Intellicheck
Q4 and Year End 2021 Earnings Call
March 9, 2022

Presenters
Gar Jackson, IR
Bryan Lewis, CEO and Director
Billy White, CFO, COO, Treasurer & Secretary

Q&A Participants
Michael Grondahl - Northland Capital Markets
Scott Buck - H.C. Wainwright
Jeff Van Rhee - Craig-Hallum
Rudy Kessinger - D.A. Davidson

Operator
Good day, ladies and gentlemen, and welcome to the Intellicheck Fourth Quarter and Full Year 2021 Earnings Conference Call. All lines have been placed on a listen only mode, and the floor will be open for your questions and comments following management's prepared remarks.

At this time, it is my pleasure to turn the floor over to your host, Mr. Gar Jackson. Sir, the floor is yours.

Gar Jackson
Thank you, operator. Good afternoon and thank you for joining us today for the Intellicheck fourth quarter and full year 2021 earnings call. Before we get started, I will take a few minutes to read the forward looking statement.

Certain statements in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended. When used in this conference call, words such as will, believe, expect, anticipate, encourage, and similar expressions as they relate to the company or its management, as well as assumptions made by and information currently available to the company's management, identify forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the company undertakes no obligation to and expressly disclaims any obligation to update or alter its forward looking statements, whether resulting from such changes, new information, subsequent events, or otherwise.

Additional information concerning forward-looking statements is contained under the headings of Safe Harbor statements 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 9, 2022. 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 and full year 2021 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. As you saw in the press release, Q4 SaaS revenue was $3,715,000, up 23% over the same period in 2020 with the gross profit as a percentage of revenues at 92%. SaaS revenue for 2021 was $12,970,000, up 30% over 2020. The year-over-year percentage change was significant, but as always, I want more. So what do we need to do to continue to accelerate our growth?

What we have learned over the past few years is that, because we have the most accurate validation technology solution, we have pricing power when it comes to both initial contracts and renewals. That said, we are very much aware that it is imperative that we continue to grow a substantive client base. We believe that we are well positioned to achieve this goal.

I'll start with recapping the transformational changes we made in 2021 that we believe will serve us well going forward. First was the buildout of a proper marketing department. This team has done a number of things to raise both awareness of Intellicheck and generate inbound leads. During the year, this team updated our branding, rebuilt the website to truly optimize or being picked up in searches, created marketing collateral for the sales team, and most importantly, created targeted online marketing campaigns to, if not create an inbound lead, at least have our name known to make it a warm, not a cold call.

The marketing campaigns have certainly paid off. Prior to the launch of these campaigns in April, we basically had zero leads coming in. The inbound leads have been steadily growing with now over a hundred a month coming in and increasing. While most of these have been for age restricted products, these leads have been across all sectors - banking, age restricted, automotive, online notaries, delivery companies, you name it. The smaller age restricted deals closed quickly while the financial services and banking prospects take longer.

The inbound age restricted leads closed in 2021 had a total ACV of $230,000 with minimal cost of acquisition. That's solid growth in a vertical, considering that we did approximately $1 million in age restricted revenues in 2021. The most important thing about all these leads is they show that the market for identity verification is enormous across multiple and varied sectors.

The other thing to note about many of these leads is that they are from companies using the OCR firms some consider our competitors. The companies are unsatisfied with OCR accuracy, have heard of us and want to give us a shot.

Knowing that we have such a large addressable market and the resources to increase headcount of the sales force, in 2021, we expanded the sales force, and we've seen the positive effects in two ways. First is that smaller deals are not falling through the cracks and are closing quickly. While each of these deals are alone aren't game changing for the company, they're quick and easy to close and ACV will add up over time.

Second, the number of deals progressing through the pipeline of mid to large size prospects is continuing to increase. However, like I've always said, it isn't about the pipeline, but our ability to close the deals in the pipeline. And let me be candid - I'm not happy with how some of the sales force have been performing, and we are in the process of making the necessary changes. We are going to continue to grow the sales force as we find the right candidates.

As I've said on multiple calls, hiring salespeople is always difficult as they are always very good at selling themselves, but not--sometimes not so good at selling the product. So some of our hires are no longer with us. I've instructed Bruce to focus on hiring seasoned sales executives with identity experience. To that end, two more senior sales people with industry experience started earlier in March. I've also directed Bruce to institute a series of changes to upgrade our sales training program.

Another significant step we took in 2021 was changing our billing to focus primarily on prepaid buckets of transactions that expire after 12 months or a monthly minimum with overages billed in arrears. Prior to this, all building was in arrears with minimum monthly commitment that did not come close to representing a total transaction volume.

Both of the new models have financial incentives for our client not to underestimate the number of transactions. The larger the bucket or guarantee, the better the price. Two notable examples of this are financial services company Number Four, who in August prepaid for what they thought would be a year's worth of transactions. At best, we estimate that they have 90 days left in that bucket. So basically, what they estimated would be a year's worth of scans lasted about nine months.

The second was an reseller that sales in omnichannel multibiometric platform to banks, marketplaces and healthcare systems. They pre-purchased 125,000 transactions with the expectation that it would last for a year. After going live in January, they were already halfway through that bucket.

We had been able to continue to raise prices, both at renewal, and as we add new clients. As we targeted the age restricted space harder than we did before, we also took a hard look at the pricing per transaction. Typically, this was sold via an app on a smartphone or tablet with pricing per device.

When we looked at the price per transaction, we determined it was far too low and moved all new age focused clients to either the transaction bucket or the monthly minimum. The results of our efforts is that the transactional price for age (inaudible) clients signed in 2021 are on average six times higher than in previous years.

We've also modified our sales approach in the age focused space by creating a dedicated team. This group has been tasked with renewing all existing clients at the higher rates. As I said, age restricted SaaS revenue accounted for approximately $1 million of our 2021 total SaaS revenue, and we believe we will see a continued increase in traction through both new customers and price increases going forward.

To further aid the efforts in the sales restricted market, we spent significant time in 2021 on education efforts with legislators in many states. We believe these meetings are extremely important because most state officials do not know how easy it is to get a fake ID. When I speak with a state attorney general or a legislature member and show them a fake from their state, scan it with one of the readily available scanning programs used by many POS systems or handhelds, and that fake passes, they suddenly realize why visual inspection and simply scanning do not work. Seeing our technology solutions at work shows them the need for validating, and then they recognize that the laws have not kept up with the technology.

We've also been meeting with credible organizations that are active on national and multistate level on key issues surrounding underage access to age restricted products. I'm pleased to tell you that we've now formalized a partnership with responsibility.org. This organization plays a leading role in the fight to eliminate underage drinking. It is active in all 50 states as well as at the national and local level. This organization is supported by 11 of America’s distilleries who have expressed a commitment to responsible drinking. We expect to announce additional partnerships resulting from these endeavors.

Thankfully, more and more companies are looking to do the right thing, but there's still many major corporations out there that put profits ahead of actually doing the right thing. Hopefully, the fear of the $60 million plus lawsuits for wrongful death move them to do the right thing, and if not, we believe that legislative changes should mandate it.

So returning to rate increases, it is important to note that these rate increases on renewals continue to be robust with many of them starting in Q2 of this year. For example, during Q4, we renewed our department store chain client with just over 1,100 locations with a 33% increase effective in Q2 of 2022.

In that same period, we renewed the 1,000 location off price department store chain, where we parse not authenticated for applications to a three year deal. Year one is at the same price and now includes the no receipt return use case, which should substantially increase transaction volumes. In year two, the price increases 87%, and in year three it increases 33%.

Another growth area in both 2020 and 2021 has been digital adoption. This has increased dramatically, and the data bears this out. From the initial beta clients in early 2019, the number of clients using us exclusively for the digital channel or for both physical and digital has grown 550% with more than 50 digital clients across multiple market verticals, including online banking, credit card issuers, background checks, delivery service and automotive dealers. And as a testament to our digital capabilities, in Q4, we signed a California based online bank. This was notable as it was a direct steal from an OCR competitor. Development has begun, and we anticipate Q3 implementation. The initial use case will be for account openings.

Another exciting development in late Q4 is that we began a security audit necessary to start a pilot with another top five bank. As I've said many times, these can often take six months or more to complete before their information security teams allow our computers to connect. I'm not worried about passing the audit as all of our banking clients put us through one every year. The initial use case for this client is retail banking, but their teams are already discussing additional physical and digital use cases with us.

Now, for what I consider the most transformational step forward as we enter 2022. You may have seen the press release last week about Platform 2.0. This new platform allows our clients to do more than just authenticate a person. We now have the tools in place to take it to the next level so they can not only be sure that the person is who they say they are, but also determine if the authenticated person is someone they want to do business with.

As I have said, this transforms us from a company doing strictly is it really John Doe to is it really John Doe, and I know that he is someone I want to do business with through multiple validation signals, and I know it internationally as well as domestically. We currently have two clients live on the platform and seven new and existing clients onboarding, and additional clients are now planning on migrating to the platform.

Keep in mind that Platform 2.0 now incorporates multiple facial biometrics vendors, allows for OCR validation of international documents, and in the next few weeks, we will be releasing sanctions lookups, PEP (sp), address lookups, social security lookups with more signals to come. All of these are upsell opportunities.

Why is this new platform important? Identity, especially in the digital world, is about more than an ID. All of our clients perform additional diligence before doing business with a person, whether it's opening a bank account, providing a loan or credit card or opening an investment account.

We also know that our clients were forced to choose another ID validation vendor for international documents. Intellicheck was one very accurate and important step in that process, but again, just one step for one region in the world. We believe that Platform 2.0 allows Intellicheck to move from simply a North American ID validation company to a global identity company, which is crucial as the world evolves and becomes more digital.

We built Platform 2.0 in collaboration with our clients and input from prospects. By providing them multiple global steps in the identity process through one connection, we reduce their costs and friction, something every company is looking for. We believe the number of clients migrating to this platform proves this point.

I was speaking with a rather smart person the other day, who said to me, it is a hostile world out there, and he was right. Hostile actors continue to increase the amount of identity theft. Under drinking, vaping and cannabis use continue to be a problem. We believe that we are uniquely positioned to address all of these problems.

Now is about pressing the right levers to drive continued and increasing growth, and we believe the changes we put in place in 2021 are the right levers. Brand awareness is improved, leading to quick revenue in the age restricted space, along with the growing pipeline of financial services companies. We believe our lobbying efforts to update ID validation laws in the age space restricted space will bear fruit over time.

We believe that our ongoing refinement of our sales team will allow us to capitalize on both existing markets as well as new verticals where we are just beginning to penetrate. The buildout of Platform 2.0 featuring additional multinational ID and KYC capabilities we believe provide significant growth opportunities ahead both with new and existing clients.

With all these exciting developments, tempering this is financial services company number two, which recently began a project that will enable them to extend credit to tens of thousands of additional merchants. This required financial services company number two to put code freeze on all other development, which meant multiple retailers that have been expected to go live in the first half of the year will not.

The above described project should be an interim delay to our short-term growth that they expect to resume integrations in the September timeframe. We believe this short-term pain now represents a likely long term gain as these new additional applications will need validations. This is very likely going to impact our Q1 results, and although we still have a few weeks remaining in the quarter, we currently anticipate our first quarter SaaS revenues will be in the range of $3.2 million to $3.35 million.

Moving forward, I'm happy to say, as part of a general business review, we analyzed churn rate. And since 2018, the company has not lost a single major client to anything other than bankruptcy, and all the financial services clients have grown their use cases.

I believe the reason for basically zero turn is the certainty we provide, and I always think it's best when your clients say it for you. So as Lieutenant Joe Jewel of the New Hanover County North Carolina Sheriff's office told the Port City Daily News about our technology solutions, he said it worked flawlessly. He went on to say the sheriff's office tested 12 companies that claimed to be able to spot fake IDs, and Intellicheck was the only one that worked accurately. I have never heard anyone say that about the competition.

I will now turn the call over to Bill who will go over our Q4 financials.

Billy 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 full year ending December 31, 2021. I'll begin with the fourth quarter results.

Revenue for the fourth quarter of 2021 grew $824,000 or 27% to $3,902,000 compared to $3,078,000 in the same period of 2020. Our SaaS revenue for the fourth quarter 2021 grew $703,000 or 23% to $3,715,000 from $3,012,000 in the same period of 2020, and grew 14% sequentially over third quarter of 2021.

Gross profit as a percentage of revenue was 92% for the fourth quarter of 2021 compared to 92.6% for the same period in 2020. Operating expenses, which consists of selling, general and administrative expenses and research and development expenses, increased $2,598,000 or 109% to $4,987,000 for the fourth quarter of 2021 compared to $2,389,000 for the same period in 2020. The company is always looking for synergistic opportunities including merger and acquisition opportunities. Including within selling, general and administrative expenses are approximately $454,000 of cost incurred related to this activity.

In addition, the company incurred higher personnel, share-based compensation, consulting and marketing expenses. The company posted a net loss of $1,396,000 for the fourth quarter 2021 compared to a net income of $1,260,000 for the same period in 2020. The net loss per diluted share for the fourth quarter of 2021 was $0.07 compared to a net income per diluted share of $0.07 for the same period in 2020. Adjusted EBITDA for the fourth quarter of 2021 was negative $557,000 compared to $635,000 for the same period in 2020.

Now turning to our full year 2021 results, revenue for the full year ended December 31, 2021 increased $5,658,000 or 53% to $16,393,000 compared to $10,735,000 for the same period in 2020. Our SaaS revenue for the full year ended December 31, 2021 was $12,970,000, an increase of $3,597,000 or 38% compared to $9,373,000 for the same period in 2020. Gross profit as a percentage of revenue was 78.6% for the year ended December 31, 2021 compared to 86.7% for the same period in 2020. The decrease in gross profit percentage is primarily due to higher 2021 hardware sales, which contain lower margins, partially offset by the continued growth of our SaaS revenue.

Excluding hardware sales and related costs, our gross profit as a percentage of revenue was 93.2% and 92.1% for the years ended December 31, 2021 and 2020 respectively. The increase in this percentage is primarily due to continued growth of our SaaS revenue.

Operating expenses for the full year increased by $7,475,000 or 78% to $17,044,000 for the year ended December 31, 2021 from $9,569,000 for the same period in 2020. Selling, general and administrative expenses increased by $5,670,000 or 96% to $11,564,000 for the year ended December 31, 2021 from $5,894,000 for the same period in 2020. Research and development expenses increased $1,805,000 or 49% to $5,480,000 for the year ended December 31 (sp), 2021 from $3,675,000 for the same period in 2020. These increases are primarily due to higher share-based compensation costs, higher personnel costs and higher marketing expenses.

The company had a net loss of $4,146,000 for the year ended December 31, 2021 as compared to a net income of $558,000 for the same period in 2020. The net loss per share for the year ended December 31, 2021 was $0.22 versus a net income per diluted share of $0.03 in the prior year. The weighted average diluted common shares used in computing the per share amount was 18.7 million shares for the year ended December 31, 2021 compared to 18 million shares for the same period in 2020.

Adjusted EBITDA was a negative $925,000 for the year ended December 31, 2021 compared to an adjusted EBITDA of a positive $329,000 for the same period in 2020.

Now I'd like to focus on the company's liquidity and capital resources. As of December 31, 2021, the company had cash of $13.7 million, working capital, defined as current assets minus current liabilities, of $12 million, total assets of $25.7 million and stockholder's equity of $21.2 million. During the year ended December 31, 2021, the company's cash balance increased by $530,000 compared to a net increase in cash of $9,770,000 during the same period in 2020.

Net cash provided by operating activities was $1,116,000 for the year ended December 31, 2021 compared to a net cash used in operating activities of $19,000 for the same period in 2020. Net cash used in investing activities was $662,000 for 2021 compared to $416,000 for 2020, and net cash provided by financing activities was $76,000 for the year ended December 31, 2021 compared to $10,205,000 for the same period in 2020. The company has a $2 million revolving credit facility with Citibank that is secured by collateral accounts. There are no amounts outstanding under this facility.

We currently anticipate that our available cash as well as expected cash from operations will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. As of December 31, 2021, the company had net operating loss carry forwards of approximately $18.7 million.

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

Operator
Thank you. At this time ,we'll 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. One moment please while we poll for questions.

Our first question comes from line of Mike Grondahl with Northland Securities. Please proceed with your question.

Michael Grondahl
Yeah, thanks, guys, and good afternoon. As you talk about 2.0 Platform, what are maybe the three most important features that offers or the couple things that clients seem to appreciate the most about it?

Bryan Lewis
I'd say--hey, Mike, good talking to you--I would say the ability to do international is something that a lot of the clients have been asking us about. And then kind of--they all come together in a way--I guess one bit would be the ability to do more of the KYC portion of what needs to be done. I think that certainly also opens up other markets for us like brokerage firms and other things that need to register people.

And then the ability to tie into things that, again, is it really me or, am I dead or not - so Social Security databases, phone look up databases, address look up databases to tie things all together. So those seem to be the three things that people are asking about most. And then again, the other thing I'd say, which is more of a choice factor, is some people are particular about who they want to use for facial recognition, depending on how well they think that company handles demographic bias in the results.

Michael Grondahl
Got it. And then, Bryan, what did you say about clients migrating--I don't know if you said a number or just an interest level? And then is there an average lift in price as a client migrates?

Bryan Lewis
So there's initially no lift in price. It's as they get in, get tested and then bring in the other services, which we're a reseller of. So currently we have a brand new client who is live on the system, just hasn't gone live with their clients yet. We've got an existing client who's live on the system. We've got seven in various--that are in active development or UAT. And then we've got, a bunch more who are now going through the specifications and planning on for when they roll over.

Part of the thing is it does make it easier for them. Prior to this, when we changed things, we brought out say maybe a different--because we have switched facial recognition vendors--it required programming on their side. Now we've made it much simpler for them because it's sort of a standardized interface to get any of the other products that we would need to be adding to it and potentially selling to them.

Michael Grondahl
Got it. Thank you.

Operator
Our next question comes from Scott Buck with H.C. Wainwright. Please proceed with your question.

Scott Buck
Good afternoon, guys.

Bryan Lewis
Hey, Scott.

Scott Buck
I'm curious, Bryan, do you know off the top of your head what same store volumes looked like during the fourth quarter versus a year ago? Trying to determine, of the 27% or so year over year growth, what is actually new business versus maybe a COVID pickup from late 2020?

Bryan Lewis
The same store sales were just slightly below where they were. So it was--there was a decent lift, again, getting back to normal last year. I'd say that same store sales were very, very close. So the lift across them would've been the same quarter over quarter, and then the rest would've been new business.

Scott Buck
Okay. That's helpful. And then I was wondering if you could provide a little bit of additional color on this financial service client who's adding the tens of thousands of merchants. I guess how does one go about doing that?

Bryan Lewis
How are they doing it?

Scott Buck
Yeah, I mean, I guess it seems like a relatively big number to kind of find in the couch cushions.

Bryan Lewis

That's--I mean, I'm looking at what, you know, what they are saying in their public statements about what it will do. But basically, it's a play in the virtual credit card space, and they're connecting to a system that is used by a lot of, you know, small merchants out there who sell maybe high value, high dollar products where people might want to be able to get an instant credit card, but nobody's going to give them the--a white label card. They don't do enough of it.

I look at it as very much akin to what's an financial services company number one does with their merchants, but they don't do any connectivity. This system is basically the point of sale system that so many of these merchants use, and they're going to tie into it to offer credit to all of them through these virtual credit cards. So it's a big lift for them to do this, and they're looking at it as a great way to expand their credit portfolio. And we know for one thing that they really like what we do, and being part of that process will be important.

Scott Buck
Yeah, no, that's very helpful. And then, Bill, on OpEx, there was a pretty big jump from ’21--from 2020 to 2021. How should we think about operating expense growth in 2022 and beyond? Are the pieces in place now, or is there still a fair amount of investment remaining in order to support the top line growth?

Billy White
Yeah, no, most of the pieces are in place. I think you could expect in the $5 million a quarter range going forward for OpEx.

Scott Buck
Okay. That's perfect, guys. I appreciate the time. Thank you.

Billy White
Thank you.

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

Excuse me, Jeff, your line is now live.

Jeff Van Rhee
Sorry about that, guys. So yeah, couple for me. I think on fin service number two, can you put a little finer point in terms of the impact on Q1 of their freeze? And certainly early, but any swags that kind of Q4 potential upside from what they're doing? Just trying to put a few bounds around what the impact of this code freeze is.

Bryan Lewis

Yeah. So--because they put this code freeze on--I think kind of November is when they really told us about it. So a lot--and it impacted two things. It impacted a number of retailers that were going to go live. One--Jewelry (sp) company owns a lot of different companies. One got live, but the rest didn't make their cut off.

So, I would say that was it all of it? No. Was it the majority of it? I would probably hazard the answer is yes. Then it's going to be what can be done, how fast can they get this trial process done, what they're looking to do on the back end and get back to working with all the other projects. Certainly, they consider the priority to get us up and running and live because it's money right to their buy online.

It's just a matter of do they start in August, do they start in September, do they start in late September, because it'll depend then when the retailers go into their point of sale code freeze at the end of October or the beginning--usually the first or second week of November. So at this point in time, I don't have enough color to say what's going to happen on the back end of the year. But it wasn't--it wasn’t major, but it wasn't minor, but it certainly--I think it was a portion of the miss that we see from where we thought we could be.

Jeff Van Rhee
Yeah, just to be clear on Q1, it's not lost revenue, it's lost--not lost revenue you already have, it's lost revenue you were hoping to ramp.

Bryan Lewis
It was, you are correct. It was lost growth, if you will, that--I will say that our contacts over there, they are--they're not happy, but it’s a project that’s been in the works for a long time and been on hold and finally got the green light, so took all their resources. They had quite the list of their account managers talking to our account manager. They had certainly a nice ramp of clients that they had thought were going to be gone, but now they're not until at least later in the year.

Jeff Van Rhee
Yep. Yep. For enough and then, and then--.

Bryan Lewis
--And then I’m also--yeah, I will say, also, I am very excited about the opportunity. I think it's painful now, but we know the business that we see from what we can generate off of financial services company number one, where they pay us directly for the service. This is going to be, I'm hoping, one system integrated to all of these people's kind of sales systems that will allow for a lot more credit apps coming through the system.

Jeff Van Rhee
Yeah, yeah. That's helpful. Two, two quick housekeepers - in terms of implementations in the quarter, how many implementations? And then can you get us an update on digital? It sounds

like--I think you mentioned 50 customers. Give me a sense of what percent of revenues is now digital?

Bryan Lewis
Sort of back of the envelope--and this is--and again, I always point out, this is always low because one of our big clients, they've got one pipe to us that goes to all of their processes in the place. So we don't know if it's the digital or not digital. They are going to put a tag on it one day for us so we know what is what. So it excludes this client who's a very big client, but it's about 10% of the revenues right now of--and I should clarify--10% of the non-age restricted revenue. So, it's really this very, very little that's doing anything age restricted digitally at the moment, other than some--some delivery clients who are beginning to grow.

Implementations for the quarter--generally, Q4 is near zero implementation quarter, anyway, for anything of size because we're hitting that code freeze where nobody's going to do anything. We did have the--one of the multiple jewelry stores--jewelry chains by that--you know, one holding company did go live, and then and a number of smaller things like some automotive dealers and other things like that. But the one of size would be that one jeweler, which normally, again, Q4, we really don't do major implementations.

Jeff Van Rhee
Yeah, okay. Helpful then maybe--.

Bryan Lewis
--The only other thing I'll say is--you know, one other quick thing, though, is, also, I forgot about this--in that quarter, financial services company number four really did begin their rollout to their retail branches in earnest. And they're rolling it out in waves every week, and they expect that to be done some time in May.

Jeff Van Rhee
Okay. That's helpful. Then just one last for me - you commented several times about sales, and certainly, we're hearing that across the board--very, very hard to find sales talent. And--but could you put a finer point on what--just I think last quarter, you had a rep count of 11, eight seniors, three juniors, and I know you're adding reps, and it sounds like you kind of did a stop and a reset. Just put a little finer point on what does the reset look like? Like how many heads did you let go? How many--you said you had just added a couple. Where do we stand, and then how long till those new reps really ramp to productivity?

Bryan Lewis
We stand at 10 right now. I think that the reps that we just started, I think because of their experience and where they came from, will probably be productive a lot sooner than reps who didn't come from this industry. So, you know, normally, I would say that, if you're not seeing productivity out of a rep within, you know, say six months, that at least they're getting

meetings, booking meetings, and those types of things that other people can come help them with, they're probably not going to make it.

I would expect these guys, we're going to see something quicker than that. I'm already seeing--they're getting meetings and--which is good. So either just the ability to know the industry, and they're calling the right people, and they're getting into new prospects, or they know people who maybe weren't so happy with the solutions that they sold them previous, and now they can sell them something that they know works a heck of a lot better. So I think they'll be quicker.

So we're at 10 now. So, I think three ended up not working out. But it's sort of the nature of the beast any more in hiring people. As you said, across the board issue. Every one of my friends is telling me they're having a hard time finding people, but we're working hard at.

Jeff Van Rhee
Yeah. Yeah. Sounds good. Appreciate the updates. Thanks.

Bryan Lewis
Thank you.

Operator
Our next question comes from Rudy Kessinger with D.A. Davidson. Please proceed with your question.

Rudy Kessinger
Yeah, thanks for taking my questions. I guess I'll maybe ask it again. On Q1, can you quantify a bit clearer how big of the impact from that code freeze with fin serve two is? Are we talking 100,000, 200,000 on Q1. And then just at this point, do you have any visibility into the potential revenue size of that project once they get it live to those tens of thousands of retailers?

Bryan Lewis
Well, what I'd say is I couldn't tell you exactly what the impact is because was--it's going to be an assumption of what they told us and what we thought. So I don't know. All I can--without saying here's what our targets were for the quarter, which we really don't give, I--it was multiple retailers of decent size.

Rudy Kessinger
Got it. And then I guess on the second part of that question, just on the project to get, it into the POS systems with tens of thousands of retailers--I know it's certainly a new project for them, too, but at this point, do you have any idea just the scope or potential size that that project could be in terms of revenue?

Bryan Lewis

Yeah, and I'm looking at this is probably would be, you know, definitely latter half of the year before any of that came in, depending on how fast they get this project done. If I look at how often these smaller retailers that seem to be the similar type as financial services company number one, they can do anywhere from five to 50 applications a month. So any one of them is not that big, but I'm looking at this as, if you can get that across even half of that client base, the numbers could add up.

Rudy Kessinger
And then you mentioned in--earlier you have--if you could just clarify--you said, I think it was a security audit pilot with another new top five bank. Could you just clarify what exactly it was? And then if you look at that top five bank, how does it compare in terms of the total scope of opportunity relative to the other top 10 banks that you already have signed (inaudible)?

Bryan Lewis
If I look at these guys, they are, you know, in the top percentage of banks in terms of accounts, credit cards, all those things. So they're a major top five bank, so I'm pretty excited about it. You know, the thing is it's just dealing with any bank, no matter of what the size, and it seems to get worse the bigger they are, is you've got to get through this security audit.

The folks that we're dealing with on the business side are super excited. You know, one of the people who's now very heavily involved in the project was doing the same thing at one of our other clients before moving to this bank. So the business people are very excited.

Now, it's just a matter of making sure that we have the information security people comfortable and as excited about us as we are about what we could do for them and that our secure procedures, since they've already passed so many other banks, certainly should meet theirs, as well. It's just, they--every single one of them asks the same question, just a different way. So it's not like you can standardize here you go, here's our report. They all have their own little idiosyncrasy.

Rudy Kessinger
Got it. That's it for me. Thanks for taking my questions.

Bryan Lewis
Thank you.

Operator
Ladies and gentlemen, we have reached the end of the question and answer session, and I would like to turn the call back to Mr. Bryan Lewis for closing remarks.

Bryan Lewis
So I just want to thank everybody for listening to the call. I am--given the opportunities that we have, given the new (sp) bank that we signed, the big very large bank that we're doing the

security audit with, plus what I see my team doing internally, I'm very excited about 2022, and I look forward to speaking to you all again in a couple of weeks about Q1. So thank you all, and have a good night.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you all for your participation.