to later.

I am particularly pleased that we have made progress in expanding our market penetration as evidenced by our revenue growth, which came through multiple channels. This is significant because it shows how much more diversified our business has become. Many think that our business is purely brick and mortar retail, but that is not the case.

If you look at the holiday season sales for many major retailers, they report being down between 5% and 10% from the previous holiday season; yet our Q4 was up. We believe that demonstrates our broad and growing client base, which I'll be speaking about, shortly.

Before we get into some client updates, including some fantastic wins, we're going to look first at how solid our client base is. With the data analytics and financial systems Jeff has put in place, it is much easier for us to analyze and measure the health of our business in real time and based on the numbers I'm going to show you, you can see that it's quite healthy.

We decided to look at our top 50 financial services and AML, KYC clients who currently represent 85% of our revenue. We wanted to analyze them over time and see what they'd done in terms of revenue growth.

We analyzed this data from 2018, when I started at Intellicheck, and began focusing on this segment, through today. Interestingly, we started 2018 with only 20 clients in this cohort. What this demonstrates is that we have significantly grown new financial services and AML, KYC clients since that time.

As far as client churn for this original group of 20 from 2018, we lost a total of two and they were under legacy contracts that generated little revenue. One was a retailer that went bankrupt and the other one no longer made sense for us as a customer and they were at such a low pricing, we chose not to renew them.

Every other client in this cohort, as well as every client in this sector, is still with us today and is paying us more than when they've started as a client either through price increases and/or expanded use case.

What this validates for me is our belief that the value we are delivering to stop fraud while enhancing the client experience positions us to increase pricing and opens the door for additional client use cases.

Since we haven't lost any of these clients, it's probably safe to assume that they haven't left us for a competitive product, while we know that some of our largest clients stops using a competing product prior to turning to us. For context, I think one of the largest single price increases for our client demonstrates how important our product is to our clients.

If you recall, when financial services company number two renewed for the first time after I started, we told them we were not renewing at their original rates and their procurement department said they were going to go RFP. We said, go ahead. Their fraud team stopped the RFP and we renegotiated a new multi-year contract at a 75% price increase.

Interestingly, they also brought us many new retailers, something they hadn't done in two years, and we saw a double-digit price increase at their last renewal. So to reiterate, other than those two clients, we've never lost a logo outside of age-restricted products or bankruptcy.

Now let's talk about the revenue increase for this sector. Since 2018, our financial services and AML, KYC revenue is up over nine times what it was, and our clients grow with us either through price increases, expanded use cases, or both.

On average, our top 50 clients have increased their spend with us by 157% from their first full year revenues. Our top banking and credit card companies increased 290% from their first-year revenues. Again, we believe this clearly shows the value of our services.

Another statistic, I believe, shows our value and importance to our clients is that the average revenue per account in this segment has increased 270%, since 2018. And while we report on a quarterly basis and those periods are subject to a seasonality effect by some of our top accounts, we are pleased to say that our trailing 12 months SaaS revenues have increased each month for the past 36 months.

Now turning to some of the highlights of the quarter and the year, we saw real progress in expanding our presence in more market verticals and expanded use cases with both existing and new clients. We've seen a growing number of our clients starting to migrate us to their digital platforms.

Several clients expanded use of our software into Canada. We had two financial services clients that began to use our services to validate international documents. Our major financial institutions all added use cases or clients, during the year.

Clients, particularly in the automotive space, began signing up for our expanded services, including facial recognition, sanctions, past and criminal background checks.

Other important milestones during the year included when we signed and brought live our first national delivery company for age-restricted products. In addition, a noteworthy achievement was the signing of a global social media and email client for validation to prevent account takeover.

We can also point with pride to our penetration in the vending machine space. We have multiple clients now rolling out vending machines for the sale of age-restricted products, which will rely on Intellicheck for ID validation, facial recognition, and geolocation for these sales. These vendors expect to have over 3,000 machines running, by the end of 2023.

In the last quarter, more progress was realized in expanding our reach with state agencies with the addition of two more state level law or alcohol enforcement agencies bringing the total to 28. While this is more of a public service than a major revenue stream, it shows a growing recognition for the efficacy of our system.

These agencies are the only ones who can check with every DMV in North America to see if a license is real. Instead, they use us because we are just as accurate, while being orders of

magnitude quicker. We provide an answer in milliseconds. We know of no competitor that can say they are used by law enforcement to the extent that we are for ID validation.

On another front, we saw our focus on resellers paying off. The omnichannel multi-biometric platform for banks, marketplaces, and healthcare systems reseller continued to go through their pre-purchase transaction buckets and are now in negotiations for a significantly higher commitment.

Monthly recurring revenue from our first automotive reseller was up 51% in 2022 and continues to grow. This is one of the reasons we are excited to say we have signed two new partners in the automotive space. One is a reseller and the other is a referral partner.

This is a large market where our no integration products solve a growing need, immediately. So, we are very pleased to have more people making introductions to our products in this market. We anticipate additional press releases on this important vertical market in the near term.

Again, as you saw by the churn numbers, customer loyalty remains very high with major contract renewals coming in as multi-year with price increases. A standout for me was financial services company number three, signing a three-year renewal with a guaranteed increase in transaction volume of 20% in year one, as well as a price increase.

Another standout renewal was our retail department store chain, one of the largest in the nation, which also renewed for a two-year deal with a 20% price increase in each of the two years. That increase was effective as of February 1, this year.

Financial services company number two is actively bringing retailers live, again. In January, they brought live an art and hobby supply store with over 1,100 locations. Scheduled for April is a specialty retailer selling everything from furniture to international food products. This retailer has over 250 locations.

Financial services company number two has several other retailers in the pipeline, which we discussed with them during what I believe was a productive quarterly business review, earlier this week. I'm glad to see them getting more active after the freeze they put in place last year where they worked on that major backend implementation that is now complete.

I am also happy to say that the MSAs for the two regional banks with whom we've been negotiating have been signed. As a reminder, one of these banks is over 2,700 locations and the other has over 1,400.

The regional bank with 1,400 locations is going to do a three-month pilot in their bank branches for all high-risk transactions. For this pilot, we've already been integrated into their community check scanners.

The regional bank with 2,700 locations expects to start a 30-day proof of concept beginning in April using our no integration Portal Plus product for account openings where someone from their backend operation team calls people to set up the account. After the 30 days is over, the plan is to provide access to all the backend operation employees with Portal Plus, while they do the integration work to their systems.

We also have a few other notable new clients. First, is a company that provides flexible leased own options for jewelry, electronics, appliances, tires and furniture to people with little, no or bad credit.

We have been integrated into their loan application process so that when a consumer applies for a loan online, they are prompted to enter in their cell phone number, which sends a text to them to begin our ID validation process.

Another client beginning a 30-day proof of concept is one of the largest title insurance companies in the US. As surprising as it may seem, title insurance companies are suffering significant identity theft losses, as people sell homes that are not theirs. We've seen a large influx of leads from this sector in the past few months and have closed eight other small title insurance companies.

This particular nationwide title company is doing a 30-day proof of concept in one state using Portal Plus, after which we expect them to roll out Portal Plus to all states, while they do the integration to their system.

You may have seen the recent announcement from Tennessee Title Company where they say, "In an effort to combat rising fraud in our market, Tennessee title services has implemented the use of Intellicheck into our closing process. Intellicheck is an ID verification company that provides 99% accuracy so you will know if the client identity is real and be able to close with peace of mind."

Our main priority is to protect our clients and our industry. We encourage you to join us in taking this necessary step towards secure closing. They put that out on their own. We didn't ask them to. In addition, they emailed that statement to 500 contacts at the title companies they partner with, which has already brought in a significant number of leads.

There's an important point to be made about both the larger and--larger of the regional bank and the title company. What serves us well is that our no integration Portal Plus product allows prospects to see that we are as accurate as we say we are without the expensive leap of faith of hardware integration and all of the associated costs, something it appears our competitors require them to do.

The lack of required hardware for our validation process is a key competitive advantage and as you can see from the statement made by the title company, our clients recognize the tangible benefits our technology delivers, based on their hands-on experience.

It's an easy way for prospects to compare us in real time to whatever identity solution they are currently using, and it seems whenever we have this competition, we win. The largest win using this method and then moving to full integration was financial services company number four.

A key benefit here is this solution allows smaller companies without a large IT staff to, immediately, stop fraud and authenticate people in person or remotely in the digital world, as we've seen with the eight title companies and many of our auto dealers.

Many of you know that I don't like talking too much about pipeline and prefer to talk about wins. However, I would be remiss were I not to complement our new sales force. Chris Myers put together a fantastic team and, in my reviews with him, I see one of the strongest pipelines, since I started. Sales team has come a long way in a few months, and I'm very happy with the progress Chris has made leading that effort.

You should also know that our competitive advantages over all the OCR templating vendors has not wavered. The clients we take from those vendors all say the same thing. Competing solutions are about 65% accurate, while our law enforcement clients continue to tell us we are delivering results greater than 99% accurate, and we present another real plus that also distinguishes us for in-person validations and that is hardware costs.

Again, with Intellicheck, there are none. We work with the existing point of sale reader or check reader at the teller workstation, no additional costs.

Let's compare that to an OCR vendor, and we'll use that retail client that just renewed for two years as an example. They have over 1,140 locations. At each location, they have an average of 15 point of sales stations. They, like all retailers, understand how much money can be made through good credit card programs, which can amount to hundreds of millions of dollars a year.

Obviously, they want to capture as many new good clients as quickly as possible, while stopping the bad guys. They don't want to have to send you to a special location to do so. Our process improvement does this through integrating with the point of sale and a scanning gun. We validate the person and populate the application in milliseconds so that credit can be provided, before they've even put the merchandise in the bag.

If this retailer wants to use what some consider to be a competitor, it becomes cost-prohibitive. They would need an optical scanner at each point of sales system, and even at a heavily discounted price for this customer, it would be an over \$11 million investment.

Another competitive advantage I believe we have in a digital space is the client customer experience. Every client or prospect tells us that it is a constant challenge to balance stopping fraud and onboarding new clients with as little friction as possible.

Competing products require a photo of the front for their verification, usually a photo of the back as well and, oftentimes, facial recognition. It sounds easy to do, but it isn't.

Licenses are rather shiny, so getting a photo without glare that is in focus and isn't skewed, all of which throw off tap loading is tough to do. This means they either can't render his decision or they give an inaccurate one of saying a fake is real or a real person is fake and we know from our own statistics that as you add to the identity validation process, more people abandon the application.

I think this is why, even though we offer it, most of our clients don't bother with OCR facial recognition. They know that the certainty we provide with just one step creates a much better client experience, while stopping the fraud.

In fact, another facet of the customer experience we excel at is at transaction completions, meaning what percentage of the time we can render and answer. One of our salespeople came from a competitor who makes part of their sales pitch the fact that they can give an answer on the validity of a document 95% of the time. That means 5% of the time their customers lose a potential client.

We ran the stats for our completion rates for all of 2022. We found that we can give an answer on a validity of a document 99.25% of the time with 95% of our clients getting an answer greater than 99.999% of the time. That results in a much better customer experience.

Where we are also seeing good progress is in the challenge every company faces and that is making sure Intellicheck's presence and brand is elevated much more than it is, today. We have the experience of practical case studies to leverage that expertise to show our thought leadership, process improvement, fraud prevention in the most frictionless, customer and employee-friendly way, and you'll see that being promoted, this year.

We are also going to do much more to help our sales people break through the noise with our messaging. As I've said many times, once we get a prospect to understand how different we are from the crowd, things move quickly.

As we head into 2023, it's a good time to reiterate a few points. Our new sales team shows that we can close deals, inclusive of smaller and mid-size deals, while we negotiate the long cycle sales process required of major financial institutions and many large companies.

New market opportunities like title insurance and cannabis vending machines are showing real progress, as we are winning those deals.

As we have shared with you, Intellicheck's SaaS revenues have grown every year and our SaaS logo and revenue churn metrics are phenomenal. Except for those two clients in the 2018 cohort I discussed earlier to date, we've not lost a single financial services or AML, KYC client- they only grow.

We will continue to monitor costs with our only major expenditures being for sales and marketing, when and where we think it will accelerate growth.

We closed the year with gross margins of 92%. Between those margins, our continued sales success, our client retention and growth and spending money on sales and marketing only as we see sales success, we believe that we can achieve EBITDA neutral to positive, this year.

In closing, an irrefutable fact is that identity theft and identity fraud continue to spiral. As bad actors continue to expand their efforts at every turn, there is no question that what we do is becoming increasingly more necessary.

At the same time, we recognize our customers and prospects want to realize two key value adds. They want to improve their process and make it easier for them to gain new clients at the same time, they are making sure they are not the victim of fraud or doing business with people that they shouldn't.

We believe, and I think that our clients would agree, that nobody does that better than Intellicheck, both in person and digitally. For all those reasons, I'm looking forward to what is yet to come in 2023.

With that, I will turn it over to Jeff for some details on the financials.

Jeffrey Ishmael

Thank you, Bryan. I'm pleased with the progress we've been making. Our fourth quarter and full year SaaS revenue saw growth across our top accounts versus the prior year, reported a higher average price per scan versus the prior year, and we diversified our business while decreasing the revenue concentrations among our top accounts.

As Bryan mentioned earlier, we are pleased to see continued growth in our trailing 12 months SaaS revenue each month, which has been achieved consecutively for the last 36 months.

As we have also discussed on prior calls, we have also started to realize the shift in our expense structure with a higher emphasis towards our SG&A, specifically, in our investment in sales and marketing.

We will continue to measure our increase in spend relative to our revenue results. I believe our 2023 operating budget is properly structured to support our plan growth. In consideration to

our plan growth, we believe we're well positioned to capitalize in our historical SaaS-based gross margins to fund our planned future sales and marketing initiatives.

Now turning to our fourth quarter results. Revenue for the fourth quarter of 2022 increased 17% to \$4,551,000, compared to \$3,902,000 in the same period of 2021. Our SaaS revenue for the fourth quarter of 2022 grew 21% to \$4,479,000 and \$3,715,000 during the same period of 2021. Gross profit as a percentage of revenues was 94.8% for the fourth quarter of 2022, compared to 92.0% for the same period of 2021.

The increase in gross profit percentage was primarily driven by a non-reoccurring one month credit we received from one of our cloud services provider. That credit resulted in an approximately 170 basis point benefit to our fourth quarter gross margin.

Operating expenses, which consist of selling, general and administrative, marketing and research and development expenses increased \$164,000, or 3.6%, to \$4,746,000 for the fourth quarter of 2022, compared to \$4,582,000 for the same period of 2021.

This increase was primarily driven by higher general administrative costs, specifically, headcount related expenses, as well as higher accounting and professional fees.

Included within operated expenses for the fourth quarters of 2022 and 2021 were \$687,000 and \$393,000, respectively, of non-cash equity compensation expense. It's worth noting that the prior year non-cash equity compensation figure was positively impacted by a mark-to-market liability adjustment for certain equity awards.

The company reported a net loss of \$561,000 for the fourth quarter of 2022, compared to the net loss of \$992,000 for the same period of 2021. The net loss per diluted share for the fourth quarter of 2022 was \$0.03, compared to the net loss per diluted share of \$0.05 for the same period of 2021.

The weighted average diluted common shares were \$18.9 million for the fourth quarter of 2022, compared to \$18.6 million for the same period of 2021. Adjusted EBITDA for the fourth quarter of 2022 improved by \$910,000 and resulted in a gain of \$389,000, compared to a loss of \$555,000 for the same period of 2021.

Now turning to our full year 2022 results, revenue for the full year of 2022 decreased \$427,000 with 2.6% to \$15,966,000, compared to \$16,393,000 in the same period of 2021. As we've discussed in our last two quarterly calls, we recorded a single non-reoccurring equipment sale to one of our larger financial customers in the second and third quarters of 2021.

Excluding equipment, our SaaS revenue for the full year of 2022 grew \$2,758,000, or 21.3%, to \$15,728,000 from \$12,970,000 for the same period of 2021.

Gross profit as a percentage of revenues was 92.0% for the full year of 2022, compared to 78.6% for the full year of 2021. The increase in gross profit percentage was primarily driven by our concentration of SaaS-based revenues in the absence of last year's equipment sale. The credit we received from our cloud services provider had a negligible impact on our full year gross margin results.

Operating expenses, which consist of selling, general and administrative, marketing and research and development expenses decreased by \$1,961,000, or 9.6% ,to \$18,413,000 for the full year of 2022, compared to \$20,375,000 for the full year of 2021.

This decrease was driven by lower, general and administrative costs, specifically, stock-based compensation expense.

Included within operating expenses for the full years of 2022 and 2021 were \$2,455,000 and \$6,400,000, respectively, of non-cash equity compensation expense.

The company reported a net loss of \$3,851,000 for the full year of 2022, compared to the net loss of \$7,478,000 for the same period of 2021. The net loss per diluted share for the full year of 2022 was \$0.20, compared to a net loss per diluted share of \$0.40 for the full year of 2021.

The weighted average diluted common shares were \$18.8 million for the full year of 2022, compared to \$18.6 million for the same period of 2021.

Adjusted EBITDA for the full year of 2022 was a loss of \$924,000, which was flat to the prior year period. It's worth noting that our adjusted EBITDA result is fully inclusive of the expenses tied to our restatement activities from the 2020 and 2021 periods, which accounted for approximately \$500,000 in non-reoccurring, accounting and professional fees.

Turning to the company's liquidity and capital resources, as of December 31, 2022, the company had cash and short-term investments in the form of US treasuries that totaled \$10.1 million that are currently on deposit at Citibank and Capital One. Working capital ,defined as current assets minus current liabilities of \$9.4 million, total assets of \$22.5 million and stockholder's equity of \$18.5 million.

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.

As of December 31, 2022, we had net operating loss carry forwards of approximately \$20.8 million.

It's been an exciting first three quarters of Intellicheck. Joining Intellicheck at the start of the restatement, my primary objectives to Bryan and the board were to streamline the financial processes and procedures, as well as improve our reporting so that we can operate the

business with real-time data to guide our decisions. Things move fast in our industry, and we've moved fast with the changes that were necessary for this year.

Closing out the 2022 year, I'd like to recap some of the significant accomplishments that were completed to support our growth initiatives in 2023 and regain the trust in our reporting and the procedures for reporting financial information.

As a result of the restatement, which was entirely predicated around a small number of equity awards, one of our larger initiatives was to implement a robust equity management platform. This was completed and rolled out to our employee base.

The platform utilizes cloud-based technology developed by a leading global fintech company and is deployed across more than 100 countries. This new equity platform replaces previous internal and manual processes.

In our commitment to address a previously manual financial reporting process, we implemented reporting automation through a global platform that will improve and support our statutory reporting requirements and allow us to operate much more efficiently. Our chosen partner has 19 offices, globally, and more than 5,300 customers.

We also went through a data and systems recalibration linking systems that previously had not been properly aligned and integrated. That recalibration is now already supporting the development of more robust reporting on the metrics of our business and will properly support our sales team and their drive for aggressive growth in 2023.

As previously mentioned by Bryan and his opening remarks, the team is already utilizing this data to further analyze the business and drive their commercial efforts.

We also, successfully, right sized and recalibrated the finance and accounting team to properly support the growth initiatives that lay ahead. We have a level of expertise that will deliver best-in-class forecasting, SaaS metrics reporting to support Bryan and the team and their decision making, as well as bring the necessary level of diligence to our financial reporting.

We also made changes on the auditor front. During the third quarter, we welcomed Fortis LLP as our new audit and tax partner. Ranked among the top 10 public accounting firms, Fortis has 5,500 dedicated professionals serving clients across all 50 states.

In the last half of 2022, we deployed best of breed platforms and vendor selections that are allowing the sales and executive teams to focus on driving future revenue growth, which we believe was hampered by a collection of manual processes.

My commitment to Bryan when I joined the company was to address these legacy processes and to provide the highest quality data and metric reporting that we believe will position the

team to drive growth and operate more efficiently. We've made significant strides in these efforts and believe that we're well positioned to scale this business to new levels and drive shareholder value. We look forward to sharing our Q1 '23 results in May.

I'll now turn the call over to the operator and take your questions.

Operator

Thank you. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*”, “2” if you would like to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up the handset, before pressing the star keys.

Our first question is from Rudy Kessinger with D.A. Davidson. Please proceed.

Rudy Kessinger

Hey, thanks for taking my questions, guys. Bryan, I'm curious, in Q4 you said--you said a lot of retailers--we all saw the headlines, no sales down 5%, 10% year-over-year--but I'm curious just how the scan volumes trended for same stores.

So exclude all new business that you won maybe throughout the year, but just same store scan volumes, versus a year ago or even versus Q3, what the increase was that you saw, I guess, versus the typical holiday shopping season in Q4?

Bryan Lewis

(Audio gap) in other issues, where the scam volumes were certainly down much more than other retailers. So, a lot of it was, I think, sector. A lot of them were kind of flattish to where they were, but a few were down and you could probably figure out who they were just by looking at the news and seeing sort of who was in kind of in trouble, if you will.

Rudy Kessinger

Got it. And then with respect to the sales force, I don't know if there's any other, there's any quantification you can put on the pipeline or the dollar value of dealers that they've closed thus far. But just when should we expect those new reps that you hired midpoint of last year, I guess maybe towards back end of last year, to start to have more material impact on new business and growth?

Bryan Lewis

They're all beginning to close business now, but again, it sort of tends to be smaller and mid because any large company or any financial institution has a much more stringent process and again, particularly, that security audit.

But that's why we're ending up selling a lot of things that don't require us to touch their system, which is one of the reasons that I really do like that Portal Plus product because all of these

small companies, all these auto dealerships, these title companies who do not have big IT departments, they don't have to worry about doing an integration.

We can stand that up for them in half a day, and it's just `companyname.intellicheck.com`. They log in and they're stopping fraud, immediately.

Rudy Kessinger

Okay. And then on the two Southeast banks, it seems like those continue to get pushed out a bit, every quarter. I guess just what, when is your expectation of those two banks becoming revenue generating?

Bryan Lewis

They'll become revenue generated with their point of--with their proof of concept and then more fully revenue generating, after the proof of concept. We're not really worried about proof of concept. They've already talked to many of our existing clients.

They know what it does. It's just sort of the formality because they have been burned by other vendors who they thought were going to solve their problem and they didn't. But I think it's one of the real benefits of how much our clients like us. Our large financial institutions got on the phone with these folks and said, put it in Intellicheck.

Rudy Kessinger

Okay. and then lastly, just what are your, I don't know if you have any debt, kind of sales hiring plans for this year, but I'm curious there, and then also just how should we think about EBITDA run rate for Q1 and calendar '23?

Bryan Lewis

I'd say that hiring, we've got plans tentatively for the back half of the year but, as I said, we're going to make sure that the revenue is coming in before we spend money on additional, make sure that people are working right, they know what they're doing. Chris has time to train them. They're up to speed and then he can bring them more on. Same thing as we look at marketing spend; it's all going to be predicated on sales revenue coming in the door.

As far as EBITDA, again, not really going to give guidance on Q1. What I would expect going forward is that, again, given the fact that our systems are talking a lot better to each other, we should be able to tell, and the way that you can measure what the sales team is doing is revenue by sort of vertical use case, whether it's just ID validation basically age restriction or KYC and then break it down, here's what we're doing in automotive and financial services and all those things to, hopefully, help you guys out.

Rudy Kessinger

Got it. Okay, that's all for me. Thank you.

Bryan Lewis

Thank you.

Operator

Our next question is from Scott Buck with H.C. Wainwright. Please proceed.

Scott Buck

Hi. Good afternoon guys. Thanks for taking my questions. Bryan, are you guys seeing any hesitation so far here in the first quarter from the consumer, just given some of the macro uncertainty?

Bryan Lewis

We're not seeing it yet, and believe me, I live by the transaction volume stats, right. So, we're watching it. And I'd say that, certainly, there are certain retailers who are off where they were, but they're also having just bigger problems in terms of just running their whole business.

But I think that--we watch it almost every day. We get--I get a nice report from my FP&A folks, every week. We can see volumes where they stand by client and then within client by retailer, we can break it down to store. So, nothing yet. It is certainly something that we're watching very closely, but certainly does seem to be the weirdest recession of all time.

Scott Buck

That's helpful. And this was the second consecutive quarter of positive adjusted EBITDA. I guess as the business scales, how should we think about the ceiling for EBITDA margins?

Bryan Lewis

You guys all know how much I hate accounting, which is why I'm always happy that I've got Jeff on the phone. And again, I just go back to the fact that it's not like we have to staff up with tons of people. I do not need a lot more IT people.

Probably could use more sales people, there's no doubt about that. As more and more verticals come to us that we know can really benefit from our product, it would be great to have people that could focus on those verticals.

So, we're going to look to hire people. As I said on the call, to me, brand is really important. I want to make it easy for the salespeople to be able to differentiate who and what we are from all those other vendors and what they're doing and how we provide again, and our clients tell us it's a much better client experience.

They're not torturing the 99% of people who are good to catch the 1% who are bad and help them with that message. So we're going to be spending money on marketing, we're going to be spending money on sales people. But it's not a ton.

Scott Buck

All right. Fair. I think that's it for me, guys. I appreciate the time. Thank you.

Bryan Lewis

Thank you.

Operator

Our next question is from Jeff Van Rhee with Craig-Hallum Capital Group. Please proceed.

Jeff Van Rhee

Great. Thanks for taking the questions. A couple for me, I think, Bryan. In terms of billings, it looks like they're down slightly sequentially, year-over-year. Did they meet your expectations and what would you, as you look at '23, what would be success for sales with respect to billings?

Bryan Lewis

Yeah, so I guess a couple things. And again, I look at SaaS revenue. To me, that's the most important thing because that is what is super sticky. And I swear I'll never do a large hardware sale for the margin you make on of it. It just throws off everybody's modelling and screening tools and all that kind of stuff.

So, our SaaS revenue, went up as it did. I've told the sales team that if we didn't do at least as well as we did last year with what I think is a much better team, I would consider that a failure. But I think that--I think that we've got the wherewithal on the team to, hopefully, do better.

I think a lot of it will depend on timing of when do some of the things we have in the pipeline that are other financial services companies, when do they come live? But yeah, I'm excited about the year.

Jeffrey Ishmael

Jeff, real quick, just to reiterate on Bryan's point, too, is equipment revenues are not part of our FY '23 budget. It is strictly a SaaS-only based budget equipment. It's not part of the plan.

Jeff Van Rhee

Yeah, understood. And just Bryan, on the comment about the sales doing at least as well as last year, is that in terms of SaaS growth or are you talking about in terms of absolute billings?

Bryan Lewis

SaaS growth.

Jeff Van Rhee

Okay. Helpful. On customer ads, you've got obviously kind of a barbell distribution of the size of your customers. You've got some megas and then you've got some, quite a few smaller

layering in. In '22 for the year, how many customers did you add that were doing over a \$100,000 in revenue?

Bryan Lewis

I don't have that. I'm actually on the road meeting with some of our big clients. I don't have that in front of me, but it's something that I'm sure Jeff can get together, quickly.

Jeffrey Ishmael

Jeff, I'll circle back before the end of this call and get you that stat.

Jeff Van Rhee

Sounds good. And then maybe just lastly, the pipeline sounds like obviously, quite a bit of satisfaction I guess with the size and scope, but I'd love to push you to go a little further and describe what's in there, with respect to the use cases, the deal sizes. Obviously I'm curious digital, non-digital and best of all, I'd love to hear an absolute number or percentage growth over a year earlier, but that's quite a bit. What else can you share on the pipe?

Bryan Lewis

I would say that almost every single client is a combination of, well, either fully digital or a combination of digital and on-premise, right. So, digital is just what everybody is doing. Even financial services company number two wants to accelerate us into a lot of the clients they have on the digital side that just, we weren't integrated there.

They see that as a big area right now where, it's a big fraud vector when so many can--doesn't have to stand in front of you. So, digital's going very, very well. I'd say it's a combination of a lot of different verticals, a lot of like, some buy now, pay later.

Lending companies, automotive continues to be just like a steady machine and then again, also some very large age restricted because I don't really focus on bars and restaurants; they come to us. But some of these big concession groups that run big concert stadiums and all that kind of stuff.

So, it's really, it's a broad portfolio, which kind of makes me a little bit happier because I didn't want to be just one sector where, for a while that's kind of what we were, so we were at the whim of particular markets. Now I think what we've expanded enough that we've got a much broader base; broad base makes me happy.

Jeff Van Rhee

Okay, great. I'll leave it there. Thank you.

Bryan Lewis

Thank you.

Operator

Our next question is from Mike Grondahl with Northland Securities. Please proceed.

Mike Grondahl

Hey, guys. First question, any renewals in '23 that we should kind of be watching or hearing how they go?

Bryan Lewis

I don't think, Mike, we've got any major renewals. Actually, financial services company number four blew through, remember they made about, I don't know, two and a quarter, maybe just shy, two and a half years ago a commitment to what they were going to buy, thinking it would last them three years. That would've brought it into kind of next year, I think. They run through that. So I know Chris is working on that.

That's probably the only other large one. Pretty much all the big retailers who pay us direct put in two-to-three-year contracts. Last year, number two renewed, obviously, number three renewed for three years. So, most of the big guys are locked up for a while.

Mike Grondahl

Got it. And then you talked about pipeline and sales activity. Have you added any people to the sales team in the last six months, or is that team just starting to gel, which you had sort of redone a while ago?

Bryan Lewis

So I think, yeah, we certainly added some people, particularly, into account management, which also was something that kind of really mattered to me. And I've been out now last week, this week doing quarterly business reviews with a lot of our top clients. And given how thin we were spread, we weren't communicating with them enough.

But sitting down with them, all the players in a room for anywhere from one to two hours and explaining to them what we do at the platform, what are the other signals they can get. It's really been fun to see their eyes light up and they're like, we need that; how do we make sure that we're on the new API so we can get all these things?

So yeah, we did add some people in account management. I think that could be sort of the sleeper sale of growth for us with these big accounts. While the sales team is going through what they need to, I'm happy that there are enough deals from 10,000 to 50,000 that they could be closing those while, at the same time, they're working these long cycle financial services which, at the end of the day, can be significant.

Mike Grondahl

Got it. And, and then, SaaS revenue, quarter to quarter, grew like 21% or like roughly \$600,000. Is most of that from existing--are you able to give us a little bit of flavor how much of that is coming from new, call it, '22 customers?

Bryan Lewis

I'd say it's probably, if I just kind of ballparking it and again, this is one of the reasons I'm happy Jeff is on board, we're getting this stuff in a much easier fashion that we can begin to report on.

But if I look at sort of where our existing clients were, you look at number two didn't bring just because their freeze didn't bring anybody on really past the first quarter of last year. So they were kind of relatively flat, other than sort of some seasonality.

The rest, you'd had continued expanded use cases with number four. Number three, not so much expanded use cases in Q4 because they had completely implemented the retail banks in Q3. So a little bit, but not much. I think the rest of it was the fact that we've added a lot of automotive dealers and some venues that hold big concerts, which spend money.

So, it's a mix of things. I'd say maybe 50-50, but certainly with what I see going on with the sales team, I expect that metric to change more in terms of new business than existing.

Mike Grondahl

Got it. And then, hey, just lastly, did you give the transaction growth year-over-year, or do you plan on giving that at any point in '23?

Bryan Lewis

I didn't, but it certainly could be something that we talk about on the next call, which is coming up right quick.

Mike Grondahl

Got it. Just trying to figure out if that's a driver to track or if you're going to share that, going forward. So,

Bryan Lewis

And it's really, yeah, and I'd say, and if we do, do it, it would make sense certainly to break it out, age restricted versus non-age restricted because there really are very different markets.

Mike Grondahl

Fair enough. Hey, thanks a lot.

Bryan Lewis

Thanks, Mike.

Jeffrey Ishmael

Hey, Mike, real quick. One of the things that we spent a lot of time analyzing and going into this call was on the cohorts that Bryan mentioned, the 2018, 2019, 2020 and analyzing the growth across that.

And so, as we continue to share more of that data, trailing 12 month revenues, what we're seeing in that trend pricing per transactions, all that, we're going to continue to expand the metrics that we share on these calls, but we also want to make sure that we're going through the diligence and reviewing that information to make sure it is accurate before we put that out there, especially, as we're compiling years of data for these calls.

Mike Grondahl

Perfect. Great. Well, hey, thanks guys.

Operator

We have reached the end of our question-and-answer session. I would like to turn the conference back over to Bryan for closing comments.

Bryan Lewis

I would just want to thank you all for your interest in Intellicheck and we look forward to speaking to you again about our Q1 results in May.

And unfortunately, due to the later than originally scheduled reporting date, we've entered our blackout, our insider purchasing blackout period, and that window is not going to open again until after we report our first quarter results. So just want to put that out there and just let you all know thank you again for your time and we appreciate your support.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.