Intellicheck
Q4 and Year End 2023 Earnings Call
March 21, 2024

<u>**Presenters**</u>
Bryan Lewis - Chief Executive Officer
Jeff Ishmael - Chief Financial Officer
Gar Jackson - Head of Investor Relations

<u>**Q&A Participants**</u>
Mike Rondel - Northland Securities
Scott Buck - H.C. Wainwright
Rudy Kessinger - D.A. Davidson
Jeff Van Rhee - Craig-Hallum

Operator
Greetings and welcome to the intellicheck fourth quarter and year end 2023 earnings call. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press * 0 on your telephone keypad.

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Gar Jackson with Investor Relations. Thank you, Mr. Jackson, 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 2023 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 any 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're 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 as contained under the headings of Safe Harbor Statement and risk factors listed from time to time in the company's filings of the Securities and Exchange Commission. Statements made on today's call are as of today, March 21st, 2024. Management will use a financial term adjusted EBITDA on 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 CEO; and then Jeff Ishmael, intellicheck's COO and CFO, who will discuss the Q4 and full year 2023 financial results. Following their prepared remarks, we'll 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
Thanks, Gar, and thank you all for joining us today for the intellicheck Q4 2023 and fiscal year 2023 earnings call. One of the things Jeff and I have been emphasizing throughout previous calls and meetings is that we were going to end the year with adjusted EBITDA breakeven or better. I'm excited to point out that we delivered on that goal.

For Q4, we achieved net income of positive $757,000, adjusted EBITDA of a positive $1.17 million, and the adjusted EBITDA for the full 2023 year of a positive $377,000. Our gross profit margins continue to remain strong, running at 92% for the year. Given our growth expectations, we expect this trend will continue into 2024, and anticipate that we will also end 2024 adjusted EBITDA positive.

Before I get into some of the wins for the fourth quarter and recap some highlights from 2023, I'm first going to share with you some of the substantive changes we have made to the organization. Driven by the changes we made in the engineering team, we reduced year over year IT costs by approximately 10%. At the same time, we have realized some significant upgrades to our software. We are now cloud agnostic, which throughout 2024, will further reduce our cloud expenses as we move clients off of Azure.

This improvement is an important milestone. Not only does it provide more security to data in transit, but it will essentially eliminate downtime, as we are now active-active on parallel platforms. This is a noteworthy distinction, because active-active means we have redundancy and can switch over immediately if the cloud provider has an issue. This advancement has also led to a complete rewrite of our APIs. This too, is another distinctive step forward, because it makes it much simpler to integrate.

Anyone can go to our website and program against our test bed and get simulated results. We're already seeing the positive impact. For example, we had a prospect integrate in one day, and call us the next day and tell us they were ready for the production keys. We loved how excited they were with -- at the ease of integration. We had to tell them we were happy to give them the keys, but in their excitement, they had missed a key step. We needed the contract signed, which they promptly did.

Our technology improvements don't stop there, thanks to our review idolized IT organization. We also released a new and much simpler way for our digital clients to capture documents and facial biometrics, if needed. Previously, our clients built their own proprietary remote capture screens. While we still allow clients to do so, if they choose, we now offer a tool that can be white labeled and can be integrated into the client's existing system with two simple web hooks.

This has been extremely well received and we currently have seven either existing clients switching over to this tool, or new clients integrating it. We have seen with existing clients that they experience an increase of 20% in completed transactions with the new tool. This is important to highlight, because we believe that this new tool will substantially decrease time to revenue for new digital clients.

Data science and machine learning began in earnest in Q4. The data lake is complete and our data team has already come up with new methods to make our ability to spot fakes even more accurate. Throughout the course of 2024, they will continue to enhance our product, while in conjunction with our clients, we will continue to build and create new ones. Across all of our use cases, the number of people in North America that are processed through intellicheck is impressive, continues to grow, and we believe provides value to our clients.

We also have notable changes in marketing. I'm happy to say that in Q4, we hired Christine Elson as our new VP of marketing. She has a fantastic track record of helping to ignite sales at several high growth cybersecurity and technology companies. I am pleased to report that she is already making an impact. As previous previously discussed, we hired a branding and design company to help with our branding to make our message clear. Through interviews with our clients and the collaborative work with the branding and design team, we think we succeeded.

Our clients reinforced two important distinctions that we are certainly calling out -- no hardware and the ease of use and simplicity of the process for their clients. We truly are the hardware free, go anywhere, identity validation platform that we believe provides the best identity experience for their customers, that their customers never knew they had. We said we would be upping the intellicheck profile in 2024, and we have moved forward.

Christine has intellicheck lined up with speaking engagements in some of the most important industry conferences and trade shows. We had a strong presence at FinTech Meetup a few weeks ago. FinTech Meetup is a high profile event that brings together more than 4,000 leaders from FinTech, banking, payments, and lending to discuss shape and create the future of FinTech. The agenda there is designed to focus on the biggest issues, challenges, and opportunities facing the industry.

Our SVP of sales, Chris Meyer, delivered a well-attended tech talk on next gen fraud prevention and how it increases conversion rates by 20%. He and enterprise account executive, Joshua Baker, held a number of one-on-one meetings during the event. Previously in February, Chris attended the stadium managers trade show. This event brings together personnel from teams, colleges, and universities, facility managers and public sports authorities, and suppliers to the industry. It was yet another important opportunity to build brand awareness and connect with influencers.

These are just the first of many trade shows that we'll be attending this year. Coming up, we'll be attending Datos Insights, which focuses on financial crime and cybersecurity, and provides a forum for senior level executives to focus on fraud, AML, cybersecurity, and risk. So turning now to Q4, we saw new client wins, in addition to an expansion of use cases with our longstanding financial services company clients that are also bringing on additional retailers.

One of the things we as the management team foresaw was that retail was potentially running into challenges, so focusing on diversifying our portfolio of verticals served became a focus. Given the fact that major retailers are shutting down locations, we were correct in our assumptions, as Q4 transactions at our largest retailers were off 15%. You'll see that by the -- our wins with new banking clients and new banking use cases, in additions to clients and new verticals not tied to traditional retail, that we are confident that this pivot is working.

We believe that over time, these new channels should more than offset the retail reductions we are currently seeing, and we believe that we made the right decision. That being said, we continue to expand our retail penetration, and anticipate more than 3,000 new retail doors by the end of the year. During the fourth quarter, financial services company number two brought online a 565 location, wholesale, beauty supply company. In addition, they launched a branded credit card utilizing intellicheck as the first step in the digital application.

They have also begun integrations with two in -- two additional retailers they expect to bring live by year end. One is a clothing store, with over 1,000 locations, for new account openings and account lookup, and the other is 170 location hotel and gaming company, for new card account openings. Financial services company number three is expanding in-branch use cases, with the addition of wire transfers and new account openings, in addition to the current use cases of transactions over a certain count, no debit card present, and account lookup.

They anticipate volume for the new use cases to be about a 100,000 transactions a month. They are also working on the integration to bring live a retailer with over 2200 locations throughout 49 states that provides home improvement, lawn and garden products, and farming equipment and supplies. They expect to go live in Q3 of this year. The two regional bank pilots were completed in Q4, and were fully implemented and revenue generating in February -- a bit behind schedule, but they are now up and running.

If you recall, the first bank with 1,300 locations had an in branch proof of concept. This went so well that they are now doing the work to incorporate intellicheck into their digital use cases. They expect rollout in late Q2 or early Q3. The other regional bank, with over 2,000 locations, started the other way around, with a single digital use case, opening new accounts. Because of how intellicheck simplifies account opening, they had hoped for a 2% increase in new account openings after we were implemented.

But because of how intellicheck simplifies account opening, they realized an impressive 20% increase. They are now expanding to other digital use cases and are working to incorporate intellicheck into their bank branches. You may remember we have been working to secure an agreement with the top three banks. I'm very pleased to report they completed their security audits in Q4, and we now have a signed contract with them. Like all very large organizations, bringing on a new initiative takes time, and our sense is that just like the audits we're an extensive, time consuming effort, so will be the implementation.

Right now, they are targeting Q4 of this year to go live with their digital and mobile banking app. We will continue to provide updates on the integration progress on future calls. We are excited by the win. We believe that when a bank of this size goes with intellicheck, it is a tremendous validation of what we do, and provides a great foundation for 2025, and beyond.

We are very excited by another step forward. Our products are now being utilized outside of North America. Our client is a renowned, global media and tech company reaching nearly 1 billion people worldwide, and is now using intellicheck in the U.K. to validate people. We believe that we will see more multinational clients that need to validate people in North America, turn to Intellicheck for their international needs. We are also continuing to expand in the automotive space, both directly and with resellers.

The reseller that is working with one of the largest auto manufacturers reached a deal with them to fully roll out to all 2,600 locations, with expected minimum annual volumes of approximately 750,000 transactions. We anticipate that full rollout should occur in Q2. Between Q4 of 2023 and Q1 of this year, we have either signed or in the process of signing an additional four resellers in the automotive space.

Title insurance is another market vertical where we continue to see expansion, again, either through direct sales to inbound leads or through resellers. Between Q4 and Q1 of this year, we signed four of the largest title companies. We have also signed one of the largest providers of software that small title companies use to run their business. We are fully incorporated into their platform now, and they're looking to really expand the rollout in Q2. We believe that being an integral part of a larger platform creates an incremental growth opportunity in the real estate transaction space that is seeing a significant pickup in fraud.

Our growth in the age restricted space, in both unattended and in-person use cases, continues to grow. During the fourth quarter, we signed an additional two vending machine companies.

Also in Q4, we signed a company that provides the access to unattended liquor distribution in loyalty lounges at hotels. They're going live with a proof of concept with a very large hotel chain in Q2 of this year.

A deal that we closed a long time ago, but will finally going be going live, is TruAge, which was developed by the National Association of Convenience Stores and Conexxus to provide a simple way for convenience stores to stop sales to the underage. Intellicheck will be used to authenticate the user before they're given access to the app. They expect to begin nationwide deployment in Q2 of this year, starting slowly and ramping up throughout the year.

We continue to expand in new markets. In Q4, we sign two crypto wallet companies. The use case will be to validate people as they open an account for the wallet. We believe that cryptocurrency could be another meaningful market vertical for intellicheck. In Q4, we also signed a wire transfer payments company. They see so much fraud that they are going to make validation mandatory on all transfers. Integration is underway, and they will be working to be live by the end of Q2.

I am happy to say that our pipeline of pilots all are going extremely well, which I believe bodes well for future quarters. In closing, with the current wins going live over the next two quarters, as well as the robust pipeline that the sales team has created, we see significant growth throughout the rest of the year, and look forward to keeping you updated as clients go live and we report our Q1 results in May.

With that, I'll turn it over to Jeff who will provide more details on the financials.

Jeff Ishmael
Thank you, Bryan. I'm pleased with the continued progress we've been making across all levels of the organization, as we continue our efforts to recalibrate our spend and redistribute investment into the areas that will feel our growth and profitability. Our fourth quarter revenues were 13.7% higher versus the prior year. We continue to report a higher average price per scan versus the prior year. And we not only achieved our committed goal of adjusted EBITDA neutral results for the year, but we finished the year with a gain of 377,000, or $0.02 cents per share, on an adjusted basis.

As Bryan mentioned earlier, we were also pleased to see the continued, trailing 12 month growth progression in SaaS revenues each month, which has been achieved consecutively for the last four years. Continuing to cast a critical eye to the metrics of our SaaS revenue, it's encouraging to see a 16% increase in our average price per scan versus the prior year, as we have continued rightsizing the pricing of our legacy accounts and enforce internal disciplines on CPI increases. This is especially encouraging, as it continues to speak to the testament of the value realized by our customers.

We are also continuing to maintain our focus on our operating expenses to ensure that we achieve the expected return on our investments in this area. Within the Q4 period, we started to realize the benefits of our mid-year restructuring efforts and the subsequent increase in our adjusted EBITDA. I will share more details after the summary of our fourth quarter results. We have also successfully launched our channel program, which I also will provide more details on later in the remarks.

We expect this program to have a noticeable impact on our 2024 pipeline growth and bookings, and to be an important driver of our sales, going forward. We believe that this combination of efforts will provide the necessary support for the sales team to drive increases in customer engagement, bookings, and revenues in 2024.

Turning now to our fourth quarter results -- revenue for the fourth quarter of 2023 increased 13.7%, to a record $5,176,000, compared to $4,551,000 in the same period of 2022. Our SaaS revenue for the fourth quarter of 2023 grew 13.2%, to $5,069,000, from $4,479,000 during the same period of 2022, and represented 98% of our fourth quarter revenue. Gross profit as a percentage of revenues was 94.9% for the fourth quarter of 2023, compared to 94.8% for the same period of 2022.

The nominal increase reflected a credit received from our cloud service provider, which also occurred in the same period of 2022. We are considering these credits to be non-reoccurring, as we continue our migration to a cloud agnostic structure to minimize any downtime and ensuring service availability for our customers.

As we discussed during the last few quarters, we've been modeling gross margin performance in a range of 90 to 91%, as we continue to improve our cloud cost infrastructure. But as the product team has shown, we've been able to maintain reoccurring margins of 92%, as the re-architecture progresses. We will continue to scrutinize our cost structure with the goal to maintain that level.

Operating expenses, which consist of selling, general and administrative, marketing, and research and development expenses, decreased $763,000, or 15.1%, to $4,291,000 for the fourth quarter of 2023, compared to $5,054,000 for the same period of 2022. Included within operating expenses for the fourth quarter of 2023 and 2022, were $249,000 and $687,000, respectively, of non-cash equity compensation expense.

While we realized the benefits of our restructuring efforts in the period, there were two notable entries for the fourth quarter. First, in support of our re-architecture efforts, we are capitalizing $407,000 in costs tied to this project. We anticipate that we will see similar levels of capitalization in Q1, and will then see the amount decreasing in the Q2 period. Second, while we have historically invoiced for and remitted sales taxes on required transactions, it was determined that sales taxes for certain customers were not being collected for the periods of 2018 through 2023.

The company initiated and finalized a voluntary disclosure agreement with the primary state in question, and has recorded the necessary liability of $227,000 within the Q4 period, as well as $308,000 for the Q4 2022 period. While the amounts are not material to any one year, it was necessary to record the tax liabilities for the entire amount within the fourth quarter periods. Adjusted for these two entries, our operating expenses would've decreased by 5.8%, on a constant basis.

The most notable reduction was in stock-based compensation expense, which decreased $438,000 versus the same period of 2022. As discussed in our last call, we expect our total non-cash expenses will continue to decrease, and comprise approximately 10% of our operating expenses, with stock-based compensation comprising 90% of that figure. This compares to our prior historical trend of 13 to 15%.

Turning to net income and adjusted EBITDA -- the company reported a gain of $757,000 for the fourth quarter of 2023, compared to a net loss of $869,000 for the same period of 2022. Net gain per diluted share for the fourth quarter of 2023 was a gain of $0.04, compared to a net loss per diluted share of $0.05 for the same period of 2022. As noted above, the Q4 periods reflect the adjustments of the sales tax liability entries.

The weighted average diluted common shares were 19.3 million for the fourth quarter of 2023, compared to 18.9 million for the same period of 2022. We also continue to ensure we are properly managing our cash reserves, which generated $83,000 in interest income versus $5,000 in the same period of 2022. Adjusted EBITDA for the fourth quarter of 2023 increased $780,000, or 201%, resulting in a gain of $1,169,000, compared to a gain of $389,000 for the same period of 2022.

Now turning to our full year of 2023 results -- revenue for the full year of 2023 increased $2,940,000, or 18.4%, to $18,906,000, compared to $15,966,000 in the same period of 2022. Excluding equipment, our SAS revenue for the full year for 2023 grew $2,867,000, or 18.2%, to $18,595,000, from $15,728,000 for the same period of 2022.

Gross profit is a percentage of revenues was 92.7% for the full year of 2023, compared to 92.0% for the full year of 2022. The increase in gross margin profit percentage was primarily driven by our concentration of SaaS based revenues. The credit we received from our cloud service providers 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, increased $1,086,000, or 5.8%, to $19,807,000, for the full year of 2023, compared to $18,721,000 for the full year of 2022.

This increase was primarily driven by higher general and administrative costs, specifically severance related expenses of $984,000. Included with an operating expenses for the full years of 2023 and 2022, were $1,596,000 and $2,455,000, respectively, of non-cash equity compensation expense. As mentioned earlier, and included in the full year results, were the two notable entries for the fourth quarter, which included the product capitalization entry of $407,000, and the sales tax liability entries of $227,000 and $308,000 for the fiscal year 2023 and fiscal year 2022 periods.

Adjusted for these two entries, our operating expenses would've increased by only 8.5% on a constant basis, compared to our revenue growth of 18.4%. The most noticeable reduction was in stock-based compensation expense, which decreased $859,000 versus 2022. The company reported an improved net loss of $1,980,000 for the full year of 2023, compared to the net loss of $4,159,000 for the same period of 2022.

The net loss per diluted share for the full year of 2023 improved to $0.10 cents, compared to the net loss per diluted share of $0.22 cents for the full year of 2022. The impact of these two noticeable entries above represented $0.01 within our net loss per diluted shares result. The weighted average diluted common shares were 19.3 million for the full year of 2023, compared to 18.8 million for the same period of 2022. Adjusted EBITDA for the full year of 2023 improved to a gain of $377,000 versus a loss of $924,000 for the same period of 2022.

Turning to the company's liquidity and capital resources -- as of December 31st, 2023, the company had cash and cash equivalents that totaled $9.0 million that is currently on deposit at Citibank and Capital One. Working capital, defined as current assets minus current liabilities, of $7.8 million, total assets of $23.8 million, and stockholder's equity of $17.3 million. The company recognized an adjustment to the beginning balance of stockholders equity in 2022, of $529,000, in consideration to recognize sales tax liabilities for the years of 2018 through 2021.

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, and the facility was not utilized during the quarter. Turning now to the progress on our internal initiatives -- 2023 certainly represented a year of significant changes for intellicheck, as we executed on a number of key initiatives that we believe set us up well for further growth in 2024.

During the Q2 period, we initiated a $2 million expense savings initiative, aimed at rightsizing our expense structure and securing the necessary team and talent to properly drive product, marketing, and operational efficiencies. During the Q2 period, we hired Jonathan Robins as our VP of Engineering, who was subsequently promoted to the role of CTO in Q4. Jonathan has been recalibrating that team, working with the broader team on the re-architecture of our SaaS platform, moving us towards a cloud agnostic structure, as well as bringing in additional talent to drive our data science and reporting intelligence efforts.

As Bryan mentioned in January of this year, we brought on Christine Nelson as our new VP of Marketing. We believe that Christine is the right person to drive additional recognition of the intellicheck brand, and to provide the support that the sales team needs to further drive revenues and logo wins. As we executed on expense initiatives, we made significant shifts in our expense structure, and moved much of our spend out of the G&A and product areas to our previously discussed investments in sales and marketing.

These initiatives have already had a demonstrable impact, and are reflected in our fourth quarter results, where operating expenses decreased 15.1%, versus the prior year, compared to a 13.7% increase in revenue, and delivering on our goal of adjusted EBITDA break even or better. As a percentage of expenses, we are expecting to see our R&D spend continue to decrease, year over year, while sales and marketing expenses will increase by approximately eight to 10%, to support a broad range of brand and marketing initiatives.

Overall, we expect to see significant leverage increases in our OpEx spend against our growth in 2024. While we are significantly increasing program spend on the sales and marketing side of the business, we believe we are properly structured in our head count, and expect a 2024 year-end head count that will be equivalent to the 52 person count we finished with in 2022. We now have a significantly higher caliber team that has the financial support to drive the growth that we expect this brand should be able to achieve.

As mentioned in earlier remarks, we continue to approve our cost structure, which when adjusted for the previously noted adjustments, increased a mere 8.5% for the full year versus 2022, while revenue increased 18.4%. We have remained committed the entire year to achieving adjusted EBITDA break even for the year, which we have exceeded, and now puts us in a position to start moving that result into a more positive position for 2024. A higher adjusted EBITDA result for 2024 will be the combined disciplines of executing on our revenue plans, ensuring consistency in our gross margins, and holding all the team accountable for their FY 2024 operating budgets.

During the prior quarter, we also discussed the early efforts regarding the formalization of our channel partner program, and I'm happy with the results that we are seeing. Since the launch of the program, we have rolled out our partner portal, where we will conduct our deal registration, and where our sales team will start accepting registered leads from partners. We have also successfully signed our first cohort of partners. We are excited to see a group of partners that will expand our presence within the automotive, law enforcement, and government sectors.

One of our top partner signings has a technology ecosystem of more than 10,000 government contractors, value added resellers, solution providers, and system integrators. In consideration to our 2024 outlook, we expect to see continued gross margins of approximately 92%, while we continue to improve our architecture and data intelligence capabilities. We also expect to see continued leverage in our operating expenses, as a result of the expense initiatives we implemented in 2023.

As previously discussed, we expect the non-cash component of our spend to decrease by four to 500 basis points versus 2023, with 90% of that being total stock-based compensation. In closing, we remain committed to the continued improvement of our corporate performance, maintaining our strong balance sheet, and driving shareholder value within these new initiatives. We look forward to sharing our Q1 results with you in May.

I'll now turn the call back to Bryan, who will discuss our Q1 revenue outlook.

Bryan Lewis
Thanks, Jeff. As I mentioned in my prepared remarks, we have a lot of activity in the pipeline, with a number of deals going live in Q2 and Q3, that we believe will drive significant revenue growth in the back half of the year. Like I've always said, larger deals take longer to close and longer for the implementation. We are on the cusp of a number of sizable revenue generators that we believe will really move the needle in the back half of the year. These include the new retailers with our longstanding bank partners, additional bank use cases, global media companies, auto, title, and now cryptocurrency, our latest vertical.

As it stands today, we've seen year over year declines in scanning volumes in the first quarter at our retail partners, that we believe is driven by some of our larger clients reducing door counts and weaker store traffic, in general. Additionally, as I mentioned in my prepared remarks, we have had longer than originally anticipated implementation times to onboard larger customers -- for example, the two regional banks that are now live.

As it stands today, we anticipate Q1 revenues in the range of $4.3 to $4.4 million, with year over year growth accelerating sequentially throughout the remainder of the year. With the new hires we have in place, our pipeline and our gross margin and expense structures, we believe that we are well positioned for accelerated growth and to be adjusted EBITDA positive in 2024.

I will now turn the call over to the operator to take your questions.

Operator
Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press * 1 on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. And you may press * 2, 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 keys.

One moment, please. I'll be pulled for questions. Thank you. Our first question comes from the line of Mike Rondel (ph) with Northland Securities. Please proceed with your question.

Mike Rondel
Bryan and Jeff -- Bryan, could you talk about pricing, kind of overall? I think, at one point, like a 16% increase in average pricing per scan was maybe called out. I'm just kind of curious, like are you seeing pricing pressure, pricing power? Trying to understand that a little bit. And then, if you could segue into transaction? I think you talked about -- I don't know if you just meant at the big

retailers, like down 15%, or kind of what, overall, are you seeing with transaction trends? We'll start with that.

Bryan Lewis
Sure. So in terms of pricing, the only time that we see pricing pressure, I'd say, is if we're looking at bringing on people in the age restricted space. And I think there's a lot of people that want to sell into there. And I also think that there's a lot of -- plenty places that don't really want something as accurate as we are. Because when you're as accurate as us, you're cutting the revenue. Where we always win, and certainly have pricing power, is where it hurts our client, financially, if somebody gets through and commits identity theft.

So, overall I'd say that in our -- in the core markets where people really care -- title and auto and banking and all those things, and even crypto, because you get crypto while it (inaudible) and you're kind of in trouble. So where it really matters, that you catch the bad guys, we have pricing power, in, again, some of the age restricted spaces, we'll just walk away from the business.

Is it really worth it for -- what -- some people are willing to do it? But the systems just don't work. And I think at the end of the day, they're going to get caught, they're going to get fined. They'll probably come back to us. In terms of -- I think you're asking, Mike overall, what are we seeing in transactions? Transaction volumes continue to go up in areas other than retail. I'm looking at some of the numbers now. And if I compare this year to Q4 -- this year to Q4 last year, I'm looking at some of our very large retailers down anywhere between 15 to 25%, in terms of their transaction volumes.

So in everything that I'm reading, we've got retailers shutting down 150 stores, people are talking about credit cards getting maxed or people worried about the interest rates. So I think that that's one of the reasons that we really made sure that we were diversifying and getting into other markets that really aren't dependent on a transaction. If you need to reset your email or something, it's really important. You have to do it. Those aren't subject to economic conditions, and we're making sure that we're getting into more and more businesses like that.

Mike Rondel
Got it. And then, I don't know, can you call out, maybe, two new wins that really help you in the back half of 2024, and trying to kind of understand the statement in the press release -- some sizable revenue growth, some wins that'll really move the needle. Trying to figure out which ones we need to track closely, closely.

Bryan Lewis
I think that these automotive partnerships are very important to us, certainly getting, you know, 2,600 locations, with guaranteed volumes, minimums, I look at what -- I think that really could be -- certainly should be much higher. I think getting into the other use cases that the regional banks, could be significant revenue. It could be the TruAge, and their partnership with Max could be significant revenue through the back half of the year.

So I think it's a combination of a lot of things -- some of the things that we're working on with the resellers could really help us blow up at the back end of the year. Some of the pilots that we've been working with, with some large organizations, and again, just the larger it is, the longer it takes, because the amount of people that have to give their stamp of approval -- it seems everywhere we go, the business people are like, I want it yesterday.

And rightly so, DevOps and InfoSec are making sure that everything about us is safe, so that they don't get hacked. And it just always takes longer than we would hope, and certainly longer than their business folks would hope. So I think it's a combination of some of the deals that we've signed, and then some of the pilots that we have in place, really hitting the after burners.

Mike Rondel
Got it. And then, hey, just lastly, retail customers transactions -- what percent, roughly, of revenue are they still?

Bryan Lewis
They're still the majority, upwards of -- Jeff might have better numbers off the top of his head -- but I'm going to say they're still up there around -- if I look at financial services, and again, you know, number four, everything comes through one fee, so it's hard to break it out -- but the financial services and everything that they're doing, probably about 95%. But, a greater percentage of financial services overall, is also becoming banking, just regular banking transactions.

And again, something that certainly is not so much economic dependent. It's just that, you know, certainly some of our largest retailers were a significant volume of transactions, but again, they're hitting headwinds and that will hit us. And again, why we're focusing so much on diversifying.

Mike Rondel
For sure. Got it. Okay. Hey, thanks guys.

Bryan Lewis
Thank you.

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

Scott Buck
Hi, good afternoon everyone. Thanks for taking my questions. Bryan, I was hoping you could give -- I was following up here a little bit on the pricing. I was hoping you could give a little color on, if three quarters of a million dollars of auto transactions look similar, pricing wise, to three quarters

of a million card not present. Or do you charge a material difference between customers of that nature?

Bryan Lewis
What we're looking at more -- the only time there's really a difference in pricing, is age restricted versus kind of everything else. So the transaction -- for an auto dealer, it's going to be -- if they're doing volume like that, they're going to be almost like a retailer who's doing a card not present transaction. What I certainly will say is, we continue to raise pricing. I think Jeff said in his remarks, we're up about 16% overall, for the year.

That includes every deal that we have been closing. So we always do a combination of -- we're pushing the pricing, because we know and we see how much we're saving for people. And you get enough auto dealers and you can realize, wow, we did that for them. We're going to raise the price for everybody else. And that's what we've done.

Scott Buck
Great. That's helpful. And then I wanted to ask about the balance between profitability and revenue growth. It sounds like 2024, we're going to see EBITDA margins improve a little bit. But you're certainly not taking the foot off the gas here, on growth, right?

Bryan Lewis
No, no, no, no, no. Not at all. I think -- not -- we are running as hard and fast as we can for growth. And, at the same time -- what I love is, Jeff has been able to bring a financial diligence that really didn't exist before, and put all the systems in place. So I think we've got a better picture of where and how we're spending money. And we can sort of quickly move it to the things that we think are going to accelerate growth.

And certainly that -- it was the marketing, the branding and the channel program, and then making sure also, we have the right salespeople, which I really believe we finally have the right team in place. So growth is what we are going for. We are all tied to revenue, from the most recent employees in the company to me, all we care about is making sure that we're growing the revenue, while we've got Jeff in the corner over there making sure we're not spending a ton of money, and blowing margins. So growth is king.

Mike Rondel
Hey, go ahead. Yeah, go ahead Jeff.

Jeff Ishmael
No, I was going to say, we're, we're definitely cognizant of how we're deploying that spend. I mean, one of the things I watch is, I look at our employee count and we're looking at moving towards 52 people. I mean, we've got a very high revenue per employee. And I'm cognizant of that, because what we don't want to do is overheat the team, either.

So as Jonathan works on his re-architecture efforts, it's like, don't think that you're resource constrained. If you have a compelling case and you need more spend, communicate that and we'll work across the entire team. As Christine rolls out all of these marketing initiatives, all of the trade shows that we're going to be attending -- conferences, hey, let's balance our needs on those, what's going to be effective. These are all new, but let's work as a team, so. There's really not a rev limiter in place, and -- but we're making sure that we stay in the guardrails of achieving those committed EBITDA levels, publicly.

Scott Buck
Great. That's helpful. And then last one for me -- in terms of capital allocation, as the business starts to generate more cash internally, how are you thinking about uses of that cash? Could we see an aggressive share repurchase with the stock (inaudible)?

Bryan Lewis
Look, I'd say that kind of everything is on the table. We're always going to look at what do we think brings the most shareholder value. And that could be everything from a stock repurchase to, is there a small little tuck-in company with really cool technology that makes sense to add into our portfolio?

So -- and a lot of cool startups and other things come across our door, where they all know they've got something very interesting, but it's useless without a really, really accurate first step. So we're always looking. And it would, again, what makes the most sense for the future growth of intellicheck, and also for the shareholders.

Scott Buck
Great. Well thanks for the time guys, and appreciate all the added detail in the prepared remarks today.

Bryan Lewis
Great. Thanks Scott.

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

Rudy Kessinger
Hey, Bryan, thanks for taking my question. I guess Bryan, if -- or Jeff, if you had to take a swag at it, kind of going back to Mike's last question -- of the 95% that's coming from financial services, is -- I know there's some messiness and the data you're getting, but is like two thirds of that coming from retail, is it three quarters, is it half? Like I -- is there any kind of bounds you can put around it?

Bryan Lewis

It's going to be a significant portion of it, 75 to 80% probably, in that range.

Rudy Kessinger
Okay. That's helpful.

Bryan Lewis
It seems to go --, it's going down every quarter, as we add more pure banks, and then also, as the banks that we have add more banking use cases. So it continues to move down.

Rudy Kessinger
Yeah. Okay. And then as far as -- you said you saw some large retailers with 15 to 25% declines in Q4. What have you seen quarter, to date? I know you said down year over year, quarter to date in Q1, but like what level of a decline? Has it gotten worse throughout Q1, or is it (inaudible) --

Bryan Lewis
--If I look at -- yeah, if I look at Q1, I think -- and that's part of the reason -- and I think what we're seeing in Q1 I'm looking at the numbers I was running -- and just fall -- we've got some down upwards of 27%. The large guys are basically down anywhere between 18 and 27%.

Rudy Kessinger
Okay. So a bit worse, thus far, in Q1 than Q4.

Bryan Lewis
Yeah, but well I'm comparing -- yeah, so I could do apples to apples, because we always see a decline in retail in Q1, just because, the holiday binge shopping, and everybody's like not spending a lot of money. But -- so I'm comparing -- to -- had the first two months of this year versus two months of last year. And that's what those numbers are.

Rudy Kessinger
Okay. And then, I guess -- want to be clear on one thing that you said, you do expect growth to accelerate sequentially throughout the year. And so does that mean improving year over year growth in Q2 versus Q1, Q3 versus Q2, so on and so forth? And could you just maybe -- some of these new wins, are these all kind of six figure a year revenue opportunities? Is the big three banks, just the initial use cases, like, is that -- does that push them into a seven figure a year customer, like the other large banks that you have? I mean, just what -- and where should growth accelerate to by the end of the year?

Bryan Lewis
Look, I think that -- looking at that large bank, they should be just like all of our other large banks. There's the same use cases, the same need. It's just a matter of how fast do they get up and running. And again, they're going to start with everything digital, and their mobile apps, and then roll everything into in-branch in 2025.

I think one of the things that we're doing as part of our strategy, is not -- chasing the whales is something we're always doing. And they take a really, really long time. But we're also, through our channel partners, and also now with the simplicity of our tools, to be able to integrate them, particularly in the digital world, we're certainly making sure the sales team is going after the singles and doubles, as well.

So, I expect to see that we'll bring in, $50 to $75,000 kind of deals with more frequency, because they're easy to bring up, while at the same time continuing to grow the existing clients, adding some of the folks that should be seven figure kind of deals. So a combination of things that--what we're hoping for brings, in a way, less lumpiness to the revenue growth, makes sure that we continue to land the big, giant deals that are, I think, really important, and prove how good we are.

And at the same time making sure the sales guys are bringing in stuff, so that they make commissions and that they're happy and they stay. So that's the whole point of getting the marketing right, the messaging right, more people to know who we are, because I still say it, people think that everybody's the same doing ID validation -- and we're not. And when they see how different we are, things move quickly. Always from the business side, we still have to go through all the InfoSec and those types of things.

But it moves quickly when people realize what we can do, that really nobody else can do, in our opinion, and they want us. So I think a combination of things, you're going to put us all across the board this year, in the size of the deals that we're bringing in. It used to be very big and sort of very small. Now we're making sure that we get that midrange, as well.

Rudy Kessinger
Okay. That's helpful. Thank you.

Operator
Thank you. Our next question comes from the line of Jeff Van Rhee with Craig-Hallam. Please proceed with your question.

Jeff Van Rhee
Great. Thanks for taking my questions. Hey guys Several here -- maybe one to follow on Rudy there -- in terms of the new signings -- maybe we -- you could just give us a swag of the ACV of contracts that are signed but not yet implemented, as of Q4 -- even a ballpark, put them all together -- the majors that you mentioned -- putting aside any churn or anything else, just the incremental value of the signings that you have in hand, in ink. Can you give us a ballpark of that?

Bryan Lewis
I -- what I'd be worried about is giving a number without having a better idea of when they're going to go live, because that just seems to always impact things. We certainly plan on giving

some year -- 20 -- 2024 guidance on our next call, just where we kind of expect to end out the year. So what I would say is, I am very comfortable with what the ACV that I've seen, just -- and I'll also say this -- my sales team always seems to sell smaller buckets to people, that become very much bigger buckets.

So it's always in my mind, an underestimation of what the ACV could really be. I'm comfortable with, it in terms of what it means for growth for the year, and where people -- where consensus has us and things. I'm very happy and comfortable with what I have seen signed, and what I expect to be signed.

Jeff Van Rhee
Okay. Got it. And then, maybe back to the scan reductions of 15 to 25, and then maybe accelerating a bit -- how do you think about 2024 and your -- what do you anticipate, in terms of scan volume trends? And maybe just a little bit about what's going on in those retailers. Not a lot of retailers -- well, there are some, but I mean, as a group, certainly not putting down 20% on the revenue line.

So maybe you can parse that just a little bit. How much of that is due to your retailers closing doors versus just reduced economic activity versus potentially just people somehow finding a way around your solutions? Just maybe parse that to the jury -- you can, and how you think about it?

Bryan Lewis
If I'm looking at the stores that are down -- the retailers that are down the most, they're the ones that you are reading about, because, either they sort of lost their branding and people, maybe didn't want to -- it just didn't make sense to them anymore, or they're shutting down their stores, I'm looking at that. So what I am seeing where they're down, is mostly -- those large amounts is mostly those types of things.

I think, again, retailers that kind of lost their way, that we've all been reading about for a while. If I look at across the rest of them, there are certain stores, I think, that have it right. And they're up. But they're smaller, so their up doesn't offset the down. But overall, looking at it, you take the big guys out, people are fairly neutral or slightly up. Ao anywhere from 95% to 102%, of where they were this time last year.

So, I think that there is definitely some folks who are thinking about, hey, should I be spending money now, as well as -- I think that's what we're seeing partially. But I think a lot of it is really just retailers who lost their way.

Jeff Van Rhee
Yeah. I mean, you're given thought to, obviously, the annual guide. I mean, how do you tackle that? How do you think about retail scans for 2024, at this point?

Bryan Lewis
Look, I think that if this trend continues, I don't see it diving much more below this. And it could be that people spend a lot of money -- who knows? -- on Christmas this year and holidays, and they're now sitting back for a while. I don't -- unless something really crazy happens with the economy, everything I'm reading is saying retail's slightly off, but they don't expect it to take a header. So I don't see it getting much worse than where we are now. And if anything, potentially improving, once we get out of Q1, and maybe people start to think about spending money more.

Jeff Van Rhee
Got it. And Jeff, the RPOs -- I know it's in the Qs and Ks -- I don't know if you have that handy?

Jeff Ishmael
I don't -- not in front of me, Scott.

Jeff Van Rhee
Jeff. That's all right. Thank you, Jeff.

Jeff Ishmael
I'm sorry. I'm sorry. Yeah, I'm sorry. No, I don't. I -- actually, that's probably one of the one pieces of data I don't have in front of me. But I'll make sure I have that prepared on the next call.

Jeff Van Rhee
Sounds good. Yeah, we'll get it offline. Thank you.

Operator
Thank you. We've reached the end of our question and answer session. And with that, I would like to turn the floor back over to Mr. Bryan Lewis for closing comments.

Bryan Lewis
Thank you, operator. So I'd say in closing, 2023 was a year of change and growth for us. And everything from a new CTO, new channel partner program, new vice president of marketing -- what I'm happy about is we continue to build the strength of our organization. And I think the changes that we have made, you can see it already have an impact on cost, productivity, new sales to be implemented in this year.

And as I told everybody before, we're continually analyzing our performance. And we don't hesitate to make changes where we think it will accelerate growth or reduce costs. Caring for the bottom line requires that we constantly raise the bar against we measure ourselves and our progress, which we do, .So everybody asks, are you satisfied with where you are? And I would say, no. But I am a pragmatist. I understand that the large deals and the organizations that we deal with that can benefit so much from our services, have multiple structural channels that we have to get through before they can integrate a new process or service.

So -- and we totally wish that there were ways to streamline the implementation. And we work with our clients to do that. We recognize that it might take a while with these partnerships. So just to end, when I'd say these big deals take a long time, they also have a lot of value and a lot of long-term benefits. So we feel that they're worth it -- also why we change the business model to make sure we also get every single and double out there.

So again, my thanks for you joining us today. We really anticipate more good news to come. And we look forward to sharing with -- it all with you. So have an excellent night, folks.

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