

**Transcript of initial interview with
Mr. Douglas Dymant**



President and CEO of Gatekeeper Systems Inc.

GATEKEEPER

TSX Venture Exchange: GSI

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Douglas Dymant - President and Chief Executive Officer. Douglas Dymant, founded Gatekeeper Systems Inc. in 1997, but has been a strong presence in the video security industry since 1992. At that time, Mr. Dymant developed and sold a school bus video system to Silent Witness Enterprises Ltd. This product led the company into the global security market, where they secured top market space, and generated \$35 to \$40 million in revenue. At Silent Witness Enterprises, Mr. Dymant was a key player on the business development team responsible for the expansion of its security cameras through OEMs with large multi-national companies and security distributors. Mr. Dymant's focus on improving safety in the fleet environment, coupled with his more than 20 years of experience leading sales, business development, operations, and research and development teams, has enabled him to grow Gatekeeper into the foremost provider of digital video security solutions.

Smallcaps Investment Research: Welcome everybody and thank you for joining Smallcaps Investment Research. In today's interview we will find out lots more about Gatekeeper Systems, which provides wireless high-resolution video security and safety solutions for in-transit applications, such as school buses, municipal transit, law enforcement and the military. The Company is listed on the TSX Venture Exchange with ticker symbol GSI.

With us today to discuss Gatekeeper Systems is its President and CEO, Mr. Douglas Dymant. Doug, thank you for joining us.

Douglas Dymant: Thank you very much. Happy to be here.

Doug, as this is our initial interview, could you give us an overview of Gatekeeper Systems and its activities?

Yes. I'd be happy to do that. I started Gatekeeper Systems as a small private company several years ago and recently took it public with the goal to grow a much larger company. One of the strategies was to leverage our stock as a currency to help us grow.

Our primary market is in the K to 12 (Kindergarten to 12th Grade) business protecting students in and around school buses. We do this by providing a rugged recording system that records video integrated with GPS for vehicle location,

vehicle sensors, voice and a number of other data points.

We also have a software application that allows our customers to manage the video, find incidents and share them with parents. This is helpful when there are problems such as bullying or other more serious problems such as gang warfare or criminal activity. Sometimes that information has to be shared with law enforcement which includes accident investigation as well. These cases clearly show why our systems and gathered information help managers better manage their fleets.

Additional markets we are opening up include law enforcement, transit, specialty vehicles, and the heavy haul market. If you look at this mobile marketplace in general, it is fragmented into different market sectors and each market sector typically needs video to make sound operational decisions in order to save money.

Gatekeeper Systems is basically organized into two divisions, let's discuss both of them into more detail. First, we have Gatekeeper Mobile Video. Can you give us some more information about this division and where it is active?

To start with, it might be a good time to talk a little bit about my background. I used to work for a company called Silent Witness. I sold them a technology that was installed on school buses back in 1992. It was the first video system that was put on school buses. We grew that business with multiple product

lines, and sold them all under the same brand name, Silent Witness.

Now, when Honeywell acquired Silent Witness for \$72 million, they had to buy the whole company because all of their products were associated with one brand, Silent Witness.

When I created Gatekeeper, I wanted to do something a little bit different. I wanted to create a technology platform that we could sub-license into different divisions under different brand names for specific markets that might have different requirements. By doing so, we may be selling a somewhat similar product using a common platform with enhancements, which would meet requirements for different markets under a different brand name with different profit margins.

The initial focus at Gatekeeper was on the K to 12 market and now, it evolved into transit. So those are the two main markets that the Gatekeeper brand is used for.

Could you give us an example where the video surveillance system is in operation to illustrate the potential of this division?

In the K to 12 market and the transit market, we have approximately 3,000 customers since we launched the Company several years ago.

Just recently, we have landed a strong customer with approximately 2,000 buses in the state of New York. They do business with the New York Board of Education that operates approximately 7,800 buses through 200 contractors. The customer, Logan Bus, is the single largest operator under the contract. They provide services in the northeast region.

Another example is in the Midwest Transit the largest International Dealer for selling school buses in North America. We recently received a \$1.5M USD purchase order and we are actively helping their sales team drive sales. . They provide sales, service, support

and new vehicle sales in the state of Illinois, Indiana, Michigan, Kansas City and Missouri. They are looking at expanding all across North America. This is an exciting opportunity.

Another promising area where we are expanding is the Department of Justice. We were recently approved as a video platform in eastern Canada where our systems are used on prisoner vehicles. We are also starting to see our systems being used in ambulances and fire trucks.

To conclude, there are a vast number of mobile markets we see ourselves growing into as we grow the business.

The second division that I'd like to discuss is called Deep Development Corp. Would you tell us a bit more about the target markets of this division?

Deep Development Corp is doing business under the Viperfish brand name. Initially, we started the brand with scientific recording devices that allowed us to record underwater activity. This was a lucrative market as it moved from replacing analog recorders to digital.

Nowadays, Viperfish is mostly offering products for the military. The United States Air Force (USAF), for example, asked us to adjust our recording platform to operate in a 10,000-foot unpressurized environment which is what the USAF gunships operate in. We were able to successfully design the platform.

We were selling smaller amounts of units but at much higher price points given the value our system offered. Our systems are actually used on the AC130 gunships recording Wescams long range high definition sensor. USAF also uses our software for post mission analysis.

We are quite excited about our relationship with the USAF. Furthermore, designing a product that meets the tough requirements of the USAF lends lots of credibility to our overall business.

I should also mention Boeing Aerospace is a customer and our systems are used on the Sea King helicopters and in Special Ops.

Wow, well that's very interesting. You have over 100,000 video devices installed, so the amount of data and information that they collect must be enormous. Do you see opportunities in that area?

I absolutely do. In fact, this is one of the single most exciting parts of the future at Gatekeeper. I see us as a solutions provider. A company that provides all of the pieces to an overall security system for mobile market customers.

However, the collected data is where the real gold is and I see the future of the company in managing that data. Case in point could be the stop-arm camera business, although it has been slow to take off there are approximately 14 million stop arm violations that occur each year and children have been run over by motorist. Legislation is now passed in 13 States that allow law enforcement to use video from our school bus video system as evidence to issue a citation. The average citation ranges between \$250 to \$500 USD. The potential market size could grow to over \$1 Billion.

We have hosted services back here at Gatekeeper Systems in Abbotsford, British Columbia where we started to manage incidents as we partnered with law enforcement in school districts. That was really our first step into managing data from a remote site. We have five such stop-arm projects in operation in the state of Georgia. We provide our systems free of charge, but we share the revenue: 50% goes to Gatekeeper, 25% to the school district and 25% to the county. The program is violator funded with no cost to innocent tax payers.

Thanks to our data collection systems on those school buses, we can read the license plates and match them with the vehicle owner at the Department of Motor Vehicle database. When there is a stop-arm violation we send that evidence back to

Abbotsford, through our Ticket Infraction Management (TIM) cloud based software application, which manages the entire ticketing cycle. We collect all of the funds and then we disperse them based on the revenue sharing contracts we have with the school district and the county This makes Gatekeeper the end-to-end solutions provider for this application. It's one stop shopping for our customers and there's no need to bring in other partners.

The overarching point is that we are starting to manage data from a remote site. I believe that in the future there is going to be an opportunity for us to manage various forms of data we collect.

Let me give you another example. In the case of transit authorities, we see an interesting opportunity in collecting evidence. Some transit agencies are spending upwards of 40 to 50 million dollars a year defending themselves against false liability claims. These claims are a major problem in the USA. I am specifically talking about staged accidents where people jump on a transit bus after it has been involved in an accident, and then claim that they were on the bus during the accident. That is an example of where the lawsuits are initiated..

We believe that in the future, we could put a service in place that looks at the data we are collecting and determines where there is a potential false liability issue which could be of risk to the transit authority. We would then collect that information and store it for them. If they have a lawsuit against them, they'll have this information to help defend themselves.

This is helpful as most transit authorities retain video evidence only for 30 days. This short retention policy then helps the lawyers who want to sue the authority. They usually wait until the video is overwritten and then they file the claim when the authority does not have the crucial evidence anymore.

With our solution, we would be able to prevent this as we would save the evidence we believe could be used against the transit

authorities. This would not only increase efficiency but also save the authority a material amount of money.

Just as a concrete example, recently we were able to get information that Southeast Pennsylvania Transit Authority (SEPTA) in Philadelphia was able to save up to \$20 million a year because of a proactive evidence management structure similar to what I have described.

We believe that demand for such solution could be plentiful as a similar problem exists in most transit authorities.

You reported third quarter financials, for the period ended May 31st, a few weeks ago. Would you give us an overview of those results?

The revenue for the three months ending May 31st, 2018 was just over \$2.5 million which as an 11% increase compared to the previous year. It also included approximately \$300,000 in recurring revenue that comes from our newly formed U.S. subsidiary Gatekeeper Systems USA.

We acquired the assets of a company in Delaware and we transferred maintenance contracts on video from SEPTA to this new subsidiary. We are performing maintenance on the video systems they currently have in place on approximately 2,400 vehicles.

The gross profit during the quarter was approximately \$1.36 million compared to \$1.18 million for the same period last year. We've seen a slight increase in our gross margin to about 54% compared to 52%. Our gross margin can fluctuate from time to time as it is reliant on the current sales funnel.

However, because we bundle our software with our hardware, we provide a good end-to-end solution that the customers see significant value in. Thus we have been successful at holding our margins around the 48% to 52% range, or even slightly higher as seen in the recent quarter.

Also, Gatekeeper's balance sheet looks very solid, with more than \$4.6 million dollars in cash and no long-term debt.

Last year, we raised some money. We really felt like it was time to strengthen the Company's balance sheet position given the size of the deals that are in our sales funnel. Thus, we don't have any debt and our working capital was about \$6.7 million, a little over \$4.6 million in cash and cash equivalents on May 31st.

And could you describe the security and surveillance market that you're active in, for example, how big is it, and is it a fragmented market?

If you look at the overall security market it is estimated to be around \$28 billion. This number includes all fixed site surveillance systems, street cameras, building cameras, access control. Basically, all the devices that include services that go into securing the North American market.

However, when you start looking at the mobile piece of the market, you have to carve out all of the different types of opportunities. K to 12 has about 550,000 yellow school buses and there are between 30,000 and 50,000 yellow school buses manufactured every year. The transit market is a little over 100,000 vehicles in North America. You also have the law enforcement market that has about 410,000 vehicles. Then you've got all of these other niche markets. The heavy rail, light rail, ambulances, first responders, fire trucks, etc.

Today's increasing interest in mobile video is driven by the prevailing mindset about getting access to information as quickly as possible. The video is the centric piece of information that is required for a number of different reasons. For example, you're able to determine what happened in order to either defend yourself or potentially prosecute.

And can you tell us a little bit about yourself and the other key executives of the Company?

As aforementioned, I started with a company called Silent Witness back in 1992. I came up with a video device that records what was happening inside school buses to try to keep the driver's eyes on the road. Thus, my background has been in security for quite some time.

We recently hired a new CFO, Gordon Clissold. Gord is just an outstanding hire and I look forward to building out our company with him. Our VP of Products and Programs is a gentleman by the name of Doug Fraser. He is a seasoned senior manager who is important for us as he comes out of a number of areas.

First of all, he was the global product manager for Honeywell. He handled all of their networking products for the casinos. He also comes out of the wireless side with Motorola where he handled big projects in Japan for them. That is certainly a helpful background for Gatekeeper as mobile video heads towards more wireless, more networking, and integration with various other third-party software applications.

On the engineering side, when Honeywell bought Silent Witness, there was an engineering team that was nervous about the acquisition. I was successful in convincing those top engineers to join Gatekeeper.

Due to all of this, collectively we have over a hundred years of experience designing mobile video platforms from the software application for managing the data to the firmware to the mechanical and hardware. We have all the components here to put us in a strong competitive position as we move forward.

The reason this is crucial for us is that as you start to get into some of these larger projects such as city transit, you really need a strong engineering capability, in order to work with the clients to interface your products with their high-speed rail and transit buses. Gatekeeper has exactly that capability.

Before we go, what would you say are the most important catalysts that

investors should look out for at Gatekeeper Systems in the next 12 to 18 months?

In the next 12 to 18 months our focus is on our core business. We are aggressively going after some of the major transit authorities in the cities. I hope to shortly put out news about a specific project that we are really excited about.

We will also continue to build out our K to 12 market. Protecting kids is part of our beneficial legacy. We want to see this business next year being in the neighborhood of about \$15 million in revenue, which would mean a substantial increase compared to this past year. I really believe it's only a matter of time before that happens.

Perhaps initial new contracts might come in smaller size, but they will provide the much-needed catalyst for further improvement.

On the data management side, one of our important goals is to introduce new video analytics specifically related to areas in mobile that give us a unique advantage over competing companies.

Specifically, we are about to introduce new algorithms that give us deep learning capabilities. This means utilization of artificial intelligence in order to make decisions from an intelligence standpoint. This will increase efficiency as we will analyze only the video that matters for the customer.

I believe this capability is going to be a huge catalyst for Gatekeeper moving forward.

Fantastic. Doug, thank you so much for taking the time out of your schedule to give us an introduction to Gatekeeper Systems. We hope that the exciting opportunities for your Company bear plenty of fruit, and of course we'd love to have you back in the near future to discuss Gatekeeper's progress.

Thank you for your time and I look forward to talking to you again soon.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/gatekeeper-systems-ceo-doug-dyment-shares-outstanding-growth-opportunities>

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