

Priscilla: Good morning and welcome to the 2018 NamSys investor update. My name is Priscilla, and I will be your conference moderator for today's call. During the presentation, all participants will be in a listen-only mode. We will be facilitating a brief question and answer session toward the end of the presentation. You may register to ask a question at any time by pressing the star and one on your touchtone phone. As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to our host for today's call, Barry Sparks, CEO. Please go ahead.

Barry Sparks: Thank you, Priscilla. Good morning everyone and welcome to NamSys, Inc. first conference call and webcast. The company's latest financial results were issued on September 25th and are available on our website at [www.NamSys.com](http://www.NamSys.com) or on SEDAR. The purpose of the call today is to update investors on the company's operations. Before we get started, please be advised that the information discussed today is current as of our latest financial results unless otherwise indicated. And the comments made on today's call may contain forward-looking information. This information, by its nature, is subject to risks and uncertainties, and as such, actual results may differ materially from the views and expectations expressed. Some of the statements we will be making, they could be construed as forward-looking are made pursuant to the Safe Harbor Provisions of the applicable Canadian Securities laws. We will indicate forward-looking statements by using words such as except, will, should, model, intend, believe, and similar expressions.

Also please remember that all currency amounts discussed on today's call are in Canadian dollars unless otherwise stated. And a replay of this of this call will be available on the NamSys.com website, within I think 12 hours of the time the call is over.

So without further ado, our presenters today are Jason Siemens, who is the President and Chief Operating Officer of the company and myself. A question and answer session, as Priscilla mentioned will follow the conclusion of the formal remarks, which I'd like to have Jason start. So it's over to you, Jason.

Jason Siemens: Thanks, Barry. Thanks, everyone for joining us today. We're going to begin with a brief overview of the company and what we see as our core competencies. The first is our industry knowledge. We were founded in 1989 and were recognized in organizations like the Independent Armored Car Operatives Association and the Secure Transport Association as being an industry expert. We've seen what works and what doesn't as far as process and controls and pass that onto our customers. And furthermore, in that 30 years, we've developed a reputation for customer service. We

treat our customers the same, whether they're large banks or smaller armored carriers. We treat them as partners, and we succeed when they do.

From a technical perspective, customers approach us to work on projects that have tight timelines, complicated requirements, or a high security. And we're able to leverage our existing platforms and that industry knowledge to deliver projects on time and on budget. Lastly, we've been able to run our applications in high availability environments in the public cloud since 2006, so we have a depth of knowledge there. We're also heavy cloud users ourselves. We leverage the low-cost nature of it and high-performance nature of it in virtually everything we do in the company. We also try to outsource as much as possible, so that we can remain focused on those core strengths and competencies.

Now some of this is backed up with feedback from our customers. This year we engaged a company in Toronto called Motum B2B with a marketing agency, and we engaged them to refresh our brand presence. As part of that, they interviewed our customers and got their anonymous feedback on what they thought of the company and the products. And for the benefit of people listening to the recording, I'll just read some of them—that “they're a small company that offers a big company solution,” or “it just made sense to use somebody that had knowledge of the cash industry; that's why we decided to go that route,” or “definitely improves productivity; we have seen a 20% gain in efficiency.”

And before we move on into the products and platforms and financials, I'd like to briefly just discuss cash as a payment method because that is always a concern is what the state of the nation as far as cash is. And as you can see from the slide, the use of cash at the POS level varies dramatically by region and country. So in the US, it currently stands at about 32% of transactions are performed with cash. Recent numbers from the Federal Reserve see that number stayed fairly steady. It's actually growing at a rate of about 1.6%, which correlates to GDP growth. So as a percentage of payments compared to other ones that's relatively stable. In other markets, including Mexico and South America, Central America and the Caribbean, we see a much a higher percentage of cash usage for payments. And part of that is just the number of unbanked customers in those areas. Even in the US, approximately 30% of the population is unbanked at this point. So that they're heavy users of money services businesses to get cash into their pocket and spend it.

Other regions, Europe, Central or Western Europe is similar to Canada in terms of cost usage. In Northern Europe, it's significantly lower because of government efforts to reduce the amount of physical cash in circulation. And I will note, too that there are some wires in urban environments which tends to cloud the perspective of how cash is used. So in Toronto

for example, it's estimated that only 20% of payments are done in cash, and it's just the nature of an urban environment. But if you look at the statistics for Canada as a whole, it's higher. So we want to take those statistics into account when talking about our industry. The other aspect that we'd like to mention is that any decline in cash doesn't necessarily correlate with a decline in our market. And that is because if cash does decline, the cost of handling cash is fairly high, and there will be a need to reduce or manage the costs of handling that cash because of the percentage of the overall payments coming into a retailer, for example, that the percentage would be lower, and it would factor in as a higher cost.

And we'll be discussing the two major platforms that we offer. The first one on the left is our currency controller application. This can be thought of as our enterprise solution for cash vault services, which are provided by banks and cash and transit companies. And this is a system that actually processes the physical cash on large pieces of sorting equipment or counting equipment and does the accounting, billing, management, and fulfillment that they need to perform for their customers. It is available as with a license and a subscription because a core user of it is banks who are not as cloud-savvy as other customers or more conservative as far as cloud deployments. So we offer it into variations, both a license and subscription. Although the subscription model is definitely becoming more popular.

The other platform that we have as our Cirreon platform, which serves as a brand umbrella for all of our software as a service application as well as a technical foundation for those applications. And we can see that we've got three separate products that we're going to be discussing that are all labeled Cirreon. The first is our Cirreon Smart Safe dashboard, and this collects information from Smart Safe devices that operate in mainly retail environments which collect the cash payments that are made in the store.

The second product is our Cirreon Cash-in-Transit application, which uses an android mobile device, an Android App to do the tracking of pickups and deliveries out in the field. So that the actual physical movement of bags and cash is tracked with a system. And then we also handle the sorting process and the optimization of the routes to help reduce the cost of operation of the actual Cash-in-Transit process.

And lastly, we've got our Cirreon banking application, and Cirreon banking can be best thought of as online banking for cash. So this serves as an online portal for commercial customers to place orders for rolled coin or currency that they need for their store as well as pre-advise any deposits that they're making to the bank.

To better illustrate how these products all knit together. We've got a diagram here where the retailer exists on the lefthand side, and the bank is on the right-hand side, and you can see that the retailer basically takes their cash payments and it's going to deposit those to the bank in one of two forms. They're going to put it into a Smart Safe device which will securely store it before it gets picked up by an armored carrier. Or they will advise it through and use Cirreon banking to send it to the bank. And so the retailer will actually ship that cash bag through a Cirreon CIT operator where they'll use that Android device to scan the bag in transit, and we'll use GPS technology to track it all the way to the delivery to the bank. And then once it's at the bank or one of those companies that are operating on behalf of the bank we'll use currency controller to actually physically count the cash and balance with the customer and give them their credit. So we like to think that we have products available at each stage in the cash cycle.

As far as competition, we've got each product showing here as a column. And on the left-hand side, you can see the most mature segment of the industry. And that's the cash vault processing. And this is where banks count deposits and fulfill change orders. Our current controller application contends against products from G&D, Giesecke & Devrient, cash processing solutions, which was recently spun out of De La Rue in the UK. Glory USA, which is a subsidiary of Glory and Machines in Japan and a couple of independent software vendors that focus on much the same areas that we do.

So you'll notice at the top here, we've put some of these companies in bold as well. So, G&D is a private company out of Germany primarily. They make both the software to manage cash flow currents controller, but also the large sodian equipment. They also print currency. So they'll print Ontario driver's licenses or the physical cash itself for a number of countries, and they have approximately 2 billion euros in annual revenue. So they're a significant player, and we also face that same competition from large players and some of our other products. So our Cirreon Smart Safe application, we compete against Fiserv which has a \$32,000,000,000 market cap on the Nasdaq and Descartes, which is a large mapping technology provider out of Toronto. And in each one of these cases we go head to head, but oftentimes we win as far as we have delivered better technology, we have a better reputation for delivery and quality. So we're confident that we have a track record of successfully competing against even these big companies.

Moving left to right, again, if we focus on just the Smart Safe column. We do have some new competitors appearing there. One, for example, is a company called SAFELOGY. They're a startup that operates out of France, and they do have a small footprint in Europe, but we are

considering them a competitor as they've recently opened up the New York office. And then the other two, SuzoHapp and the proprietary manufacturers, SuzoHapp has the manufacturer themselves. And these manufacturers have often developed their own proprietary applications that work with just their equipment. One of the key advantages of Cirreon Smart Safe is that we are an open architecture, and we support 18 different manufacturers and devices. This means that whether it's a cash and transit company or retailer, has more flexibility in the types of equipment they choose and can choose the best of breed product for their operation, or maybe they will choose smaller machines for their smaller stores and larger machines for larger stores. Instead of forcing customers into one homogenous deployment.

Cirreon and Cash-in-Transit, and our Cirreon bank product, these are our newest, sort of newest entries as far as product categories. And so there's not as much competition yet. And the players for example, in the Cash-in-Transit space like Descartes are not making an application that's specific to our Macquarie operations which are a bit unique. Like any industry, there's idiosyncrasies that need to be accommodated and various processes that need to be implemented. And one unique aspect of moving cash is that it is cash. It is a high security, a valuable commodity. And it is not like a courier, which oftentimes, we see courier type products try to be implemented in the Cash-in-Transit industry, and they subsequently don't meet expectations.

And then lastly, Cirreon banking we are competing with a company called DTS Connect, which has an established presence in the US. And so we're seeking to serve as an alternative to them. They still just operate in a small segment of the market. Also, they do not operate internationally.

Let's speak a little bit about our track record of growth. We're currently operating over the past 12 quarters, at a 23% compound annual growth rate. We also in addition to the bar chart there on the slide, you also see a trend line, but probably most importantly, 95% of the revenue is recurring revenue. So these are based on subscriptions, active subscriptions and are not one-time license fees. So we're able to when we partner with our customers like Brinks or other cash and transit providers we grow organically with their business as they add to their fleet, we benefit.

I'd also like to talk about where the source of revenue, both from a product and customer point of view. So from a customer type, we're actually fairly diversified, so we participate amongst banks, cash and transit providers and something we've labeled other. But generally, this is safe manufacturers themselves or service providers that provide services to the devices independently of the banks and cash and transit companies. We are very much focused on the US market. And that comprises

approximately 96% of our revenue is US based. We are growing in Canada and internationally is something that you'll see in further slides of markets that we are targeting. From a revenue point of view, by product, we are now actually, mostly Smart Safe revenue. So the Cirreon Smart Safe product accounts for 56% of our revenue, 35%, the dark green bar there, comes from Currency Controller, our cash vault application. And then the small yellow bar there is our combination of Cirreon CIT and Cirreon banking products which are used for the operation of those armored carriers and the optimization of cash management in retail stores.

The growth rates are labeled below where we're indicating that Cirreon Smart Safe is growing at approximately 20% compound annually. And a current controller though, because it's a more mature product and there's a longer sale cycle, we are only seeing 5% growth there. Although we are targeting some customers that will try to improve that growth rate. But most interesting is the CIT application, although it's a very small proportion of our revenue, is growing at rates that are more similar to when we first started this hearing on CirreonSmart Safe application. So we're confident that that will continue to perform as a growth product.

As the biggest product I would like to delve a little bit deeper into our Cirreon Smart Safe application. So to give you an idea of the sort of capacity or how it's used. We wanted our devices from around the world. We currently process about 20 transactions per second, and 450 events per second. The difference between these two numbers is transactions comprised monetary events, so deposits in particular. Deposits of cash in store, which may indicate like a cashier at the end of their shift is depositing their sales from what they sold that day. The events on the other end is a technical event. So things like the opening, closing of doors on the device, or a people logging in and off or changing their password. And we have a policy of capturing everything that the device collects for the purposes of audit and security as well as monitoring. And so we're able to tell our users when they're device is malfunctioning or potentially will malfunction.

We have a track record of high availability on this system. So we're currently operating in 99.998%, which is the ten minutes of downtime. That is our year to date number. We do deliver the system with a 99.95% uptime guarantee, which is fairly common for high availability application in the public cloud. You can also see from the map if we went back a couple of years, you would only see really the US and the Caribbean highlighted. But since that time this year we've captured market share in particular South America and Mexico. We've also captured market in the UK. And we're some initial penetrations into the African continent through Kenya. The country's highlighted in the light green are markets

that we're currently working on opening. So we have partners in those jurisdictions and have active projects going with them.

And just lastly, it's giving an idea of the kind of importance of the application. We currently process a 1.98 billion dollars US per month in transaction value. So this comprises all of those transactions, those 20 transactions per second quickly add up into a very large number.

We'd also like to give you a bit of a look into the US in particular. The US comprises a large proportion of that revenue from Smart Safe. So it makes sense to delve into it. We are currently experiencing 20% compound growth rate, annual growth rate on the Smart Safe. That's been fairly consistent since approximately 1995. And right now we believe that there's around 150,000 Smart Safes installed around the US. Only half of those are going to be online devices, meaning that they're hooked up with a bank or cash and transit provider. And the US has around 3 million retail locations, so it's potentially a 1.2 million of those stores are potential, are large enough to potentially host a Smart Safe product. And these numbers actually all come out of Brink's 2017 Investor Day Presentation. So it's based on their research. At the end of this presentation, you will see links to the various sources of information that we used to compile this presentation.

Now, in addition to revenue and revenue growth, we also believe that cost management is essential. So we are very careful about keeping our operational expenses in check. We currently have a 69% gross margin and a 44% operating margin, and that's an average of over the past four quarters. And on the graph, you'll see that that historically goes even further back. The next slide is talking a little bit about our cash position, cash on hand. We have 2.5 million dollars Canadian in reserves. We do not have any short-term or long-term debt. These numbers are as of July 31, 2018. So you can see from the graph that the cash is building up, and we are carefully evaluating strategic investments that will leverage our long-term growth leverage, sorry, leverage our core strength for long-term growth. And this may include investment in noncash payment systems or company providing those types of services.

We'd also like to talk a little bit about trends going forward, and we'll try to speak to how we're addressing these types of trends that we see in the industry. So the overall theme is cost optimization. Every player is looking to reduce their costs of handling cash. And if we start on the left with banks, they continue to outsource aggressively to cash and transit companies. This is a trend that started in 2005 and just doesn't show any signs of abating. We estimate that between 60 and 75% of a cash vault capacity is currently outsourced to armored carrier cash and transit companies like Brinks, Guarda, and Loomis, at least in the US. And this

consolidation, if we move it out of the cash and transit. Cash and transit companies are expanding to meet the needs of these financial institutions. They're looking for services. But as part of that, they're also consolidating their operations. So in the news recently was announced back in May, I believe, Brinks acquired Dunbar. So Brinks acquired the fourth largest armor carrier that in the in the US and they're looking at that acquisition in order to gain some cost savings and synergies and expand their ability to service these various banks, especially on the east coast.

But the cash and transit companies are doing some very interesting things right now. So the first is implementing more of a hub and spoke model meaning that they're eliminating smaller cash vaults and branches and instead they're consolidating or centralizing their operation in those major hubs. So for instance, they may reduce three vaults in the Illinois state into Chicago and consolidate their operations there, and Brinks, for example, believes that they can achieve a 25% savings, just in the consolidation effort.

The other interesting development for cash transit as a kind of a theme is one man trucks. So most armored carrier trucks usually operate with at least two people. There's a guy driving the truck, and there's someone in the back, and that's the guy that you see walking back and forth from the store is the Messenger. He's from the back of the truck. And of course, moving to a one-man truck will reduce that labor cost significantly. Brinks estimates they will see a potential savings of 30% in moving to a one-man truck operation, and they're moving aggressively in that direction. There's a significant need for technology to make it practical to operate a one-man truck, including special security on the truck itself, but also just to help the driver get through their day in terms of routing pickups and delivery. Those need for a significant software and technology there, which we're able to deliver with our Cirreon CIT application.

The other trend that we see is that the desire for paperless delivery. Currently, cash trans operations are very reliant on paper receipts, paper manifests, and paper in a bags themselves. And increasingly they're trying to reduce that paper, not only from the cost aspect of it but just an improvement in efficiency and reduce errors that happened in the delivery process. As far as retailers, they're looking for more flexibility for their cash. So they want to receive credit as soon as they get the cash in the back of the store at the end of the day. They want to receive credit for that cash regardless of whether they have a Smart Safe device with daily credit or not. And banks are beginning to offer that as a service, and that's where our Cirreon Banking Product comes in and allows that information to be captured upfront in the retail store. And then we then track that cash all the way to the bank.

The other aspect is the track and trace of that cash. That they want to know exactly where their bag of cash or the deposit or their change is at any point in the day. And that's where our Cirreon CIT application comes in—is we can deliver information in real time to those retailers. So we deliver text messages saying that your change order is on its way, or we can deliver text messages to stores to indicate that they're one of the store managers have made a deposit. So a lot more visibility into that cash. That theme actually extends all the way back, if we look at the bank column into the Federal Reserve cash visibility project, and this was a technology initiative that was started a few years ago by the Fed in the US where they want it to themselves, be able to see the movement of cash between various depository institutions. And we are working as part of that project. So we were one of the first pilots this year in terms of actually integrating with the Federal Reserve Systems on a technology level to give them advance notice of what was coming in and out of their large cash vault facilities across the US.

Then lastly, a trend that's just starting is CIT alternatives, meaning that instead of sending cash through an armored carrier like Brinks, you would send it through the postal service or a courier like UPS. And this has traditionally been done in remote locations like North Dakota, Alaska, where there's not enough retailers to justify having an armored carrier vault in that area. So they would order cash from the bank and have it delivered in envelope via mail. Likewise, they would deposit cash through the mail. And this works fine. But it is a requirement to have better tracking of this cash. And because it takes longer to arrive at the bank, there's a need for that. Going back to the first point, there's need to be able to provide advanced credit for those funds because it may take upwards of a week or more for it to actually arrive at the bank for processing and credit. So it's necessary to advance them credit for the cash that gets shipped through those methods.

In conclusion, we think that we have solutions for many of these trends that we see developing. So we're confident that we can meet their needs going forward both domestically and internationally. All right. I think that takes us up to approximately the half hour mark. And we'd like to open it up for questions and answers at this time.

Priscilla:

At this time, if you would like to ask a question, please press the star and one on your touch-tone telephone. You may withdraw your question at any time by pressing the pound key. Once again to ask a question, please press the star and one on your touchtone phone, and we'll pause for a moment to allow questions to queue.

And as a reminder that is star and one, if you would like to ask a question today.

And I'm showing that we have no questions at this time. I'll turn the call back to our presenters for any closing remarks.

Jason Siemens: Barry, would you like to close the call?

Barry Sparks: Not really. You've done well so far, so continue.

Jason Siemens: Well, I'd like to thank everyone for joining us. We certainly enjoyed presenting where we are as a company. Where we see both the industry and the company going, and we look forward to future presentations. Thank you.

Barry Sparks: And I guess from my standpoint, I'd like to thank everyone who participated in the conference call, and if you do have any questions and you think of later, please send them forward to us. Thank you. Sorry, go ahead Priscilla that concludes that we're done. Unless somebody has got some questions.

Priscilla: And we have no questions at this time. So this does conclude today's program.