

Transcript of  
omniQ Corporation  
Third Quarter 2024 Earnings Call  
November 15, 2024

**Participants**

Shai Lustgarten - Chief Executive Officer and Acting Chief Financial Officer, omniQ Corporation

**Presentation**

**Operator**

Hello and welcome to the omniQ Corporation's Third Quarter 2024 Earnings Conference Call. My name is Ali, and I will be your coordinator for your call today. With us on the call is Mr. Shai Lustgarten, Chief Executive Officer and Acting Chief Financial Officer. Today's call is being recorded and you should have access to the company's third quarter 2024 earnings press release issued after the markets closed yesterday. This information is available on the Investor Relations section of OMNIQ's website at [www.omniq.com](http://www.omniq.com).

During the course of this conference call, we will make certain forward-looking statements. All statements that address expectations, opinions or predictions about the future are forward-looking statements. Although they reflect OMNIQ's current expectations and are based on the best view of the industry, current expectations and their business as they see them today, they are not guarantees of future performance. These statements involve a number of risks and uncertainties, and since these elements can change, and in certain cases are not within our control, we ask you would consider that and interpret them in that light.

We urge you to review the company's Forms 8-K, 10-Q and other SEC filings for a discussion of the principal risks and uncertainties that affects the company's business and performance and the factors that could cause actual results to differ materially. Following the prepared remarks, the company will be taking questions as time permits.

Now, I will turn the call over to Shai Lustgarten, CEO. Mr. Lustgarten, please go ahead.

**Shai Lustgarten - Chief Executive Officer and Acting Chief Financial Officer, omniQ Corporation**

Thank you, Ali, and welcome everyone. I appreciate you joining us today to discuss OMNIQ's third quarter results. I'm excited to share the progress we've made, the strategic initiatives we're implementing and how we were positioned in OMNIQ for continued growth and success. Your support and interest are extremely important to us, and I'm looking forward to discussing the details with you.

Let's get started. At OMNIQ, we believe in enhancing workflows through automation and creating proactive solutions to everyday problems. We do this both through our patented AI-

based applications and through our network of partnerships. In this way, we can offer practical customized solutions to the problems our customers are facing today and tomorrow.

In this competitive environment, we remain focused on expanding our market presence through technological advancements and strategic partnerships, while upholding the core values of integrity and innovation. In alignment with this vision, we've had a very busy quarter. I'm proud to share several key achievements from the third quarter that highlight our progress and strategic direction.

First, we were selected by NEC. They use our machine vision proprietary technology for facial recognition at critical checkpoints. This new combined solution is already deployed today in an active project, and we expect to win some large projects in 2025 and going forward. Our technology attracts major interest in the defense, homeland security, and transportation markets by creating a revolutionary way of prescreening cars without bias by capturing facial images of drivers and passengers in a vehicle, then comparing those images to national databases. That information is used proactively to alert the officers on-site all in real time. What is unique about our technology is that we can capture faces in the back seat as well as in the driver and passenger seats.

Next, we've advanced our access control technology in active deployments. The new upgrade allows us to create different levels of access. We've deployed this in two medical centers successfully, so that we can differentiate between staff parking, short-term parking, and much more. This is a very practical solution that many of our customers will need, because it doesn't require an enforcement officer to manually check for parking tax.

Next, we've made more advances in fintech with our partnership network. CodeBlocks, which we discussed the acquisition of last quarter, has developed a payment software solution that is practical and easy to implement at point-of-sale in retail and many other industries. This solution is being actively sold now in international markets, and we're developing the version to be launched in the United States in 2025.

As a result, we've secured strategic agreements with globally recognized leading companies such as Ingenico and SHVA. These partnerships allow us to further enhance our capabilities. Fintech is a rapidly growing market, and we expect to continue to enhance our footprint and grow our recurring revenue through this business line.

Another new development is growth in our IoT business. We've received several large purchase orders recently between \$1 million and \$3.4 million. These orders are for upgraded technology for our existing customers. It is positive to see that our customers continue to trust us again and again to bring them practical solutions that will streamline their operations. We intend to continue developing these strong relationships as well as bring new long-term customers.

Next, we will discuss economic conditions and market trends. Following previous supply chain disruptions and high costs conditions have started to stabilize and OMNIQ has diversified its hardware sources to minimize future risks, ensuring greater margin stability.

Regarding market trends, we see growth in AI and smart city markets. OMNIQ's core markets such as AI-driven supply chain and public safety solutions are projected to grow as governments and private companies increasingly invest in automation smart city projects and enhance security solutions.

The global smart city market, for example, is expected to grow substantially driven by increased urbanization and public safety needs. OMNIQ's investment in AI and machine vision position it well to capture market share in these expanding sectors, particularly as municipalities seek practical solutions for traffic management and security.

Public safety and healthcare are relatively resilient sectors as demand tends to remain steady or even increase during economic downturns. OMNIQ's technologies such as vehicle recognition, and healthcare automation, and security solutions are essential services that experience stable growing demand, particularly from government or healthcare clients.

Since OMNIQ operates globally, it is important that we consider the impacts of geopolitical political factors. To date, our international business has not been negatively impacted by inflation or other outside factors due in part to operating in inelastic markets and using diversified inventory sources to mitigate instability in the supply chain.

Now, let's discuss the financial results for the third quarter, 2024, which showcased significant progress compared to the same period last year. First, I'm pleased to announce our revenue was \$18.5 million this quarter, which is an increase from \$17.2 million in the third quarter of 2023. This represents approximately a 7.6% increase year-over-year.

Next, our operating expenses have decreased significantly to \$4.9 million in the third quarter of 2024. This is approximately a 26% decrease from \$6.6 million in the same period for 2023.

Next, our net loss was down approximately 63%. OMNIQ reported a net loss of approximately \$1.6 million this quarter compared to a net loss of \$4.3 million in the third quarter of 2023.

SG&A expenses decreased by 21%. SG&A expenses were \$4.4 million in the third quarter compared to \$5.6 million in the same period of 2023. The decreases are related to the cost reduction plan put in place by management.

Net cash. In the 9 months ended September 30, 2024, we generated net cash of \$230,000. This is an improvement from a net use of \$2.1 million in the same period of 2023.

Gross profits. Our gross profits likely decreased to \$3.95 million in Q3 2024 from \$4 million in Q3 2023, reflecting a slight reduction of 1.45%.

Lastly, earnings per share. Basic loss per share improved to negative \$0.15 in Q3 2024 from a negative of \$0.55 in Q3 2023. These financial highlights reflect our strategic plan to reduce costs and enhance shareholder value. The results are a testament to our team's hard work and the strategic initiatives we have implemented.

As we move forward, our expansion strategy remains focused on deepening our relationships with our existing customers, while simultaneously broadening our market reach. We're doing this through several key initiatives that leverage our strengths in SaaS business models as a basis to our fintech and AI-driven solutions.

Now, let's discuss our forward-looking strategy. As OMNIQ moves forward, we're focused on building resilient and high margin recurring revenue streams that position us for success. Our shift to emphasize SaaS and service offerings isn't just a structural pivot, it is a commitment to lead in areas where demand for advanced practical solutions is growing rapidly. With targeted marketing and a strengthened sales approach, we're already seeing an impressive adoption rate among our customers.

We are strategically positioned in high-growth sectors, including smart city infrastructure, public safety, logistics, and healthcare. These areas, which demand both innovation and operational excellence align perfectly with OMNIQ's strength. By forming targeted partnerships within each sector, we're not only increasing market penetration and expanding brand recognition, but also creating efficiencies in deployment, reducing upfront costs, and opening pathways for scalable and sustainable growth.

Our approach to growth is intentional and balanced, combining organic investments with strategic acquisitions that amplify our core capabilities, all to align with OMNIQ's growth objectives, expand our operational capacity, and ultimately strengthen our ability to generate meaningful sustainable growth. Through these efforts, we're building powerful foundation for our long-term shareholder value and positioning OMNIQ as a transformative leader in the markets we serve.

As we move forward, we remain focused on sustaining our positive momentum by extending our SaaS business model and fintech products to existing customers, expanding our footprint of our AI vision solutions, and offer comprehensive integrated product lines, all while delivering substantial value to our shareholders, to our customers, and solidifying OMNIQ's position as a leader in the technology industry.

Thank you for your continued support and trust. Now, let's go back to the moderator for questions.

**Operator**

Thank you. At this time, we will be conducting our question-and-answer session. [Operator Instructions] Okay. Sir, we currently have no questions on the lines at this time.

**Shai Lustgarten - Chief Executive Officer and Acting Chief Financial Officer, omniQ Corporation**

Thank you. I want to express my heartfelt gratitude to our shareholders, your trust and confidence in OMNIQ. This is deeply valued, never taken for granted. We remain steadfast in our commitment to enhancing shareholder value and fulfilling our potential as a company. To our dedicated employees, thank you for your unwavering support and hard work. It is through

your efforts that we continue to implement our strategies and move closer to our goal of sustained profitability.

I appreciate you taking the time to join us today and look forward to reconnecting during our next call. Together, we're building a strong and successful future for OMNIQ. Thank you.

**Operator**

Thank you, ladies and gentlemen. This concludes today's call, and you may disconnect your lines at this time. We thank you for your participation.