

**Transcript of update interview with
Mr. Douglas Dymont & Mr. Jeff Gruban**



**Respectively President & CEO and VP of Sales at
Gatekeeper Systems Inc.**

GATEKEEPER

**CA: GSI
US: GKPRF
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Douglas Dyment - President and Chief Executive Officer. Douglas Dyment, founded Gatekeeper Systems Inc. in 1997, but has been a strong presence in the video security industry since 1992. At that time, Mr. Dyment 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. Dyment 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. Dyment'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: A warm welcome everyone to a new interview on Smallcaps Investment Research. We're excited to have two representatives from Gatekeeper Systems with us today. We have Mr. Doug Dyment, the President and CEO and also Mr. Jeff Gruban, the brand new Vice-President of Sales. Gatekeeper provides high-definition mobile video surveillance and safety solutions for public transit authorities, school districts, law enforcement, as well as the US military and Coast Guard. The Company is listed on the TSX Venture Exchange with ticker symbol GSI. Several exciting developments have taken place at the Company since our previous interview, so we have lots to talk about today. Doug and Jeff, thanks so much for joining us, welcome.

Doug Dyment & Jeff Gruban: Thank you.

Doug, to start off the interview, can you give us a brief recap of Gatekeeper Systems?

Doug Dyment: Sure. We are embarking on a growth stage. This is a result of some significant changes we have made in the Company to add some layers of revenue outside the K-12 market, our bread and butter business for years.

In order to strengthen our company, we needed to execute on an acquisition that would give us access to a major transit authority. This is why we acquired Spector Logistics last year for \$300,000.

The acquired assets included a commanding control system, staffing, vehicles and all of the expertise to operate maintenance contracts on the current video systems that are tied to Southeastern Pennsylvania Transportation Authority's (SEPTA) vehicles and trains. We also convinced SEPTA to transfer approximately \$1.7 million in a combination of service contracts and equipment contracts to our Company.

Overall, this new business is likely to translate into approximately \$7 million in new invoiced sales. This is significant given that we paid only \$300,000 for the acquisition.

Due to this bump, our sales goal this fiscal year is in the neighborhood of \$11 to \$15 million. In addition, this situation opens up enormous opportunities within SEPTA. We could become the video provider for their existing fleet of buses and trains. We are already delivering our video technology to new buses and we are hopeful we will be successful in being the video vendor for the trains as well.

To summarize, this acquisition has been very, very good for Gatekeeper Systems. We see it as a major launch-off point for moving forward in the transit market place.

In March 2018, so about a year ago, you established Gatekeeper Systems USA in Delaware. Boy what a ride that has been since. Can you first take us back a year ago. Why did you establish that US subsidiary?

Doug Dymont: The reason is that our K-12 market requires certain services to be set up within the United States. There is, for example, the Buy America requirements in transit. We also needed to get closer to our customers as 90% of our sales are in the US market place.

This transition was also helped by the acquisition of Spector Logistics which made the process seamless. They already had a lease on a facility in the US. We are actually now in the process of moving that facility. We expect that on April 1st, we will be moving into a new facility with new manufacturing capability and a new commanding control system.

This will allow us to set the stage for connecting to transit authorities' video systems, connecting to K-12 customers' video systems. It will also be the backbone to manage video from a remote site.

Since it was established, the subsidiary is projected to generate no less than \$7 million in sales. To put that in perspective, Gatekeeper's revenue for its entire fiscal year 2018, which ended August 31st, 2018 was approximately \$7.8 million. How do you explain that success?

Doug Dymont: The revenue increase is a wonderful opportunity for Gatekeeper. The main reason is that it will increase the services portion of our business. This is crucial for us in order to offset the spikes in revenue from the K-12 market where we can experience sales volatility on a quarterly basis.

A lot of the times, Gatekeeper does not have any control over the timing when the government will deliver on specific contracts, or when the agencies will allocate funds. Thus, we need to increase our services portion of our business to really give us recurring revenue on a month to month basis to offset this.

Now, looking at the future, do you see this relationship with SEPTA, and other transit authorities expanding further?

Jeff Gruban: Absolutely. We have made a significant strategic direction change about 18 months ago to focus on the transit market in North America. That was also primarily the reason that Doug brought me in.

One of our first successes was the acquisition of the account with SEPTA. We have been developing our service business in that area as well as our equipment.

Moreover, we are working with them on some new technology. We are really excited about that. We are going to leverage the success we have had at the SEPTA account and take it to other transit authorities primarily in Canada and the US.

All of this growth obviously has to show up in Gatekeeper's financials. In both the first and second quarter of fiscal year 2019 you already achieved record revenues. How does the rest of the year look like?

Doug Dymont: We are pretty bullish on our revenue targets this year. We expect annual revenue to be in the neighborhood of \$12 to \$15 million or potentially even higher. It all depends on the timing of some of the projects we have in our K-12 sales funnel.

I will give you an example. We have a large contractor in New York, Logan Bus, that is already using our technology. They own 2000 buses, but they have added our systems to less than 100 buses so far.

This is a clear opportunity that could see us filling up the entire fleet which adds potentially another \$2 to \$3 million in revenue. However, the timing of this is partially determined by the customer. They have to adjust for their budgets and business plans.

Excellent. A couple of weeks ago, Gatekeeper attended the Transit Bus Summit in Las Vegas, an important get-together for participants in the transit industry. Can you elaborate some more about the event and how it went for Gatekeeper?

Jeff Gruban: It was a thrilling event for us. It was an invitation-only event and it was made up of about 60 transit authorities in the United States. They brought in lots of their senior executives and they also brought in a bunch of vendors. We were excited to be invited to attend.

We were brought in to speak primarily about our new technology, which is applying artificial intelligence to further utilize the data we collect with our core technology. We have talked a lot about that with the transit authorities. We received great feedback and we developed a lot of opportunities out of that event as well.

Could you give us some more details about why artificial intelligence is important as it relates to managing data, which is one of the directions where Gatekeeper wants to significantly grow?

Jeff Gruban: Our industry has traditionally been reactive in the way we manage the collected video data. However, some of these organizations are getting large in terms of the number of systems they have out there. This means increasing amounts of data.

One example can be a large customer we are working with. They have 3000 vehicles with an average of about 10 cameras per vehicle recording about 16 hours a day. It works out to roughly half a million hours of video on a daily basis.

That is a tremendous amount of information. It is impossible to interrogate that video and collect evidence just by using the typical reactive and often manual methods. Moreover, you are not getting the full potential from the data.

That is really what is driving our desire to create AI algorithms that automatically interrogate the video using computing technology. These algorithms look for evidence that might be useful to help the transit authority either defend themselves in litigation or solve other problems.

Within this scope, we have several different solutions we are working on. Interestingly

enough, we are about to launch a counting technology. This uses our system to count the number of passengers that travel on the vehicles. The technology is being launched with some of our existing customers. We feel this is going to be a strong advantage for us as we move into the transit authorities' market.

Wow! That is very interesting. Now, to give us an idea Jeff, why would transit agencies be interested in integrating people counting in a video system?

Jeff Gruban: The passenger counting can be extremely helpful in planning the routes of the transit authority. It also helps to plan their vehicles, to schedule their resources in terms of where the traffic flow is. Generally, it just improves the understanding of where the passenger flow is.

In the past, this has been done with some rudimentary technologies. Some transit authorities even do it manually. They put people on the vehicles and take tallies. Sometimes, they can do it with their fareboxes. However, nowadays you really must automate given the size.

Another large benefit of the counting technology is that it can help with the transit authorities' applications for grants which are essential for their business. These grant applications are based on accurate passenger counting.

As we discussed earlier, last year you acquired Spector Logistics Inc. Can investors expect another acquisition this year?

Doug Dymant: I think it would be a long shot for us to expect another acquisition this fiscal year, but one of my goals is to execute strategic acquisitions moving forward.

I have my eye on at least one business that might be interesting for us. So what you might see is a letter of intent this year, but I do not see us completing on any acquisition

However, I do not want to overly stress the organization outside of our comfort zone. We

have lofty revenue targets this year and we want to deliver on these. Moreover, we also had to move to the United States. Thus, there is a lot going on in this small company, and I do not want to distract us from our current focus.

Okay, very interesting. And, are you also looking to grow Gatekeeper outside of North America?

Doug Dymont: Absolutely. The interesting thing about the mobile market place is that it is a global market place. For instance, readers can Google the Dubai project that we're involved in and look at what the goals of the Road and Transportation Agency (RTA) in Dubai are.

They are looking at outfitting video on 6500 buses in the city and Gatekeeper has been shortlisted for that project. We hope we will be part of this in the future.

We are excited about this because Dubai is one of the fastest growing cities in the world. They are also very much engaged in the smart city concept. This is where our products aimed at connecting school buses back to their recently launched major command center fall perfectly in.

Their goal is to put smart sensor systems on the fleet of school buses to capture stop-arm violations. They will also use it to capture vehicles driving up too close to a school bus. In Dubai when a car drives within 5 meters of a bus, a fine can be issued. The third piece of revenue they are looking for is a seatbelt fine. If the students are not wearing a seatbelt, the driver gets fined.

These are the smart applications RTA is trying to implement, and Gatekeeper is ready to deliver. We are now waiting for budget approval and potential request for proposal.

Jeff, anything that you want to add?

Jeff Gruban: Our primary business at this point is in Canada and the US, but we definitely do look abroad.

One of the exciting things, as we grow our business in North America, is that we develop relationships with technology partners, consulting groups, technology integrators, and other manufacturing partners we work with. If they have opportunities in other parts of the world, we get pulled into those as well.

They can highlight interesting international opportunities for us. There are a couple of key partners that we have developed relationships with. Springboarding off the SEPTA relationships into the rail industry is one example.

Okay, very interesting. And, as a final question, what are some of the highlights that investors should look out for in 2019?

Doug Dymont: The first highlight is that Gatekeeper is about to embark on launching a unique analytics platform. We believe this will give our customers an edge in getting more intelligence and being proactive in managing incidents.

SEPTA is a great example of how this has been achieved. The video technology has not only improved operations but also saved SEPTA an enormous amount of money. This is mainly tied to false liability claims. The transit authority is now proactive in their approach to identify and capture evidence that in the past they would have needed in order to defend themselves against these false liability claims.

Another highlight I suggest investors look for is our ability to capture additional major transit agencies. We could use the same strategy as with SEPTA, especially since we now have these new analytic capabilities. This could bode well for our K-12 business which we are trying to grow.

I would also look for how are we going to navigate the stop arm camera business. There the legislation is changing and there might be less revenue sharing going forward. Thus, we need to consider changing our business to have more of a licensing service type offering.

Finally, as aforementioned, our plan is to increase the services side of our business. This can level off the revenue spikes we sometimes see on a quarterly basis. If you are an \$8 million or a \$15 million company and you have got projects worth \$4 or \$5 million, the revenue volatility is understandable but undesirable. Thus, building up the services side of our business is very important to us.

Jeff, any final thoughts for investors?

Jeff Gruban: From my perspective, I think they should focus on what next large transit authority we are going to bring in. There are a couple of key targets we have. Like I

previously mentioned, they are relationships we generated off that Vegas Summit.

We will also be introducing some really exciting new solutions based on the artificial intelligence algorithms that we have developed recently. These are two of my highlights for investors.

Fantastic. Doug and Jeff, thank you very much. It's been a pleasure speaking with the two of you and we appreciate your time and insight. We wish you and the Company all the best.

Doug Dymont & Jeff Gruban: Thank you very much.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<https://smallcaps.us/gatekeeper-sales-estimated-to-double-in-2019-stock-price-may-soon-follow-suit>

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