

[00:00][Call begins]

Operator: Good morning, everyone, and welcome to the NamSys annual meeting. My name is Beau, and I will be your conference moderator for today's call. During the presentation, all participants will be in a listen-only mode. We will be facilitating a brief question and answer session toward the end of the presentation. You may register to ask a question at any time by pressing the star and 1 on your touch tone telephone. As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to our host for today, Barry Sparks, Chairman. Barry, please go ahead.

Barry Sparks: Thank you. Good morning, ladies and gentlemen. Welcome to the annual meeting of shareholders of NamSys Inc. I am the executive chairman of the corporation, and in accordance with the corporation's bylaws, I will chair this meeting before we start the meeting. However, I would like to thank you all for attending via the virtual conference call facilities. I plan to deal with the formal parts of the meeting first, following which our CEO, Jason Siemens, will move forward with our virtual conference call presentation on the business and our outlook for the future. Questions will be taken from both the conference call participants as well as from shareholders. Moving on, then, the 2024 annual meeting of shareholders of NamSys will now come to order. Les Gord, our corporate secretary, will act as secretary of the meeting. This head of my business is the appointment of a scrutineer. Rosa Garofalo, senior relationship manager of TSX Trust Company, has agreed to act as a scrutineer and is hereby so appointed. I have received a declaration prepared by an officer of the TSX Trust indicating that the notice calling this meeting with the accompanying information circular and the form of proxy were mailed on or about April 15, 2024, to shareholders of record, as at April 10, 2024, or alternatively were delivered to the shareholders intermediaries.

Has the secretary determined the presence of a quorum?

Les Gord: Yes, Mr. Chairman, there is a quorum.

Barry Sparks: Thank you, Leslie. We now declare the meeting has been regularly called and properly constituted for the transaction of business. The first item of the formal business, we will proceed with the election of directors. I now declare the meeting open for the nomination of directors.

Christie Gray: Mr. Chairman, my name is Christie Gray. I am pleased to nominate the following persons for election as directors of the corporation for the ensuing year or until their successors are elected or appointed. Mr. Leslie T. Gord, Mr. G. Bouchard-Phillips, Mr. H. Joe Prodan, Mr. Jason B. Siemens, Mr. K. Barry Sparks, and Ms. Nicole A. Sparks. Yes, Beau, could you please open the line for nominations?

Operator: Certainly, ladies and gentlemen, at this time, if you would like to nominate someone or have a nomination, please press star one on your phone at this time.

Barry Sparks: Thank you, Christie, and our assistant there, are there any further nominations other than the names that have been read off to you by Christie?

Operator: No nominations coming at this time, Mr. Sparks.

Barry Sparks: Thank you. In the absence of further nominations, I declare the nomination for directors closed. May I have a seconder for that motion?

Gabriel Bouchard-Phillips: Mr. Chairman, my name is Gabriel Bouchard-Phillips, and I second the motion.

Barry Sparks: Thank you, Gabriel, appreciate it. Will the scrutineer please provide the vote breakdown by director? Each director received somewhere between 99% and 88% of the votes in favor of them. Interesting, somebody had a thousand shares and they voted against all of us. So, each director received between, as I said before, 99.99% and 88.85% of the votes. Will the scrutineer please provide the vote breakdown by director?

Rosa Garofalo: Barry, did you want me to read the number of shares for each director?

Barry Sparks: I don't know, I think-

Rosa Garofalo: I think you read the percentages, so that should be fine, right?

Barry Sparks: Yeah, I think, you know, is Rosa doing this? Is Rosa there?

Rosa Garofalo: Yes, I am.

Barry Sparks: Would you just give the numbers that I was giving? I guess I was taking your turn and I shouldn't have been.

Rosa Garofalo: Okay, so you want me to read the numbers? Sorry, Barry, did you want me to read the number of shares for each director?

Barry Sparks: Sure, I think that's what we would like.

Rosa Garofalo: Okay, Barry Sparks voted for 13,360,901 shares, voted with hold 1,000 shares. Jason Siemens voted for 13,360,901 shares, 1,000 voted withheld. Leslie Gord voted for 13,360,901 shares, 1,000 shares voted withheld. Joe Prodan voted for 13 thousand, 360,901 shares-

Unknown: 13 million.

Rosa Garofalo: Oh, sorry, 13 million, 13 million, 1,000 shares voted with hold. Nicole Sparks voted for 11,871,995 shares, 1,489,906 shares withheld. Gabriel Bouchard-Phillips voted for 13,360,901 shares, 1,000 shares withheld.

Barry Sparks: Thank you. I think that's everybody. Thanks, Rosa, I appreciate the help. Will all those in favor of the director's slate signify by stating agreed, those against, as well? Okay, so is everybody in agreement with what we just heard from Rosa and me?

Group: Agreed. Agreed.

Barry Sparks: Okay, I hereby declare those persons nominated to be duly elected as directors of the corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed. The next matter of business I table at this meeting are the financial statements of the corporation for the period ending October 31, 2023, together with the report of the auditors thereon. I do not propose to ask shareholders to approve the financial statements which have been approved by your board of directors and are available on CDAR.ca. However, I do wish to recognize and advise the meeting that the auditors of the corporation for fiscal 2023, McGovern, Hurley, LLP have served NamSys well. They have an excellent reputation and the depth of resources to rotate personnel as required by the Canadian CPA organization. Could I please have someone move a resolution appointing the auditors for the current year?

Leslie Woolard: My name is Leslie Woolard and I move that McGovern, Hurley, LLP or their successors be, and they are hereby appointed, auditors of the corporation to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the directors and they are hereby authorized to fix such remuneration.

Barry Sparks: Do we have a seconder for the motion?

Unknown: Mr. Chairman, I second the motion.

Barry Sparks: Thank you.

Les Gord: I have a printout of shares voted in favor of the auditor appointment and confirm that the shareholders voted to appoint McGovern, Hurley, LLP, the company's auditor for 2024.

Barry Sparks: Thank you, Leslie. Ladies and gentlemen, this concludes the formal part of the meeting and I therefore declare the meeting terminated. As mentioned before the start of this meeting, Jason Siemens will now lead a presentation on existing operations and the future outlook for the corporation. He is also prepared to answer to the best of his ability any questions that you may have. Jason, turning it over to you.

Jason Siemens: All right. Thank you, Barry. I'll start by asking Christie Gray to read our Safe Harbor Statement.

Christie Gray: Hello, everyone. The Safe Harbor Statement. This presentation contains forward-looking information, all statements other than statements of historic fact that address activities, events, or developments that the company believes, expects, or anticipates will or may occur in the future, including without limitation statements regarding estimates and or assumptions in respect to revenue, cash flow, costs, economic return constitute forward-looking information. This forward-looking information reflects the current expectations or beliefs of the company based on information currently available to the company. Forward-looking information is subject to a number of risks and uncertainties that may cause the actual results of the company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to or effects on the company. Any forward-looking statements speak only as of the date on which it is made and accept as may be required by applicable security laws. The company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events, or results or otherwise. Although the company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance, and accordingly, undue reliance should not be put on such information due to the inherent uncertainty therein.

Jason Siemens:

All right, thank you, Christie. Let's get started by repeating our thesis. First, cash usage is currently stable in the US and many countries around the world, and the United States is used for approximately one in five payments, and this figure has not changed since 2020. As an example of the resilience of cash, there are currently over 500,000 ATM machines in the US, and that is actually up 10% from 2017. Now, cash is more expensive to handle than card payments. It does need to be physically transported and counted, and it doesn't matter if you're handling \$500 or \$5,000, the cost to move and count those notes is the same. So as a company, we're focused on delivering technology that helps reduce those costs for our clients. And as a software and service company, it's essential that we provide those clients with a secure and reliable system. We continue to partner with AWS for cloud computing, and we have completed another annual SOC 2 security controls report. We had zero security instances and we delivered an average system uptime of 99.99% across all of our production environments, and that's up slightly from 2022.

We continue to participate in many trade organizations. This is one of the best ways for us to reach customers in our vertical. This includes IACOA and SCTA, who operate in North America and focus on cash-in-transit members as companies, or companies as members. The ATMIA Association, which focuses on ATM services and equipment, and we're also a member of ESTA, which is the European Secure Transport Association, and focuses on cash-in-transit companies, but from a European perspective.

If we look at the cash of the supply chain, we have helped deliver efficiency improvements in each link in that chain. If we start with our Cirreon Smart Safe and Recycler Monitoring application, these are devices that store and automate the collections of cash, and they deliver labor-savings and reduce the risk of theft in retail environments. Our software helps the stores balance the employees, the cash registers, and accelerate the funds into the retailer's bank account. We sell this primarily through cash-in-transit companies, as well as the hardware manufacturers themselves. We do not produce any of the hardware. We are very, very focused on the cash-in-transit companies, as well as the hardware. We are very agnostic and promote ourselves as a universal multi-vendor platform. For the transportation of cash, our software runs on handheld devices. So similar to what you

see from FedEx or UPS, it's Android-based, and it tracks the pickup and delivery of cash parcels, cash signatures, the GPS position, and reports all of that up to the cloud in real time. And then the cloud-based software as a service application improves that service delivery by optimizing where that vehicle travels, the order that it services stops in, and it reduces the amount of time that the employee spends on site. This enables our clients to go 100% paperless and reduce their fuel usage and reduce the wear and tear on the trucks. And we sell this cash-in-transit system directly to those CIT companies.

And lastly, we have our current Currency Controller cash vault software. This is used by both banks and cash-in-transit companies to process deposits, fulfill change orders that retailers might have, send money to branches, fill ATMs. And like our smart safe product, we are vendor agnostic in terms of hardware, and we support equipment from all the major manufacturers as such. And we sell this system again directly to banks and cash-in-transit companies with a focus on cash-in-transit. Banks, over the past 15 plus years, have essentially almost entirely outsourced their cash processing service to cash-in-transit companies. So of course, that's where we want to focus our energy.

We do have an add-on product that I'd like to talk a little bit about today. This is an add-on for our Cirreon CIT application, and we call it Cirreon OTC. OTC is an industry term, and it stands for one-time code. And for those of you on the web presentation, you'll see on screen what looks like a combination lock. But instead of a spinning dial, there's a keypad and an electronic key input. And these are standard equipment on ATMs and Smart Face. And so those 500,000 ATMs that operate in the U.S. will almost universally have some type of this device. And so what we're able to do with this application is instead of the technician or employee servicing the machine calling into a system or using a competitor's application to generate an access code for the safe to enter in and unlock the door, we are adding that functionality into our Cirreon CIT application. And then we'll be promoting it on a per-lock basis. It's going to slide in right below our Cirreon CIT application. And it's just one example of ongoing efforts to offer new products and deliver new value to our existing customer base.

Let's show you where these products are used today. So this slide indicates the geographic locations of sites that use our cash-in-transit or cash vault software. This does not include our Smart Safe and Recycler equipment, which we monitor, which operates in many, many more countries. But we continue to grow our coverage of these cash vaults and CIT services across the United States organically, as well as with new clients. And on the international front, we deployed our first installation in the UK last year. You can see the old green dot on the right-hand side. And that's part of our continued efforts.

Moving on to summary of operations, we are still at 17 employees. Operating quite lean and continue to work fully remote. We are actively hiring for a dedicated salesperson or rather a business development position, as well as a customer support people or persons.

Revenue growth is accelerating. It was up 5% in 2021. It was up 8.4% in 2022. And it was up 13% in 2023. We were pleased with that. Income for tax was up 21% to \$2.3 million Canadian. And the gross margins of 58% and net margin of 26% were in line with prior years. I do occasionally get questions about gross margin not being higher. 70% gross tends to be used as sort of the industry benchmark. Our number is lower due to the size of the company and our allocation of salaries to cost of goods. And lastly, the cash was up \$1.3 million last year. It's \$7.4 million as of January 31st. And this generated interest income of approximately \$195,000 during fiscal 2023.

We can take a look at historical revenues. We update this chart every year. And the dark bars represent the four quarters of 2023. So as you can see, revenue growth continues to be steady and predictable. And we have little or no customer churn. If we break that down a little bit further into product by revenue, we'll find that the smart pay revenue continues to be stable. It's not really a growth area for us and it's currently at 40% of revenue. Currency Controller now accounts for 40% of revenue and grew itself by 15% in 2023. And finally, the orange bar on top is the CIT, accounts for 18% of revenue and grew at 22%. And as we continue that trend, we think that CIT will be our fastest growing product over the next 12 to 24 months.

Most of that revenue that we do collect is in U.S. dollars. So even for international clients, we bill them in USD. Although it's not within our control, we do keep an eye on the trend line here

because it can impact our cash flow. And the good news is it has been in a steady band for 12 to 18 months. But if there is any weakness in the Canadian dollar, it will be beneficial for the company. We did get a few questions in advance of our meeting. I'll address those first and then we'll open it up to the callers. I think I may be able to wrap up most of this in one response. And we'll start with kind of the second question. What are the three priorities of the business? The first thing is for this coming year. What we're focused on is doing a better job of selling customers, new modules, add-ons, and even potentially third-party products that we've become a reseller for. And that's what we're referring to in our press release when we said that we're excited to expand our product portfolio and enter new markets. It's evident by the release of our Cirreon on OTC products that I talked about in our prior slide. As well as we've got some cash forecasting modules that we're now promoting to our new customers. So that's one of those first priorities that we're focused on.

Then the second is to gain more traction in international markets. We did onboard a new CIT company in the U.K. as I mentioned. But we are also working to hire a salesperson to focus on those international opportunities that will reside in that time zone so that they can better coordinate with regards to on-site meetings, demonstrations within that time zone span. And so we're making some progress on that front already.

And then third would be that we're referring to the cash pile and more productive uses, that would be a successful M&A transaction. And obviously we've been talking about this for a few years. I think we're putting emphasis on the word 'successful' M&A transaction, we think that if we become impatient and rush to overspend or select the wrong candidate, I don't think that would be successful. It is a fairly small pool of candidate companies to evaluate. And so we're very much focused on finding the right fit, the perfect fit that will serve the company in the long term. But as far as cash, I can tell you that it is a regular topic of board meetings. It's not a topic that's being neglected.

So, with that Beau, I will open it up to questions.

Operator:

Certainly, Mr. Siemens. Ladies and gentlemen, at this time, if you would like to ask a question, please press star 1 on your telephone keypad and you may remove yourself from the queue at any time by pressing star 2. Once again, star 1 f

or any questions and we'll pause for a moment to allow questions to be asked. And Mr. Siemens, I have no questions coming in at this time sir.

Jason Siemens:

Okay. Well, in that case, we'd like to thank everyone for attending. We have some reference URLs and footnotes to this presentation that you're free to take a look at. We will be posting this presentation, recording, as well as the transcripts of the call on our namsys.com/investor-relations section of our website. And I would just like to thank you for your ongoing support of the company and thank you for attending. Have a great day.

Operator:

Thank you, Mr. Siemens. Ladies and gentlemen, again, that will conclude the NamSys annual meeting. Again, thanks so much for joining us and we wish you all a great day. Goodbye.

[26:48][Call ends]