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# Intrusion Inc. NasdaqCM:INTZ

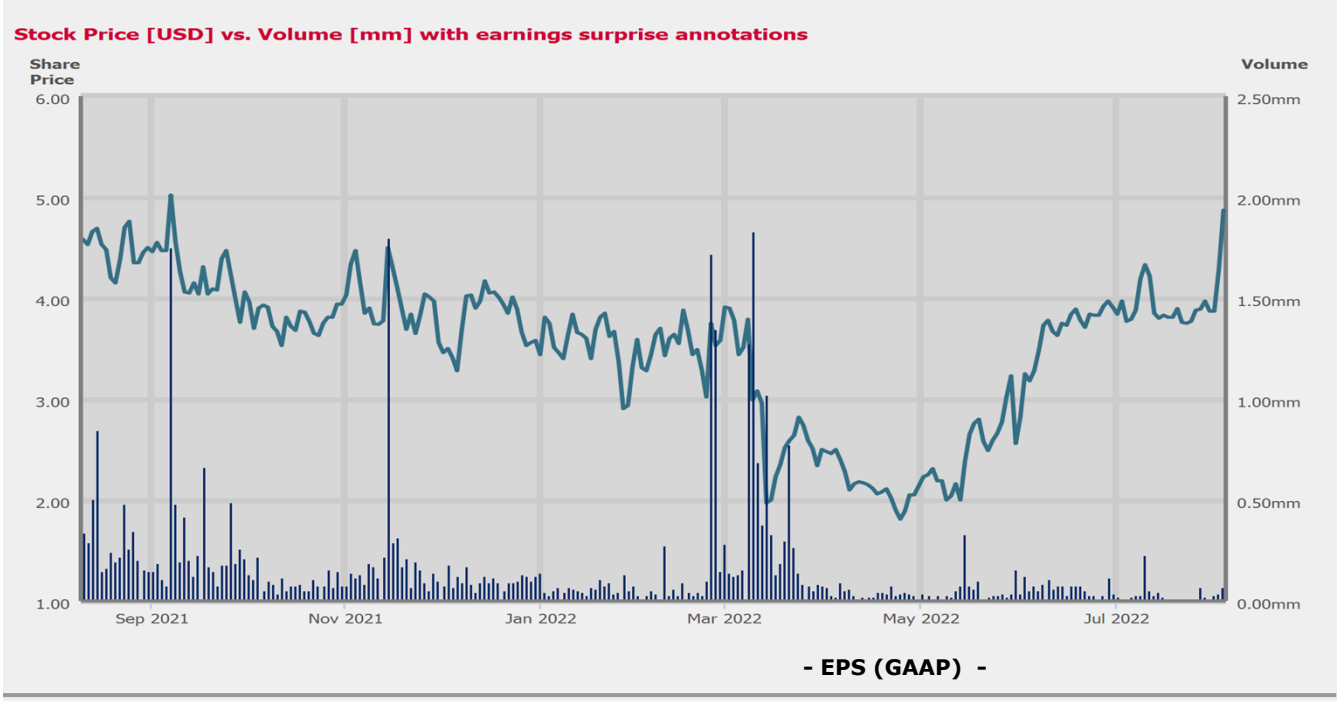
# FQ2 2022 Earnings Call Transcripts

## Thursday, August 04, 2022 9:00 PM GMT

### S&P Global Market Intelligence Estimates

| | -FQ2 2022- | | | -FQ3 2022- | -FY 2022- | -FY 2023- |
|---|---|---|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| **EPS (GAAP)** | (0.18) | (0.21) | NM | (0.18) | (0.72) | (0.47) |
| **Revenue (mm)** | 2.20 | 2.06 | ▼ (6.36 %) | 2.41 | 9.30 | 13.86 |

Currency: USD
Consensus as of Jul-25-2022 5:43 AM GMT




**- EPS (GAAP) -**

| | CONSENSUS | ACTUAL | SURPRISE |
|---|---|---|---|
| **FQ3 2021** | (0.25) | (0.34) | NM |
| **FQ4 2021** | (0.18) | (0.20) | NM |
| **FQ1 2022** | (0.16) | (0.21) | NM |
| **FQ2 2022** | (0.18) | (0.21) | NM |

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# Call Participants

## EXECUTIVES

**Anthony E. Scott**
*President, CEO & Director*

**Kimberly Pinson**
*CFO, Principal Financial Officer & Principal Accounting Officer*

## ANALYSTS

**Edward Moon Woo**
*Ascendiant Capital Markets LLC, Research Division*

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

**Scott Christian Buck**
*H.C. Wainwright & Co, LLC, Research Division*

**Zachary Cummins**
*B. Riley Securities, Inc., Research Division*

## ATTENDEES

**Sam Cohen**

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# Presentation

**Operator**

Good afternoon, ladies and gentlemen, and welcome to the Intrusion Q2 2022 Financial Results Conference Call. [Operator Instructions] And please be advised that this call is being recorded. [Operator Instructions]

And now at this time, I'd like to turn the call over to Mr. Sam Cohen with Alpha Investor Relations. Please go ahead, sir.

**Sam Cohen**

Thank you, and welcome. Joining me today are Tony Scott, Chief Executive Officer; and Kimberly Pinson, Chief Financial Officer. The call is being webcast and will be archived on the Investor Relations section of our website. Before I turn the call over to Tony, I'd like to remind everyone that statements made during this conference call relating to the company's expected future performance, future business prospects, future events or plans may include forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Please refer to our SEC filings for more information on the specific risk factors that could cause our actual results to differ materially from the projections described in today's conference call.

Any forward-looking statements that we make on this call are based upon information that we believe as of today, and we undertake no obligation to update these statements as a result of new information or future events. In addition to U.S. GAAP reporting, we report certain financial measures that do not conform to generally accepted accounting principles. During the call, we may use non-GAAP measures if we believe it is useful to investors or we believe it will help investors better understand our performance or business trends.

With that, let me now turn the call over to Tony for a few opening remarks.

**Anthony E. Scott**
*President, CEO & Director*

Thank you, Sam. Good afternoon, and thank you all for joining us today. I'm encouraged by our progress along our strategic, operational and financial objectives. Before I dive into some of our strategic updates, I would like to take a moment to welcome Kim Pinson, our newly appointed CFO, to her first quarterly earnings call with Intrusion. As you read in our press release, Kim brings extensive financial and technological experience to Intrusion. We are excited to have Kim at this pivotal time for Intrusion, and she is already playing an integral role in ensuring our long-term success.

Now over the year, I've outlined and provided updates on our strategic priorities to reposition the company for long-term growth. These initiatives include expanding and strengthening our product offerings, realigning our sales and marketing resources and focusing on the channel enabled sales model, strengthening our strategic partnerships and improving our financial discipline.

Starting with our currently shipping commercial products. The newest version of the Intrusion Shield continues to gain traction, representing a more significant portion of our total revenue. We welcomed several new customers this past quarter and the feedback we are getting from our customers is very encouraging in terms of both the effectiveness of our solution and the overall value it brings to our customers. We've made several enhancements to this hardware-based solution, including the ability to handle higher network throughput and improvements in overall performance and reporting.

Our new product development efforts remain on track as we are progressing on schedule with the planned rollout of our 2 new, innovative Shield branded products. First, let me talk about our new Shield cloud product. We reached full demo capabilities in late Q2 and we are now finalizing our product launch activities, and the full general availability release of the product is on schedule for this current quarter.

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When released, this will allow cloud workloads to be protected by our Intrusion Shield technology without the requirement for dedicated hardware.

Next, let me talk about our Intrusion Shield end-point solution. We also achieved demo capabilities during the second quarter as well, and this product supports Windows, iOS, macOS and Android clients. We have 2 customers who are using beta versions of this product and the feedback has also been extremely positive. Again, we expect GA in the current quarter. Finally, we continue to invest in our existing Shield client solution. Development of and enhancements to this product are continuing with new functionality and the ability to address increasingly higher network bandwidth over time.

I'm pleased to announce an agreement with Supermicro as our primary global supplier of hardware. This important partnership with Supermicro supports Intrusion's growth in several ways. First, Supermicro helps us improve the performance of our existing technology through its excellent engineering capabilities. Second, it serves as a reliable hardware partner, with the ability to get us products promptly as we strive to satisfy global customer demand. Third, Supermicro has a global presence with operations in over 100 countries, which will accelerate our hardware deployment and provide international technical support to our global customers at a local level. In summary, I'm very encouraged that the release of these new products in Q3 will pave the way for Intrusion Shield in all forms to become a significant source of revenue growth in the future.

On the sales and marketing front, we've transitioned to a distribution and partnership model, clarified our value proposition and enhanced our channel support and training. The results of these efforts are showing in our qualified pipeline, and we're continuing to expand our customer base domestically and internationally, as evidenced by some of our recent partnerships.

This quarter, we announced publicly a partnership with InnerCore Technologies, a U.S.-based MSSP that deals directly with leading resorts and vacation destinations. We immediately realized the benefits of this reseller agreement through a multiyear deal with a large hospitality company. Our Shield product is ideally suited to provide a critical cost-effective solution that addresses the complex and evolving cybersecurity threats that resorts face.

In addition, we signed an agreement with One Smart Laboratory, an MSSP that sells into an extensive, diversified global healthcare network. They work with over 1,000 labs that can utilize our software to add a needed layer of protection to their decentralized networks. One Smart Laboratory acted swiftly to formalize our relationship, which has already resulted in the installation of Intrusion Shield into several labs with more to come.

Finally, we also signed an agreement with InfiniVAN, a fully licensed broadband-centric telecommunications company in the Philippines, focused on the enterprise market, with hundreds of thousands of customers in its distribution network. This opens a whole new market for us to sell Shield products through InfiniVAN's expansive network. We have positive momentum resulting from these new partnerships, which expand our reach across the U.S. and now internationally, and provide Intrusion Shield protection to a greater number of customers.

Our discussions have continued with a couple of major technology partners on the strategic partnership front, but I do not have anything definitive to announce at this time. I remain optimistic that we will have something to announce on this front in Q3. In addition, I also want to share the news that we have revamped our messaging around Shield and we'll launch a new company website, product branding and a new company logo as a part of this makeover effort. You'll see and hear more about this as we launch later this month.

As we continue to invest in the development of Shield, we do so with a commitment to maintain financial stability and discipline. In June, we closed on the second round of financing from Streeterville Capital with the sale of approximately $5 million in unsecured notes. These capital raises will further strengthen our balance sheet and overall financial flexibility to meet our operational and strategic needs.

And as a reminder, we intend to raise an additional $15 million to $20 million in the second half of this year. The proceeds of our fundraising will enable us to invest in the capabilities of our new Shield products

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and ensure that we're well positioned to address the most pressing cybersecurity challenges of the future. We have outlined and started to execute along our multiyear product road map in support of that growing future demand, with several planned near-term releases.

But before wrapping up, let me also address our legacy consulting business. As we discussed last quarter, the continuing resolution, or CR as it's commonly known, [ ended ] late in the first quarter of this year, creating a tailwind for this piece of the business. We were pleased to see this segment grow year-over-year. We could have delivered greater growth at certain additional opportunities not slipped into the third quarter. However, we do expect to recognize those orders in the current third quarter.

Now while the CR can be a lingering reality of conducting federal government business, we continue to make prudent investments and our exploring opportunities on the civilian side of the federal government to market Intrusion Shield to our long-standing customer base and expand our efforts to include more traditional administrative and civilian government entities.

In conclusion, as we continue to get early and insightful feedback from our beta users, we're converting leads into customers building further relationships with channel partners and preparing for the upcoming launch of our new products. The cybersecurity landscape remains dynamic with zero-day and ransomware protection being top of mind for executives at large enterprises. We are hearing from CIOs that they're allocating more of their IT budgets to cybersecurity spending and future-focused protections that align with new and emerging threat protection that our Intrusion products offer. We remain encouraged by how the demand backdrop for our solutions continues to grow, specifically in the market subsegments we serve.

With over 25 years of IP reputational behavior, which includes a database of over 8.5 billion domain names and IP addresses, our products are tested and proven to provide a critical layer of protection to organizations' zero trust architecture.

Overall, I'm proud of how our team executed during the quarter. We are building momentum as we near the general availability of our new and innovative products, and we continue to realize the benefits of our revamped strategic channel relationships. We are happy with the positive trajectory in our new business wins, paired to a strong sales pipeline, as more companies look to leverage our advanced threat-hunting capabilities.

With that, I'd now like to turn the call over to Kim for a detailed review of our second quarter financials. Kimberly?

**Kimberly Pinson**
*CFO, Principal Financial Officer & Principal Accounting Officer*

Thanks, Tony. I'm extremely pleased to be joining Intrusion at such a pivotal time for the company as the team has made great strides with its strategic transformation, and we continue to execute on our operational plans. This is an exciting time for Intrusion, and I'm confident that the product set we will be going to market with and the leadership team that we have in place will set the stage for prolonged profitable growth.

I remain impressed by the team's ability to act swiftly and make decisions as well as the energy and excitement surrounding our product enhancements. These new product advancements will be paramount as we move forward and continue to benefit from the increased focus and intensity on cybersecurity solutions. I look forward to meeting many of you, and we appreciate your interest in Intrusion. With that, I would like to discuss the company's financial performance for the second quarter.

Revenues for the second quarter of 2022 were $2.1 million, an increase of $0.2 million or 12% sequentially, and $0.1 million or 5% compared with the prior year period. Our second quarter results demonstrate an increased adoption of our Shield appliance as revenues for Intrusion Shield in 2022 were significantly higher, both sequentially and as compared with the second quarter of 2021, and now represent 16% of our total company revenue. Second quarter revenues for our consulting business increased marginally compared to the second quarter of prior year with the addition of new contracts.

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We are continuing to control our cost structure while also making prudent investments in our long-term profitable growth. Second quarter operating expenses of $5.4 million were down $1.5 million or 22% year-over-year. Contributing to the reduction was $0.3 million of capitalized software development costs. In the second quarter of this year, we adopted the agile framework for software development which allows us to now accurately track and quantify costs that are subject to capitalization pursuant to the U.S. GAAP requirements. Also contributing to the decrease were reduced sales and marketing expense.

Looking closer at our operating expenses, sales and marketing expense of $1.8 million was down $1.8 million or 50% year-over-year as a result of realigning our go-to-market strategy. Research and development, inclusive of amounts capitalized, totaled $1.8 million representing a $0.3 million increase over the prior year period. This amount is reflective of our continued investment in our Shield product line.

General and administrative expenses of $2.0 million were up $0.3 million as a result of certain litigation as discussed in previous quarters. We anticipate that the legal fees will go down and G&A will decrease as we settle and resolve some of these matters. Net loss for the second quarter was $4.1 million or $0.21 per share compared to a net loss of $5.0 million or $0.28 per share for the second quarter of 2021.

Now turning to the balance sheet. As of June of this year, we had cash and cash equivalents of $7.0 million, up from $4.1 million in the prior quarter. This includes approximately $4.7 million in net proceeds received from the second note with Streeterville Capital, which was put in place in June.

With that financial overview, I'd like to now turn the call back over to Tony for a few closing comments. Tony?

**Anthony E. Scott**
*President, CEO & Director*

Thanks, Kim. To conclude, the actions taken today are laying the foundation for the remainder of 2022 as we rightsized the organization and worked to unveil compelling products and innovative strategies. These efforts stand up to the multitude of cybersecurity challenges facing our customers today and in the future. We look forward to sharing the next steps in our journey with all of you, and we thank our investors for your continued support and patience as we execute our strategy.
This concludes our prepared remarks, and I'll now turn the call over to the operator for Q&A.

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# Question and Answer

**Operator**

[Operator Instructions] We'll go first this afternoon to Ed Woo with Ascendiant.

**Edward Moon Woo**
*Ascendiant Capital Markets LLC, Research Division*

Have you noticed any change in the macro environment in terms of how people are viewing their IT budget in terms of possibly bracing themselves for economic slowdown?

**Anthony E. Scott**
*President, CEO & Director*

This is -- yes, this is Tony. I talked to a group of CIOs that I've known for some period of time, and we have casual conversation regularly on that topic. And the anecdotal sense that I get from those conversations is that cybersecurity spending is going to continue to increase. Each of the CIOs I talked to are getting increased pressure from their boards and their executive team, with more angst around ransomware and zero-day attacks and those kinds of things. So they're seeing increases. Now in some cases, they're being asked to offset an increase in cybersecurity spending with reduced costs in other places. But my sense from all of that is that cybersecurity spending is probably still on the increase. And maybe not at the pace it's been over the last several years, but still definitely on the rise. .

**Edward Moon Woo**
*Ascendiant Capital Markets LLC, Research Division*

Great. And then my next question is on the supply chain. Have you guys had any further issues with getting hardware for your customers?

**Anthony E. Scott**
*President, CEO & Director*

No, we haven't. But it is one of the reasons we did the deal with Supermicro. They demonstrated to us the ability to get hardware to us when we need it in a very timely manner. And that was one of the criteria for making that decision.

**Operator**

We go next now to Zachary Cummins at B. Riley.

**Zachary Cummins**
*B. Riley Securities, Inc., Research Division*

Tony just turning off, can you just go a little bit further into some of these partnerships that you announced during your script? I mean some of them sound very compelling. I'm just trying to get a sense of the potential growth opportunity that you see ahead of you with some of these key relationships.

**Anthony E. Scott**
*President, CEO & Director*

Well, I think as we've talked in prior sessions, we see the managed service supplier and managed security service supplier customers as a key partner for us. So we've been pursuing those with some vigor and we'll continue to do so. And there's a couple of benefits to that. Typically, these providers themselves service any number of customers. I mean, they range from small providers all the way up to some very large ones. But you get a big multiple when you sign up one of these service providers.

Another benefit that comes from this, and it's maybe not lost in this audience, but they're happy to talk about the products that they offer and the successes that they've had because it helps bring them more customers and more business. An end-user business or an end customer usually isn't always that

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interested in being a voice for a provider. They often don't want to declare publicly what cybersecurity solutions they're using for fear of putting a target on their backs, among other things. So there's a couple of, I would call it, double benefits to working with these MSPs.

The other reality of those is, though, that when we sign a deal like this, they'll typically deploy in a couple of customers, see how it goes, then expand to a larger number and then ultimately make it available to their entire portfolio. So we expect these to grow, and the pace of growth is going to be governed by each MSP or MSSP. And so we have to make sure we provide them the right kind of support and marketing materials and do a good job supporting the product. And if we do that, I think we'll be very successful in those -- with those customers.

**Zachary Cummins**
*B. Riley Securities, Inc., Research Division*

Understood. That's helpful. And the other question for me is nice to see the strong momentum of the Shield. I mean now it's up to 16% of total revenue. I know you're not providing any formal guidance at this juncture, but I mean, is there any particular time line in mind when we may see Shield approaching that 50% level of total revenue, especially given the current momentum?

**Anthony E. Scott**
*President, CEO & Director*

Yes. I don't want to give a time line on that. We really need to see once we get our new products into GA, which we anticipate is going to be this quarter. Part of the reason for those new products was not only is it a needed solution in the marketplace, but also our theory of the case is that it's going to make it easier to do demos and easier to prove value than convincing somebody to put a piece of hardware behind their firewall. Then having been exposed to and liking our capabilities, an enterprise that is in a hybrid environment where they've got both data centers and cloud workloads and, obviously, employees and what have you running around with client devices, we think we've got all the bases covered in terms of the places where you'd want to have cybersecurity protection.

So I think the trio of these products ultimately is going to be pretty attractive to enterprises. But for getting a foot in the door, obviously, we think cloud and client are a faster way to get the foot in the door. So we'll see in Q3. And I think in Q4, a, are we able to get a foot in the door with these; and then b, does it lead to successful contracts and recurring revenue.

**Operator**

We go next now to Scott Buck at H.C. Wainwright.

**Scott Christian Buck**
*H.C. Wainwright & Co, LLC, Research Division*

I guess, first for me, Tony, if we could just get a little bit more color on the Shield sales during the quarter. I mean anything you can provide us with in terms of maybe what the size of some of these businesses were and what the sales cycle looks like. And then any color on contract duration, whether it's month-to-month or an annual contract, would be helpful as well.

**Anthony E. Scott**
*President, CEO & Director*

Yes, I'll do the best I can there. As I said before, I can't really see a big pattern yet because we're just too early in the cycle. And while we've increased sales there, once -- if I were to compare these to dogs, one is Poodle, one's a Weimaraner, one's Collie, they just don't look the same and there's no discernible pattern that I can pick out at this particular point. The cycle has been pretty short. Most of them have been just over a quarter in terms of the start to go live kind of time frame on average. But we hope to shorten that with the new products. So we'll see where that goes. And again, I think in Q3 and Q4, we'll know a lot more about that.

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But right now, it's hard for me to pick out a pattern. We have customers in the hospitality industry, financial services, manufacturing, you name it, it's a bit of a hodgepodge at this particular point.

**Scott Christian Buck**
*H.C. Wainwright & Co, LLC, Research Division*

No, that's fair. The step-up in gross margin in the quarter, is that all due to the revenue mix shift with higher Shield sales? Or is there something else going on to this quarter?

**Kimberly Pinson**
*CFO, Principal Financial Officer & Principal Accounting Officer*

No, we did see the increase in the gross profit as it relates to the increased Shield revenues. And so we do expect to see that continued improvement as the Shield product becomes a larger percentage of our revenue.

**Scott Christian Buck**
*H.C. Wainwright & Co, LLC, Research Division*

Okay. Great. That's helpful, Kim. And another one for you. In terms of sales and marketing going forward as these new products go live, should we expect that expense line to move back towards where we were a year ago? Or are we going to see something a bit more muted?

**Kimberly Pinson**
*CFO, Principal Financial Officer & Principal Accounting Officer*

We do not expect to see it to go back to where it was a year ago. As you may recall, we had a very expanded sales -- direct sales force at that time. So what we saw in the current quarter is more in line with what we expect to see going forward. Obviously, we will continue to invest in sales and marketing as we grow and expand our channel and referral channel and reseller channel network, but it will be a scaled increase in spend.

**Scott Christian Buck**
*H.C. Wainwright & Co, LLC, Research Division*

Okay. That's helpful. And then last one for me, just if we could get a little bit more specific around when these products are going to go live here this quarter? Are we thinking this month? Or are we thinking kind of closer to the end of the quarter where it's more of a 4Q benefit?

**Anthony E. Scott**
*President, CEO & Director*

I would say stay tuned and look for some potential announcements from us in the next week or 2 regarding all of that. So I'm -- it's sooner rather than later, let's just say that.

**Operator**

[Operator Instructions] We go next now to Ross Taylor at ARS Investments.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

Congratulations on the continued -- rapidly moving along the product cycle. Can you give us a little bit more background on how you see the cloud product, what kind of market size do you look at addressing? Who are you addressing there? Is it go along with your other product? Is it a stand-alone? Do you think there are people who are out there looking at your product who were waiting for the cloud products to be out there to -- before they would sign on? Kind of how does that fit in and how does that change the game from here?

**Anthony E. Scott**
*President, CEO & Director*

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Well, a lot of the growth in cloud in general has been for organizations to move applications that used to be on-prem in their own data centers, they've migrated them into various cloud platforms in Microsoft Azure or to DCP or into Amazon. And just because you move to the cloud, doesn't mean you don't need cybersecurity protection for those workloads. So many organizations today are in what we refer to as a hybrid mode, where they've got some portion of their workloads in the cloud, some portion still in data centers.

And so this cloud product is aimed at protecting those workloads that you have in the cloud. Our Shield appliance is aimed at working and protecting those workloads you have in your own data center. And then client is aimed at protecting the devices that all of us use every day to access practically everything we do. So with those 3 bases covered, we think we've got the most important spaces covered that any institution would be concerned about. So that's our theory of the case on that.

But as I mentioned earlier, another good attribute of the cloud is that it's something we can demo very easily. We don't have to go install hardware into somebody's data center and convince them [ that ] just to try our product. With the cloud product and with the client product, we can do a very simple sign-up demo and let them experience our capabilities without all of the change management and everything else that is associated with installing hardware.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

So when you're looking at it from your client's standpoint, you see it both as an adjunct, but also as a stand-alone?

**Anthony E. Scott**
*President, CEO & Director*

It could be, yes. I mean, there are any new company that's starting out today probably isn't going to build a data center. They're going to probably have 100% of their capabilities in the cloud. That's what I would do if I were starting a brand new company today, I'd resist having a data center like crazy. But on the other hand, data centers aren't going to go away anytime soon. So we need to protect everywhere we are, everywhere we're doing business.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

Can you also give us a little bit more color on your strategic partners? I think in the past, you've mentioned they come from a variety of different segments of the industry. Can you give us some background on how you think or they think Shield fits into what they're doing and what kind of market they'd be addressing [indiscernible]?

**Anthony E. Scott**
*President, CEO & Director*

Yes. So we picked these people to talk to because after looking at the space, we realized there were some gaps in the offerings in the marketplace. People have installed many layers of cybersecurity technology in their companies, and they're still getting hacked. And so if you ask yourself why and what the weaknesses are in those architectures generically, you can see that there's still ways that the bad guys are getting in and doing bad things. And so we approach these strategic partners with the notion of saying Intrusion technology can fill a gap in your existing offering, whether it's a hardware product, a service or, in one case, a business that sort of does custom cybersecurity configurations for hire.

So we picked leading organizations in each of those places, and those are the conversations that we started and continue. We didn't pick 3 hardware guys or 3 services guys or 3 consulting guys on purpose. So -- and the last thing I'll say is those could change over time, but we tried to be very strategic in the selection of potential partners originally. And until proven otherwise, we'll keep doing that.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

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And what kind of feedback are you getting from those people? Is the process -- is what's working the process at a pace then -- I know some investors are impatient with it, you probably find to be normal. Is it because of the fact that they -- it's just how they do things? Or is it because they look at it and not quite sure how it fits into what they're doing.

**Anthony E. Scott**
*President, CEO & Director*

Well, I think there's a couple of phases to these conversations. At first -- and we've had this issue even just with strategic partners. But at first, everybody wants to call it just another firewall or just another Intrusion prevention detection device or just another, you name it, because they interpret what we say we do into something that they already know and are familiar with. So initially, the conversation is, what are we really and what gap do we actually fill. And then once we get beyond that, then it is a conversation around what the potential business relationship could be and the economics and deal terms, and all of those kinds of things.

And every company operates at its own pace. I will tell you that there's been accelerators and decelerators. And it's hurry up and wait. Hurry up. Wait, that's kind of normal for these kinds of discussions. And so while I'm optimistic, I'm also a realist to know that these things take their own time, their own pace, and you just have to be persistent.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

And then your resume says you didn't come to Intrusion to run a company of its size or, quite honestly, even 10x the revenue base it currently has. How far, when you look at this, do you think we are as a company from getting to where that hockey stick, where the market starts to understand what you're doing, and it starts to actually drive your top line opportunities instead of you or your partners having to drive them from the bottom up?

**Anthony E. Scott**
*President, CEO & Director*

So, I came to Intrusion because I was super impressed with the technology. And I've spent the last 4 years in particular, but even when I was a full-time CIO role evaluating technology and trying to figure out what was unique and what was different and what could really add value. And when I understood what Intrusion did, that kind of told me over the wall and said, "I got to go do this. I got to go see if we can make something of this ."

As you know, there were a number of hurdles that we had to get past. We had to make sure we had money to operate it. We had to change the product mix. We had to change marketing and a whole host of other things. I won't bore you with the whole litany of those things. But we're on track. We're doing all the things that I thought we needed to do. And now it's just execution. We've got a good road map for the next couple of years in terms of where we can take the product. And I think the market is going to tell us whether that was the right strategy or not. And I'm counting on it being the right strategy, but there's always the market reality. So stay tuned, we'll see.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

And then 2 last quick ones. One, it strikes me as the natural investor in this company, given where we are, kind of not just from a standpoint of the company but from a shareholder analyst standpoint, a strategic player, someone who comes in and says, I don't want to -- I don't need to be sold stock at a discount. I look at what the opportunity this year. I know that they are like -- I can show up and by showing up, I can effectively double my money in a day type of thing. Should we expect that as you move forward with these strategics or even looking at the next round of financing that you're focusing on people who will bring something strategically to the table as well as capital instead of just capital?

**Anthony E. Scott**

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*President, CEO & Director*

Well, I would say broadly, we aspire to do a couple of things. One is attract a broader set of investors than we have today. I think we have a good story to tell, and I think we can earn a broader set of investors than probably where we're at today. Not that there's anything wrong with the ones that we have, but I think we're fairly narrowly held at this particular point. And I think there's a pretty big market out there for that.

In terms of the strategics, there's always the possibility that one would come along and say, they want to marry us or acquire us or whatever. That's not specifically the goal of those discussions. But at the right price, nobody is going to say no. So we'll see where that goes. But the primary thing is to grow this company, expand our product portfolio and really bring value into the market with the technology that we have.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

Okay. And lastly, when do we get you as an investor?

**Anthony E. Scott**
*President, CEO & Director*

I'm working on the mechanism to do that. And again, it's sooner rather than later.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

Okay. Cool. It would be great to have you on board. I think your presence is a strong vote of confidence, your capital is an even stronger one. So...

**Anthony E. Scott**
*President, CEO & Director*

It's -- I'll say, again, it's my strong desire to be able to do that. Quite frankly, what we're working through is a way to do it. So I don't get sued because I've got insider information or things like that. We've had enough lawsuits and enough of that kind of activity that I'm not anxious to stir up any more of that.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

I think we all understand you know more than we do. I also understand we do live in a country where people sue people for almost anything. So as I said, I think it'd be great having you onboard.

**Anthony E. Scott**
*President, CEO & Director*

I don't want to give them an easy reason to do it.

**Porter Ross Taylor**
*ARS Investment Partners, LLC*

No, I never make lawyers' lives easy.

**Operator**

And that is all the questions we have this afternoon. Mr. Scott, will hand it back to you for any closing comments.

**Anthony E. Scott**
*President, CEO & Director*

Well, in closing, and thanks for all the great questions. Obviously, I'm very excited about the next couple of months in terms of getting our products into the marketplace and getting reaction from what I hope is

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a expanding customer base. I'm super proud of the team that we've put together. It's been great having Kim here and the other members of the management team. We're enjoying what we're doing. We're enjoying working together. And I think as a group, we're very excited about the potential for where all of this can go.

So I appreciate everyone's patience. These things always take a little longer than anyone hope they would be, but I think we're on the right track and I'm really looking forward to what we can bring to the table in the next couple of months. So thanks for your time and your patience, and we'll talk with you soon.

**Operator**
Thank you, Mr. Scott. Thank you, Ms. Pinson. Ladies and gentlemen, I will conclude today's Intrusion Q2 2022 Financial Results Conference Call. We'd like to thank you all so much for joining us. I wish you all a great remainder of your day. Goodbye.

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