Operator: Good day, everyone, and welcome to today's Helix TCS Fourth Quarter and Full Year fiscal 2018 Earnings call. At this time all participants are in a listen only mode. Later, you will have the opportunity to ask questions during the question and answer session.

You may submit your questions to IR@HELIXTCS.COM. As reminder, today's call is being recorded. It's my pleasure to turn the conference over to Zachary Venegas. Please, go ahead.

Zachary Venegas: Thank you. Good morning, everyone, ladies, and gentlemen. Thank you for joining us for the earnings call. My name is Zachary Venegas. I'm the CEO of helix TCS. I'm joined on the call by my esteemed partner and our fearless CFO, Scott Ogur.

We have decided to initiate an inaugural call for earnings after three years of operations and to have at our ability to continue to dominate the market as we have. We'll talk more about that in the qualitative section. Before we get into the meat of the discussion, I'll turn it over to Scott to give the all-important disclaimer.

Scott Ogur: Thank you, Zach. This presentation may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934.

Forward-looking statements describe future expectations, plans, results, or strategies, and are generally preceded by words such as may, future, plan, or planned, will, or should, expected, anticipates, draft, eventually, or projected.

You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements; including the risk that actual results may differ materially from those projected in the forward-looking statements as a result of various factors, risks that we may not realize the anticipated benefits of acquisitions we may make, or plan to make, and other risks identified in the Company's 10-K for the fiscal year ended December 31, 2018, and other filings made by the Company with the Securities and Exchange Commission.

Zack, hopefully, everyone is still awake, and back to you.

Zachary Venegas: Thank you, Scott. We'll kick off the call by talking about what we hope to accomplish in 2018, and to give everyone a common ground by which to evaluate our performance. In 2018, it was largely about completing the technology aspects of our critical infrastructure platform. What does that mean?

That meant we wanted to finish the BioTrack merger, acquire a development platform that we could integrate into our existing infrastructure, so that we could continue to develop the code that we needed to. To continue to roll out into the markets that we did and focus a bit on California; and continue to grow other operations in other states.

If we talk about those three things, we'll go back up to the BioTrack merger. Obviously, that happened. It's a physical fact now. We were very pleased with that.

That gave us massive market share as third parties have already stated in some earlier publications in the year. That allowed us to put in the centerpiece of our technology infrastructure platform.

We will continue to enhance and grow that platform, both in terms of revenue, sales, and scope of services as appropriate. But that was clearly accomplished.

With the acquisition of Engeni, which is our Buenos Aires, Argentina based development platform, we again, further supported the acquisition of BioTrack. But also, that gave us the ability to develop the sort of cutting-edge market facing code on the technology side that we would need to execute our international and domestic expansion plans.

That was finished. We already are operating in California. What will come out later on today is the acquisition of another security firm. That will accelerate our ability to deliver our services on the security side into the state of California and beyond.

In terms of those acquisitive dimensions, we accomplished all of the goals that we set out for in 2018. Then, in terms of expansion and market share growth, we physically are in the country of Colombia. We're in Australia, New Zealand. Those are examples of market expansion.

It's also obvious through the revenue growth that we were able to grow our business organically as well and on a geographic basis. That's in terms of our qualitative scorecard for 2018.

I'll turn it now over to Scott who can talk about the really important things, which is the quantitative elements of 2018.

Scott Ogur: Thank you, Zach. For the full year of 2018, Helix TCS generated revenues of $9.6 million as compared with $4 million in 2017, which is an increase of 137%. We generated a gross profit of $3.6 million in 2018, for a 38% gross margin; as compared with $1.1 million in 2017, which was a 28% gross margin.

In 2018, we had a loss from operations of $10.2 million as compared with $3.8 million in the prior year, both heavily driven by non-cash charges. Cash flows from operations were negative $4 million for the full year 2018, verses $1.7 million in 2017.

Please note that cash from operations were negatively impacted in 2018 by $335,000.00 of fees paid in connection with fundraising; $67,000.00 of nonrecurring legal costs, and approximately $185,000.00 of professional fees associated with the BioTrack merger.

Looking at the quarter, so in the fourth quarter of 2018, we generated revenues of $3.45 million as compared with $1.2 million for the prior year's fourth quarter for an increase of 189%. Gross profit was 1.4 million versus 500,000.00 in 2017 fourth quarter. We reported a loss from operations of 3.2 million as compared with $2.2 million in the prior year's fourth quarter.

Cash flows from operations were negative 788,000.00 in Q4 2018, versus negative 237,000 in Q4 2017. Looking at the sequential or quarter-over-quarter results from Q3 to Q4 of 2018, revenues increased from 3.1 million to 3.45 million.

Gross Profit increased from 1.2 million to $1.4 million. Cash flows from operations improved from negative 1.25 million in Q3 2018 to negative $788,000.00 in Q4 2018.

On a segment basis, the two primary business segments are software, security guarding, and monitoring. In the fourth quarter of 2018, software, which is the BioTrack business generated revenues of $1.95 million as compared with $1.65 million in the third quarter of 2018 for an 18% quarter-on-quarter growth.

Software gross profit was $1.18 million in Q4, up 34% from the $885,000.00 gross profit in Q3. Just please note, these are the only two full quarters with BioTrack being part of Helix as the merger closed on June 1st of 2018. There was only one month in Q2.

The security guarding and monitoring business had revenues of $1.46 million in the fourth quarter of 2018, up 28% from the $1.14 million in the third quarter. Gross profit in Q4 for this business unit was $297,000.00 up 33% from 224,000 in Q3.

For the full year 2018, security guarding and monitoring revenues were $4.9 million as compared with $4 million in 2017, a 21% year-over-year increase. Gross profit for this business line was $1.27 million in 2018, up 11% from the $1.14 million recorded in 2017. I'll now turn it back over to Zach to discuss our plans for 2019.

Zachary Venegas: Thank you, Scott. In 2019, it's really about acceleration of our already existing operations. We've made a substantial of what I would consider strategic moves in 2018. That everyone now is aware of and that we discussed at some length on this call.

We'll really be pushing to accelerate revenue growth and integration with those assets. In addition to expanding geographically into new markets, we're already well on our way to do that. I expect 2019 to be very similar in terms of the pace and success that we had in 2018.

I don't want to go too much into detail. Because undoubtedly, we'll have competitors listening to this call. We have to protect our proprietary strategy. But, that's where I would focus everyone's attention for 2019.

In terms of other housekeeping items, but with regard to the future, we're clearly rolling out a new technology suite that'll be named and brought to the market at the appropriate time later on this year. That's going to be one of the year's highlights in terms of operational accomplishments.

We're well on our way to do so. We have every confidence that it will be very well received as a commercially significant improvement and advancement in what we have now. What exists in the market now?

Then, the only other thing that I would mention. Obviously, we did a recent financing to accelerate our growth down the road for the year. We will come back to the financing aspect of our business in a significant way later on in the year.

But again, everything is focused on accelerating and improving our business. I expect 2019 to be a very positive year overall. With that said, I think we'll turn it over to any questions that have come in on the line.

Scott Ogur: Sure, Zach. I will read out the questions. Then, either you or I will answer them as appropriate.

Zachary Venegas: Okay.

Scott Ogur: The first question, I think is probably for you. Helix being a security company and smaller than BioTrack, a software company. What was the rationale of the merger?

Zachary Venegas: Okay. You're right. I'll take that. Our strategic plan was never that Helix would just be a security company. When we first emerged into the cannabis space, our name was Helix TCS. TCS stands for technology compliance and security.

There was always a strategic plan to move into different strategic areas in order to be able to construct a critical infrastructure platform. I don't want investors to lose sight of the fact that we have a very strong focus on that concept.

That's why we did what we did in 2018 and 2017. The fact that we were smaller than BioTrack. It was just really a function of BioTrack being older than us. Because remember, we're just a bit over three years old.

That acquisition and that operation now is completely in line with our original strategy. The size difference in the beginning, it was just really incidental. I think that answered that question.

Scott Ogur: Okay, great. The second question, I'll take this first shot at it. You can obviously jump in as well. In terms of guidance, what can investors expect to see in future earnings calls and the level of detail you'd plan to issue across your business lines?

As those of you who followed this company for the past few years know, I think. It's fair to say Zach and I have managed it relatively conservatively, especially in regard to our interactions with the public markets.

I think we have seen many other folks out there who like to focus on telling the market what they can or will do. I think we tend to focus more on showing the market what we can do through our actions. But that said, it's been over three years now.

As we continue to mature as a company, and as the cannabis industry continues to mature, I think we'll clearly look for more ways to enhance communications with the investment community. Hopefully, this first earnings call is a good demonstration of that. We'll look to build on that in the future.

Zach, the third question, I'll probably kick to you. It says, "When you look at the primary drivers of growth for the business in the next three to five years, what markets excite you the most, and why?"

Zachary Venegas: Okay. Three to five years is an eternity. The only thing I can really guarantee is that it won't come out exactly like I'm going to say now.

But, in terms of where I think a lot of the growth will come from. It's simply the international because if you look at the global trends that have been set by Canada and the United States, right?

Because that's the biggest consumption market. The United States is a clear move to make cannabis legal for consumption. Whether it's medical or through adult use. It's setting a global trend.

Given the experience that we have in emerging and frontier markets and given the announced legalization of cannabis; whether it's for recreational or medical use in many other countries. I think that's going to be a market. That's going to be an initiative in a market that's going to really play to our strengths.

That gets me quite excited. If you look at where competitors or our other players of the market are. Where Scott and I came in on day one knowing we were going to build a critical infrastructure platform. International expansion was going to be a big part of it.

Our previous experience in network is built for that. We're, I would say, significantly ahead in terms of the network experience and infrastructure required for international expansion. I feel that's really going to play a strong role for us.

Scott Ogur: Okay, great. Then, I'll just add to that a little bit. You're right. That's, I think, from a geographic perspective. I think from a business line perspective, clearly, we look at the BioTrack software as a very strong foundation of a technology platform.

But like any strong foundation, we'll always be looking for ways to build off of it and grow it; as well as other ancillary technologies that can benefit from it.

Zach, the next question that came in, you may have just answered. But it was, "What plans do you have to expand internationally or to pursue international markets?"

Zachary Venegas: Alright. Building off of what I said before, the physical plans; again, I don't want to get into too much detail now. Because it's not appropriate. But we will look to the markets that we feel in our judgment will expand in a smooth or relatively smooth way.

It's not just about market size or proximity to other markets. It's also about things like the expected ability of whatever legislative regime is there to promulgate laws, so we can expand smoothly into those markets.

Because even within the U.S., where we can regard every new market. It's almost liked its own country. Because the rules are so different even between the different states.

What we have seen, especially illustrated in 2018. Markets that don't roll out smoothly can be fairly large costs. Lots of our competitors have been going out there, trying to expand quickly into markets that they thought were going to roll out well. Actually, it didn't.

The revenue is not there. We'll focus on markets that we feel will expand in a way that makes sense for the business and that are worth the investment. Then, we'll push active expansion there.

I think people can see the writing on the wall now, also. We will also focus on markets where they're competitive. Or, their competitive advantage is probably largely around their ability to produce cannabis at a low cost.

Because those are the cultivators that are going to be looking to use our services the most. That said, that's how I would explain that.

Scott Ogur: Okay, great. It looks like we might have one or two more. What are your security growth plans for 2019 and beyond?

Zachary Venegas: Okay. The security plans will be, again, largely in support of where we think new markets are expanding in a credible way, or in a way that's going to make sense for the business. But that said, the vast majority of our revenue on the security operation is generated from Colorado.

We already are now in California. We'll continue to move into other markets. Where again, rules are properly promulgated and where the legislation and regulations support robust security operations.

Because without there being mention of, or a focus on security operations on the regulatory side, it's often difficult to make those markets makes sense. Because if people don't perceive a need for security, they won't look for it.

While there is a strong need throughout the industry, not all markets equally realize that. We'll be careful about where we expand.

California is certainly a focus as will other markets be. But we'll talk about that as the year goes on.

Scott Ogur: Okay, great. The last question that came in was, "Does the saturation of point of sale companies pose a threat?"

Zachary Venegas: I'll jump on that one as well. It doesn't. I mean, there is always going to be competitive pressure. That's not to say that there isn't competitive pressure. But even though lots of new companies have emerged, for them to reach the level of real threat other than just being another competitor in the market.

In my view and from what we've seen, many of these new companies, it seems easy to sort of enter the market. But, to be successful in the market, and have the features set, and the distribution, the reach.

Then, the support operations to be successful and to deliver value add to market customers. It is very much harder than it looks.

I don't think just the number of the new operators coming into the market is significant. Other than, it may create some pressure on pricing at the lower end. But we still anticipate that the real battle in terms of market share and feature sets is going to be among already established players.

There are no new ones. You can't just show up and have the kind of market share that we do. We don't see that as a large threat. No.

Scott Ogur: I got it. Okay. Actually, I know I said that was the last one. But someone popped in here. How much more growth do you think is possible?

I'm not sure, if that's referring to the markets itself or Helix? But maybe you can talk about that a little bit?

Zachary Venegas: Sure. I guess qualitatively, I would say. My belief is that we have barely scratched the surface. Because even though legislation has passed in many states in the United States, we still are not even a well-developed market within the U.S.

That's not even counting the international market, which is many times larger than the U.S. market, so on all sides. I think, growth hasn't even really reached a steady pace of its sort of peak yet in terms of the rate of growth. I expect there's much more upside in terms of market size.

The potential is there to develop new business and generate more revenue. I don't think we need to worry about our sort of feeling quite yet.

Scott Ogur: Okay, great. That's the last of the questions that came in. I'll just kick it back to you, if you want to wrap it up.

Zachary Venegas: Sure. Again, thank you, Scott, and everybody who helped put the call on. Again, we want to say thank you to the firm in general for all the great work that all of our employees have done over the year.

Thank you to investors who have had the faith and foresight to invest in us, and be interested in our activities, and our outcomes. With that, we look forward to speaking to everyone again next quarter.