Intellicheck
Second Quarter 2020 Earnings Call
August 11, 2020

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

Q&A Participants
Mike Grondahl - Northland Securities
Scott Buck - B. Riley
Roger Liddell - Clear Harbor Asset Management
Jeb Armstrong - Clear Harbor Asset Management
Doris Rossiter - Shattemac Capital Management

Operator
Greetings, and welcome to Intellicheck's second quarter 2020 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 star zero on your telephone keypad. As a remind, this conference is being recorded.

It is now my pleasure to introduce your host Gar Jackson, investor relations for Intellicheck. Thank you. You may begin.

Gar Jackson
Thank you, Operator. Good afternoon and thank you for joining us today for the Intellicheck second quarter 2020 earnings calls. 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 as new information, subsequent events, or otherwise. Additional information concerning forward looking statements is contained under the headings and 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, August 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. Bill will discuss the Q2 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. I will now turn the call over to Bryan.

Bryan Lewis

Thanks Gar. Hello everyone and thank you for joining us for the Q2 2020 earnings call. I begin this call by recognizing and thanking my team. While we've always been set up to work remotely, the team showed me just how well they could do it. As you'll see from some of the wins and implementations over the quarter, the team demonstrated that they don't need an office to perform at 110%. So a big thank you to my team.

Let's begin with a look at some of the numbers. Obviously COVID had a major impact on retail foot traffic and our brick and mortar retailers. During the Q1 earnings call we'd indicated that we anticipated achieving 60% of Q1 SaaS revenue in Q2. In fact we achieved 75% of that revenue number with $1.67 million in cash revenue in the quarter. While down from Q1 due to the pandemic, it was still a 49% increase year over year. Given how much of the country was shut down and for how long, I am pleased with what we accomplished.

An interesting development of note is that the shut down of physical locations made our customers realize how exposed they were to fraud in the digital channels. This move to digital has sped up the adoption of our person not present authentication tools which I will speak about shortly.

First let's look at wins and implementations during the quarter. Historically I've reviewed each of our top clients on these calls. Because of the increasing number of clients the approach of reviewing each one has become unwieldy. So going forward I will speak to some of the highlights for the quarter.

Financial services company number two brought or is about to bring live four e-retailers. In July they brought live a 1400 location community retailer selling everything from furniture to food. Turning to the pipeline, final testing in pilot stores is underway for one of the leading supplies of beauty products with over 3700 locations. Deployment is expected to begin this month with

full rollout by the end of September. Next is a women's clothing and intimate apparel company that they supplied branded credit cards to that is set to rollout to the remaining 350 stores mid-month.

Finally an over 800 location company with three divisions selling kitchen equipment and furniture is also testing in pilot stores, and we expect deployment to begin by the end of Q3.

Financial services company number three is still on track to roll out authentication to their 2000 plus location home improvement retailer in September. We responded to our clients' requests for more biometrics and have started to do more with facial recognition technology.

Financial services company number six have decided to fully authenticate people in a person not present situation by making sure that not only is a government identification document authentic but that the owner's still in control of it by supplementing the authentication process by adding facial recognition. Now when an applicant gets a text from Intellicheck it will walk them through three steps. First is to scan the barcode of the license for authentication. Second is to take photo of the front of the license. And the third is to take a selfie that can detect for liveliness and deep fakes.

We notify the client whether the license is authentic, fake, or expired. We also deliver a score on the facial match to the picture on the license coupled with a liveliness score, so they know that the selfie was real. The contract was signed in June and development is underway with a September target to begin rollout. This is the best in breed technology in the digital fraud prevention world and reflects how we as a company are rapidly evolving and underscoring our position as an industry leader in technology solutions company by offering facial recognition.

Financial services company number seven, due to delays with the Canadian telecom approval will now be rolling out Intellicheck to their Canadian call centers this quarter. You'll remember everything this client does is person not present, so they have also decided to add our facial recognition offering as part of their process. They are live with a few call center employees now while they develop training materials for their staff. And we expect widespread rollout by the end of the quarter.

Financial services company number nine, the Midwest bank with over 1200 locations, confirmed that they will be fully deployed to all of their branches by September twenty-third.

Financial services company number 11, which we announced as a new client in a press release in June has begun their rollout and has told us they expect to be fully deployed this month.

I am proud to say that we have signed another interesting new client. Financial services company number 12 is a private investment firm that has several portfolio companies in consumer and commercial finance. And they intend to install Intellicheck authentication

solutions in three of these portfolio companies. They went live with the first use case being motorcycle financing last month. And the other two are in development.

As I said at the beginning of the call, given that the fraud normally happening in stores has moved to the online channels we are seeing significant interest in the ways we can authenticate from afar, from the basic government ID authentication all the way up to our facial recognition offering. We are in discussions with all of our bank clients and several of our retailers to pilot the full stream of government ID and facial technology solutions. And many of our prospects are asking for this as well.

What differentiates us from the growing field of competitors in facial recognition is a continuing value of our technology solutions. Many of our competitors also talk about facial recognition, but as our clients are realizing facial recognition only has value when it includes the critical first step, determining that the government ID is real. Without knowing with near certainty that it is authentic, facial recognition is useless. We provide that near certainty.

Going forward our implementation pipeline remains robust. Year to date we've completed 17 implementations including 11 in Q2. We have 32 implementations of various sizes in various stages of completion as well as 16 waiting to be scheduled.

We also rebranded this quarter. I can't tell you how many times I would receive inquiries from those going to our website and asking me what do you do. It was clear to me that the messaging surrounding authentication was not coming across. I believe it now does. We make authentication simple. If you haven't gone to our website please take a look. I look forward to hearing what you think.

As we all know, COVID has certainly brought uncertainty to the market. I believe we added some certainty to our future through the capital raise that we did in June. We positioned the company to be nimble and responsive to the market in a way that the company has not been in the past. None of us may predict what will happen with COVID in the future, but we can better weather it with our now strengthened balance sheet.

What I can report is that we are seeing upward trends in scans as states open. All of our pro scan clients are now above or near their minimums. As for scan stats, Q2 average weekly scans averaged 48% of the average weekly scans in Q1. We can also see how quickly things can rebound. The week of June 14, when things were generally open in some of the densely populated states, was 111% of the Q1 average. As things started to re-close, the numbers dropped 25%. But for the last eight weeks we've averaged 100% of the Q1 weekly average.

This demonstrates how quickly our business returns when states open. At the same time it also shows the impacts of closures as states re-closed in some areas. While we can't predict what will happen with COVID in the fall I can say that the disease has not stopped us from doing

business and implementing customers. This is a testament to both the quality of our product and our team.

So in closing, I return to the way we began this call with my thanks to a hard working team of professionals who have distinguished themselves even under adverse conditions where many lost loved ones or even got sick themselves. You persevered and your commitment to help our clients stopped so many from becoming a victim of identity theft during this horrible pandemic. That is an achievement we can all be proud of.

With that I will turn it over to Bill White.

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 second quarter ending June 30, 2020. Let's begin with our second quarter results. Revenue for the second quarter ended June 30, 2020 grew 18% to $1,842,000 versus $1,558,000 for the same period last year. Our SaaS revenue was approximately $1,671,000 for Q2 2020, a 49% increase from $1,121,000 in Q2 2019.

Gross profit as a percentage of revenue was 88.6% for the quarter ended June 30, 2020 compared to 85.9% for the quarter ending June 30, 2019. Operating expenses which consist of selling, general, and administrative, and research and development expenses increased six percent, or $143,000 to $2,402,000 for the quarter ended June 30, 2020 versus $2,259,000 for the same period in 2019.

The increase was primarily driven by an increase in personnel cost and a (inaudible) plan which is contingent upon achieving certain goals established by the Board of Directors and the compensation committee. The company posted a net loss of $760,000 for the three months ended June 30, 2020 compared to a net loss of $874,000 for the quarter ended June 30, 2019.

The net loss per diluted share was five cents versus a net loss per diluted share of six cents in the prior year. Adjusted EBITDA for the quarter ended June 30, 2020 was negative $619,000 compared to a negative update at $785,000 in the quarter ended June 30, 2019. Interest and other income were negligible for the quarters June 30, 2020 and 2019.

Now I'd like to focus on the company's liquidity and capital resources. As of June 30, 2020 the company had net cash of $14.6 million, working capital defined as current assets minus current liabilities of $13.2 million, total assets of $25.4 million, and stockholders equity of $22.1 million.

During the six months ended June 30, 2020 the company generated net cash of $11.2 million compared to a net cash used of $1.3 million during the six months ended June 30, 2019. On June 23, 2020 the company completed a public offering of 1,769,230 shares of its common stock offered to the public and $6.50 per share, resulting in net proceeds to the company of

approximately $10.6 million after deducting underwriters, discounts and commissions, and operating costs paid by the company.

Intellicheck intends to use the net proceeds from the offering for general corporate purposes and working capital. Net cash used in operating activities was $262,000 for the six month period ended June 30, 2020 compared to $1.6 million for the same period in 2019. Net cash used in investing activities was $110,000 for the first six months of 2020 compared to a net cash provided by investing activities of $14,000 for the six month period ended June 30, 2019. And we generated cash of $11.6 million from financing activities for the first six months ending June 30, 2020 compared to $268,000 for the same period in 2019.

The company has a $2 million revolving credit facility at Citibank that is secured by collateral accounts. There are no amounts outstanding under this facility. And we currently anticipate their 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, 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. Ladies and gentlemen we will now be conducting a question and answer session. If you'd like to ask a question you may 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 key.

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

Mike Grondahl
Hey, good afternoon guys and congratulations on the progress during the pandemic. First question, with facial recognition do we think of that as kind of an add on product? And do you upcharge for that or charge a fee? How does the pricing work there?

Bryan Lewis
Yeah Mike, thanks first of all thanks for the compliment. Second, it is an add on. And specifically for person not present authentication. You know, you might have seen from the press release we put out I think a couple weeks ago we partnered with a company called Ipsidy to do it. So we upsell that product when people, you know, want to make sure with absolute certainty that, you know, not only is the plastic real but I'm still the one holding it.

You know, the way to do that is to make sure that my face matches what's actually been printed on the license. So, definitely an upsell and new product for existing clients.

Mike Grondahl
Is that upsell about, I don't know, I'm just guessing 10, 20% of their base fee? Or how do we think about the level?

Bryan Lewis
I would say that that's one of the hard parts right now to figure out. Because most of our clients at this point in time aren't sure how often they're going to be incorporating the facial recognition to it. So I think it's sort of one of those things that everybody's gonna be learning on. I think they're gonna want to look and find out, you know, with this added friction what am I losing? You know, cause that's always the trade-off.

Is it costing me more business than I would lose to the, you know, the little bit more fraud I might get because it's somebody with a real ID. You know, they stole it from, you know, a relative or whatever it is. You know, how do we make sure? So I think they're gonna be playing a bit of a learning game, you know, throughout the rest of the year on that.

Mike Grondahl
Got it. And then on financial services customer number two, I think you said but you might have broken up--four new retailers are all on track. One was in July with 1400 stores and then there was a beauty--leading beauty supply with 3700 locations and a woman's clothing store. Those are all coming near term, is that what you were implying?

Bryan Lewis
Yeah. So those are all, you know, piloting or completing roll outs that had been paused or those types of things. So either brand new or, you know, a completion of something that got paused while they were doing some other work.

Mike Grondahl
Got it. Okay. And then just lastly, what activity sort of online would you call out? Is your pipeline--is the mix kind of shifting to online support or how do we understand the robustness of that?

Bryan Lewis
Look, what I'm definitely gonna say is when, you know--I don't think many of our clients were really thinking about fraud in the online channel as much as they began to think about it when that was the only way you could get into them. And I think that they realized that they had some significant holes there. And, you know, began talking to us. How do we fill those holes?

You know, certainly we know that, you know, financial services company number one has been a big proponent of getting the ability to do authentication online through their retailers' websites. I think now when we saw that, you know, more things went to call centers and, you know, and or completely online they began to look at how do they implement it and how do they get it done. Obviously those things require development work on their end.

You know, if they're not gonna immediately just use our, you know, the website that we can stand up for them--usually they want to get this stuff integrated. So I would say that, you know, in talking with the sales team it's something that all the clients are talking about and now they're figuring out what it is we're gonna do. How do we build sort of a waterfall of is it just a license, is it the license in the front? You know, the back of the license and the front of the license. Is it the back, the front, and the face?

And, you know, again I'm kind of seeing from talking to some of these new people a learning curve as they figure out how put it in. So my take on it is it's probably is going to speed up adoption of some of these things. But it's gonna be interesting to see how well it is taken. And again, because they wanna figure out that friction doing maybe additional steps versus what they lose to card abandonment.

Mike Grondahl
Got it. Okay. Hey, thanks a lot guys.

Bryan Lewis
Thanks Mike.

Operator
Our next question comes from the line of Scott Buck with B. Riley FBR. Please proceed with your question.

Scott Buck
Hey, good afternoon guys. I was curious what's the percentage of swipes or scans that are coming from or came from brick and mortar in the second quarter versus the, you know, call it year end 2019. And what does that look like today?

Bryan Lewis
So let me see if I got the question right. What percentage of the scans come--were brick and mortar in Q2 versus the end of last year? Did I get that right the (INAUDIBLE)?

Scott Buck
Yeah. Just trying to think, you know, during pandemic, post-pandemic versus pre-pandemic.

Bryan Lewis

You know, what I'd say is, you know, certainly the vast majority of scans come in through brick and mortar. You know, I think, you know, you can just say that, you know, 49%, you know, versus Q1, you know, that's definitely low in terms of scans across both things. And I think, you know, one of the things that helped us again was the fact that even if you're on a per scan model there's minimums that have to be paid.

And again, many of our clients are--were considered, you know, essential services and those stores were open. But scan volume was definitely down. Across, you know, all clients, you know, online scans are, you know, a small but growing portion of what they're doing. So, you know, if you go back to the, you know, the typical in a normal year 21% of scans Q1, 22%--I'm sorry, 23% in Q2 and Q3, 33% in Q4 you can kind of figure out that there was a heck of a drop in terms of the foot traffic in what we saw.

And certainly not made up yet because of the low adoption across all clients of doing, you know, person not present authentication. I think that's what's gonna be growing in the future.

Scott Buck
Okay, great. That's helpful. Second one, you made some progress with some new I guess bank customers this quarter. I'm curious, you know, how you're sourcing those customers and whether that's, you know, a vertical that you're actively pursuing, or these folks are approaching you.

Bryan Lewis
I'd say 50 50. I mean, so but they're also beginning to talk to each other which makes, you know, the inbound calls from the sales team, you know, certainly much warmer than they used to be. You know, we don't do anywhere near the advertising of some of our competitors, but we certainly get a lot more business because I think of our efficacy. And our clients all talk to each other.

So that makes warmer calls than cold calls. And certainly, you know, some of our wins, you know, since I've been here and we've started developing our names for ourself have been inbound calls to us. Because they spoke to, you know, either a retail competitor or a banking competitor. Because as I said in the past, you know, they might compete in terms of I want market share, but they all cooperate when it comes to fighting fraud. Because they know that it impacts each one of them.

And the more they help each other the more they can stop it. So, again, probably, you know, with the wins in the quarter I'd say 50 50.

Scott Buck
Great. I appreciate that guys, thanks a lot.

Bryan Lewis

Thanks.

Bill White
Thanks, Scott.

Operator
As a reminder ladies and gentlemen, it is star one to ask a question. One moment while we re-pull for more questions.

Our next question comes from the line of Roger Liddell with Clear Harbor Asset Management. Please proceed with your question. Roger Liddell, your line is live.

Roger Liddell
Yep, I'm sorry. Mute button. Alright. The press release several weeks ago about Ipsidy was obviously full of interesting potential. But I don't know much more than I did before reading the press release as to just how it integrates and what each party brings to the JV if it is in fact set up as a JV. So could you just go into any texture that would help us?

Bryan Lewis
Yeah, sure. So Ipsidy has done the development, the sort of the math behind facial recognition. You know, basically a matter of measuring vectors on your face and then comparing those to the vectors of a photo and to see if there is a match there. And the two things are, you know, it is in fact me in that photo.

We started working with Ipsidy a while back. One of the things I liked about them is they brought out faster than most the ability to do this both in a web application as well as in a, like a mobile app. And many of our clients wanted it started off of a web app because they figure that most people, you know, if I'm gonna think about signing up for a bank account online I'm gonna do that through the web. And then after I'm a client I'll download the app.

So that made a lot of sense to us. You know, so we started talking. Our development teams work very well together hand in hand and, you know, in a way it is sort of a joint venture. You know, we figured out pricing where, you know, there's a markup that we get that makes us happy. They get their share of it, they're happy. The software is exceptionally integrated. You know, it resides on our stuff in the cloud.

So it's seamless to the client but it's, you know, you--the client wouldn't know that--it's a single step process. It's just a matter of then what our clients what they want to do. Which steps in the process do they want to do. You know, the one, two, and the three, the back, the back and the front, or the back, the front, and the face.

Roger Liddell

Okay. And is this transformational or could it become transformational for the company or simply a highly attractive opportunity among many?

Bryan Lewis
I think that as the world moves to more person not present, this is gonna be an absolute requirement that you can match my face to whatever it is, whatever that government ID is that you're looking to use as an authentication piece. And, you know, so I think a lot of people say they have it. There are certainly a lot of companies that can do facial recognition. I think it just continues to add to what we do in a matter that gets us deeper and deeper into our clients.

As I said in the prepared remarks that, you know, facial recognition does not matter if you can't tell that the license or the government ID is fake to begin with. And as we know, a lot of fakes get passed doing things not through what we know about the barcode. You know, so if you can't tell with near certainty that the license is real then it doesn't matter at all, you know, facial recognition is completely useless cause I just matched a fraudster to a fake. So, it's not helpful.

You know, it's certainly something that every single one of the clients was talking about. And I think that there's a lot of bad press about facial recognition you're hearing. But this is a very different thing. Like, this isn't just cameras on all the street corners mapping where Bryan Lewis is walking to. This is Bryan Lewis has opted in to say that yes, I want to apply, and I understand that you need to see my license and you're gonna compare my face to it.

So that's--it--I think it's going to become a larger and more used method of authentication fully. I think just the same way, you know, when I started here two plus years ago a lot of what we were doing was educating clients about how to use an ID to authenticate. Now we're just taking a step further and saying here's how we can certainly make sure that when the person is not standing right in front of you they are real, and they are in control of the real document.

Roger Liddell
Okay. And you've referred to the we'll call it lower visibility of Intellicheck with its superior solution relative to some competitors. Is this something that--how do you intend to address this lack of visibility?

Bryan Lewis
I think it, you know, it's one of the things that I got going with the woman who runs PR for us and understands this. We're looking at--she's thankfully mastering all the places that we should or could be. And what's--we're going to work on the most cost effective plan to get our name out there certainly more than we have. You know once people--once we start talking to people and they hear our story they're amazed. So, I think it's gonna be fun to do.

We've certainly now, you know, part of our presence that we raised is with some of the companies that do research in these spaces. And we've begun to--whereas before we would

never mentioned in anything. We're getting mentioned more and more in research on ID authentication and getting mentioned in a very positive way. You know, so with the likes of the Gardeners and the Javelins of the world who often get hired by, you know, banks or large companies to figure out what they should be doing in this space now know us and are talking about us.

So it doesn't really take a ton of money. It just takes, you know, a plan and a path and that's certainly what we're putting in place. And honestly the rebranding was, you know, the first step in that. Certainly we've seen the--even just the people who are now following us on social media are coming from companies that are, you know, big tent companies that we definitely want to get into.

So I think our presence is becoming known more and now we're just working on the plan to, you know, control, and better run the messaging.

Roger Liddell
Okay. Thank you.

Bryan Lewis
Thanks Roger.

Operator
Our next question comes from the line of Jeb Armstrong with Clear Harbor Asset Management. Please proceed with your question.

Jeb Armstrong
Hi, Brian. How are you?

Bryan Lewis
Hey, Jeb. I'm good, yourself?

Jeb Armstrong
I promise I didn't have the finger on Roger's mute button. That wasn't me. I wanted to sort of dive into the question of competitive landscape a little bit more. Not just as it relates to authenticating IDs but other ways of looking at broad prevention and sort of the gist of my question is--surrounds other ways that companies may go about doing that in particular a large national institution talks about using machine learning to detect fraudulent activity and to get ahead of it from that perspective.

Do you see that as something as a competitive threat to the landscape? Or is that, you know, a completely different type of technology?

Bryan Lewis

Well I'd say that that is a completely different type of technology. And then certainly I would say that even all my competitors, if you go to their websites for ID authentication all talk about AI and machine learning. You know, just cause they're trying to figure out how to template the final license a lot better than they do.

But there's really--there's sort of two worlds here that, you know, we need to break apart. And I think one of the things that we can do with this facial recognition is make sure that we can remain a dominant player in the second world. First world, which we're really, you know, if you look at the banks we're in we're probably one of the main if not the main player in my opinion-- is enrollment. Cause that's where you need to make sure that everything is real.

And our efficacy in weeding out the fakes and making sure that no fraudsters get in, that's the first step. Now the second thing--because one of the largest growing methods of stealing identities is no longer just opening up new accounts, but it's account takeover. And, you know, everything from your, you know, your bank account, your investment accounts, going in and clearing out, you know--I've had this happen to friends where, like, their AmEx points get completely cleared out, turned into, you know, gift cards and gone.

You know, so how do you make sure that account takeover isn't happening? And a lot of places weren't doing anything about that. So there's a lot of you guys out there with machine learning tools where they say they can tell by the way you type on the keyboard or the way you fill out forms they're gonna know that that's not you and stop it.

I think a much simpler way is to--and when--this is what some of our clients in the call centers are now going. If you call up and say I need to change my address on my bank account, they're gonna send you a text to authenticate your license. So in that realm we also have stakes. It's just a matter of we just--we've been very focused on account acquisition.

Now as we have discussions with our clients--and it's one of the things where I think this facial recognition partnership is gonna be pretty important is, you know, you can't take my face. Gonna be really hard. So again, it's simplest thing is if I want to do something to change my account, move $50,000 out of it, you know, whatever it is, okay. We just need to make sure you're you. Or if someone's doing it over the app it triggers ID authentication. Okay, green oval comes up, put your face in it, smile, blink, yep that's you Bryan. You can do it.

So I think that, you know, there is certainly, you know, maybe you can figure out how I type on a laptop. I don't know. Probably smarter brains than me. But it's certainly, you know, very simple and unobtrusive is, you know, either make me rescan my license or make sure my face still matches the vectors that have been stored against my account.

So I look at it as two different markets. One we're probably, you know, we're, you know, again dominant. And the other is a new growing market. Only because account takeover fraud, you

know, grew 74% last year. The bad guys realized that was a ripe market and I can get more at a time by doing that. So they began to focus on it.

Jeb Armstrong
I appreciate the insight. Thank you so much.

Bryan Lewis
Thank you.

Operator
Our next question comes from the line of Doris Rossiter with Shattemac Capital Management. Please proceed with your question.

Doris Rossiter
Hi, Bryan. This is Doris. Congratulations on all your good work.

Bryan Lewis
Thank you. It's a team, as I said.

Doris Rossiter
Yes, I just wanted to follow up on one of the prior caller's question on the Ipsidy joint venture. It's a practical matter. I'm wondering how if somebody's face changes--you know, you have your license here in New York, my driver's license I'll have it for eight years from the time the picture is taken until I have to renew it. And some people their face changes dramatically over eight years. They either gain weight, they lose weight, they grow a beard, they, you know, different things. Change their hairstyle. I'm just wondering if the technology can incorporate-- can factor those things in. How is that addressed?

Bryan Lewis
Yeah. That's sort of through the mathematics of what they do. And one of the things we like about them and certainly, you know, as we tested and certainly their people tested, you know, we're kinda all in this same boat. You know, my--the picture on my Jersey license I think the same thing is eight years old. And I wish I looked a lot more like that eight year old picture than I do today. But it matched me fine.

The other thing that I liked about the technology and what they can do is, again, it's you don't always need to go back to the picture. The way they've got it set up which I think makes sense is there's mathematics behind your face. And that can be stored because it's not PII. I can't replicate your face with that. But I can match the next time we need to do a facial match the selfie to that vector. Now I know they matched. Now I can throw out the old vector and I'm starting with a fresh one.

So they can kind of as your face evolves over time it'll know that without it to you. Like, that makes sense. Right? It's sort of the data storage mathematics that can't replace--that can't recreate your face, but it will know a face matches it. So it is, you know, certainly if it is a, you know, if there's been a drastic change it'll be hard. And, you know, maybe it means you have to go into the bank to get things done the first time. But after that it shouldn't be a problem.

Doris Rossiter
Okay. I'm just wondering if they provided any--if the Ipsidy people provided any statistics on number of false alarms or need to take another route to, you know, go into the bank instead of presenting remotely. Did they give you any--give us any statistics on how many cases or how frequently the facial recognition may not actually work?

Bryan Lewis
I don't have hard stats on that. But what I can say is that we had looked at multiple vendors in this space. And, you know, had tested, you know, multiple different vendors. And you know, even incorporated some other vendors into our products as well. I think that all of them are very good. I thought Ipsidy's technology and the way that they implement it was better which is why, you know, we jumped into a much deeper partnership.

For the most part I'm gonna say it works. There's obviously gonna be outliers and again, you know, I think why--this is very, very different technology than, you know, you're quickly running through a store and they want to figure out who you are. Or again, at the camera on a building on a corner. You know, because it is, you know, taking a very good image of your face, you know, because it's your cell phone right in front of you. It--I think the results are very good.

But it's certainly something that we'll watch and as we--and what we do know from working with them, you know, when we see things, you know, popping up they can refine the mathematics of their code to account for things.

Doris Rossiter
Oh, so it--it can--they can refine it over time if it's--

Bryan Lewis
--Oh yeah, yeah. Absolutely. Absolutely. You know, we saw it even during our testing with them.

Doris Rossiter
Okay. Okay. Thank you. And good luck.

Bryan Lewis
Thank you. Thank you very much.

Operator

There are no further questions in the queue. I'd like to hand the call back to Bryan Lewis for closing remarks.

Bryan Lewis

Yeah, it's so funny. This is the part I always forget to write closing remarks. And I always say next time I better remember. So, you know, all I want to say is, you know, hopefully the--we figure out a way to get beyond COVID and people get better and shopping gets--picks up. Which, you know, we certainly are seeing at least in the scan stats.

I want to go back and thank my team. It's been a very transformational time for I think everybody in business and my team came through with flying colors. And I look forward to speaking with you all again next quarter.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time. And have a wonderful day.