Intrusion Inc. NasdaqCM:INTZ

Earnings Call

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Call Participants

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ANALYSTS

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Presentation

Operator

Thank you. Welcome to Intrusion's First Quarter 2023 Earnings Conference Call and Webcast. [Operator Instructions] Please note that this conference is being recorded. An audio replay of this conference call will be available on the company's webcast within a few hours of this live call.

I would now like to turn the call over to Josh Carroll with Investor Relations.

Josh Carroll

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, future performance from our business partnerships, future terms or agreements related to financing or plans may include forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Please refer to our SEC filings, including our 10-K 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 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, I'll turn the call over to Tony.

Anthony E. Scott
President, CEO & Director

Thank you, Josh. Good afternoon, everyone, and thank you all for joining us today. In today's call, I'll cover our Q1 results as well as provide an update on our strategic operational and financial objectives, each of which I'll talk about in greater detail. Total revenue for the first quarter was $1.3 million, a decrease of $0.5 million compared to the first quarter of 2022 and down $0.1 million compared to Q4 2022 revenue. The decline in total revenue for the quarter was largely due to the full quarter effects of the loss of a consulting contract that we previously disclosed in Q4. And while the revenue growth that we expected as a result of our sales and marketing efforts, related to our Shield family of products is taking significantly longer than I expected or desired, I feel positive about the underlying progress in our business from a product and partner perspective, and we continue to receive very positive feedback on our underlying technology and the efficacy of our solutions.

Turning now specifically to our Shield family of products. Shield revenues for the first quarter were $0.3 million, which was flat sequentially and up $0.1 million compared to the first quarter of 2022. Intrusion Shield revenues for the first quarter represented 24% of total revenues. And while it's still too early to project the full year impact of the new Shield branded products we introduced last year, cloud and endpoint, we are seeing clear and growing interest in these new products in addition to our hardware solution.

In addition to the interest we are seeing in our suite of Shield products, we announced in early March that Intrusion had entered into a reseller agreement with Netgate, the provider of the pfSense Plus family of firewall products. This agreement allows Intrusion to sell the Netgate pfSense Plus firewall and Intrusion Shield as a package. pfSense is trusted by individuals, businesses and governments all over the world and

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the combination of our 2 products is an exciting entry into the cybersecurity marketplace. I believe that this combination will be welcomed by new customers as well as our installed base due to the customer awareness and adoption of pfSense, which is already very high. I'm hopeful that we will be able to share with you some new customer announcements as a result of this partnership in the near future.

In addition, we recently signed an agreement to partner with SEI Investments Company or SEI, to jointly market our products to SEI's client base as well as new prospective customers. SEI is the leading provider of technology and investment solutions in the financial services industry. They serve 10 of the top 20 U.S. banks and 49 of the top 100 investment managers worldwide with capabilities across investment processing operations and asset management. SEI works with corporations, financial institutions, financial professionals and ultra-high net worth families to manage, change and help protect their assets for growth today and in the future. And SEI also manages advisers or administers approximately $1.2 trillion in assets.

In addition to these services, SEI assist its client base with cybersecurity protection through their SEI Sphere division, which offers a managed cybersecurity service capability to SEI customers. This partnership is moving quickly, and we've already made several customer presentations with SEI. We anticipate that this partnership will grow into a meaningful relationship and additional revenue for both Intrusion and SEI.

We've also engaged with an alliance of business development professionals who are leveraging decades of experience with the cyber and consulting divisions of one of the big 4 consulting firms. This alliance has quickly expanded our base of qualified leads and opportunities and brings the potential for significantly larger deals. And like our SEI partnership, we've moved quickly to operationalize this aspect of our sales motion and have already had very positive feedback from several potential customers that we jointly presented to.

Turning now to our consulting business. We experienced a decline of $0.6 million in revenue year-over-year and a decline of $0.1 million sequentially. And as I noted earlier, our Q1 consulting revenue now reflects the full quarter impact of the loss of that one consulting contract in Q4. However, through our team's hard work, we've been able to fill much of the revenue gap from this loss, and we continue to expect growth over the course of the year from our consulting business as a result of our partnerships, our business development efforts and referrals from our Business Advisory Board.

As you may have seen last week, we announced a significant renewal in our consulting business from a major purchaser of our services, utilizing our Applied Threat Intelligence engine. And this renewal further exemplifies the competency and the ongoing need for Intrusion's critical cybersecurity solutions and validates the need to be proactive in protecting vital networks, utilizing tools with strong intelligence and staying focused on emerging threats.

We also announced in early March that Intrusion had partnered with NetFoundry to support Zero Trust cybersecurity standards and principles in our endpoint products. This Zero Trust approach has been strongly endorsed by the U.S. government and is increasingly popular in the private sector as well. We've been working together with NetFoundry for some time now to integrate NetFoundry Zero Trust networking into our Shield endpoint, which will give immediate benefits to customers seeking better protection for their endpoint devices. In particular, this technology approach eliminates the potential for compromise as the result of man-in-the-middle based attack vectors.

Now during the first quarter, we made the difficult decision to further reduce our headcount and eliminate certain contractor spending as we deliberately moved to reduce our cash burn rate. We also reduced our spending in other non-headcount areas to better align our available cash with the realities in our business from a revenue perspective. This is never an easy decision, as many of you know, and we greatly value all of our employees and contract partners. I believe we've taken swift in appropriate and adequate actions without sacrificing our long-term growth for our objectives for the business.

Finally, we've continued to work closely with Streeterville regarding potential modifications to our existing debt agreements to provide more flexibility for our business. Tim will provide more details on our financial position. However, it's worth noting that we believe our expected capital needs have been significantly

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reduced as a result of our lower cost structure and our anticipated pipeline of new business, combined with the various funding levers and tools that are at our disposal.

I recently attended the annual RSA Cybersecurity Conference in San Francisco, and had a chance to observe firsthand the state of the cybersecurity industry. My takeaway from that event is that intrusion is technically well positioned to provide complementary enhanced capabilities for a wide variety of solutions. And at the same time, there's an abundance of solutions in the marketplace, often with very little objective differentiation in terms of capabilities or effectiveness for that matter. I heard repeatedly from buyers that they're exhausted by the complexity of managing a complicated set of solutions that they're seeking to consolidate to fewer suppliers with more objectively provable value for the solutions that they do invest in.

And what I continue to have confirmed from partners and customers is that our unrivaled Applied Threat Intelligence capabilities provide a much needed and unique layer of protection can help illuminate where existing tools fall short in protecting the network and critical organizational assets. I believe that while we have to earn our place in the set of solutions a customer may choose, we do have the right combination of ingredients with our Netgate and NetFoundry partners to satisfy the needs of any customer seeking better and more cost-effective cybersecurity solutions for their enterprise.

I'll have a few more comments later. But with that, I'd now like to turn the call over to Kim for a detailed review of our first quarter financials. Kim?

Kimberly Pinson
CFO, Principal Financial Officer & Principal Accounting Officer

Thanks, Tony. Turning now to our financial performance for the quarter. Revenues for the first quarter of 2023 were USD1.3 million, a decrease of USD0.1 million sequentially and USD0.5 million year-over-year. First quarter revenues for our consulting business were [$1 million], a decrease of 38% year-over-year and 9% sequentially due to the loss of the one -- of one of our prime contract sponsors who chose not to renew the final option year of their contract. As Tony mentioned earlier, we are now seeing the full quarter impact of this loss.

First quarter revenue for Shield was $0.3 million, representing 24% of total revenues. In comparison to the prior year period, Shield revenues increased by $0.1 million for the quarter, representing a year-over-year increase of 50%. The product shift towards Shield as a result of new customer sales, increased utilization of field by existing customers and the reduction in consulting revenues as a result of the loss of a large consulting contract as previously mentioned. We continue to have several large deals in our qualified pipeline as the demand for our products continue to remain strong.

The gross profit margin was 76% for the first quarter of 2023 compared to 51% in the first quarter of 2022. The increased margin in the current quarter is a result of our product mix, with Shield revenues now representing a higher percentage of revenues and the loss of low-margin consulting contract, as previously mentioned. We are continuing to control our cost structure while also making prudent investments in our long-term profitable growth.

Operating expenses in the first quarter of 2023 were $5 million, a slight increase from the $4.9 million in the comparable quarter of last year, which is due to increased sales and marketing activities, which was mostly offset by reduced contract labor spend, administrative and legal costs. The net loss for the first quarter of 2023 was $4.7 million or $0.22 per share compared to a loss of $4.1 million or $0.21 per share for the first quarter of 2022.

Turning to the balance sheet. On March 31, we had cash and cash equivalents of $0.4 million, down from $3 million on December 31. In January of this year, we amended our debt agreement with Streeterville, whereby Streeterville agreed to waive their right to principal redemptions through March 31. Subsequently, no redemptions have been made to date. As Tony mentioned earlier, we are in discussions with Streeterville to potentially amend our existing note agreements with terms that we believe are beneficial to both parties.

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In February, we entered into a note purchase agreement with Streeterville in the amount of $1.4 million and the related security agreement, whereby Intrusion granted a security interest in the employee retention tax credits due to the company under the CARES Act. The ERC refund was received in March and this note was repaid in full. Additionally, it is worth noting that in April, we built and collected on a large renewal contract bridging some cash needs while we continue to evaluate available financing options.

As Tony indicated earlier, we implemented cost reduction measures in late March. These reductions included the elimination of 16 full-time positions, reduction in contract labor utilization and voluntary salary reductions for several of our executive officers. We estimate that these changes will result in cash savings of approximately $1.5 million per quarter. We believe these cost reduction measures, combined with our revenue growth expectations significantly reduced the amount of cash needed to fund operations for 2023.

As a result, if we are successful in amending the terms of our existing note agreements, we now estimate our capital needs for the remainder of the year to be reduced from our previous estimates. While there can be no assurance that we will be able to raise the capital necessary to fund our plan, we believe that the capital markets remain open to us for the future rounds of funding.

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

Anthony E. Scott
President, CEO & Director

Thanks, Kim. To conclude, we obviously have some short-term liquidity issues to resolve. But having said that, I believe the company is a critical turning point and is heading in a positive direction overall. I'm very heartened by the reception we've received about our new products. I'm delighted by the quality of our products and the quantity of features are creative and talented product development teams deliver every day. and we'll continue to make adjustments in our sales and marketing efforts as conditions dictate. And as I indicated earlier, I think some recent changes we've made are already showing very positive results. I look forward to sharing the next steps in our journey with all of you, and I want to personally thank our investors and financial partners for their continued patience and support as we execute our strategy. This concludes our prepared remarks, and now I'll turn the call over to the operator for Q&A.

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Question and Answer

Operator

[Operator Instructions] [Audio Gap]

Unknown Analyst

Yes, I apologize. In terms of the economic environment being a little bit weaker, have you noticed any change in the sales cycle with your enterprise customers?

Anthony E. Scott
President, CEO & Director

Yes. I meant to even remark when I was referring to RSA, everybody I talked to at the RSA show said basically the same thing that we're experiencing, which is a lot more caution in the marketplace, deal times taking longer. Some customers kind of sitting on their hands for a quarter, and we've certainly experienced some of that deals that we expected to close in Q4 last year, dragged into Q1 and beyond. And just this week, we actually signed some deals that we thought were going to occur weeks earlier. So I do see that as an issue, and it's hard to tell when that climate might change, but it's certainly with us at the moment.

Unknown Analyst

Besides a longer sales cycle, have you noticed customers potentially going for a smaller deal size and maybe smaller pieces of software as well?

Anthony E. Scott
President, CEO & Director

I haven't really seen that. As I said on the call, we have heard very strongly that people want to consolidate vendors. They're looking for the efficacy of their spend, the bang for the buck that they get. And we have a whole sales motion as a part of our cycle now that helps address that question. How do you know how effective the solutions that you have in place really are. As you may remember, our tool looks at every packet that comes through the firewall, both in and out. And with that kind of tool, we can help measure the effectiveness of the cybersecurity solutions that are in place. And so that message is being quite well received in terms of both fine-tuning the tools that people have in place but also measuring the effectiveness of the tools that they have in place.

Unknown Analyst

Great. And then my last question is on your channel partners. Obviously, with this certain economic environment, have you seen your channel partners either change their strategy with your product, either putting more emphasis on it or less emphasis on it?

Anthony E. Scott
President, CEO & Director

Well, I think the same thing is happening there that's happening in the macro environment. They're seeing longer deal cycles, and they've more or less expressed the same thing that their customers are asking for more consolidated supplier choice and those kinds of things. So that seems to be pretty pervasive in the marketplace overall.

Unknown Analyst

I wish you guys good luck.

Operator

Your next question comes from the line of Zach Taylor (sic) [Ross Taylor] with ARS Investment.

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Porter Ross Taylor
ARS Investment Partners, LLC

And I usually go by Ross. Can you give us more color on this SEI relationship. Is this a contract that you have with them that they will be paying you money. And in addition, you are going to be working with them on their own cybersecurity client base and other business lines, client bases? Or is this like a reseller situation where they are simply going to be another reseller for you?

Anthony E. Scott
President, CEO & Director

Well, the deal we've signed with them allows them to be a reseller, but the primary motion is us in partnership with them going to market and selling the combination of intrusion products and SEI services. So they're a managed service provider, managed service security provider actually. And so we're going to market with them primarily.

Porter Ross Taylor
ARS Investment Partners, LLC

So are they also going to be using Shield and your services in their daily work?

Anthony E. Scott
President, CEO & Director

It's a complicated question. There -- we're in their lab, but they're not a direct customer in the sense that we're protecting their entire enterprise at the moment. But we're working on that part of the deal right now.

Porter Ross Taylor
ARS Investment Partners, LLC

So you would anticipate that over time, they will become a direct customer that you will have a more direct role in protecting their business?

Anthony E. Scott
President, CEO & Director

Yes, we would hope so. It's really run -- their internal operations are really run by a different part of the business. The agreement we have is with their -- they call it Sphere division, and that is the managed service provider entity for SEI. And incidentally, that group doesn't run the operations even for SEI internally. So it's a different customer within the overall business.

Porter Ross Taylor
ARS Investment Partners, LLC

So they're selling your product, they're going to work with you and sell your product to their cybersecurity customer base. And in addition, you're still working to sell your product to their internal cybersecurity team.

Anthony E. Scott
President, CEO & Director

Correct.

Porter Ross Taylor
ARS Investment Partners, LLC

Okay. And did you mention something about a large accounting/consulting firm as a customer?

Anthony E. Scott
President, CEO & Director

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No. That comment was there's a consortium of former Big 4 partners who are now in business for themselves in doing business development activity. Their targets are obviously business relationships that they had established while they were working in this state for a firm. But what's been really nice about this relationship is they have very senior-level relationships with their former customers. And they've been able to prequalify and make sure that we're a good product fit and then make those introductions and also shepherd the conversation along and make it a much quicker. We hope sales cycle then is would traditionally be the place.

In the case of large enterprise, it's a bit hard sometimes for a little company like Intrusion to get in the door. And these guys are both door openers, but also because of their experience, know where our product fits in their former customers profile, if you will. So all of the meetings we've had have been very high quality and a very high level of enthusiasm. So I'm pretty excited about this as a way of accelerating our adoption in the marketplace.

Porter Ross Taylor
ARS Investment Partners, LLC

You mentioned you had a number of contract deals and the like signed since the end of the quarter. Can you give us an idea of what kind of revenue we should be expecting to see. The whole issue here, I think from at least our perspective, has been waiting to see traction in the marketplace for the Shield product. We -- it seems like it should be a home run product. It hasn't gained that traction yet that we've been able to see. Is what you are seeing now is any of the stuff you're talking about that's happened in recent days, weeks, actually crossing that Rubicon to where we are going to start to see meaningful revenue generation for -- from the product for the company.

Anthony E. Scott
President, CEO & Director

I'm a little reluctant to characterize that now because we have even this week, some deals that we expect to sign and so on. So I don't really want to characterize. But what I would say is I believe that the direction is correct, and I would expect that we'll see meaningful revenue as a result of the sales efforts and activities that we previously outlined.

Porter Ross Taylor
ARS Investment Partners, LLC

And would you believe, therefore, that by the time we have the -- in 3 months when we had this next call, we'll have -- we'll be seeing revenue generation and therefore, an example, the ability to perhaps open up new financing avenues through that revenue generation?

Anthony E. Scott
President, CEO & Director

Well, again, I don't want to make the call on financing things at this point because there's a lot of water results...

Porter Ross Taylor
ARS Investment Partners, LLC

Any specific idea, if you have [indiscernible] lot of options. Yes.

Anthony E. Scott
President, CEO & Director

No, I think we'll have the ability to have a different conversation than we've had prior so.

Operator

[Operator Instructions] Your next question is from the line of Aaron Warwick with [Baker Investors].

Unknown Analyst

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Tony, you just said to Ross, that you would expect some meaningful revenue. What is meaningful revenue to you? What's -- what type of numbers?

Anthony E. Scott
President, CEO & Director

Given where we're at, anything above 0 is meaningful to me kind of joking a little bit. But yes, we're playing in a pretty big space. And with the Netgate stuff, we have the opportunity to sell to people downloaded that software 7 million times. I talked about SEI's customer portfolio. We now have an opportunity to market to that group of people. And there's a number of other efforts underway with -- as I mentioned, with the former Big 4 partners. So -- and we still have in our pipeline, some of the big deals that we had hoped to close in Q1 moved into Q2. And I hope that we can still [hand] bunch of those. The good news is nobody has walked away. The bad news is they haven't signed yet. So the timing of that is always up to the deal ferries or whoever sort of governs these things, but I would be very, very disappointed if we don't if we're not able to show you significant progress in this current quarter.

Unknown Analyst

So did I understand you correctly with Ross that you expected perhaps even to have the ability to announce a deal this week. But so far, that's not happened.

Anthony E. Scott
President, CEO & Director

Well, again, until the deal ferries do their pixie dust and make it happen. I'm not going to announce any deal. But yes, we have a pipeline of deals that we expect to sign and when we do and they're meaningful, we'll announce them.

Unknown Analyst

And it sounds like in your prepared remarks, and it would seem to make sense based on what you had also with Ross, that this consortium of the former Big 4 consulting people are opening doors to customers that would be quite a bit larger than what you were previously targeting is accurate.

Anthony E. Scott
President, CEO & Director

Yes. I would say generally, that's true. Not 100% of the opportunities are bigger deals, but a good proportion of them are, and that's pretty exciting to us. And as I said earlier, not only are they highly qualified introductions, meaning there's a need and a budget and an identified buyer or so on and so forth. These guys know their clients pretty well and know what gaps and opportunities they have that those clients have in their business. And so when we get together, we can have a very direct conversation about what we do and the benefits that we bring to the table for their environment. So I'm happy with the way it's gone so far.

Unknown Analyst

Good, good...

Anthony E. Scott
President, CEO & Director

It saves a lot of the -- it saves a lot of the dancing around that normally would occur before you get to that point.

Unknown Analyst

Good. Good to hear. And my last one, I was -- I mean you could answer it as well, but maybe it's best for Kim. Am I hearing correctly that on an annualized basis, based on the cost reductions, we're talking about $6 million annually.

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Kimberly Pinson
CFO, Principal Financial Officer & Principal Accounting Officer

Yes. And part of the reductions were elective salary deferrals by some of the members of the management in Board. And those were 6-month reductions. And so those will take us through September, but it is -- they were pretty significant reductions for a company our size. And that is the correct way to think about it.

Unknown Analyst

Great. I appreciate you guys doing that and showing your commitment to get things on the right track by that time and hopefully, get you guys back to a normal -- to your normal salary results. I appreciate it.

Operator

Your next question comes from the line of Scott Buck with H.C. Wainwright.

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

And apologies if these were already asked, jumped in a little bit late here. Tony, can you talk a little bit about where you are with some of these resellers and technical partners? I mean, are you still in the education phase with them? Or are they outselling and having some level of success?

Anthony E. Scott
President, CEO & Director

Yes. Let me make a distinction between the technology partners and the resellers. On the reseller front, we've made, I think, really good progress in Q1. We have a training portal up and our model through the channel is that our channel partners provide Tier 1 level support for our products. So now we have digital training modules available for those partners to get fully up to speed on our products and how to support them for customers, and that was a big lift to get that work done as well as on the partner for our marketing materials and all kinds of information that you need for a channel business to be successful and productive.

So a lot of work went into that along with our new branding and messaging and so on, which had pretty dramatic changes over the last year. And so great progress on that front. Our channel partners continue to bring us qualified leads. But as I said earlier, they're seeing some of the same phenomenon that I talked about earlier, which is elongated deal cycles and some customers just sitting on their hands and not making buy decisions at this particular point.

On the technical partner side, those are largely internal integrations that we're doing with the technology teams with those partners. So that's all work that primarily goes on behind the scenes. And then once the product integrations are done can become part of the -- what's in our bag to sell in terms of products and services and so on. So hopefully, that answers, [Scott].

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

Yes. I appreciate that. That's very helpful. And then my second one, clearly, there's a lot going on in the macro environment, not much of it good. But I'm curious if there's just kind of 1 or 2 positives that could happen that could serve as a real catalyst in getting buyers to pull the trigger a little bit more quickly?

Anthony E. Scott
President, CEO & Director

Well, I think macro speaking, there's a few things that I think will point to potential opportunities for us. The current administration is just issued a new strategy for the federal government related to cybersecurity strategy. And in there is a whole bunch of what I'd call, acceleration of things that should help us. One is for more public-private partnerships in attacking the cybersecurity issues that we have. Another is more aggressive going after the bad guys and not just waiting to be attacked. And there's a

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whole bunch of other things sort of in that strategy. And this was guidance to all of the federal agencies who play some sort of a role in cybersecurity strategy.

In response to that, I would expect that what you're going to see is increased level of regulation wherever it's appropriate requiring more transparency and visibility of cyber risks and those kinds of things. The SEC has talked about creating more or additional guidance in this particular space. Almost every agency, whether it's health and human services or DHS or you name it, have all begun to talk about things that they're planning to do in their space from a regulatory standpoint. And I think that helps us both on our government business, but it also kind of sets a standard for what the private sector should adhere to. It's kind of like when the federal government created the FedRAMP standard for cloud. If you could say you were FedRAMP certified as a cloud provider, that was a stamp of approval in effect that you met a much higher security standard than had been the case before. And so I think you'll see a lot of activity over the next 2 years, trying to raise the water level, if you will, for cybersecurity across the board. And I think our technology is a good fit in that motion.

Operator

Your next question comes from the line of Ross Taylor with ARS Investments.

Porter Ross Taylor
ARS Investment Partners, LLC

Tony, for the chance to have a follow-up. You've mentioned a number of potential deals that could be signed. Could you give us an idea of either how many deals you have that are in, we'll call it, the pipeline perhaps where you've exchanged paperwork or where you're at that endgame status? And what kind of dollar amount they might represent in the way of revenues, you can give a rather large ballpark figure on the ladder. But I'm trying to get an idea of kind of where we're sitting, what are we looking for in the next potentially 3 months?

Anthony E. Scott
President, CEO & Director

Yes. I'm not going to comment on things that we haven't signed. I'll say that our pipeline continues to grow. It's not getting smaller. And I think that's probably as much as I should say at this point, I don't want to give guidance inappropriately here. But I will say I'm optimistic. I'm not discouraged at all, and I'm looking forward to landing these things and having a different conversation next quarter.

Porter Ross Taylor
ARS Investment Partners, LLC

Okay. One of the NOCs and it's believed to be one of the reasons why Intrusion has kind of struggled to find a major strategic partner, someone who's like a first-tier player in the cyber space for what seems to be an important addition to the cybersecurity arsenal has been the fact that you haven't been able to yet demonstrate there's a market place for Shield and what you're doing. Do you believe that what you're looking at that you're referencing here is potentially coming through that this deal with SEI and what you have in front of you will in the reasonably foreseeable future, meaning this year show us traction that answered that question for these larger players, telling them that there is indeed a demand and need and an interest for what you're doing?

Anthony E. Scott
President, CEO & Director

Well, yes, it's exactly why we've done some of these deals as I see them as accelerators for us in the marketplace. We previously talked about selling to managed service providers, managed service security providers and so on. And we're still pursuing that. But these other things that we've mentioned today should be accelerators for us and allow us to get to market faster with some, hopefully, larger customers that would demonstrate viability in a number of different industries. And then I think that does open up once we've demonstrated that the more strategic conversations that could be meaningful in the long run. So that's absolutely what we're trying to do.

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Porter Ross Taylor
ARS Investment Partners, LLC

So when you -- I'm asking someone a little more specific. When you're looking at what you see today, do you believe that we are crossing this river here that we're crossing the Rubicon and that in the second half of this year, we're going to actually see that traction that we've been waiting for. I mean this has been a bit of a waiting for a good dose stock and that dose going to -- we're going to -- the dose going to arrive, and it's going to arrive in the next quarter or 2 -- in a way that you're going to actually start to see people signing agreements, and it's not going to be -- we hope to see clients, but rather we are seeing them, we are gaining traction. It would seem once you find 1 or 2 major players falling, others will fall, things of that nature. But that's -- do you believe that's where you are now?

Anthony E. Scott
President, CEO & Director

Yes. Based on the pipeline that we've got and the conversations we're having now, I'm strongly believing that. I wouldn't characterize it any other way. Now we've got to do our work. We've got to land them. These are all -- this is all work to do, but I'm encouraged by what I see. And I think some of the engineering work that we've done and these integrations with Netgate and so on. I think just to add to the capabilities and are things that customers are getting pretty excited about. So the answer is yes.

Porter Ross Taylor
ARS Investment Partners, LLC

And you're excited about it. I mean, you tend to be kind of...

Anthony E. Scott
President, CEO & Director

No, I'm personally excited. I took a big salary cut because I believe there's a future here and there's a lot of exciting things we can do. And we've got some short-term issues to take care of. But I'm in it for the long count, and I'm pretty bullish that we're going to a pretty successful operation at the end of the day.

Porter Ross Taylor
ARS Investment Partners, LLC

Well, here's hoping to the idea that we start to see that success in coming weeks and certainly in the next quarter or 2, because it has been a long time coming, but it would seem that there should be a real need for this product. I've always been a little bit baffled by why it doesn't have better traction in the marketplace. So I'm hoping that this next quarter or 2 or even next week or 2, we'll start to answer that, [Tony].

Anthony E. Scott
President, CEO & Director

Yes. And again, I think we've crossed that point where there's nobody in our team is embarrassed to go sell this product. It's reliable, it's scalable. We have the capabilities that we think customers want. And now it's full-tilt-boogie, go sell it.

Operator

At this time, there are no questions in queue. I'll turn the call back over to our host, Mr. Tony Scott.

Anthony E. Scott
President, CEO & Director

Right. Thanks. Well, I don't have too much else to say. I think I'm really looking forward to our next quarter call. I want to thank everybody for joining us today. And as I said before, it's a pivotal time for Intrusion and our entire organization. I'm excited about our future, and I do appreciate the patience and sticking with us that our investors and financial partners have shown us, we couldn't do what we do

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without you. And as I said, I'm looking forward to a different conversation next time we talk. Thanks for joining us today.

Operator
Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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