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IDEX.OL - Q3 2019 IDEX Biometrics ASA Earnings Call

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David Glasspool

PRESENTATION

Operator

Good day, and welcome to the IDEX Biometrics' Q3 Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to today's speakers. Please go ahead.

Stuart Hunt - IDEX Biometrics ASA - Head of IR & Communications

Good morning, everyone, and welcome to the IDEX Biometrics Conference Call for the Third Quarter of 2019. After the short introduction, you'll hear from Stan Swearingen, CEO of IDEX; followed by CFO, Derek D'Antilio. Following their prepared remarks, the lines will then open for questions.

Before we begin, please note that some of the information we hear during this call may consist of forward-looking statements. Such statements are based on current information and management's expectations as of this date. Forward-looking statements involve certain risks, uncertainties and assumptions that are difficult to predict. For more information, please refer to the Q3 report, which was published earlier today and our annual report published in May.

I'll now turn the call over to Stan.

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Thank you, Stuart, and welcome to everybody joining us today. As we approach the end of 2019, I want to take a few minutes to describe IDEX's strategy, our unique competitive advantages, and then I'll provide some update on our progress today.

Our strategy is to deliver fingerprint solutions to mass markets based on our unique, flexible and cost-efficient off-chip technology. We do this by our unique ability to design and architect solutions, having a cost advantage in large sensors and by enabling superior usability and performance.

We also provide a high level of systems integration support to our ecosystem partners. The integration of critical technology gives us better insights into overall system performance and improvements and the integration, coupled with our off-chip technology and gives us a fundamental cost advantage. Over the past 2 years, we've built a world-class engineering team with deep industry expertise, comprised of systems engineering, software engineering, silicon engineering and packaging technologies. We believe our technology and cost leadership -- and I'll provide a few examples of how this leadership has already benefited us.

In 2019, the engineering team completed the development of our second-generation smart card platform comprising (sic) [comprising] a range of dual-interface sensors, biometric algorithms and turnkey reference designs.

Another major achievement was providing key deliverables into the payment schemes' biometric and security certification processes. Our engineers also support our roadmap, which is focused on enabling significant cost reductions and system cost through optimizing package and integrating



-- integration architectures to enable low-cost card manufacturing processes, driving improvements in usability, convenience and performance through next-generation silicon sensor and algorithm design. Enhancing security through secure end-to-end architectures, and advanced match-on-secure element algorithms.

We have also hired a sales team with significant and broad experience in biometric technology applications, as well as experience from the payment market specifically.

Finally, we have developed the internal infrastructure and supply chain to support significant commercial growth. These investments will allow us to scale the company significantly without adding additional cost.

Another thing that I want to emphasize is that multiple markets -- our technology is applicable for multiple markets. While we and others talk a lot about biometric payment card market due to its large potential size. Our technology and products are applicable to a broad range of applications in the biometric smart card market. These include access control, healthcare, government, retail, transportation, of course, payment cards.

I'll now provide an update on 2 of our lead verticals, payment cards and access control. On payment cards -- throughout 2019, IDEX has executed on its strategy to commercialize biometric technology in payment cards. We developed key partnerships, provided technical expertise to enable volume manufacturing, led the way on certification and commercialization of remote enroll technology, a critical enabler for mass adoption. Multiple high-profile pilots in 2019 have validated the value proposition for biometric payment cards.

Manufacturing in biometric smart card manufacturing posed a significant challenge for the market earlier this year. I'm pleased to report that a lot of progress has been made, and several of our customers are now ready and capable of mass production of both cold and hot lamination processes.

On remote enroll, IDEX and the payment industry leaders such as Mastercard and Visa stated that a crucial enabler to biometric smart card mass adoption has the ability for the card issuers to provide a simple and convenient and secure means to enroll end-users. We are pleased to have been granted very comprehensive patents in key jurisdictions, including U.S., Australia and the U.K. The development of this technology was a direct result of our first-mover advantage, deep industry relationships and a comprehensive understanding of the challenges for mass adoption. Our remote enroll patents, which cover broad range of designs is proving to be the optimal way to conveniently and securely enroll fingerprints on cards. This technology is now ready for market, and we think it will become the industry standard.

In October, we signed license agreements with 2 leading payment smart card integrators, IDEMIA and Chutian Dragon to license these remote enroll patents. I expect these to be the start of many license agreements.

Certification, the certification process for biometric cards is now well underway, and I expect to see certifications for card integrators by multiple schemes before the year-end. In August, IDEX's dual-interface sensor technology became the first to pass the key requirements for biometric performance and security audit. It's also important to clarify that it wasn't just our biometric sensor that passed and exceeded these requirements, our entire dual-interface system requirement was subject to the testing.

In addition to our sensors, this system included energy harvesting capability, flex design, power management and our distributed matcher.

Now I'll move to access control. Turning -- this market includes both logical and information access and physical access control. Access control contains multiple form factors, such as smart cards, keyboards and tokens. The adoption of biometrics and access control is being driven by the need for additional security and data privacy, in part, driven by global regulation being enacted to ensure security of personal data.

IDEX's technology is particularly well suited to this technology due to the high importance of security cost and ease of use. The access control smart market -- smart card market is a large and growing vertical, that industry analyst estimated 250 million units growing at more than 5% annually. Our technology leadership in this market was validated earlier this year when IDEX was selected for its innovative security architecture by a leading global news and IT services company and received a multimillion dollar, multiyear commitment to provide our sensors to them. Throughout 2019, we work to adapt our technology to their product and our product is now ready to ship in volume. I'm pleased to say that in October, we received our first volume purchase order. We plan deliveries in the fourth quarter and continuing into 2020 and beyond.



In addition, IDEX has been chosen by 2 customers in Asia for inclusion into a secure access control smart card. These design wins lead to additional orders in the first half of 2020 and could potentially lead to larger follow-on orders in other access control cards. These orders and design wins are an important leading indicator that our customers are choosing our technology and solutions over to our competitors.

Turning to our outlook. In the payment card market, we expect certification before year-end. Industry participants and analysts now believe 2020 will be the year where our market moves from one being defined by pilots towards one being defined by mass commercial deployments. For access control market, we expect to begin volume shipments in Q1, 2020, and we also expect additional design win in orders in this vertical.

Now I'll hand over the call to Derek for the financial results.

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

Thank you, Stan, and good morning, everyone. Before we discuss the financial results, I wanted to mention a recent news that IDEX has begun trading on the OTCQB Venture Market Exchange in the United States under the ticker symbol IDXAF. The OTCQB Venture Market offers companies the benefits of being publicly traded in United States with a lower cost and complexity than listing on the larger U.S. exchanges. To be eligible, international companies must be current in their local market filings and undergo an annual verification and management certification process. We expect the listing to increase liquidity and visibility for IDEX shares in United States and is a first step towards a full U.S. listing.

Now, I'll turn to the financial results for the third quarter. We continue to make a lot of progress throughout 2019, with very importantly, from a financial perspective, product design wins, orders that are expected to ship and IP licensing agreements. These are important achievements because we now have multiple revenue and cash flow opportunities. Revenue in the third quarter was NOK 1.3 million. In terms of expenses, operating expenses in the quarter was NOK 62.2 million compared to NOK 60.1 million in Q2 of 2019 and NOK 64.6 million in Q1 of 2019. The increase, sequentially, was primarily related to compensation costs and the impact of foreign exchange.

During the quarter, our cash flow was minus NOK 58.9 million and includes operating expense funding and investments in manufacturing equipment placed with 1 of our suppliers to be ready to position for shipping orders in a timely manner. Our cash position at the end of the third quarter was NOK 96.9 million or USD 10.7 million, and we had no financial debt.

We monitor our cash position very closely, including the expense and working capital requirements. The company has been working on multiple funding opportunities to supplement its cash flows from operations, including strategic partnerships. As we work through the process to ultimately capitalize the business, we concluded it was prudent to take certain expense reduction actions at this time. These expense reductions are expected to result in a 30% reduction on operating expenses.

We will now like to open the call up for your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

[Operator Instruction]

Our first question comes from [Nicolai Jepson], private investor.

Unidentified Participant

Could you -- I have a couple of questions. Could you please tell me how much of your historic revenue that you've recorded is nonrecurring engineering revenue and how much is products revenue?



And then on payment cards versus security cards. How big is the security card market? And what would you say are the main differences between payment cards and security cards?

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

Sure. This is Derek. I'll take the first one. So in the first 9 months of 2019, our revenue was NOK 3 million, of that NOK 3 million, about NOK 920,000 was related to product shipments, sensors, about NOK 2.1 million was related to nonrecurring engineering payments in 2019.

In terms of market sizes, as we mentioned in the script, the security market, I will call the access control market, I will call it the access control smart card market and the access control market really includes multiple different form factors. One of those form factors is a smart card similar to a payment card. The second -- the other form factors are keyboards and tokens. We have all those types of opportunities. The multimillion dollar order we discussed is keyboards and tokens.

The access control smart card market is projected to be about 250 million units in total, and we have to apply what is sort of adoption rates related to biometrics in that market.

In terms of the payment card market, the overall market is in excess of 3 billion units total globally. And again, there'd be an application of a biometric adoption rate on that market.

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

And then from a technology perspective, the differences between the markets. The core technology is identical, so the real difference that we see is the access control market doesn't require the certification processes and some of the complexities of deployment. So it's a much faster time to revenue for us. But the actual -- the card itself is essentially identical.

Unidentified Participant

Okay. And a bit more direct question, perhaps, but the last couple of years, you've reported a string of contracts and cooperation agreements, but recording revenue on these contracts has been a challenge, right? And so is it different this time with DWA? And if it is, why is that? And in your agreement with DWA, are there any price and volume provisions that you could share with us as investors?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. I'll take the difference. A lot of the agreements we announced in the past were for the payment card market. And as I mentioned before, the complexities of the certification process, manufacturing process and then enrollment has caused that revenue to be out in time -- much further out in time than we or anybody else had imagined. I'm pleased to say that those friction points have now been removed. So we enter the 2020 year with full expectations that commercial deployments will commence.

I think, in the access control market, as I mentioned, there's really no friction points. It's a market where, as an example, DWA is already shipping cards to that market. So it's really taking an existing customer base of with an existing application and adding biometrics to it. So it's a much quicker time to market. I am -- we haven't provided our forecast on the ASPs or volume, but I think we did mention that it is [immaterial].

Unidentified Participant

Okay. All right. Fascinating. And maybe the last question goes to the biometrics markets for payment cards has sort of been in a pioneering phase. These are my words and not your words, obviously, but it seems to me like the security market might be a bit more mature. I mean, if you go back to March '17, for instance, and you look at what NEXT Biometrics, one of your competitors, talked about then. They were already at that stage

involved in the security market. And it is my experience is that when markets mature and they become more commoditized, pricing declines and margins go lower than what they are in the initial phase. Could you please give us some specific thoughts on your expectations for your gross margin, product margin and the security market versus the payment card market?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Sure. I'll first give you a high level -- [I'll give] my views on margin and what causes margin compression, then I'll turn it over to Derek for just kind of his view of margin that you should use in your models.

So when we look at margin, margin is directly correlated to innovation for one thing. So when innovation stalls, you end up -- have [fast] followers come in, and that's where you see margin compression. So innovation stalling is one of the things that leads to margin compression.

The other thing is the inherent attributes of the market. I'll use automotive as an example, in semiconductors. Automotive margins to this day are very rich. And why are they rich? Because of switching costs are extremely high, certification processes are rigorous. The set of attributes that caused -- cause the barriers to entry as well as pricing and so forth. So we see the payment card market being very analogous to the automotive market versus the mobile market.

The mobile market, and I spent 15 years of my career on the mobile market, you have to rewin your business every single year in mobile market. Versus in automotive or in the payment market, once you take, as an example, card, you get it certified, that card will live for many, many years, and it will have an annuity attribute to its life. So for me, I see payment cards being -- having a lot of really great attributes. So Derek will talk to you about the margins that we believe, as a company, will garner with those sets of attributes, I'll turn it over to Derek.

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

Yes. Good question. So if you're looking at the margins potentially between those 2 markets between the payment card market and the, let's call it, the security access control market. It will vary depending upon the customer. I'll give you an example. So in the security market, the contract we won with a large IT services provider, that was based upon our unique technology in some security attributes that we can add that other people cannot add. So in those types of situations, we might end up with a higher margin and higher ASPs.

And then when you look at the quarter, our margins were 59%, but that's at these very low volumes and includes NRE. 2 years ago at our Capital Markets Day, we said our gross margin target would be 40% to 45%. I think that's still a prudent number to use, but it could be higher than that. So it will vary across the markets, depending upon the advantages we have in the access control market, let's just say we were chosen based upon the security features we have, and we think that in the payment market, we have a unique cost advantage given the off-chip technology, which will drive the margins higher as well.

Operator

(Operator Instructions)

Our next question will come from [Arnie Rennemo] with [Celgene Industries].

Unidentified Analyst

You hear me?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. Try again.

Unidentified Analyst

I would like to start with a factual one. How many end customer tests for biometric payment cards have been done with IDEX technology in the whole 2019?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

I'm sorry, I didn't hear the full question. [Arnie], can you ask it again?

Unidentified Analyst

Yes. How many end-customer tests for biometric payment cards have you done with IDEX technology or has been done with IDEX technology in the whole of 2019?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

I have to count on the top of my head, but it was more than 10. I don't have the exact number, but it was north of 10.

Unidentified Analyst

Okay. And could you please tell how many sensors approximately you have sold so far in 2019, altogether?

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

Yes. [Arnie], I can answer the question this way here. The sensor revenue in 2019 so far has been just under NOK 1 million in total revenue.

Unidentified Analyst

Okay. So you don't want to go into units?

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

I don't want to go into ASPs and units right now I think.

Unidentified Analyst

Okay. And then a little bit of a historical question, but I think it's relevant anyway. As far as you communicated, I think it was in January, Mastercard launched a global promotion for biometric payment cards towards the membership banks. Could you please shed some light on what were the key learnings for IDEX from this promotion campaign? And why haven't there been any banks adopting the card with IDEX technology after the trials?



Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Okay. Yes. The key learnings, as we've mentioned in the [transcript], one was remote enroll and the enrollment process was the key learning as well as just how they were going to deploy the card. So as far as my purview, and I think it's important to highlight, we do not interact with issuers directly. It's really the card integrators are economic buyers. So what we -- to card integrators is -- the banks -- the feedback from the banks has been overwhelmingly positive. And that the point the deployment is in planning, so I can't say anything other than it's taking much longer to go from planning, validation and value proposition to the launch.

Unidentified Analyst

Okay. They aren't going into the access control cards, I'm referring to the test, which has been done in Mexico. What were the conclusions from that test? What are the next steps, if any?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

All right. So the card in Mexico, I think you're referring to Edenred Bank. And Edenred Bank was a natural payment card. And in that case the constituents were pensioners, and it was the government of Mexico, deploying pension funds using a biometric card to elderly population. So one key thing that we learned from that was our technology performed exceptionally well with an elderly population, and for people who are familiar with biometric, actual age or fingerprint [fairs] and a lot of the folks that were part of that pilot were actually manual laborers throughout their life. So we're exceptionally proud that our technology performed exceptionally well with that demographic.

And the other feedback was that the elderly biometric really resonated with them because a lot of them had memory issues and remembering PINs and passwords was the challenge. So the next phase is real. It's -- and we work with IDEMIA and Mastercard on that pilot and it's really IDEMIA working through with the Mexican government and the issuer, how are they going to deploy this? As you can imagine, deploying biometrics, [it took] pensioners deploying their benefits, it takes a bit of planning, and that is moving forward. So again, for me, (inaudible) Mastercard regulator. We hear that things are progressing, but I can't give you an exact time when that particular application would go into deployment.

Unidentified Analyst

Do you feel it's realistic to expect on a go/no-go into '20? Or do you feel that's too early?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

It's not a no-go versus our sensors and doing the planning [deployed].

Unidentified Analyst

Okay. Then, the next question, if I may? Or do you want to turn to anyone else before I continue?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

So it will probably be good to see if anybody else has a question, then we can come back to you, [Arnie]?

Unidentified Analyst

Yes, yes. That would be fine.



Operator

Our next question comes from [Berndt Dendred], private investor.

Unidentified Participant

Yes. We are waiting to for this certification for some time and can you now confirm that when this certification is -- fall in Q4, when we have a contact-less payment products ready for sale and delivery?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. We can confirm that. We'll confirm that in the earnings calls.

Unidentified Participant

So will there be any pilots before the same? Do you have to go into pilots? Or will the semiconductors, banks just order the payment cards and sell it?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. We're getting a range of feedback on that topic, [Berndt]. So once the cards are certified, there would be some banks [may decide], they may want to pilot. Some may -- banks may do, call it a soft launch. And when soft launch is actually launching the card, but it will be to thousands of people, not millions of people. And then we actually have some integrators that say, the banks will go live as soon as certification happens. So it's really a geography-, integrators-, issuer-specific. So there isn't a one answer to that question for every integrator. It's going to be a range of -- range of answers, but we do expect that range. And that's why in my prepared remarks, I talked about this coming year will be all about commercial deployment, and that commercial deployment will take many forms.

Unidentified Participant

Yes, yes. Earlier, you said that you would get approximately 30% of the payment card market. How do you look into this today?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. When we use 30%, [Berndt], it was a statement about we believe we'll be the leader in the market. And as we enter the market, 30% is a -- it's a good figure of merit to use for leadership. We could be well north of that, depending upon which issuers go. So it ties back into which issuers are serving the banks that are launching, and so we've got a big set of issuers. So we really feel good about the number of issuers we're engaged with. So we feel like we will be a leader in the payment market. But again, it's been a very dependent upon which issuers go and which banks going which way.

So -- but I've also and I want to reiterate, it was said many times that this market is going to be a very large market, and we welcome competition and we need competition, right? We need our competitors to perform well because what's going to make the market really materialize and take off is when banks issue, right? So when the first global bank issues, then every other one of their competitors is going to have to respond. So we really -- and maybe ironic to hear the CEO of a company say that, we not only welcome competition, we need competition to make this market a reality.

Unidentified Participant

Okay. Could you say something -- do you think that the company will go breakeven this year? Or is that early to say or...

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. It's a bit premature. I mean, we're clearly planning to keep our expenses where we -- as low as we can, while still making sure we deliver on our roadmap and our -- and continue to support our customers. So yes, it's a bit premature. And I think it's -- yes, the variability, [Berndt] is really [we learn] how fast these issuers go, but we do believe that we'll be material into this coming year from this segment, and -- go ahead.

Derek P. D'Antilio - IDEX Biometrics ASA - CFO

And [Berndt], this is Derek. One thing I can say is, yes, we don't give guidance that far out around quarters out and things like that. But this expense reduction, it did reduce our breakeven point by 50%, now that our breakeven point now is 50% less than where it was prior to that. So the time to breakeven with dealers will be quicker for us.

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Exactly.

Unidentified Participant

Well, okay. Thank you for letting me in, and we are looking forward to the certification. And I think both the treats are on me, we'll have a big bottle of champagne when this certification is ready. So keep on -- so will talk to you later.

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Okay. Thank you, [Berndt] Ben. Thank you for the support.

Operator

Our next question comes from David Glasspool with Kreab.

David Glasspool

Yes. Can you hear me?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes, yes.

David Glasspool

You've -- you've about your off-chip technology as your sort of almost unique design or you're the leaders in that field. Could you give us any assurance that this technology is being accepted by the market, or whether your competitors with alternative technologies are gaining better acceptance in the market?



Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. I think one of the things as a proxy for acceptance of off-chip, Synaptics actually had off-chip at one point and the Galaxy franchise shipped, I believe, tens of millions, if not hundreds of millions of off-chip. So off-chip technology itself has been validated in super high volume. So that is a proof point that the off-chip can and will support high-volume.

The other aspect is the certification processes we went through were quite rigorous and demanding, and we've passed that from a -- from off-chip sensing technology perspective for multiple schemes. So that's another kind of validation point.

David Glasspool

Do you think there will be cards coming out of the market, which will be certified using alternative technologies? And is there any preference amongst card manufacturers for one or the other?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

No. I think the preference, and I think when you look at just straight sensing, right, whether it be a silicon sensor off-chip. And there -- we're essentially on parity there. I think the value of off-chip is looking at integration as well as other things we can do because we can put more compute resources and memory in our sensors. So it allows us to do some security things and then security and encryption that I'm not saying is -- it can't be done in silicon, it's just more costly to do it that way. We also can do much larger sensors at a more cost-effective price point, which helps with enrollment and biometrics performance.

David Glasspool

Okay. And I guess from an investor's perspective, the concern is that you're sort of got your eggs in that basket. But it sounds from what you're saying is that one shouldn't be concerned that, that is going to become a technology that's not utilized by the market?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. No, I don't foresee that. And I think there's a lot of proof points to say that won't be the case that will be adopted. And I think we've said in previous calls, the card market, in particular, as we drive the cost of cards down to be close, as close as possible to the current card cost structure, integration and integrating while not compromising performance are going to be the real key critical differentiators here. And we think we're uniquely positioned to make that happen.

Operator

[Operator Instruction]

Our next question comes from [Christian Faff], private investor.

Unidentified Participant

Stan, it's [Christian] calling. Can you hear me?



Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Hi, [Christian], how are you? Can you hear me?

Unidentified Participant

Yes. I was just going to ask you about this enrollments sleeve.. Will that be you think -- do you believe that, that will be the standard for the whole market that everyone will use that in some time? So as you make huge, huge revenue from that?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Sure. As I mentioned in my prepared remarks, we do believe it will be the standard. So everything we're getting feedback from every angle is saying, it is the preferred solution, and we believe it will be the standard. And to be clear, our intellectual property is very broad, and it covers a range of everything from very simplistic sleeves to sleeves that have (inaudible). So again, each issuer may take different approaches there where they may want to have a more complex sleeve, but some issuers may want to go with a very simplistic sleeve, and for us, we're fairly agnostic as our intellectual property covers all those instantiations.

Unidentified Participant

Okay. So -- and next year, you believe how many sensors do you believe that will be in the market altogether next year in payment cards?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

At this time, we haven't given guidance, just what we said is we believe it will be commercial deployment.

Unidentified Participant

Yes. Okay. We'll -- how to touch the cash situation because, as we all know, we will be out of cash around February, March next year. You seem quite calm about that. Does that mean we don't need any -- if there were an [issues] to get more cash? Or what is the time there?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. I think, how I'd answer that is we've been in the process of evaluating multiple streams of capital, and they range from strategic partnerships through intellectual property monetization through modeling our revenue ramps. And at this time, we have no plans to do in our open market capital raise.

Unidentified Participant

Very good. Very good. Yes. And when it comes to [most] important link and that's going to sell these volumes. Are you trying to help them? Or are you -- what is the situation there? Because obviously, that has affected the share price in a very bad way, with all the shares coming on?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. I won't comment on particular investors, but I'll say we're actively involved in helping in this extraordinary situation we find ourselves in, and I'm pleased to report we've made significant progress in the past 1.5 weeks, and I'm really indebted to our existing shareholders who've stepped

up and really believe in the business and have doubled down. So I think, to me, a, really appreciative. And -- but I also think it sends a strong message of the belief in the business and the belief in the potential for the business.

Unidentified Participant

Yes. Will you -- my last question, will you still say, Stan, that you are 3, 4, 5, 6 months ahead of your competitors like [senior] PIN cards when it comes to certification and being alone in the market for the first months?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Yes. I think -- again, we only see what we see and what we hear. We believe we are still in a leadership position, particularly from a technology perspective, quantifying it 3 months, 6 months, 8 months is a bit difficult because, really, we don't have -- that's a lot of confidential information. We don't have access to, but we feel good about our position, and nothing has changed relative to my belief. We will get leadership share.

Operator

Our next question comes from [Arnie Rennemo] with [Celgene Industries].

Unidentified Analyst

Again, I'm back again. I think I just have one question, which is a little bit related to the -- what the first one asked for. When it comes to the new contract with DongWoon Anatech. Is there a minimum volume commitment in the contract?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

No. There's no minimum volume commitment in the contract.

Unidentified Analyst

Okay. And so -- but what do you expect in terms of volume from 2020 then?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

I think I touched on that with the previous caller that we haven't given guidance on particular customer volumes. Other than to say it's material, right? So it's not insignificant and it's material.

Unidentified Analyst

Okay. Last question then. Stan, as latest in May 2019, you communicated that IDEX was on track to get significant volume delivery in the second half of 2019. But as we now know, it hasn't happened. Could you please be -- try to explain as concrete as you can, what are really the main factors behind that -- this estimate or belief? Did it really come true? Is that possible for you to comment on?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Well absolutely. I'll tell you, and again, this is my personal opinion based on where I sit. So somebody's sitting somewhere else in the ecosystem may have a difference of opinion. I think I would summarize it by saying the ecosystem for payment cards has never, never launched a technology of this complexity. So there was a bit of an underestimation of what challenges would be incurred, not only manufacturing but certification. And so there was an expectation that we would move through the manufacturing and certification process a lot quicker than we ended up moving through it.

Now with that being said, we're now through those challenges, so we're in a phase where, at least from my opinion, we're in a much more deterministic phase, but early last year, when we made -- when I personally made those comments, it was with an understanding of meeting with our partners and our customers and the major schemes and looking at all their plans and even putting some judgment in those plans, and we were off by quite a bit, to be honest.

But again, when you look at just the manufacturing, hot lamination, cold lamination, embedding, being able to pass the standards and have a card with a biometric sensor in it -- that is robust and has a life as long credit card you have in your wallet, which is essentially plastic. There's a lot of challenges that needed to be overcome, and we actively participated with several of our card integrators in solving those problems, and through that process, we gained significant insights and some intellectual properties. So although, we made (inaudible), it made us a stronger company, and I think it helped us get insights into what we could do in our technology to make that easier next cycle.

Operator

Our next question comes from [Nicolai Jepson], private investor.

Unidentified Participant

Sorry to jump back in again. So just one quick question. You responded to a question earlier that you've been through 10 biometric trials, and that's really encouraging. Out of those, let's say, north of 10, whatever, let's just use 10. How many percentage -- what percentage of those trials were you -- did you pass? And how many were you sort of excluded, not necessarily because there's something wrong with IDEX, but because they maybe chose a different technology, like how -- what was your penetration rate on those trials?

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Okay. Trying to think about -- because the way the trial worked, it wasn't like they were trialing us and a competitor. They were trialing us and only us, right? So I would say our quote success rate was 100%. Now of those trials, which issuers -- when will those issuers go to market? Will they go-to-market with biometric? It's hard for me to assess.

Operator

At this time, I am showing no further questions in the queue. I'd now like to turn it back over to today's speakers for closing remarks.

Stanley A. Swearingen - IDEX Biometrics ASA - CEO

Well, I just wanted to thank everybody for taking time out of your busy schedules to listen to our prepared remarks. And for the people who ask questions, I appreciate your interest in the business and they were really well-considered questions. I thank you for that. And with that, I'll say, good day.



Operator

Thank you, ladies and gentlemen. This concludes today's teleconference. You may now disconnect.

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