

INTELLIGENT SYSTEMS CORPORATION

Moderator: Leland Strange

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OPERATOR: This is Conference # 3097508

Operator : Good morning. My name is Deidra and I will be your conference operator today. At this time, I would like to welcome everyone to the First Quarter 2019 Earning Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during that time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you. I will now turn the call over to your host, Mr. Leland Strange. Sir, you may begin your conference.

Leland Strange: Thank you. Good morning, everyone. Thank you for joining us today for our first quarter earnings conference call.

We're going to be doing things a little different today. I'm going to ask Matt White, Intelligent Systems' Chief Financial Officer, to make the opening comments about our earnings, and I'll come back on and do some other things. So, Matt, why don't you go ahead?

Matt White : Sure. Thanks, Leland.

Before I start, I'd like to remind everyone that during the call today, we will be making certain forward-looking statements to help you understand Intelligent Systems and its business environment. These statements involve a number of risk factors, uncertainties and other factors that could cause actual results to differ materially from our expectations.

Factors that affect future operations are included in filings with the SEC, including our 2018 Form 10-K and subsequent filings.

And now on to the first quarter results. Revenue for the first quarter of 2019 was 6,966,000 dollars compared to revenue for the first quarter of 2018 of 4,058,000 dollars, an increase of 72%.

I would like to talk a little bit about our disaggregated revenue for Q1 2019. This is something new we've included for this quarter in our press release. We recognized a license revenue of 800,000 dollars, professional services revenue of 3,964,000 dollars, processing and maintenance revenue of 1,811,000 dollars and third-party revenue of 391,000 dollars.

As we mentioned in previous statements, our license revenue will vary from quarter-to-quarter, but we do anticipate a significant increase in license revenue in 2019.

We receive license revenue primarily when our customers achieve new account tiers. We then charge annual maintenance to our license customers, which is reflected in our processing and maintenance revenue line, and maintenance revenue increases when new license tiers are achieved.

As you can see from the revenue detail that I mentioned, professional services revenue comprises a significant portion of our overall revenue for the first quarter of 2019. However, we expect that to decrease as a percentage of total revenue over time as our customers utilize the new features we've developed to add accounts to their system, which is then ultimately reflected in our license revenue and processing and maintenance revenue lines.

Additionally, for professional services, we charge annual maintenance fees for those services that result in new functionality to our customer, which is then also reflected in our processing and maintenance line.

So while a significant portion of our growth in Q1 2019 is in license and professional services revenue, expect that to translate into future processing and maintenance revenue in the future.

And finally, for revenue, our third-party revenue generally has a very low margin and represents services we provide on behalf of our customers that we charge at or slightly above cost. We recognize this revenue gross for accounting purposes.

And now for the rest of the highlights on an income statement. We reported income from operations of 2,605,000 dollars for Q1 2019 compared to 821,000 dollars for Q1 2018. This resulted in operating margin of 37% for Q1 2019 compared to 20% for Q1 2018.

Our Q1 2019 tax rate was 24% compared to 0% in 2018 due to the utilization of net operating loss carryforwards in 2018. Earnings per diluted share for the quarter was 23 cents compared to 10 cents for Q1 2018.

And now, I'll turn it back over to Leland.

Leland Strange : Okay. Thanks, Matt. Let me just remind you that if you haven't already or if you're fairly new to the company and want a better understanding, you probably need to go back and listen or read the last two or three earnings calls. I've been taking the earnings calls as an opportunity to try to add new information in each one that would help increase your understanding of the company.

Now for the next 15 minutes, we're going to do something different than we've done from past calls and I would have to say that some of you who have listened to some of my calls last few years are saying yourself why am I not surprised. Having listened to our earnings calls myself and of companies in which I've invested, I often find them boring and repetitive. My brother in Denver who also listen to calls in companies he has invested and often sends me a link to one with a comment, "if you can't sleep tonight, listen to this and before long, you'll be asleep". So my challenge on these calls is not to ever have my brother send one of my calls back to me with that same comment.

What we're going to do today is actually answer actual questions that shareholders or prospective shareholders have asked us in either phone calls or e-mail correspondence in the last month.

In some cases, we answered the question because the answer was already in a previous communication and in some cases, we said we could not answer because we would not selectively disclose. But answers on this call are not selective, so I could answer here. So these are actual questions that have been asked. My apologies or, I guess, credits, to those

of you on the phone who asked the question - I know some of you are on the phone. I'm going to ask Matt to ask the questions and I will give answers, hopefully, helping you better understand both the quarter and where we are.

So, Matt, why don't you give the first question?

Matt White : Sure. A couple of days ago, someone sent you an e-mail and said, "I hate asking this question, but you've been there a long time. Do you have any succession plans? Or are you thinking of landing some big processing clients and then looking for a sale? I know you own a large chunk of shares, just curious what your take is on that? Leland, I think they're trying to say you're getting old and what are you going to do about it?"

Leland Strange : Well, they're right. I'm not going to do anything about it, but brag, but seriously, it would be the height of executive incompetency or malpractice not to have a succession plan. I can assure you, the Board of Directors of Intelligent Systems has been diligent for years in regards to that plan and that should not be a big worry for shareholders. We have a very good core management team also in place both, I guess, together with Intelligent Systems and CoreCard.

I actually think a nuance in the question though is centered around the fact that I am a large shareholder and I have held the shares a long time and how will that affect decision-making? We used to say regularly or, I guess, we have not in the last two or three calls, that we are unapologetically opportunistic, meaning the company or any part of it is always for sale, if it is in the best interest of shareholders and employees.

On the other hand, we will always manage, operate and invest as if the company is privately owned and going to be around forever. We'll always try to build the company, but we'll also always evaluate any offer in light of the risks and opportunities at every moment in time. So, you know, we may use our cash to buy something, we may merge, we may acquire, we may just continue the whole point as we run it as if we're going to be here forever, but we're not going to be silly and have our head in the sand and I'll look at what's happening around us.

Matt White : Let me ask a follow-up, Leland. Will you expand more on what you mean when you say opportunistic and what you think the risks are?

Leland Strange : Yes, I do use that word a lot. I must say, opportunistic, it's based on what we see at any point in time about risks and opportunities. There are always technology risks as you do things you've never done before. For example, when we process 100,000 accounts, there were risks that 500,000 would be difficult. When we processed 1 million accounts, there were risks as to whether we can do 5 million and on and on. While we believe that we can process an unlimited number of accounts, you really don't know it until you do it. So obviously, there is a risk there. There are also, I think, strategic customer risks, particularly if they are a strategic customer, they could force you to do things, not in your best interest just because of their size.

While customers are certainly sticky in this business, it would be arrogant and foolish to make assumptions that there are no risks. And a fast-growing business always has execution risk. I think as to competitive risks, we are not concerned, again, not because we're arrogant, but because the markets for our products worldwide are simply huge. I'm often asked about the size of market and, honestly, it defies quantification. You could go and see what analysts say TSYS or Fiserv, FDR or market sizes are and then, I guess, reduce it by the size of the acquiring market portion because we don't do that and acquiring portion would be the terminals that put retail locations.

And then, I guess, you'd add back to that to other size of the new SMB loan markets. SMB is small medium businesses. And that's by itself is huge. So when you try to determine size, do you talk about number of transactions, dollar value per transactions, potential right process and revenue or, I think, you get the point is huge. So we'll always look at a few years thinking about these things. You've got enterprise price, you've got opportunity and risk and along with the economy, we'll always be in play.

Matt White : All right. Next question. Do have an investor deck or presentation that we can use to figure out more about your revenue models and how we might be able to project your earnings? Anything that investors can use that you might be able to point us to?

Leland Strange : No, we really don't. We'll be putting together at investor deck, someday, but not this quarter or next. We really cannot be tracked, model or analyze the same as FIS, FDR or TSYS not because we don't want to, but we're small and have a different business model for better or worse. They are currently much more a recurring revenue company, and software license sales are almost non-existent, whereas, we have focused on software license sales for most of our existence and are just slowly moving into processing directly with similar recurring processing revenues.

Today, accounts on file means nothing to understand our business, but it means a lot to understand the business of the big guys. I guess I would just continue to say, there are targets or overall objectives, as I've said back in July 2018, is to grow over the next few years at an annualized rate of 25-plus percent and we'll add expenses as needed to accomplish that goal.

Matt White : Do you have any large or even really large assuming multimillion processing customers waiting in the pipeline are going through UAT outside of the 2 new portfolios launching?

Leland Strange : I think I answered that question when it was given to me with a comment. I really can't give any more specific, sorry. And I did that when I was asked because I'm not willing to provide meaningful selective disclosure. But at this time, on this call, I would answer the question. No, there are no other multimillion processing customers in the pipeline or in UAT. Now, UAT means User Acceptance Testing.

Before anyone runs away with that honest answers as a negative, the previously mentioned very large firms that we had to delay getting live due to the big licensing clients are likely to provide a lot of new processing revenue in future years as they move from test to onboarding new accounts in next few months. And we're still very much totally absorbed personnel-wise with the large licensing clients and other existing customer request that's likely to continue for the rest of this year. We'll grow because of that, which is great, but we don't have the capacity to add more large ones and what is traditionally thought of as pipeline.

I probably should continue that thought though without added commentary that we've had conversations with several other additional very large enterprises that contacted us and after some initial discussions, they've indicated they want to move toward a process of doing business with CoreCard. I just don't call there's a pipeline, and it's not going to happen this year or probably even the next 12 months, other than perhaps some test programs. But I have no question that we will forward that business at some point.

Matt White : Can you discuss roughly the size of the card portfolio you're talking about with these customers? Is it in the millions or less?

Leland Strange : I could, but I won't. Any large customer we've talked about is obviously million-plus accounts in their plans. If it's a new program, we don't get to see their internal documents to say how fast they intend to grow or what they're going to spend on marketing. They're guessing when they produce their plans and then when we guess when we hear their plans as to the reality. I expect the ones I've mentioned, they have million-plus accounts. I just don't know how fast. For others that transition to us, they may have several million accounts, but they want to transition smartly, which actually means slowly. Our customers' cost of acquiring an end-user card or loan customer is just too expensive for a program manager to take any chances with a big bang conversion, although some will. But it's all about their end-user customer and making sure that their experience does not get disrupted, and we're very sensitive to that and would not even encourage anybody to basically transition a very large program quickly.

Matt White : When you say or talk about processing, are you referring to credit card processing or loans or both?

Leland Strange : When I say processing, I mean all types of accounts that pay us on a per account or in a similar fashion. It could be prepaid, it could be gift, it could be credit card, it could be retail private label, all kinds of loans. So, anything that pays us on a per account or equivalent basis is what we talk about processing. It runs on our systems, not theirs.

Matt White : With the newer customers, as you have previously mentioned, and other customers lined up, be able to fill the void over the next year or so? Is it professional fees for the big licensing customers aside?

Leland Strange : I think the underlying question here is sustainability of the business. I've heard the whispering and doubts about the model - it generates a lot of revenue and margin from professional services. It is true that professional fees usually do move down from their first year to a new norm, either the second or third year for any single customer. And then they become repeating revenues, and we're able to budget and forecast. Just looking at what we have right now, I believe, in total, any professional void would be filled easily by other revenue from these and the additional plans that are likely to come on board.

I guess the only caveat to that statement, which is positive, is if we surprise and blow the doors off this year, meaning 2019, with license revenue, I cannot do that again the same way with license revenue the following year. I've used the word pop before because you do get pops. But I guess I should not say, we can't do it because we do see a path to have a lot of license revenue next year also if certain stars are aligned, but we're not going to budget to that plan.

I think I would add, there are simply no trend lines that could be modeled for our licensing revenues, but licensing revenue can help fill any momentary transitional gaps in professional service revenues and we all know that licensing revenues end up with a larger maintenance and support revenues for the company also. Professional services will continue to grow as will our staff located primarily in India continue to grow. We are 400-plus technical people there now, and we're constantly growing.

Matt White : I know you talked about being a world-class processor. How do you view that in the context of doing outreach to customers? I noticed you have no salespeople. When you need a sales staff in order to become world class or is that just not a priority right now?

Leland Strange : Well, at some point, yes. We're going to need to grow sales force. And yes, we have none now with revenue between 20 million and 30 million. But we don't think it makes sense to add that expense at this point in time when we're generating a steady stream of business without the expense just to say we have a sales force. We're going to need to do many other things as we grow, but we're not going to add the expense until it's justified on the

economics. We're not going to do it just because people say other people have it.

Matt White : Have you ever in the past or could you now define what the threshold is for becoming a world-class processor?

Leland Strange That's a good question. That does deserve a thoughtful response. I have to admit the world-class processor is somewhat ambiguous. It may be -- I should say, thank goodness for that. If we were to say that now, it would appear to be puffery, which it would be. To give a date or put a stake in the ground is a way to acknowledge the obvious and also set a goal for the future. A world-class processor definition would include the ability to process a large number of accounts, such as the larger processors like TSYS, FIS, Fiserv and First Data do with the confidence that you have if you use them. The fact is that we cannot take on a new 5 million account client in our own infrastructure and environment at this point in time. So it's better for we ourselves to say not ready rather than customer due diligence come back with, you're not ready.

I would say, our current and prospective customers are smart. They won't and don't buy BS, so we won't serve it up.

Staging and communicating it this way allows us to engage with large customers who may for contract or other reasons not be ready anyway for another year or even three years out. They always plan a minimum of one year out and sometimes three or four. I would say, this is an important additional reason. We're working and helping a licensee build a world-class processing environment. It's one that will process five million, 10 million, 20 million or more accounts. We're the key contributors to the main system of record that requires a highly scalable and high availability infrastructure.

We will then add the elements that we have brought to them as well as lessons learned from their smart people to our own environment and have a good, valid reason to then claim we are a world-class processor. I hope we do it by the end of this year. It could drag on if we are tied up with them a whole lot longer. But until then, we can't add very large customers to our own system because we lack appropriate resources, means resources are all involved with the licensing customer and we're awaiting

completion of that aforementioned work to tackle the upgrades we'll make to our own environment. I guess I should add, this is not so much about our software as it is hardware architecture, design and configuration that runs the software. We'll be there, and I think we'll know it when we see it.

Matt White : Last question. Everyone asks, why the customers pick CoreCard? What's the one thing that sets you apart from everyone else?

Leland Strange : Before I answer that, let me emphasize this is going to be the last part of our question and answer. So, if anyone on the phone wants to ask a question, they should go ahead and get that question ready.

Now back to the answer, you said and people always ask, why the customers pick CoreCard? Tell me the one thing that makes you different. That's always been a hard one to answer because everyone has a different reason for picking CoreCard. And even for the customer, with each having a different reason, it's still not just one thing. So I don't think a one thing simple answer is simply available. I've started using a Coke/Pepsi analogy. We know that both have really great businesses and both have strong advocates. Is Coke better than Pepsi? To Coke drinkers, it is. And for Pepsi drinkers, they think their choice is best.

So, there is no real best, but there are preferences that create markets and there is a best for each and then maybe one thing for each. Personally, my best is Diet Cherry Dr. Pepper and I've been drinking more of these each day than Warren Buffett drinks Coke. But when you have large markets, there will always be differentiators, but they may not be obvious.

CoreCard is small, that may be a great choice for some programs because they can get the attention that the big guys will not give them. But if you don't need or want attention, maybe the big guys are better. Our CoreCard may offer a set of features that appeal to one program, but not to another as kind of like the Coke/Pepsi example. CoreCard could do something that big guys cannot do with their legacy software, but the big guys have a long history and that offers confidence.

So it kind of goes on and on. And by the way, it's not just analysts that want aha explanation. If we had marketing people, they also would want - what is it defined for an elevator pitch? By the way, I can say that with confidence because I was a college marketing professor for a period of

time and certainly drove home to grad students - You have to find the one differentiator that markets understand to succeed with a good marketing program. So I understand the question, but I just wish it was so simple.

Maybe another example to what makes MasterCard better than Visa or vice versa. Just say, it's a huge market and both Visa and MasterCard will be successful. I think I read the First Data US revenues just for this first quarter grew 5% in our segment, and that's the US side. But that's on 1.4 billion dollars in revenue, that would be 70 million growth, growth in the first quarter. We're really a gnat. So if we do 20 million to 30 million all year, we've not even achieved 50% of just their first quarter growth number. So, I think I just should end my answer in a similar way.

There's a huge market and with the kind of great flexible parameter-driven software that CoreCard has to offer, I'm still very comfortable talking about 25% or greater growth rates on this space over the next years. So hopefully, these answers will help either some of the new folks or some folks who've been shareholders for some time understand what we do each day and something about of our business.

So, with that, operator, I'm going to open it up to see if there are any other questions after we've answered these group of questions.

Operator : At this time, if you would like to ask a question, simply press star then the number one on your telephone keypad. Again, that is star then the number one on your telephone keypad. And your first question comes from Kelvin Seto.

Kelvin Seto : Hi, can you hear me?

Leland Strange : Yes, we hear you.

Kelvin Seto : All right. Hey! Good evening, it is evening in Singapore. But I just want to ask a question over here. So you've mentioned that you are forcing yourself probably about 25% for the next four to five years, and I think in this quarter itself, particularly your operating margin have expanded to being about 37.4% or so. And I think the question that's for me is that, do you think that the margin expansion is sustainable? Or is it just temporary

because if I look at the margins that since the First Data and the AIG enjoying right now. It seems to be rather stagnant, but on the other side where we look for CoreCard, I think the operating margins are expanding. So, is it sustainable or is it temporary?

Leland Strange : Yeah, I'm going to let Matt answer that.

Matt White : Some of it is due to the license revenue that we recognized in the first quarter. So some of the margin will be dependent on how much license revenue we get in a given quarter. So if you can do your own calculations, I guess, on what the remaining revenue margin is, but we think that will be similar or better going forward.

Leland Strange : I think you just have to be very careful, again, on a business of this size, which is not very large, focusing on those kind of metrics because they're going to get -- there going to be all kind of distortions that are going to happen there. So, I'll just give you that caveat. Remember, I'll pick a midpoint and say, we're 25 million being annual business, we're somewhere between 20 million and dollars30 million obviously. And it's really too small to talk about your margins when you've got these disparate income streams.

Kelvin Seto : All right, thank you.

Operator : Your next question comes from Nuclear Vest.

Leland Strange : Hello! Go ahead.

Nuclear Vest : I understand that this technology has been around for -- CoreENGINE has been around for the past 20 years, but only these few years that we think that there is a sudden interest in CoreCard are growing in a big way. Can you share with us what is the key or what is something that makes this thing that drove this CoreCard or getting this attraction in these few years?

Leland Strange : Well, it's a continuous process and with any continuous process like this, there's both inflection points, and I want to say there is a little luck. So, we've had good software all these years, but it's not as complete as it is right now, and it's next year, it will be more complete than it is now. So it's

a continuous process and part of that helps you with an inflection point and part of that you have to be lucky with getting certain kind of customers. So, we ended up with several really good large customers at a point in time that is the cause of the growth, and we have a good number of other large customers. They're doing it.

So, I can't give you one simple answer. It's -- this is very, very difficult software to write because if you look at the companies and the business, again, there are only really the very large companies, the multibillion revenue company. So, when you're a small company trying to get into this business, you're not going to take that kind of revenue from anybody else very quickly. Now there are people that have pieces of what we have as far as smaller companies, but there's nobody that has the full spectrum of what we have as a smaller company. So it's just a steady process, and there were some inflection points in terms of getting lucky in some cases.

Nuclear Vest : Okay. Thank you. Just want to check also another question for CoreCard CoreENGINE. Was that because I understood that this is -- it's built on the modern platform, which is programming using the C+. Is this competitor with the existing Core or banking which is exiting the COBOL language?

Leland Strange : Well, it's certainly not compatibly COBOL. It was rewritten and from millions of lines of COBOL code that was a predecessor company that we had called PaySys. And before we sold PaySys to First Data, we had already started their process of rewriting all of those lines of COBOL code into a more modern language. So, no it's not compatible with COBOL at all. It's different. It's much more modern and much tighter and much better code.

Nuclear Vest : So is that means that this is -- this technology is much more superior than the VisionPLUS that First Data is offering?

Leland Strange : Sounds like you're familiar with that. VisionPLUS was our previous product that we had developed at PaySys over many years and we sold to First Data and this product is a spin-off. I can call it that, it's a rewrite that we think is superior. One of the issues with VisionPLUS is that it's very much hardcoded in COBOL, and this what we did in terms of the rewrite was to make it very flexible and very parameter-driven. So, it's a very strong technology to be able to move with the markets, particularly in these

times where there are lot of new stuff happening in fintech. We're very flexible and can make changes fast because it's very parameter-driven.

Nuclear Vest : Do you feel any resistance from the existing banking industries to adopt or to move using this such a complicated software basis and such a flexible software?

Leland Strange : Any resistance? No, I mean we can do a banking platform with this software. So it's so flexible, but we're not going to do that. We're on the issuing side primarily. So, we're doing what First Data is doing. But we're -- as I said, we're just a gnat in terms of size at this point in time. But we're doing what they're doing, and we can do it more flexibly. So people that need a lot of changes fast or want to drive hard and fast, we're a good choice. Thanks for your question.

Nuclear Vest : Yes. Another question is, you mentioned that you are going to be the world-class processor. Can you give quantitative definitions on how do you see yourself as a world-class processor?

Leland Strange : Well, I think I did that earlier. What I've said was that we have to be able to effectively do what PaySys and, I mean, what FIS and First Data do. We had to be able to take on millions of accounts with confidence. Right now, we're not going to be a 25 million account processor. We are a five million account processor. So, it's a matter of getting where we can scale to that size and we'll be doing that sometime toward the end of the year or early next year.

Nuclear Vest : Okay. Last question. When do you see yourself hitting the 100 million revenue ?

Leland Strange : I can't answer that one. Sorry.

Operator : And your next question comes from Avi Fisher.

Avi Fisher : Hi, Leland and Matt. Thank you for that person initial introduction and your sort of prepared comments. I have two questions here. You know, you talked about -- I think because you're too small and you talked about the distortions, you might not be able to answer it, but do you have a sense of

at what ratio the professional services translates into processing and maintenance?

Leland Strange : No, I really can't answer that because there are all kinds of professional services. I will tell you that if you're customizing software for people, the amount that we charge for that customization is translated up like 10% to 15% amount into additional support. But you can't use total professional services for that because there are a lot of professional services that are not specifically for customizing a product. So no, I can't.

Avi Fisher : Yes, that's what I thought, but I just wanted to give it a try just to try to estimate sort of what the you know the big question I'm sure you are asked a lot or like what are the sustainable recurring revenues? And, you know, I'm sure you are asked that a lot, that's a big question, I guess, nobody really knows that yet.

Leland Strange : Well, we used the word further sustainable repeating revenues and because, again, our model is not the same as the other folks and I think I tried to answer that. Our professional revenue should not dip other than a momentary dip. They should be continued to go up. So that's repeating revenues and from the same customers in many cases.

Avi Fisher : The other question I had and you sort of mentioned on your call, CoreCard can do things that the legacy providers can't. And I wonder if you share with us a little bit your thinking on sort of the competitive environments about the legacy -- I mean the legacy customers are not standing still. They're at evolving also. If you could share with us your thinking about the competitive environment and what happens if they can start to offer things you can't ?

Leland Strange : Well, I'm going to say anybody can do anything. I would never say, they can't do it. But it's a matter of speed. Our legacy platform can be programmed to do anything that we do, but we think with our parameters that we're able to do it much faster. So if people want to move fast and make quick changes, we can do it better than they can do it. But they can do it over time. They would have to rewrite their software to be able to have as many parameters to be able to take care of that the way we do it. I don't mean to imply that, that anybody can do anything. I can do anything, they can do anything, we can do it. It's a matter of time, it's a matter of how

hard it is. There's just a lot of other factors. They're not whether they can or cannot be done.

Avi Fisher : Yeah, got it. All right. I appreciate again you're answering the questions and your comments and see you soon.

Leland Strange : Okay, thank you.

Operator : And your next question comes from Mickey Lipska.

Leland Strange : Yes.

Mickey Lipska : Hi, Leland

Leland Strange : Yes.

Mickey Lipska : I have a question about the additional license tiers that you're guiding for an uptick on. Will that largely drop to the bottom line?

Leland Strange : License revenue pretty much 100% drops to the bottom line. There is generally no cost on license. I use the word generally because sometime we'll embed something there when we do a license. But it will be able to hugely drop to the bottom line, yes.

Mickey Lipska : So if that's the case, if you look out, say, a year from now and you have a lot of cash built-up, do you have any plans on doing dividends, any plans for that cash?

Leland Strange : That's a good question. And I'll be honestly, we just haven't focused on that. At this point, we're so busy to what we're doing. We'll come to some conclusion on that probably about the end of the year. But no, we just have no particular plans at this point.

Mickey Lipska : Okay. And then I have just another question about the additional large customer that you said isn't truly in the pipeline. When -- what's the time line on that, I guess? Is that -- are you going to do testing at a certain point and then determine if they're going to do business with you? What's the timing on that?

Leland Strange : That's what happens. They have to decide what kind of programs they may want to try to test to put on and then give that some time. And yes, we just -- we don't control that and we don't try to push that. This is -- they have to run their business, and we respect that in terms of the safety and what all they're doing. If you ask my best guess, we'll probably have some programs on it with them within nine months, but won't be anything big for a year and a half.

Mickey Lipska : And that will be across professional fees to start with?

Leland Strange : Well, there will be both. There will be professional fees and there will be processing fees on it. It's not for licensing and be for processing. We've got a couple like that what I've said. I don't want to call it pipeline, but those were -- we currently don't sell that way. We work hand-in-hand with what potential customers may need particularly being sensitive to their customers and how hard it is for them to get clients. So we don't push them to a certain point, and we don't really push for their numbers because the numbers are going to be what they are. We're just very confident based on discussions we've had and where we are just like it was covered a year ago and the year before that as where we would be. We can see it, but we see it with a little bit of a far end of the lens. It's not a clear target.

Mickey Lipska : Okay. And then I have just one last question. It seems with the way that you guys are set up -- you have a lower cost structure, seems to be able to move faster. Have you any -- and you guys have been winning a lot of large customers. Have you had any of the large players approach you about buyouts or anything like that?

Leland Strange : Well, rather than answering directly, let me just kind of flip it back another way. If -- I used the example First Data earlier, where they grew organically and, I guess, is organically their US business in the segment we're in by 70 million dollars in the first quarter. Now if you grew your business 70 million dollars in the first quarter, are you really interested in a 30 million dollars business? That's 30 million dollars a year business, I would think can be -- I just can't imagine a management of a five billion dollars business looking for a 30 million dollars business. It doesn't help them, it doesn't move the needle on their numbers. It's just not worth they all spend their time.

Mickey Lipska : Well, I just -- as a follow-up to that, I would ask if you're truly nimbler and able to win these customers, that's obviously a threat to them and you don't have any salespeople. So, I would think that a larger customer -- or a larger company would come to you and say that we can take what you have, put a sales force on it and it's just significantly expanded, I don't know.

Leland Strange : Yes, well, I mean, no, your point is valid. I would think you would make more sense when you're doing a 100 million, to say, we can expand it to a billion. Whether when you're 25 million and you expand to 100 million. I'm not going to say, we haven't talked to folks. I'm just saying this is the more logical way I think. We are to look at how business would typically be running here.

Mickey Lipska : Okay. Thanks for your time, I appreciate it.

Leland Strange : Sure.

Operator : And your next question comes from Sam Rebotsky.

Sam Rebotsky : Yes. Congratulations, Leland. Having nurtured CoreCard along, you deserve all the kudos. And I'm sorry, I wasn't on the last call, I had some other urgent business. Now tell me the 48% customer A, do they expect to grow another, as you say, sales increase? Will they continue to grow proportionately or larger or smaller?

Leland Strange : Well, we would hope that we will get more license revenue from them. We definitely expect to get more license revenue from them is what I should be saying, but we won't grow the professional services.

Sam Rebotsky : Well, okay. This seems and I'm glad that all the interest in the stock has created a lot of interest on the call, which is good and hopefully you keep rewarding the new shareholders. Good luck, Leland.

Leland Strange : We will reward the new and the old, including myself.

Sam Rebotsky : Okay, thank you, thank you, wonderful.

Operator : And your next question comes from Ryan Grauel.

Ryan Grauel : Hey, Leland, just a quick question. You mentioned earlier about the stickiness of your customers, and we've moved to having one or two large customers and potential customers that will be the same and mentioned the risk of kind of price pressure, or cost pressure for them or from them because of kind of influence they have. Do you see that as a large risk or don't see that as much of an issue or just kind of mentioning it to mention that -- for the sake of mentioning it? Does that make sense?

Leland Strange : Yes, actually there's a pretty little risk, but I would say, it would be not smart. Just to say, it's no risk, but yes, obviously, there's low risk.

Operator : And your last question comes from Kelvin Seto.

Kelvin Seto : Hey, Leland, this is Kelvin here again. So just wanted to check with you on one thing because barely I did a Google patent checked and I found that CoreCard has a patent on it, but one thing is that on Google, the web page says that and just stated expiry is on 2020. So, is that a concern of yours?

Leland Strange : Yes. No, it's not a concern at all. We do have a patent, but we're not -- we haven't actively used that per se. We use it what we do, but based on something that has anything to do with the business really.

Kelvin Seto : All right. Just two more questions, the last. Then how do you actually protect the assets on the intellectual properties that you have?

Leland Strange : Well, it's really a matter of just is -- you build so much and so big, I mean, we obviously don't make it available to other people to do anything with. People want to try to copy it. They are still trying to copy First Data or someone else. So, there is nothing special to protecting it outside of internally. We've protect it internally, obviously, with all kinds of trade secret information.

Kelvin Seto : Understood. The last question would be, so when you talked about world-class processor, I heard that you mentioned 25 million. So is it 25 million transactions per day or is it per month?

Leland Strange : We're talking about accounts. We're not talking about transactions. Yes, numbers of accounts on the system.

Kelvin Seto : All right. So you're talking about transactions. Do you have actually a ballpark figure on what would world-class processor be even transact on a daily basis?

Leland Strange : I don't. I don't have that number, sorry.

All right. We appreciate everyone being on the call. I hope it's been informative. I hope the way we did it today may have at least kept some people's attention and you've learned some new things. As usual, if you have other questions, we're always happy to take some, some we can answer, some we can't. But we want to be careful how we deal with it, but we appreciate you as shareholders, and we appreciate your confidence in the company. Thank you very much.

Operator : This does conclude today's conference call. Thank you for your participation. You may now disconnect.