

INTELLIGENT SYSTEMS CORP

FORM 8-K (Current report filing)

Filed 08/04/20 for the Period Ending 08/04/20

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|-------------|--|
| Address | 4355 SHACKLEFORD RD NORCROSS, GA, 30093 |
| Telephone | 4043812900 |
| CIK | 0000320340 |
| Symbol | INS |
| SIC Code | 7372 - Services-Prepackaged Software |
| Industry | Financial & Commodity Market Operators |
| Sector | Financials |
| Fiscal Year | 12/31 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event Reported): August 4, 2020

Intelligent Systems Corporation

(Exact Name of Registrant as Specified in Charter)

Georgia
(State or Other Jurisdiction of Incorporation)

001-09330
(Commission File Number)

581964787
(I.R.S. Employer Identification Number)

4355 Shackleford Road, Norcross, Georgia 30093
(Address of Principal Executive Offices) (Zip Code)

(770) 381-2900
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|--|----------------|---|
| Common Stock, \$0.01 par value for the class | INS | NYSE American |

Item 2.02. Results of Operations and Financial Condition.

On August 4, 2020, the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

[Exhibit 99.1. Press release dated August 4, 2020](#)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Intelligent Systems Corporation

Date: August 4, 2020

By: /s/ Matthew A. White
Matthew A. White
CFO

Intelligent Systems Reports Second Quarter 2020 Results

NORCROSS, Ga., Aug. 04, 2020 (GLOBE NEWSWIRE) -- Intelligent Systems Corporation [NYSE American: INS], the leading provider of innovative credit technology solutions and processing services to the financial technology and services market, announced today its financial results for the quarter ended June 30, 2020.

“Second quarter results were in-line with expectations and continued to demonstrate the adaptability of our business model and our ability to uniquely service our customers,” said Leland Strange, CEO of Intelligent Systems. “We achieved revenues of \$8.1 million, representing a 7% increase over the prior year period. As anticipated, our year-over-year, top-line growth was driven by both professional services and processing and maintenance, with no license revenue as we did not see any customers achieve new tiers. Our customers and accounts increased in number and value for professional services during the second quarter. Our income from operations and net income were also up slightly from the same quarter the previous year.

“Throughout the quarter, we continued to provide high-quality, on-time delivery for our clients despite the challenging environment and our team maintained their focus in positioning Intelligent Systems for continued growth in a post-pandemic world. We continued to advance on our strategic objectives, making investments in talent and technology while innovating new products and services that help our clients reduce complexity as well as increase efficiencies.”

Mr. Strange continued, “Looking to the second half of the year, we are cautiously optimistic regarding the trajectory of top-line growth. Longer-term, we view the current pandemic as a temporary pause on our growth momentum and anticipate returning to growth in Fiscal 2021. While demand is subject to market fluctuations outside of our control, our margins allow us to continue to invest in the business and I am confident our agile and innovative model, combined with our solid financial position, will enable us to overcome these current challenges and regain our momentum.”

Financial Highlights for the three months ended June 30, 2020

Total revenues– Total revenue in the three-month period ended June 30, 2020 was \$8,053,000, which represents an increase of 7 percent compared to the comparable period in 2019.

In the following table, revenue is disaggregated by type of revenue for the three months ended June 30, 2020:

| Three months ended June 30, (in thousands) | 2020 | 2019 |
|---|-----------------|-----------------|
| License | \$ - | \$ 700 |
| Professional services | 5,156 | 4,663 |
| Processing and maintenance | 2,673 | 1,724 |
| Third party | 224 | 425 |
| Total | \$ 8,053 | \$ 7,512 |

Income from operations was \$2,703,000 for the second quarter compared to income from operations of \$2,601,000 in the comparable prior year quarter.

Net income was \$2,200,000 for the second quarter compared to net income of \$2,108,000 in the comparable prior year quarter.

Earnings per diluted share was \$0.24 for the second quarter compared to \$0.23 in the comparable prior year quarter.

Liquidity and Capital Resources

Cash balance at the quarter ended June 30, 2020 was \$32,316,000 compared to \$26,415,000 at December 31, 2019. For the six months ended June 30, 2020, cash provided by operations was \$9,714,000 compared to cash provided by operations of \$5,954,000 for the comparable prior year period.

Investor Conference Call Today

The company is holding an investor conference call today, August 4, 2020, at 11 A.M. Eastern Standard Time. Interested investors are invited to attend the conference call by dialing (855) 766-6518 and entering conference ID 7497490. As part of the conference call Intelligent Systems will be conducting a question and answer session where participants are invited to email their questions to fax@intelsys.com prior to the call. A transcript of the call will be posted on the company's website at www.intelsys.com as soon as available after the call.

The company will file its Form 10-Q for the period ended June 30, 2020 with the Securities and Exchange Commission today. For additional information about reported results, investors will be able to access the Form 10-Q on the company's website at www.intelsys.com or on the SEC site, www.sec.gov.

About Intelligent Systems Corporation

For over thirty-five years, Intelligent Systems Corporation [NYSE American: INS] has identified, created, operated and grown technology companies. The company's principal operations are CoreCard Software, Inc. (www.corecard.com) and its affiliate companies. CoreCard provides prepaid and credit card processing services using its proprietary software solutions that it also licenses to others. CoreCard has designed and developed a comprehensive suite of software solutions that corporations, financial institutions, retailers and processors use to manage credit and debit cards, prepaid cards, private label cards, fleet cards, loyalty programs, and accounts receivable and small loan transactions. CoreCard's flexible and proven processing platform is being utilized in many countries in addition to the United States including Australia, Canada, China, the United Arab Emirates, France, Italy, Mexico, New Zealand, Singapore, South Africa and the United Kingdom. Further information is available on the company's website at www.intelsys.com or by calling the company at 770-381-2900.

In addition to historical information, this news release may contain forward-looking statements relating to Intelligent Systems Corporation and its subsidiary and affiliated companies. These statements include all statements that are not statements of historical fact regarding the intent, belief or expectations of Intelligent Systems Corporation and its management with respect to, among other things, results of operations, product plans, and financial condition. The words "may," "will," "anticipate," "believe," "intend," "expect," "estimate," "plan," "strategy" and similar expressions are intended to identify forward-looking statements. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual

results may differ materially from those contemplated by such forward-looking statements. The company does not undertake to update or revise any forward-looking statements whether as a result of new developments or otherwise, except as required by law. Among the factors that could cause actual results to differ materially from those indicated by such forward-looking statements are instability in the financial markets, delays in product development, undetected software errors, competitive pressures, changes in customers' requirements or financial condition, market acceptance of products and services, the impact of new or changes in current laws, regulations or other industry standards, risks relating to unauthorized access to confidential information due to criminal conduct, attacks by hackers, employee or insider malfeasance and/or human error and declines in general economic and financial market conditions, particularly those that cause businesses to delay or cancel purchase decisions.

For further information, call
Matt White, 770-564-5504 or
email to matt@intelsys.com

Intelligent Systems Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share amounts)

| | Three Months Ended June 30, | | Six Months Ended Jun 30 | |
|---|--------------------------------|-----------|----------------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | |
| Services | \$ 8,053 | \$ 6,812 | \$ 15,946 | \$ 12,970 |
| Products | - | 700 | - | 1,500 |
| Total net revenue | 8,053 | 7,512 | 15,946 | 14,470 |
| Cost of revenue | | | | |
| Services | 3,694 | 2,899 | 7,201 | 5,430 |
| Products | - | - | - | - |
| Total cost of revenue | 3,694 | 2,899 | 7,201 | 5,430 |
| Expenses | | | | |
| Marketing | 31 | 51 | 63 | 80 |
| General and administrative | 704 | 1,100 | 1,762 | 1,690 |
| Research and development | 921 | 861 | 1,838 | 2,050 |
| Income from operations | 2,703 | 2,601 | 5,082 | 5,200 |
| Investment (loss) income | (95) | (21) | (1,145) | - |
| Other income | 117 | 146 | 253 | 240 |
| Income before Income taxes | 2,725 | 2,726 | 4,190 | 5,450 |
| Income taxes | 525 | 618 | 943 | 1,270 |
| Net income | \$ 2,200 | \$ 2,108 | \$ 3,247 | \$ 4,180 |
| Earnings per share attributable to Intelligent Systems Corporation: | | | | |
| Basic | \$ 0.25 | \$ 0.24 | \$ 0.36 | \$ 0.40 |
| Diluted | \$ 0.24 | \$ 0.23 | \$ 0.36 | \$ 0.40 |
| Basic weighted average common shares outstanding | 8,924,988 | 8,850,988 | 8,924,988 | 8,846,150 |
| Diluted weighted average common shares outstanding | 9,019,025 | 9,004,664 | 9,020,470 | 9,015,660 |

Intelligent Systems Corporation
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

| As of | June 30, 2020 | | December 31, 2019 | |
|-------------------------------|---------------|--------|----------------------|--------|
| ASSETS | (unaudited) | | (audited) | |
| Current assets: | | | | |
| Cash | \$ | 32,316 | \$ | 26,415 |
| Accounts receivable, net | | 8,136 | | 8,759 |
| Notes and interest receivable | | 1,063 | | - |

| | | |
|---|-----------|-----------|
| Other current assets | 1,058 | 905 |
| Total current assets | 42,573 | 36,079 |
| Investments | 2,155 | 3,081 |
| Notes and interest receivable, net of current portion | 1,543 | 1,795 |
| Property and equipment, at cost less accumulated depreciation | 4,253 | 2,177 |
| Other long-term assets | 3,497 | 1,108 |
| Total assets | \$ 54,021 | \$ 44,240 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|-----------|-----------|
| Current liabilities: | | |
| Accounts payable | \$ 431 | \$ 403 |
| Deferred revenue, current portion | 4,801 | 689 |
| Accrued payroll | 1,649 | 2,503 |
| Accrued expenses | 238 | 153 |
| Income tax payable | 1,965 | 1,100 |
| Other current liabilities | 1,728 | 1,345 |
| Total current liabilities | 10,812 | 6,193 |
| Noncurrent liabilities: | | |
| Deferred revenue, net of current portion | 9 | 23 |
| Deferred tax liability | 275 | 275 |
| Long-term lease obligation | 2,312 | 460 |
| Total noncurrent liabilities | 2,596 | 758 |
| Intelligent Systems Corporation stockholders' equity: | | |
| Common stock, \$0.01 par value, 20,000,000 shares authorized, 8,924,988 issued and outstanding at June 30, 2020 and December 31, 2019, respectively | 89 | 89 |
| Additional paid-in capital | 15,573 | 15,450 |
| Accumulated other comprehensive loss | (140) | (94) |
| Accumulated income | 25,091 | 21,844 |
| Total Intelligent Systems Corporation stockholders' equity | 40,613 | 37,289 |
| Total liabilities and stockholders' equity | \$ 54,021 | \$ 44,240 |