Company Participants

Brian Balbirnie – Chief Executive Officer
Steve Knerr – Chief Financial Officer

Analysts

Mark Lanier – Pegasus Capital
Eric Weinstein – Chancellor Capital
Samir Patel – Askeladden Capital

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Issuer Direct Corporation first quarter 2018 Earnings Conference Call. As a reminder, today's call is being broadcast live via Investor Network, a link of which can be found in today's earnings release. You can also view the full text of the Companies earnings release on their website in the investor relations section.

Earlier today, Issuer Direct Corporation issued a press release that included certain cautionary language with respect to forward-looking statements. The Company would ask you to review the language in the press release regarding forward-looking statements, as they are equally applicable to any forward-looking statements made during this conference call.

Today's call will be conducted by the Company's Chief Executive Officer, Brian Balbirnie and its Chief Financial Officer, Steve Knerr, I'll now turn the call over to Mr. Steve Knerr.

Steve Knerr

Thank you, and good afternoon everyone. Brian and I would like to thank you for taking the time to participate in our first quarter earnings call today. Before we begin, I need to read the following Safe Harbor statement.

Statements or comments made on this conference call may be forward-looking statements that include financial projections or other statements of the company's plans, objectives, expectations or intentions. These matters involve certain risks and uncertainties. Our actual results may differ significantly from those projected or suggested in any forward-looking statement due to a variety of factors, which are discussed in detail in our recent SEC filings.

Further, we will discuss both GAAP and non-GAAP financial information on this call. We believe the presentation of non-GAAP information provides you with useful supplementary data concerning the company's ongoing operations and is an appropriate way for you to evaluate the company's performance. Non-GAAP results are, however, provided for informational purposes only. Please refer to the press release and related tables for GAAP information and a reconciliation of GAAP to non-GAAP information. We also posted to our website, in our Investors relations tab, a description as well as reconciliation of GAAP measures to which we will refer on this call.

With that complete, I'll begin by going over our results for the quarter and then turn it over to Brian who will provide his operational review and outlook, followed by a Q&A session.

The first quarter was another positive quarter for Issuer Direct as we continue to build our Platform and Technology business.

Jumping right into the results, total revenue increased 24% to $3,530,000 for the first quarter of 2018, as compared to $2,856,000 for the same period of the prior year. Revenue from customers obtained from our acquisition of Interwest Transfer Company, totaled $418,000 for the first quarter, which is a slight increase over $404,000 reported in Q4 2017. Absent this revenue, organic growth for the quarter was 9%.

Lead by our Accesswire offering, Platform and Technology revenue increased 25% to $2,032,000 for the first quarter of 2018 compared to $1,620,000 for the same quarter of the prior year. Accesswire revenue increased 31% for the quarter compared to the same period of 2017. In a few minutes, Brian will talk further about how we continue to make progress with this business by expanding distribution and increasing our sales team. We also generated increased revenue as a result of our acquisition of Interwest and from increased licenses of Platform ID as we began focusing on selling complete subscriptions of the entire platform. During the quarter, we sold subscriptions of Platform id to 29 new or existing customers with an annualized contract value of $322,000.

Services revenue increased 21%, to $1,498,000 during the first quarter of 2018, compared to $1,236,000 during the same quarter of the prior year. This increase is primarily the result of an increase in transfer agent services, not only due to the addition of Interwest, but also to an increase in corporate actions and directives of our legacy Issuer Direct transfer agent customers, specifically, our community banking customers. Print and proxy distribution revenue increased as well due to a few one-time projects as well as additional projects from Interwest customers. These increases were partially offset by the continued decline of our legacy annual report service, due in part to continued attrition as customers leave the service, decrease hardcopy requirements or transition to electronic delivery.

It is important to note, when comparing results to previously filed reports, $206,000 of revenue during the three months ended March 31, 2017 which was previously reported as Services revenue was reclassified to Platform and Technology revenue. This was due to the adoption of a new accounting pronouncement as of January 1, 2018, that required us to separate the revenue in bundled contracts for our ARS, or shareholder outreach offering, that included both electronic and physical hardcopy delivery of our customer's annual reports. The $206,000 represents the amount allocated to electronic delivery of the annual reports. All results have been appropriately adjusted for comparison purposes.

Overall gross margin percentage was 71% for the first quarter of 2018, compared to 74% for the same period of the prior year. The primary reason for the decrease in gross margin percentage was due to an increase of $140,000 in amortization of the capitalized software that was placed in service in 2017. Absent the additional amortization, gross margin percentage for the quarter would have been 75%. Platform and Technology gross margin percentage was 79% for the quarter ended March 31, 2018, compared to 85% for the first quarter of 2017. Again, the decrease in gross margin percentage is due to the increase in amortization, absent of which, gross margin percentage would have been 86% for the first quarter of 2018. With all of the previously capitalized costs now baked-in, we anticipate gross margin percentage of our Platform and Technology business to grow with increased revenue. Gross margin percentage from our Services revenue stream was 60% for the first quarter of 2018 compared to 59% for the same period of the prior year.

Operating expenses increased $459,000, or 26%, for the first quarter of 2018, compared to the same period of the prior year. The increase is primarily attributable to increases in general and administrative expenses, sales and marketing expenses and product development expenses. General and administrative expenses increased 10% over the same quarter of the prior year, primarily due to an increase in personnel expenses and stock compensation. In an effort to increase revenue in 2018 and beyond, sales and marketing expenses increased 26% due to the addition of new members to our sales and marketing teams, which increased in headcount by 25% over the same quarter of the prior year. We also continue to investment in Platform id, as product development expenses increased over the same quarter of the prior year due to less capitalization and increased maintenance costs associated with our cloud-based products that were placed into production during 2017. Moving down to the tax line, we recognized an income tax benefit for the first quarter of 2018 of $10,000 compared to income tax expense of $41,000 for the first quarter of 2017. The benefit for Q1 2018 is due to lower statutory rate of 21% thanks to the Tax Cuts and Jobs Act passed in December of last year as well as an income tax benefit of $73,000 related to equity based compensation.

For GAAP purposes, we recorded net income of $320,000, or $0.10 per diluted share for the first quarter of 2018, as compared to net income of $325,000, or $0.11 per diluted share for the same period of 2017. Non-GAAP net income was also consistent between periods as Non-GAAP net income was $458,000, or $0.15 per diluted share for Q1 2018 compared to $437,000 or $0.15 per diluted share for the same period of 2017.

Total EBITDA increased 24% to $655,000 for the first quarter of 2018 compared $529,000, during the same quarter of the prior year, however remained at 19% of revenue for both periods.

We continue to generate positive cash flows from operations as we generated another $537,000 during the first three months of 2018 compared to $647,000 during the same period of the prior year. This brings our total cash balance to $5,483,000 as of March 31, 2018. Additionally, on April 11, we announced a cash dividend of $0.05 per share, making it our eleventh consecutive quarter for paying dividends.

Overall, we are excited to see the continued growth of our Platform and Technology business, not only through increased revenue but in our backlog and pipeline of new contracts as well and are hopeful that this growth will also drive margins and EBITDA. Brian will now talk further about our increase in customers, distribution and overall strategies and new developments for the remainder of 2018.

Brian Balbirnie

Thank you, Steve, and thanks to everyone for joining us today to discuss our first quarter 2018 results. As Steve just highlighted, we posted a strong first quarter, and great start to the year, and as a recap:

- 2018 first quarter revenues were up 24% compared to first quarter last year, to $3,530m
- Sequentially, first quarter 2018 was up 4% from the fourth quarter 2017.
- Platform and Technology revenue increased 25% from Q1 2017 and 13% from Q4 2017.
- Our platform business accounted for 58% of our overall revenues for the quarter

We picked right up where we left off in q4 last year, laser focused on execution, cross-selling and new customer wins. This focus illustrates our Platform go to market strategy is paying off, and customers are now embracing a one platform play option, which is key to our continued growth this year.

Late last year we spoke about being able to provide some additional KPIs for our business. As we continue to move further and further to a platform subscription business, I think it's is fair to begin to do this beginning with this first quarter. One of those areas is our deferred revenues and backlog value for the period. Deferred revenues grew 27% to $1,125,000 from $887,000 or 27% sequentially increase, and during the quarter we generated $322,000 in annual Platform id. subscriptions to new and current customers, of which $281K remains as backlog, to be recognized over the remaining terms of the contract. We intend to continue to update you quarterly on our backlog and deferred revenues numbers as we do with our customer counts in platform and technology as well as our services business.

Of the $281K in contracts that are expected to be earned in the coming quarters, this number represents 29 new subscriptions for the period. Conversely, the ARPU of these transactions for the quarter was over $11,000 - something we are working hard to continue to move our current install base toward. Growth in pipeline is vital for us, areas such as our exchange alliances, and conference partnerships will help our sales organization, which has been preforming and hitting on all cylinders.

In summary, we saw sequential net new customer growth in both our Platform and services business. We had 1,845 Platform and Technology customers during Q1 2018, compared to 1,761 during Q1 2017, the 84 customer gain or 5% yoy is spread out over our entire platform business not just newswire as was the case a good part of last year.

We also had 571 Services customers during the Q1 2018, compared to 517 during Q1 2017, that 10% gain came primarily from Interwest customers as well as new Platform clients that elected to bundle services components as well.

We are committed to continuing the trend of client growth – and feel we can improve even further our customer profiling, contract terms and transition from our services to subscriptions business, by doing this we are confident we can reduce some of the seasonality typically found in parts of our business, print to digital, individual one time services into annual subscriptions, With our complete platform subscription focus, we believe customers will use our systems more frequently and we will benefit from our annualized bundling, thus giving us a better handle on our customers counts and ARPU.

As you will recall, we spoke in our last quarterly call about a few of our channel partnerships, specifically the OTC Markets alliance, as well as the acquisition of Interwest. I'd like to provide some updates today to you on those as well as a new initiatives we have been hard at work proving out.

The OTC alliance has been fully integrated and since mid-February of this year, our entire Platform id subscription has been made available to OTC listed issuers. Our view of this alliance is long term, and were focused on issuer education, and awareness with our platform as well as joint marketing with the OTC team. With that said, we are already seeing early indications of customer interest and closed business. Although the numbers are small – we are extremely optimistic this will successful for us this year and beyond. The primary focus is the OTC QX and QB tier, in these tiers there are approximately 1400 listed issuers, today we already do business with just over 10% of these issuers. Our goal is to get to 25% market penetration, this is in line with what we previously spoke about in our client expectations for this alliance. Having a 25% market share in this industry in our opinion is significant to us, as the small-cap market segment, an area we are heavily focused on.

Conversely, we also have been focused on Interwest, this transaction has been extremely rewarding to us, both in revenues, and market awareness of Issuer Direct being a leading stock transfer agent. Our first quarter 2018 combined stock transfer revenues was $691K compared to $166K last year, that's a 316% increase yoy. This business also was 20% of our overall revenues for the period. Our Interwest customers also have delivered on our cross selling initiatives we spoke about in q4 last year. Of the customers we obtained from the acquisition, we increased the spend on 20 customers for a total of $130,000 in new annual Platform id. subscription revenues, bringing there ARPU over $10,000 in platform spend alone. Additionally we reaffirmed the business by signed renewal agreements for annual stock transfer services with 34 additional customers, although those customers did not increase their spends with us, they now have direct platform id access and the hope is to continue to work with them to introduce our subscription offerings.

Our ACCESSWIRE news business has continued to grow since we purchased this business in 2014. Q1 2018 saw yoy revenue growth of 31% and 18% sequentially. We have worked hard to increase our ARPU marginally despite some of our distribution limitations. Anyone who knows us, knows we have been transparent about our distribution limitations and it being a clear impediment to long term growth. But we also clearly said we felt optimistic about obtaining the necessary distribution. This has changed, and is something I am happy to report on this call today – our ACCESSWIRE news product is now live on several new top tier brokers like E*Trade and Interactive Brokers as well as vital global news bureaus like the Associated Press, including AP

Mobile. This is BIG for us, and were optimistic about continuing to add even more distribution points this year. We are fast becoming a top tier newswire by distribution standards, to match our world class technology, editorial and compliance processes. We are going to continue to invest in our news business to broaden our distribution both domestically and internationally as well as improve on our language translation services to deliver our customers message around the world.

Again I think it's important to reiterate, overall we are pleased with our first quarter 2018 results. However, with that said we are even more excited about what is in front of us. Many of the things Steve and I spoke about today are a big reason, the last point I will mention in a minute is where we are headed in our business as we mature our offerings, grow our customer base and increase overall revenues.

We have a strong 12 year old business that understands the corporate issuers, and what they need in order to comply with regulations and communicate their message. We have filed tens of thousands of Edgar and Sedar documents, and equally as many earnings events in this time, and managed thousands of annual meetings, IR sites, and unbelievably even more. All of which produce interactions, visitors, audiences, and engagement. This is a good business, great margins, and positive cash flows, but as the number of public companies change, we need to move our business a bit closer to the investor, by understanding their interests, investments and consumption, we will be able to drive this actionable data back to our customer (the issuer), which we believe we can generate additional revenues from, that will further make our platform more sticky and desired in the market, thus making us an even bigger part of their overall business process, and conversely continue our trends of growth, great margins and sustains cash flows from operations.

As an example, we have been delivering a part of this over the last quarter in our investor conference initiatives, whereby we power the events with our Accesswire news outlet, and our webcast engagement platform. Not only did we deliver increased revenues in parts of our business as a result of this new initiative, we also learned a great deal more what the investor has interest in, this data will drive our analytics this year, which we expect to generate additional revenues from.

We are also focused on further investing in our people and technology, specifically key management, sales and marketing teams, and staff to deliver this next layer of growth. We believe we are on track to sustained customer growth, improved retention rates, and greater platform business. Key to these attributes, will be to deliver on our Platform id. subscription business, broader ACCESSWIRE distribution like we did this last quarter, and expand the markets we can serve.

We are encouraged by the customer mix, specifically the new wins that are purchasing the entire platform, which is where our pipeline is growing the most. In summary, we posted a solid quarter and demand remains healthy for our platform and we remain motivated on executing our growth plans this year.

We are now ready to take your questions. Operator, can we please begin the Q&A portion of our call.

Operator

Thank you, sir. At this time, we will be conducting a question and answer session. [Operator instructions]. Our first question today comes from Mark Lanier of Pegasus Capital. Please go ahead, sir.

Q: Congratulations on this first quarter of 2018. Those are nice numbers and indicative of the business really gaining some stride. It's neat to see. My question has to do with gross margin. I'm a little bit confused by the ebb-and-flow of amortized capital software expense. I wonder, what are your goals? Do you have a range of where you'd like to see the gross margin, as you exit 2018 calendar year?

Brian Balbirnie – Chief Executive Officer

Thank you, Mark, for the kind comments to begin with. Yes, we spoke about this last quarter as we spent a good amount of time building technologies and platforms last year, obviously that capitalization software is indicative of impact of our gross margins. Although we saw a slight dip there in our Platform and Technology segment as a result of that, we still feel confident that we can get back to sustained gross margins that we had the previous year or higher, as we begin to build momentum in our platform subscription business.

Q: So, where might we be exiting 2018 at the gross margin line, within a range?

Brian Balbirnie – Chief Executive Officer

So, 82% to 84% range.

Q: That's helpful. I appreciate that. I'm interested in a smaller part of the business Transferly, and the crowd-funding platform and whether you see signs of growth in that market and competitive landscape that encourages you to continue to pursue that and grow that business. What are the signs that you're seeing in that end of the business?

Brian Balbirnie – Chief Executive Officer

Yes, I think the Jobs Act in general for offering the ability for a Tier 1/Tier 2 private company to raise capital under that Act, we assumed, like the market, that an application interface like we built for Transferly would be a bigger impact. We should see some growth both in our stock transfer business as well as the rest of our platform business. I think us along with the entire market is not seeing the activity from the crowds as much as maybe was anticipated.

Capital markets' investment bankers are still holding a lot of those deals that reduce the amount of crowd, which reduces the amount of options for platforms like Transferly. We are getting our market share. If there's 15% to 20% of the Reg A clients that hit the market to try and go public, we are working with them. We just, like the rest of the industry, assumed that that portion of the market would be a little bigger for us. It doesn't mean that we'll retire the platform. It doesn't mean we'll sunset it. It just means that it's not as big a contributing factor to our overall revenues in our stock transfer group.

Q: Understood. Also, if you'd give us a little bit more color on product development expense as we move forward through 2018, the additional features that you may be working on for platform ideas, as well as access-wire extensions. What is product development going to look like through the course of this year, in terms of the expense level and where you're going to be focusing?

Brian Balbirnie – Chief Executive Officer

We're comfortable that we're not going to have to capitalize virtually anything on a go-forward basis. We anticipate probably no more than 10% of top line revenues that will contribute to maintenance, product development, and application support. So, I think we're within range of the market. We were less in Q1 than that number, 10%, so I feel confident that we're going to be able to continue to deliver within that range.

Operator

The next question is from Eric Weinstein of Chancellor Capital. Please go ahead.

Q: Thanks. Yes, great quarter. It's wonderful to see those kinds of revenue growth numbers, not just year-over-year, but really sequentially as well.

Let's talk a little bit about Platform and Technology. I guess you've increased your sales force and marketing resources. Your customer numbers are starting to climb again, which is great. But the ARPU spend even last year was up 30% to 40%, even though the customer count wasn't going up as fast. So, when I think about how you're going to be adding new customers, where you're going to be focusing the marketing and sales force, how do you think about that? So, you've got some customers coming on at $11,000 at year, taking everything on the platform, I guess. Then you've got the OTCM partnership, you've got cross-selling opportunities with Accesswire and Interwest.

Can you talk a little bit about the profile of the kind of customers who are coming in from those different channels, what that sort of looks like as drivers and how you're thinking about focusing your marketing efforts, just to understand the drivers a little bit better?

Brian Balbirnie – Chief Executive Officer

Yes, when we look at it, you're right. The average spend of a new platform ID subscriber is around $11,000 a year, so I think where we see the path is two-fold and then I'll get back to the second part of the contribution from OTC and other alliances. We feel confident that not only will folks subscribe to the platform on an annualized basis at $11,000, but they're still going to pick up additional services.

So, where we may see new client ARPU spend coming in initially at, call it $10,000 to $11,000, we still anticipate that a good percentage of them are going to see a little bit of service revenue of call it $2,000 to $4,000 as well. So, we believe we're going to be able to move these new accounts on ARPUs higher beyond the $11,000 number.

Then as you look longer term, we think about new product enhancements. What are the additional things that we could add to the platform that will provide additional stickiness to the customer, give them a broader value prop than maybe what they're getting on other systems? So, we talk a little bit about analytics and engagement and targeting. Those are going to be additional things that in the back half of this year we're going to be able to roll out that we should see natural increases for. That's the one.

The other side of it is OTCM and other alliances, such as the London Stock Exchange and other channel resellers that we've got. We tend to see those ARPU numbers come in a little less. We'll talk about Interwest in a second. So, I think you'll see that the $2,000 to $4,000 is the number we used, initially, back a couple quarters ago on our call of what we believe the initial spend would be in our OTC Market client that comes in to our platform. Then our job, obviously, is to move that number up. We've done a decent job at that. Like I said, the numbers are a little smaller than we would've liked to have seen. And sure, education is important to us there and we're spending good time in that.

The third part, I think, is ITC or as we call it, ITC Interwest. As we think about clients that maybe had an annualized spend of, call it $1,000 or $3,000 a year, we've been able to move those clients into the $10,000 to $11,000 range immediately. We've been successful with that since November of last year when we started that transition. We've got about 20% to 25% of those clients now under new expanded contracts. We believe we're going to be able to go and do that. There will be additional services work on top of those, so I think when it all levels out to your numbers of roughly $10,000 last year and now we're into this $11,000 number, we're going to continue to move this $13,000 to $15,000. Hopefully by the end of the year, it'll be sitting closer to a $15,000 ARPU spend.

Q: Well, I know you can work them up regardless of where they come on because you've been doing that all along. I think I said 2017 over 2016, it was up by like 38% or something like that?

Anyway, so with the marketing team. Where is the focus and does that shift from quarter to quarter? Obviously, you had a lot of sign-ups for the full platform at 29. I don't know if that's repeatable, or would the focus shift to another area based on opportunity? How do we think about that?

Brian Balbirnie – Chief Executive Officer

Yes, it is repeatable. I think we've got a great team that's dialed in, both sales and marketing, to pick up on what we're queuing the market to be ready for our platform subscription. We went to market 18 months ago with this as a test to see if the market was ready to consolidate their venders into one interface platform. We're getting strong indications that this year people are really embracing that concept, understanding and using the platform much better than they ever have. Marketing has been able to refine their message, to really target both the CFO's office, the RIO's office, to begin to hit on case studies and exactly what is working for our current accounts. People are taking cue from that, so I think we're building up pipeline, bigger than we have before. Candidly, this is something that we're very encouraged about and look to see further expansion and new client wins, as a result of this new platform focus.

Operator

The next question is from Samir Patel of Askeladden Capital. Please go ahead.

Q: Hi, Brian. Thanks for taking the question. I've been trying to understand your company a little bit better. I see that you kind of break-out in your calls the Accesswire revenue and I think you mentioned the stock transfer revenue is about $700,000 right now. Can you help me with the remaining components of the business, like the legacy report distribution part, the webcasting part, kind of any other significant line items, and what those are and what the margin percentages are for those segments versus the whole, just kind of directionally?

Brian Balbirnie – Chief Executive Officer

Yes, that's a rather lengthy answer and I'd love to follow up with you on that a little bit more. I think that if you look at the total bucket of the three-five [ph] in revenue total for the quarter, and if you just think about even an annualized basis from last year, about a third of the business is our Accesswire news business. There's a little less than that is made up of our legacy Annual Report Services business. There's about 12 components in there so to go through each one of them is—

Q: Right, no I understand.

Brian Balbirnie – Chief Executive Officer

Laborious for the call, right, in fairness. But I think the overall reason why we want to call out Accesswire and Interwest like we do, is we believe it's important to show a quick correlation to our investor community and our shareholders of where this capital has been. What have we invested in and bought and what's the return for that, right? So, I think that's the reasons why we tend to call them out. I would imagine that in the future if we did any other acquisitions, we would be doing the very same thing to show that there's some strong fundamental business here, and there are some quick-growth opportunities. That's why we continue to invest in some of those things.

If you looked at Webcasting, for example, Webcasting business is up over the previous year, as a result of what we've been doing with our investor conference circuit, and some of the focus that we've got there, and the commitment of that part of our business. Every one of our platform components, for the most part, has had significant growth, double-digit growth, not only in Q1, but in the back half of last year.

Where we see retraction, and we've talked a lot about this in every one of our calls, is when we look at the services business. We look at the Annual Report Services business, the print legacy business, [indiscernible] of Annual Meeting Management, that business is continuing to retract, some of which is tied to platform. In fairness, folks have bundled contracts that include both digital distribution and hardcopy distribution.

Some of them were successful migrating to a long-term platform; a lot of them were not. As we do see retraction in that, that's reflective in some of those numbers.

But I'm happy to follow up with you on that and talk more about it, if you'd like.

Q: Sure, great. Second question. You talk a lot about the analytics on the investor side. I guess one of the things I'm trying to understand is I think most investors probably access press releases and company filings through Bloomberg or CapIQ or Sentio or some tool like that. So, does your analytics platform have the ability, if I'm looking at your—like right now, I'm looking at your press release for the quarter through my research tool. Are you able to identify that it's me who's looking at that and engaged with that? Or do you just know that some user on some platform is doing that?

Brian Balbirnie – Chief Executive Officer

So yes, there's a lot of current technology that we've got out in the market as part of our analytics [indiscernible], as far today, pick up to your last point, some user, there's engagement. We can identify geographically the location of the engagement, and what platform our distribution partner came from.

We've been reporting that analytic to our Accesswire clients since early 2015. That's where we started and began this trend; this trying to tie that unidentified user, by location, to a specific known user. Maybe today, you've identified yourself as who you are on our call, and we are able to pick up and say, "Okay, now we've matched these individuals. Now we're starting to understand more."

From an Issuer base, from my perspective and Steve's perspective, it's extremely important for us to understand that our potential investor and/or current shareholder has these engagement profiles. And where do we see those engagement profiles winning? Meaning, if you were on Sentio and that's where you saw the news, do we see a trend happening that 20% of all investors are picking up news from these terminals but they're not picking it up someplace else? That's going to help our sales and marketing teams be able to identify and understand how to go to market and sell our distribution more efficiently to a prospect.

But ultimately, at the end, we want to be able to put ourselves in a position to say to our customer, "We understand where your audience is and, perhaps, who they are." I may not want to give all the information of who that individual is but I'll be able to give you some reporting to tell you how many of them there are, and how to market to them in a very passive way, so long as you give them the option to do that. And that's really what the analytics is driven for.

So not only can we pick it up from Dow Jones or Bloomberg or our own proprietary Accesswire news platform, we can also pick it up from the customer or the Issuer's IR site, or their webcast or teleconference, or their investor conference that they were having. So, we start to aggregate all that data and utilize that partner network to really learn and lean from Schedule 13s and Section 16 filings, and investment banking filings just to really start to understand what that profile looks like.

Q: Okay, great. And final question, if you have time. Do you have a number on what percentage of your not service, not the client portion of the business, but on Accesswire and the growing portion of the business, what percentage of that revenue comes from OTC or nano cap type companies?

Brian Balbirnie – Chief Executive Officer

Yes, specifically through Accesswire news network, and I think that if we delineate our news business in three ways. There's public and private, right? Those are two. And then there's community messaging; let's just leave that as it is. Public and private is probably 50/50 right now, so public company news may account for about one-third of our overall news business, but it is primarily in that small micro nano cap space.

We talked about this in the call a few minutes ago. I mentioned that some of that has been because of our inability to really broaden our distribution. We started a news business in 2014, unlike your newswire business, we haven't been around 50 or 60 years, but we've been able to build almost an equivalent distribution model up until three months ago that was competitive. They've got 90% of their distribution points as the more established newswires.

Now, as we begin to fold in E-TRADE and AP and interactive brokers like we talked about, there are about six others that we're confident that this year we'll be able to add. So with that success will come our ability to grow, not only that small micro nano cap space news, but also move upstream.

If we look at our ARPU spends on our NASDAQ and New York Stock Exchange clients, they're almost double what they are in OTC clients. So, if we find a way and an ability to move our news into a larger cap client, we feel confident that that additional distribution will help us significantly, which will grow even further that newswire business for us.

Operator

The next question is a follow-up from Mark Lanier of Pegasus Capital. Please go ahead.

Q: What sort of things do you see on the horizon on the international front as you look at partnerships and opportunities there?

Brian Balbirnie – Chief Executive Officer

Yes, there is a big thirst here for us to broaden our business beyond North America, as I think we've said in the past. We've got an install base, a couple hundred accounts in Europe, primarily in the UK. We've got sales representation there and operations servicing those accounts. We still feel that that market could be strong for us. We've got a great partnership with London Stock Exchange that we think we can leverage there and invest in the future.

But really, when we look globally, we really think about distribution. We think about Asia. We think about South America. We think about other parts of Europe that we can broaden our distribution to build out, ultimately, what the drive and demand is from our US customers first is getting global, and then secondarily, going out and building global relationships to draw folks back to the US market. As we look to put any human capital or hard capital to use in this, it's going to be focused on distribution to broaden our Accesswire news business.

Q: Thank you. I wish you good luck.

Brian Balbirnie – Chief Executive Officer

Thank you, Mark.

Operator

Gentlemen, there are no additional questions at this time. I will now like to turn the call back to Brian Balbirnie for closing remarks.

Brian Balbirnie – Chief Executive Officer

Thank you, Brock. I appreciate it. I'd like to thank everyone specifically for the questions today and taking the time to listen to Steve and I talk about our first quarter results.

Like in one of our last Q&A sessions here, if anybody has any additional follow-up, I'd welcome opportunity to speak with you again. I wish you all a great day. Thank you.