

Script Shareholder Conference Call 11/18/15 – 11 AM

Gianni

Good morning. I would like to welcome all of you to our first earnings conference call as a public company and extend a special good afternoon to our shareholders overseas. Thank you for joining us.

My name is Gianni Arcaini, and I am Chairman and Chief Executive Officer. Joining me on today's call are Adrian Goldfarb, our Chief Financial Officer, and Connie Weeks, Vice President, Accounting. Also on the call is David Aboudi, our Corporate Counsel.

Just as a reminder, all forward-looking statements on this call are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and assumptions discussed today. This may be due to a variety of factors, including the risks outlined in our company's most recently filed Form 10-K. All our filings and press releases are available on our website.

I will start by making some brief remarks about the quarter just reported. Following that, I will discuss the steps we are taking to communicate our strategy for growth and the ongoing steps we are taking to fundamentally evolve our business.

In the 3d quarter, our sales increased over 130% to a record \$2.2 million compared to the corresponding quarter last year. I am also very pleased to report that we achieved an operating profit for the quarter while continuing to invest in both sales efforts to grow the backlog from our solid pipeline of business, engineering and research and development to maintain our competitive edge in the markets we sell to.

As highlighted in our financial press release, we made measurable progress on many of our strategic initiatives over the past year, including the delivery of important technology solutions for an increasingly insecure world. We continue to generate broad interest from large corporate and government concerns for our solutions. The automation of all types of data acquisition, including enhanced high resolution video for rapid identification of anomalies before they become a major issue, are becoming more central than ever to many industries. In support of this and, most significantly, I am glad to report the release of new versions of our leading-edge software systems, praesidium version 3.0 and centraco version 3.0. Both upgrades are major and represent a new generation of our technology platforms. Most notably, I would like to point to our enhanced rail inspection portal technology which has been

successfully adapted to the inspection of mechanical anomalies on rail cars. Some if not most of you probably remember that our first generation inspection portal was security centric and is used today by the US Customs and Border Protection at most US Mexican Rail border crossings. This latest upgrade combines both the security and the mechanical inspection aspects and increases the ROI for our customers by an order of magnitude.

The significance of this advancement is that the rail industry has a keen interest in face-lifting their maintenance strategies to render the process safer, less time consuming, more efficient and much more reliable. Our technology will help reduce network costs associated with current inspection practices. We will shortly be announcing a strategic project award from a major rail operator, who selected our inspection portal. We are very bullish on the growth potential of this particular technology and further feature expansions currently under development. I could spend a great deal of time discussing our many other initiatives both in the rail industry and other industries but that would be beyond the scope of this conference call. We will keep you posted as developments occur through ongoing press releases.

I will now turn to our outlook for fiscal year 2016, which will reflect the impact of these initiatives. We remain focused on the metrics we believe are key to the robustness of our business and we are targeting sales growth of between 25 and 30% over this year.

Obviously our results are dependent on continued investment in R&D, engineering and business development initiatives and we intend to continue investing in areas which bring the best return on investment and drive shareholder value.

I know that I have shared a lot of information with you today, but before we open it up for questions, I want to turn the call over to our CFO, Adrian Goldfarb who will make some further comments regarding our financials. Adrian:

Adrian:

Thank you Gianni. I would like to echo Gianni's comments on the strength of our business and give you some more insight to the ongoing improvement in our financials. In addition to the strong revenue growth and the transition to operating profitability, we have also recently reported several important milestones which I would like to address.

Firstly, we reported almost \$5M in revenues for the nine-month period through September 30th, and anticipate achieving approximately \$6.8M in revenue for the full year. This is a 48% growth over the previous year and 10% above our original business plan for 2015.

Secondly, I would like to address some key balance sheet items. As reported on November 2, the company entered into an agreement with a third party to settle a contingent liability which currently sits on our balance sheet in the amount of \$1.4M. This settlement results in that liability being reduced from \$1.4M to \$550k which will be reflected in Q4 and reported in our 2015 10-K. I am also pleased to report that, during the same period, we have been able to convert approximately \$320K of debt to equity. These conversions were at \$0.30 per share representing a price that is currently at or above market. The transactions represent continuing confidence in our business and these improvements to our balance sheet are further strengthening our fundamentals as we go forward.

Thirdly, as our business grows we are currently operating mostly on cash flow and while we have taken in small amounts to support our working capital needs including that needed for the growth initiatives Gianni described earlier, we will continue to be disciplined in our search for funds by rejecting any term sheets that could be deemed “toxic” or with below market terms.

Finally, I am very pleased by our growing pipeline of business with an increasing conversion into order backlog. This provides a solid foundation for growth in 2016 and beyond and we look forward to updating you further once the full year’s results are reported early next year.

I would like to thank all our shareholders for your support and will now turn the call back to Gianni.

Gianni

With that we will now take questions. Our call will end at 11:45 Eastern time today to allow more time for questions. Please limit yourself to one question at a time so that everyone has an opportunity to participate. Thank you.

[Questions]

At close of call:

Gianni

Thank you for listening in. Our doors are always open to our shareholders and investors so please feel free to either visit us in Jacksonville or give Adrian or myself a call.