

# Intelligent Systems Corporation

 Recommendation [as of October 17, 2019]: **BUY**
**Risk Evaluation:** MODERATE **Price:** 47.20 [Oct 18, 2019 close] **Trading Currency:** USD **Country:** United States

**GICS Sector:** Information Technology

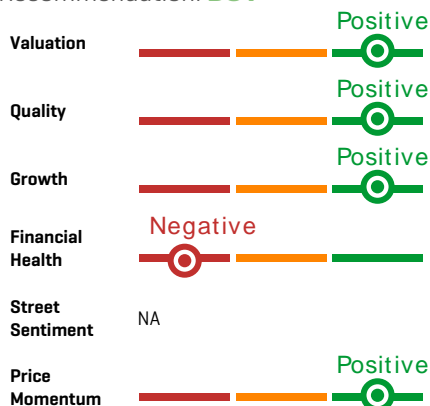
**Sector Ranking:** Overweight

**SPGMI's Quality Ranking:** B-

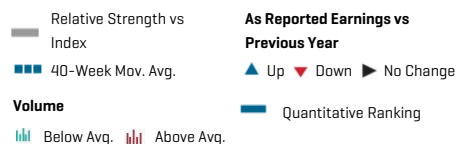
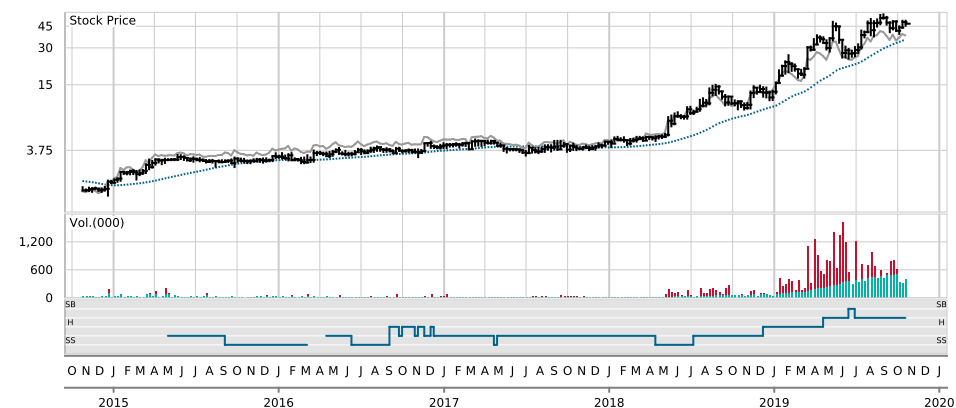
**GICS Industry:** Application Software

**Business Summary:** Intelligent Systems Corporation, through its subsidiary, CoreCard Software, Inc., provides technology solutions and processing services to the financial technology and services market in the United States and European Union. The company designs, develops, and markets a suite of software solutions to accounts contd...

**Quantitative Model Drivers** [as of October 17, 2019]

 Recommendation: **BUY**

**Risk Evaluation :** **MODERATE**

Asset/Market Size Risk	High
Financial Leverage Risk	Low
Price Volatility Risk	High
Liquidity Risk	Moderate

**Price Performance**


Total Return[%CAGR]	YTD	1Yr	3Yr	5Yr
AMEX:INS	405.1	361.8	132.2	110.5
Peer Average	17.8	4.7	2.6	5.8
S&P 500	27.7	10.5	14.2	12.0

 Quantitative Rankings: SB = Strong Buy, H = Hold, SS = Strong Sell  
 Past performance is not an indication of future performance and should not be relied upon as such.  
 Source: CFRA, S&P Global Market Intelligence [SPGMI]

**Model Ranking Commentary**

- AMEX: INS's BUY recommendation is based on its score from CFRA's quantitative model for the United States.
- Valuation and Growth model sub-categories are the two largest drivers of AMEX: INS's BUY recommendation.
- Valuation includes factors such as price to earnings, price to EBITDA, and price to cash flow.
- Growth includes factors that measure EPS growth and stability and cash flow growth and stability.
- AMEX: INS's overall score ranked in the 12th percentile of all stocks in the model universe [1 = best and 100 = worst].

**Key Statistics**

Market Cap [Mln of USD]	417.8
52-Wk Range [USD]	9.350 - 56.240
Value of USD 10K Invested 5 Yrs ago	415,013
Beta vs S&P 500	1.20
Common Shares Outstanding[Mln]	8.851
Average Daily Volume [Mln]	0.118
Insider Ownership[%]	38.41

**Compound Annual Growth Rates**

Revenue - %CAGR	1Yr	3Yr	5Yr
Company	99.2	65.7	20.7
Peer Average	10.4	22.2	6.3
S&P 500	4.7	6.7	3.7

**Operating EPS - %CAGR**

	1Yr	3Yr	5Yr
Company	215.3	69.5	
Peer Average	-125.5	-17.8	-10.8
S&P 500	2.3	14.9	4.8

**Dividend Data**

Currency: USD

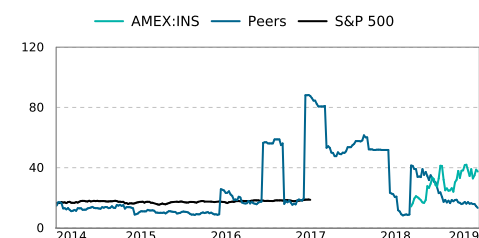
	5Yr Low	5Yr Hi
Indicated Rate/Share	0	
Yield [%]	Nil	0
Payout Ratio [%]	NM	NM

**Payment Details**

Amount [USD]	Ex Div Date	Record Date	Payment Date
0.35	Jan 27	Jan 29	Feb 08, 2016
0.52	Apr 05	Apr 07	Apr 20, 2000
0.1	Aug 25	Aug 31	Sep 19, 1989
0.25	Nov 23	Nov 30	Dec 09, 1988

**5 year P/E Ratio Comparisons** [forward 12-month Diluted EPS estimates]

	Current
AMEX:INS	37.5
Peer Average	12.3
S&P 500	17.6
	5-Year Average
AMEX:INS	29.4
Peer Average	26
S&P 500	17.3





# Intelligent Systems Corporation

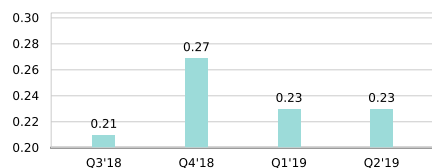
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## EPS Per Share and Revenues [Millions USD, except per share]

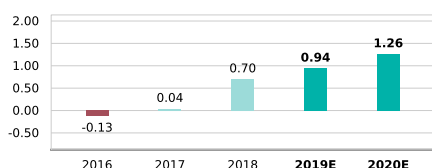
Fiscal year ends Dec 31

### EPS Quarterly - Actual & Estimated



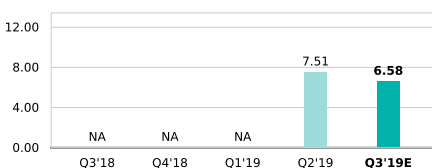
	Q3'18	Q3'18	Q4'18	Q1'19	Q2'19
%Yr.-Yr. Chg.	40	40	432.4	130	91.7

### EPS Annual - Actual & Estimated



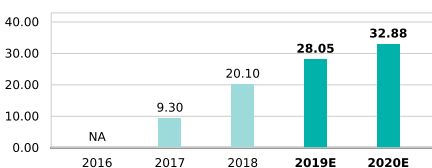
	2016	2017	2018	2019E	2020E
%Yr.-Yr. Chg.	-47	130.8	1650	34.3	34
No. of Analysts	NA	NA	NA	1	1

### Revenues Quarterly - Actual & Estimated



	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19E
%Yr.-Yr. Chg.	NA	NA	NA	NA	NA
No. of Analysts	NA	NA	NA	NA	1

### Revenues Annual - Actual & Estimated



	2016	2017	2018	2019E	2020E
%Yr.-Yr. Chg.	NA	NA	116.1	39.6	17.2
No. of Analysts	NA	NA	NA	1	1

## Key Profitability Ratios

	2014	2015	2016	2017	2018	LTM
% Operating Margin	-54.8	-59.0	-8.4	-16.4	30.6	35.5
Peer Average	4.1	-11.2	-13.4	3.5	6.5	2.5
% Net Margin	-51.7	-30.7	-15.3	4.1	31.1	32.7
Peer Average	-1.6	-12.5	-12.9	1.2	5.9	2.0
% Return on Capital	-20.4	-11.9	-2.0	-4.9	16.9	21.8
Peer Average	-40.5	64.6	7.0	-8.4	11.7	2.1
% Cash Flow to Sales	-13.9	-47.2	-16.8	-26.9	33.1	NA
Peer Average	11.6	0.6	9.6	5.7	7.5	NA

## Key Valuation Ratios

Source: S&P Global Market Intelligence

Note: EPS & Revenues in graphs above may represent analyst-adjusted actuals and estimates and therefore may not match numbers in the financial data presentation below.

## Income Statement, Cash Flow and Balance Sheet Data [Millions USD, except per share]

Fiscal Year Ending: Dec. 31 .

	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	16.3	16.5	16.3	4.2	4.8	8.2	9.2	20.1
Operating Income	0.31	-0.16	0.70	-2.29	-2.82	-0.69	-1.50	6.14
Net Income	1.06	0.53	1.08	-1.29	-0.78	-1.11	0.37	6.24
Operating Cash Flow	0.40	-0.28	1.53	-0.58	-2.25	-1.38	-2.47	6.66
Capital Expenditures	0.464	0.399	0.559	0.189	0.272	0.313	0.894	0.865
Earnings Per Share	0.11	0.06	0.12	-0.15	-0.09	-0.13	0.04	0.70
Dividends Per Share	NA	NA	NA	NA	NA	NA	NA	NA
Dividend Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Free Cash Flow Per Share	-0.01	-0.08	0.11	-0.09	-0.29	-0.19	-0.38	0.65
Cash and Short Term Investments	3.4	2.6	3.8	3.1	18.5	18.1	14.5	19.3
Long Term Debt	NA	NA	NA	NA	NA	NA	NA	NA
Total Debt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Common Equity	7.1	7.6	8.8	8.8	26.0	21.9	19.5	25.9

Note: Data may be restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends as of ex-dividend date.

NA = Not Available. NM = Not Meaningful.

Source: S&P Global Market Intelligence (SPGMI)



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## Peer Group Comparison

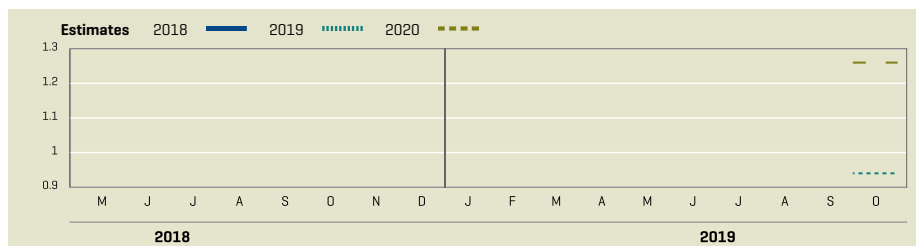
Peer Group	Stock Symbol	Stk.Mkt.Cap [Mln USD]	Beta	Recent Stock		Dividend Yield[%]	Fwd P/E	P/B Ratio	Ranking <sup>1</sup>	Return On Revenue[%]	Return On Equity[%]	LTD to Cap[%]
				Price[USD]	52 Week Low/High[USD]							
Intelligent Systems Corporation	AMEX:INS	417.77	1.2	47.2	9.55/55.32	Nil	50.2	13.8	Buy	32.7	32.8	2.0
Adacel Technologies Limited	ASX:ADA	23.75	1.5	0.31	0.27/1.14	Nil	6.5	1.9	Strong Sell	-6.5	-15.2	-
Astea International Inc.	OTCPK:ATEA	42.42	1.51	11.5	4.7/11.5	Nil	NA	NM	NA	-1.8	21.4	NM
Brady plc	AIM:BRY	17.06	0.09	0.2	0.05/0.84	Nil	NM	1.0	Strong Sell	-13.8	-16.1	16.7
Elecosoft plc	AIM:ELCO	78.36	0.69	0.97	0.85/1.1	Nil	22.1	4.7	Hold	8.9	15.0	27.2
Fujian Apex Software Co., Ltd.	SHSE:603383	1,194.43	NA	9.94	3.47/16.94	Nil	NA	1.2	NA	35.7	12.3	-
InsPro Technologies Corporation	OTCPK:ITCC	1.35	NA	0.03	0.03/0.08	Nil	NA	0.9	NA	-3.8	-37.6	35.9
LS telcom AG	XTRA:LSX	47.43	1.01	8.19	4.9/8.97	Nil	24.8	2.8	Buy	5.3	8.6	21.8
Symbility Solutions Inc.	TSXV:SY	112.30	NA	0.46	0.37/0.47	Nil	46.0	2.4	NA	4.0	4.8	-
The NAGA Group AG	XTRA:N4G	31.86	1.15	0.82	0.8/2.78	Nil	NM	0.3	Sell	-23.1	-5.5	-
i:FAO Aktiengesellschaft	HMSE:FA02	185.43	0.05	34.98	34.53/40.33	Nil	49.5	6.3	Sell	15.0	14.8	-

<sup>1</sup> Quantitative Rankings : Strong Buy , Buy , Hold , Sell , Strong Sell ; Qualitative Rankings(STARS) : 5 = Strong Buy , 4 = Buy , 3 = Hold , 2 = Sell , 1 = Strong Sell

Rankings are not predictive of future performance. For full definitions of Rankings, see the glossary section of this report.

Note: Peer Group selection is performed using CFRA's proprietary peer ranking system. Peers are selected based on factors such as similarity of analyst coverage, industry, size, and region. The subject company is ranked against a universe of companies ( the "Universe" ) which has been compiled by CFRA and consists of a list of companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business. The subject company and some of the companies in the Peer Group may be ranked by two different ranking systems. For the purpose of the overall ranking/recommendation, the subject company is ranked against all the companies in the Universe and not necessarily against the companies listed in the Peer Group.

## Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est	Low Est.	# of Est.	Est. P/E
2020	1.26	1.26	1.26	1	37.5
2019	0.94	0.94	0.94	1	50.2
2020 vs. 2019	▲34%	▲34%	▲34%	0%	▼-25%

Source: S&P Global Market Intelligence (SPGMI)

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.



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### Business Summary

Intelligent Systems Corporation, through its subsidiary, CoreCard Software, Inc., provides technology solutions and processing services to the financial technology and services market in the United States and European Union. The company designs, develops, and markets a suite of software solutions to accounts receivable businesses, financial institutions, retailers, and processors. Its software solutions allow companies to offer various types of debit and credit cards, as well as installment and revolving loans; to set up and maintain account data; to record advances and payments; to assess fees, interests, and other charges; to resolve disputes and chargebacks; to manage collections of accounts receivable; to generate reports; and to settle transactions with financial institutions and network associations. The software also allows managing prepaid cards, private label cards, fleet cards, bank cards, and loyalty programs. The company's CoreCard software platform and modules include CoreENGINE, CoreISSUE, CoreFraud, CoreCOLLECT, CoreAPP, COREMONEY, and CoreACQUIRE. Intelligent Systems Corporation was founded in 1973 and is headquartered in Norcross, Georgia.

### Key Developments

Nov-01-2019	<b>Earnings Calls</b>	Intelligent Systems Corporation, Q3 2019 Earnings Call, Nov 01, 2019
Nov-01-2019	<b>Earnings Release Date</b>	Intelligent Systems Corporation to Report Q3, 2019 Results on Nov 01, 2019
Sep-17-2019	<b>Company Conference Presentations</b>	Intelligent Systems Corporation Presents at Fall Investor Summit, Sep-17-2019 03:30 PM
Aug-05-2019	<b>Earnings Calls</b>	Intelligent Systems Corporation, Q2 2019 Earnings Call, Aug 05, 2019
Aug-05-2019	<b>Earnings Release Date</b>	Intelligent Systems Corporation to Report Q2, 2019 Results on Aug 05, 2019
Aug-05-2019	<b>Announcements of Earnings</b>	Intelligent Systems Corporation Reports Earnings Results for the Second Quarter Ended June 30, 2019
Jun-05-2019	<b>Special Calls</b>	Intelligent Systems Corporation - Special Call
May-23-2019	<b>Annual General Meeting</b>	Intelligent Systems Corporation, Annual General Meeting, May 23, 2019
May-03-2019	<b>Earnings Calls</b>	Intelligent Systems Corporation, Q1 2019 Earnings Call, May 03, 2019
May-03-2019	<b>Earnings Release Date</b>	Intelligent Systems Corporation to Report Q1, 2019 Results on May 03, 2019
May-03-2019	<b>Announcements of Earnings</b>	Intelligent Systems Corporation Reports Earnings Results for the First Quarter Ended March 31, 2019
Mar-13-2019	<b>Earnings Calls</b>	Intelligent Systems Corporation, Q4 2018 Earnings Call, Mar 13, 2019
Mar-13-2019	<b>Earnings Release Date</b>	Intelligent Systems Corporation to Report Q4, 2018 Results on Mar 13, 2019
Mar-13-2019	<b>Announcements of Earnings</b>	Intelligent Systems Corporation Reports Earnings Results for the Fourth Quarter Ended December 31, 2018
Jan-22-2019	<b>Executive Changes - CFO</b>	Intelligent Systems Corporation Announces Executive Changes
Nov-08-2018	<b>Earnings Calls</b>	Intelligent Systems Corporation, Q3 2018 Earnings Call, Nov 08, 2018
Nov-08-2018	<b>Earnings Release Date</b>	Intelligent Systems Corporation to Report Q3, 2018 Results on Nov 08, 2018
Nov-08-2018	<b>Announcements of Earnings</b>	Intelligent Systems Corporation Announces Unaudited Consolidated Earnings Results for the Third Quarter and Nine Months Ended September 30, 2018

### Corporate Information

#### Office

4355 Shackleford Road  
Norcross  
Georgia  
30093  
United States  
Norcross, Georgia 30093  
United States

#### Telephone

770-381-2900

#### Web Site

www.intelsys.com

#### Key Officers

Chairman, CEO & President  
J. L. Strange  
Adviser  
K. J. Reynolds  
VP, CFO & Corporate Secretary  
M. A. White

#### Board Members

A. R. Chandler, J. L. Strange, P. H. Moise

#### State of Incorporation

Georgia

#### Employees

430

## Glossary

### Quantitative Model Overall Recommendation and drivers of the recommendation

CFRA's global quantitative stock reports provide a 5-tier recommendation assigning a Strong Buy, Buy, Hold, Sell, or Strong Sell recommendation based on a series of quantitative inputs from four separate regional models:

- United States
- Canada
- Developed Europe
- Developed Asia excluding Japan

Each of these regional models is based on between 25 and 40 different investment factors (financial ratios), selected from S&P Global Market Intelligence's Alpha Factor Library.

To provide its recommendation, CFRA ranks a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed.

Within these categories, factors are chosen based on their historical predictive strength [alpha] within the region and their correlation with other factors. Each regional model contains two separate sub-models; one that uses factors specific to financial companies and one that focuses on non-financial companies. Due to the large number of banks in the U.S., the U.S. model also has a third sub-model specifically for banks.

Each company within a region is grouped with a universe of stocks and receives a score on each of the five (or six in the U.S.) model categories. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five [six] model category scores are then weighted and rolled up into a single percentile ranking for that company. Rankings are then assigned investment labels, as follows:

**Strong Buy:** top 10% by model score

**Buy:** next 20%

**Hold:** next 40%

**Sell:** next 20%

**Strong Sell:** bottom 10%

### Risk Evaluation

Risk Evaluation is a relative ranking, which represents an assessment of the risk of investing in a company's stock relative to the risk of investing in other companies' stocks in the same universe. To perform this assessment the following risk categories are evaluated:

Asset/Market Size Risk  
Financial Leverage Risk  
Price Volatility Risk  
Liquidity Risk

Each company's stock is percentile ranked from 1 to 100 against the other companies within the universe on each of the four risk categories mentioned above, with 1 being low risk and 100 being

high risk. The overall risk evaluation represents the combined scores on these Risk categories, calculated as an equal-weighted average of percentile ranks of the 4 risk categories. The highest 40% of companies in each universe receive a high risk ranking, the next 35% receive a moderate risk ranking and, the lowest 25% receive a low risk ranking.

All investments carry some sort of risk and a low risk ranking represents a relative ranking of CFRA's assessment of the risk of investing in a company's stock versus the risk of investing in other companies that are part of that company's universe. Therefore, a low risk ranking should not be interpreted as an absolute risk evaluation, but as a relative measurement of the risk of investing in a company's stock.

### Sector Ranking

CFRA's Investment Policy Committee (IPC) consists of a team of five seasoned investment professionals. It meets weekly to discuss market trends and projections, maintain an S&P 500 12-month forward price target, and make asset allocation/sector recommendations. The IPC establishes over, market, and underweight recommendations on the 10 sectors within the S&P 500. Overweight and underweight recommendations imply that the group expects these sectors to outperform or underperform the S&P 500 during the coming six-to-12 month period, respectively. A "marketweight" recommendation indicates that the sector is expected to be a market performer during this same timeframe. The IPC analyses economic projections, fundamental forecasts, technical considerations, and historical precedent when making such recommendations. Changes in recommendations can be made more frequently than every six-12 months as market conditions evolve. Sector rankings will only be made available for sectors in the S&P 500. If a ranking is not available, the value will be N/A.

### Qualitative STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### S&P Global Market Intelligence's Quality Ranking

[also known as S&P Global Market Intelligence's Earnings & Dividend Rankings]- Growth and stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Capital IQ Consensus Estimates

S&P Capital IQ Consensus Estimates represent the aggregation of individual estimates provided by analysts that are covering a public company. A consensus number can be provided as either the mean or the median. The size of the company and the amount of analyst coverage will determine the size of the group from which the Consensus is derived. All of the available analysts' estimates may not necessarily be included in the Consensus. The Consensus will only include analysts' estimates that are based on the same methodology. Consensus Mean: The mathematical average of the detailed estimates after the appropriate exclusions have been applied. Consensus Median: This represents the midpoint of the range of estimates that are ranked from highest to lowest after the appropriate exclusions have been applied. If the number of estimates is even, then the average of the middle two figures is the median.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard and Poor's in collaboration with Morgan Stanley Capital International (MSCI). Under the GICS structure, companies are classified in one of 154 sub-industries, which are grouped into 68 industries, 24 industry groups, and 10 economic sectors [consumer discretionary, consumer staples, energy, financials, health care, industrials, information technology, materials, telecom services, and utilities]. This four-tier structure accommodates companies across the world and facilitates sector analysis and investing.

## Glossary

### Peer Group

A subset of a universe that groups companies by specific criteria, such as industry/across industry, lines of business, geography (local, regional, national, and international), size of business [e. g. in terms of revenue], performance criteria, etc.

### Universe

A set of companies that shares a common feature such as the same market capitalization, industry or index.

### Beta

Beta is a measurement of the sensitivity of a company's stock price to the overall fluctuation of a given benchmark index. The beta values used in this report are levered, unadjusted and derived from a least squares regression analysis using stock and benchmark index returns based on a monthly frequency. Beta is calculated using 60 monthly returns [each as of month end] but if the company's trading history is too short to provide such a sample, fewer than 60 but not fewer than 24 monthly returns are used to run the regression. Beta in this report uses five different benchmark indices to better estimate a stock's volatility against a respective market: the S&P 500 for all US stocks, the S&P/TSX index for all Canadian stocks, the S&P Europe 350 for all European stocks, the S&P/ASX 200 index for all Australian stocks, and the S&P Global 1200 for all other international stocks.

### Free Cash Flow (FCF)

Operating Cash Flow minus Capital Expenditures over the past 12 months

### Funds from Operations (FFO)

Funds from Operations (FFO) represents a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Not Meaningful (NM)

Value is available but it is not meaningful. Examples are certain negative ratios such as P/E, as well as certain ratios that are over +/- 100%

### Not Available (NA)

Value is not available for this data item

### Return on Capital

$EBIT / [(Total\ Equity + Total\ Debt + Deferred\ Tax\ Liability\ Non\ Current + Deferred\ Tax\ Liability\ Current)]$  Notes:

[1] If the denominator is less than or equal to zero then the ratio will be shown as NM

[2] If the return is less than (300%) then the value will be shown as NM

### Return on Equity

$Earnings\ From\ Continuing\ Operations / [(Total\ Equity[t] + Total\ Equity[t-1]) / 2]$  Notes:

[1] If both periods of data [t and t-1] are not available then the ratio will be shown as NM

[2] If the denominator is less than or equal to zero then the ratio will be shown as NM

### Relative Strength vs Index

Relative Strength vs Index measures the stock performance of the company versus all other stocks in the benchmark index each week. Weekly readings are accumulated to form the cumulative Relative Strength line.

### Relevant benchmarks:

Region	Country	Index
US	US	S&P 500 Index
Canada	Canada	S&P/TSX Composite Index
Europe	All	S&P Europe 350 Index
Asia ex Japan	Australia	S&P/ASX 200 Index
Asia ex Japan	All except Australia	S&P Global 1200

### Abbreviations used in CFRA Equity Research Reports

CAGR	Compound Annual Growth Rate
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest Taxes Depreciation and Amortization
EPS	Earnings Per Share
EV	Enterprise Value
FCF	Free Cash Flow
FFO	Funds from Operations
LTD	Long Term Debt
NM	Not Meaningful [see definition above]
P/E	Price/Earnings

**Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).**



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## Disclosures

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Stocks are ranked in accordance with the following ranking methodologies:

### STARS Stock Reports:

Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

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