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POSaBIT Systems Corporation (OTCQX:POSAF) Q3 2022 Results Conference Call November 29, 2022 4:30 PM ET

Company Participants

James Carbonara - Hayden IR

Ryan Hamlin - Chief Executive Officer

Matthew Fowler - Chief Financial Officer

Conference Call Participants

Andrew Bond - Jefferies

Joshua Horowitz - Palm

Scott Fortune - ROTH Capital

Operator

Good day, ladies and gentlemen, and welcome to the POSaBIT Systems Corporation Third Quarter 2022 Earnings Call. All participants have been placed on a listen only mode and the floor will be open for questions and comments after the presentation.

It is now my pleasure to turn the floor over to your host, James Carbonara. Sir, the floor is yours.

James Carbonara

Thank you, operator. With me on this call are Ryan Hamlin, Chief Executive Officer and Matthew Fowler, Chief Financial Officer.

I would like to begin the call by reading the Safe Harbor statement. This statement is made pursuant to the Safe Harbor for forward-looking statements described in the Private Securities Litigation Reform Act of 1995. All statements made on this call with the exception of historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Although the company believes that expectations and assumptions reflected in these forward-looking statements are reasonable, it makes no assurances that such expectations will prove to have been correct. Actual results may differ materially from those expressed or implied in the forward-looking statements due to various risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those expressed or implied in the forward-looking statements, please see risk factors detailed in the company's annual report and subsequent filed reports, as well as in other reports that the company files from time-to-time with SEDAR. Any forward-looking statements included in this call are made only at the date of this call. We do not undertake any obligation to update or supplement any forward-looking statements to reflect subsequent knowledge, events, or circumstances.

The company may also be citing adjusted EBITDA in today's discussion. Adjusted EBITDA is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The company defines adjusted EBITDA as net income or loss generated for the period as reported before interest, taxes, depreciation and amortization, it's further adjusted to remove changes in fair value and expected credit losses, foreign exchange gains and/or losses and impairments. The company believes this is useful metric to evaluate its core operating performance.

Now, I would like to turn the call over to Ryan Hamlin, Chief Executive Officer. Ryan, please proceed.

Ryan Hamlin

Thank you, James, and welcome, everyone. As a reminder, all numbers that I'll be talking about today are in U.S. dollars. For the third quarter, we delivered strong revenue growth, both year over year and sequentially. We had our first $10 million plus revenue quarter, finishing at $10.3 million. Revenue was up 62% over the third quarter of 2021 and 26% over this year's Q2 results. Importantly, we remain on track to achieve our full year guidance for 2022 and are continuing to build upon our success for long term growth into 2023 and beyond.

I know that I say this on every call, but it's important to stress that POSaBIT has doubled or nearly doubled our revenue each year since 2017 and are on track to continue this trend in 2022. We set a record for monthly payments revenue in each month in Q3 and this trend has continued into Q4. For the third quarter, we once again significantly exceeded the cannabis industry growth rates, which still remain in the single digits or negative growth for many, as well as outperformed all our competitors. Further, we continue to expand our partnerships, evolve and improve our platform and license our geographic footprint to reinforce the long term prospects for our business. This is in stark contrast to others in the industry.

Now let's discuss what we're seeing in the cannabis market. As I mentioned already, many of our competitors are struggling. Major restructuring, employee layoffs and top management changes are driving what was once an extremely high industry valuations in both the private and public sector to what are now far lower valuations today. The overall environment is increasingly favorable for companies like POSaBIT who have a track record of demonstrating great results over five years, have capital in the bank and are moving toward full EBITDA profitability. It is times like these that separate the companies that have real results like ours from those whose value was manufactured by overly broad promises, but fail when it comes to results. As a result of this, it will be a time of continued execution and growth for POSaBIT as we capture more and more of the market during this distressed period for many in the industry.

This quarter, we continue to see the number of merchants using POSaBIT growth and they are increasingly embracing the idea that a robust integrated payments and point of sale solution are crucial to the survival of their business. Across the industry, the average sales ticket continues to decline slightly quarter over quarter. And with new retailers emerging, competition is increasing, merchant demand open technologies like POSaBIT that can support their business, provide them the software tools they need, while also offering an open platform that allows merchants the choice of any third party solution they desire. The positive platform provides complete freedom to the merchant.

Earlier this month, voters in Maryland and Missouri approved legalization measures during the election cycle, bringing the total to 21 states and the District of Columbia that now allow recreational use cannabis. The market opportunity is clearly expanding and POSaBIT is well positioned to enter these new markets.

Now let's shift our focus to new business that was created in Q3. As you all may recall in September, we signed the largest partner deal in the history of our company, a four year $20 million guaranteed software license agreement with a large cannabis technology provider from royalty payments to POSaBIT. This created a significant new stream of guaranteed reoccurring revenue over at least the next four years and quite possibly beyond that. Even more importantly, our investors will be pleased to know that because it's a licensed agreement for software that is already developed, the revenue essentially falls to the bottom line, creating $5 million of non-dilutive capital each year for the next four years.

All in all, the economics of this agreement are highly attractive for the company. It is important to note that this deal was only possible because POSaBIT is an open platform, meaning, all cannabis technology companies in the industry are welcomed to integrate with POSaBIT for both our point of sale and our payments platform. This open platform approach is a key strategic differentiator in the commercial market and just as important, a key driver of value for our shareholders.

In terms of merchant agreements, we now service more than 500 merchants, which is an increase of nearly 70% since the start of the year, with new locations being added regularly, including several large MSOs or multistate operators. Our 202 goal of entering eight new states will soon be achieved. We began the year with operations in 15 states, we are now live in 21 states and are under contract with merchants with three more which are scheduled to go live before years end. As we head into 2023, we look forward to adding many more states to our existing list with a focus primarily on the eastern seaboard.

Earlier this month, we launched and showcased POSaBIT 2.0, the newly designed version of our POSaBIT point of sale client at MJBiz, one of the industry's largest conferences. The feedback was overwhelmingly positive. It is our most intuitive experience yet with a thoughtfully redesigned user interface, enhanced front end features, new and user centric improvements to its recommendations and preferences platform and enhanced reporting and insights on the back end. Overall, it elevates the day to day experiences of budtenders, managers and owners, whether they are small retailer or growing MSO. POSaBIT 2.0 is now live with a handful of beta customers and we plan to roll it out to our entire customer base over the next month.

This morning, we announced our new integration of our platform with Onfleet, the largest cannabis delivery company in the market today. Onfleet is the trusted last mile delivery solution for thousands of companies across dozens of industries, including cannabis. Importantly, the integration is two way, meaning all delivery statuses are reflected in both systems to provide a real time ability to track consumer deliveries. Through this relationship, POSaBIT now fully supports consumer delivery capabilities for all states that allow for this. More information about this newly formed partnership can be found in today's press release.

I will briefly touch on safe banking since I assume most of you are tracking this legislation. All indications are pointing to the passage of some form of safe banking in 2023. Given the split Congress, some believes this may occur in the next month during the [lame duck] (ph) session. We do not believe that is the case. However, we are very excited and supportive of the majority of the components in the most recent version of safe banking. POSaBIT will be in a great position to continue to support our current merchants with best in class payments technologies, as well as take advantage of a significant increase in the percentage of transactional sales. We continue to track safe banking closely and have already set up the ability to provide credit card processing if and when it becomes available to the industry.

Before I hand it off to Matt to go over our Q3 financials in detail, I would like to briefly share some information about our overall capitalization. At POSaBIT, we have raised just over $11 million of external capital over the last seven years since the company was founded in 2015. We have used that limited capital to build a business that is now approaching $40 million in annualized revenue, which is a testament to our team's ability to execute and generate results. Our business continues to run lean with just under sixty employees, and we do not foresee a need to increase staffing significantly to support the next step up in our growth. We ended the third quarter with $8.2 million in cash and minimal debt. We remain focused on growing the top line and achieving adjusted EBITDA profitability. Equally important, we are also focusing on maintaining a strong balance sheet to support our goals as the largest payment infrastructure provider in the cannabis industry.

With that, I'll now turn the call over to Matt Fowler, our CFO for a more detailed review of our financial results for the quarter ending September 30, 2022.

Matthew Fowler

Thank you, Ryan. Transactional sales for payment services totaled $142.6 million, up 32% compared with $108 million in the third quarter of 2022. Annualized, we are now at $568 million in transactional sales. Transactional sales is a non IFRS measure and one of key drivers for our business.

Total revenue was $10.3 million up 62% compared to $6.4 million in the third quarter of 2021. Gross profit was $2.9 million or 28% of revenue, more than doubling on a dollar basis compared with $1.4 million or 22.5% of revenue in the third quarter of 2021. Sequentially, gross profit on a dollar basis was up 48% compared to Q2 2022.

Operating expenses were $2.9 million compared to $312,000 in the prior year's quarter. The primary driver of the increase in operating expense was administrative expense of $2.5 million. Administrative expenses were primarily made up of our people costs, which were $1.9 million for the quarter. To a lesser extent operating expenses increased due to higher professional fees of $618,000 for the quarter. The increase in professional fees was mainly driven by legal work tied to our license agreement and large merchant and partner contract negotiations. We also had $518,000 in non-cash expense from share based compensation compared to $277,000 in the prior year quarter.

Net loss was $1.2 million, inclusive of the negative impact of $1 million non-cash change in the fair value of derivative liabilities. This compares with a net loss of $6.9 million inclusive of the negative impact of the $7.9 million non-cash change in the fair value of derivative liabilities for the third quarter of 2021. The mark to market embedded derivative liabilities is tied to our convertible debt and is a non-cash accounting entry required by IFRS. It could cause significant differences in net income or loss quarter to quarter. Fluctuation to this line item of our income statement may be more extreme during periods of increased volatility in the price of the company's stock.

Adjusted EBITDA loss was $290,000 or negative 2.8% of revenue, compared to some adjusted EBITDA loss of $439,000 or negative $6.9 of revenue in the third quarter of 2021. Cash on hand at the end of the third quarter was $8.2 million, this compared to $4.4 million at the end of 2021. September thirty cash balance includes $4.4 million received in August as part of our $20 million technology licensing agreement with $4 million net proceeds through from the private placement. During the quarter, cash was used primarily for working capital needs into purchase equipment, which is either sold or rented to our merchants. Our debt balance means low at $248,000 of long term debt comprised of an SBA loan and convertible notes.

As discussed in our Q2 earnings call, we completed the private placement with existing institutional shareholders that netted us approximately $4 million of proceeds. The offering consisted of $5,861,941 units of the company at a premium to market price pursuant to the offering. $4,500,000 units were issued to existing investors of the company who concurred with the closing of the offering exercise $600,063 previously issued common share purchase warrants. Participation by existing shareholders demonstrate their competence in us in our business.

We do not have anything new to report about uplisting the company's stock to NASDAQ or another market for trading securities. Other than to reiterate, the positioning of the company so that investors can easily invest remains important to management and the Board. We are also monitoring other legislative developments, including safe banking. It's still too early to note that the latest iteration will gain momentum to pass through the house incentive in the next 12 months, but we remain hopeful. That's it from me, Ryan. I'll turn the call back to you for closing remarks.

Ryan Hamlin

Thanks, Matt. Let me start with guidance. Today we are reaffirming our guidance for revenue and transactional sales, but are increasing our guidance on gross profit to be $10 million to $10.5 million. For the full year 2022, we expect revenue to remain at $37 million to $40 million and transactional sales for card services of $600 million to $700 million.

I want to end with a few comments specific to the industry and why we are so bullish about the future of POSaBIT. In a time when many of our competitors are announcing layoffs and reductions in their guidance, POSaBIT third quarter results were very strong, growing 26% quarter over quarter versus an industry average of 1% or negative results. Our position within the industry remains very positive with many opportunities on the horizon. In times of distress like we have today, strong companies with proven results rise to the top. We remain one of the few or even the only company in the cannabis tech space that is both doubling revenue year over year and announcing forecasted EBITDA profitability in 2023. We have a track record of completing what we set up to accomplish and 2022 is no different.

We expect to give full 2023 guidance soon and cannot comment on that yet, as we are still finalizing some important details around the forecast. However, we do expect to have another year of strong growth and look forward to sharing the numbers with you very soon.

Thank you everyone for listening in. Operator, we can now take calls.

Question-and-Answer Session

Operator

Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] And the first question is coming from Andrew Bond with Jefferies. Andrew, please proceed.

Andrew Bond

Hi, good evening. This is Andrew Bond on the line for Owen Bennett. Thank you for taking our questions. So first one…

Ryan Hamlin

Hi, Andrew. How are you?

Andrew Bond

Hey, Ryan. Doing well. How are you?

Ryan Hamlin

Great.

Andrew Bond

So first one from our side, could you zoom in on your guide a little bit, specifically what has changed within your internal model versus 2Q that gives you confidence in your raised fiscal 2022 gross profit guide?

Ryan Hamlin

Yes, I mean, it comes down to -- basically as we grow our processing volumes. I've kind of said this all along. Everything -- it's scalable business. So as we process more, we can actually take more of that to the bottom line, because we get that discount in scale processing. We also see a little bit greater gross margin on our payment processing today that we do with our pandemic solution. So the other big thing I think that drove for this particular quarter is the $20 million licensing deal, which we signed. So we were able to pull in the first part of that and recognize it in Q3. So that definitely helps.

Andrew Bond

Got it. Helpful detail. And then you noted you have a pipeline of 200 additional retail locations and you also noted you're on track with your target to enter eight new states by year end with three new states currently under contract, expected to go live before year end. So a bit of a two part question if I could, Ryan. So first one, are there -- are the three new states under contract included in the 200 store pipeline? And if so, how many stores do these under contract states represent?

Ryan Hamlin

Well, good question. Yes, in our pipeline, when we state that as far as the opportunities that we're working, it does include merchants in those three new states that will go live between now and the end of the year. As you know, most of large MSO deals cover a lot of different states. And so, as you roll them out, you roll them out in kind of a staggered approach. And so, the good news is for us, we've been rolling out several MSOs and they have locations in these three remaining states. So we know that it's already accounted for as far as the deal is done. It's just a matter of getting out and implementing it.

Andrew Bond

Got it. Helpful. And then the second part of that is, among these 200 stores, are they predominantly larger operators with multiple stores, smaller single state operators with one or handful of stores. Just wondering how or whether the pipeline has evolved over the course of the year in terms of size of client in the pipeline?

Ryan Hamlin

Yes, it definitely has. I think when you and I talked first quarter, we saw kind of a third, a third, a third, meaning, a third amount of pops, a third kind of two to five locations and a third MSOs. As we start to exit the year, we're seeing primarily all in the multi locations, two to five locations as well as MSOs. So less mom and pop stores and definitely focus more on the larger MSOs and multi-location stores.

Andrew Bond

Got it. Very helpful detail. Thank you, Ryan. I'll pass it on and jump back in the queue.

Ryan Hamlin

Thanks, Andrew.

Operator

Okay. The next question is coming from James [indiscernible], private investor. James, please proceed.

Unidentified Participant

Hey, fellows. How are you doing?

Ryan Hamlin

Good, James. How are you doing?

Unidentified Participant

Doing well. Thanks. So taking a step back, you reiterated revenue and raised gross profit, which -- I mean, to me it feels like a pretty remarkable accomplishment just considering the state of the cannabis market versus, I guess, a year ago when you first gave your guidance, Ryan. So can you just talk about sort of how much the market is deviated sort of over the last year? And I guess to what you attribute your growth in the face of -- I got to imagine this year didn't quite go the way you planned it would from an industry standpoint, right?

Ryan Hamlin

Yes, exactly. I mean, I think it comes down to a couple of things. I mean, we've demonstrated over our past years that we are physically responsible. We don't get ahead of our skis, so to speak. We hired and we grew because we knew we needed to expand, but we did it in a thought approach. So we brought on new people as we were expanding into new states. So unlike others in this industry that we've seen where unfortunately they have gone out with such large valuations to raise capital and almost puts them in a tougher position because they have to try to generate results at a very faster pace and they have to then bring in more people to do so. We fortunately have this great payments business, which helps self-fund our growth. So we -- yes, we would have had the industry not kind of slowed down like it had. I'm sure we'll be talking and increasing the top end guidance by a significant amount.

The fact that we can remain on the numbers that we started the year off with given the significant downturn in the economy and the industry, I think is a testament to our team and our ability to keep bringing on new stores, but even equally important is same store growth. Because as you -- and I've talked about in the past, when we start business with a new merchant, we usually see somewhere like 25% to 30% of the customers using our payments business. Over time, they realize that they can use a debit card and they stop bringing in cash and that tends to grow into the 40%, 45% side of it. So what we saw and what we got the benefit is -- benefit of is same store growth over the year and adding a bunch of new merchants as you saw. I mean, we added 70% more merchants this year than where we ended the year last year. So I think it's just -- it comes down to execution, being smart about how we grow, taking on new stores, but also educating our current base to make sure that we have significant same store growth over time.

Unidentified Participant

Yes. No, I think that all makes sense. And again, it's really just phenomenal execution to be able to still deliver in spite of just how much the market has changed, right? It's -- I won't ask you to comment on where we could have been numbers wise, had the market kind of [indiscernible] I guess a good lead is the next one I want to ask you, which is just based on what you're seeing, where do you think we're at as far as the cycle of kind of rationalization and when do you think things kind of get back to stability and you start seeing not so much of deviation between, I guess, dollar sales trends and unit sales trends in the cannabis industry?

Ryan Hamlin

Yes. So I think what we saw was, last year compared to this year in Q3 a significant drop in the average ticket. If you compare the drop from Q2 to Q3, it's slowed down. So in some ways you can look at it as the actual average ticket sale is flowing down. It's still quite a bit lower than where we were a year ago. But in some ways, we can look at that as somewhat positive news that hopefully this industry is starting to level out a little bit. The other thing I would comment on is, because there is so many companies that started in this space like we've commented before and have raised capital on unfortunately valuations they can't live into right now and have P&Ls that aren't generating the kind of cash that they need to survive. They're living on whatever cash they raise, right? Because they'll have a very difficult time to raise anymore. So these are the opportunities, like I said, a few minutes ago, these are the opportunities where companies like us can take advantage of the situation. And there is definitely roll up strategies in play. As we look at how do we continue to grow aggressively? Obviously, we have a great sales team, they continue to add a ton, but we want to be aggressive and look and see if now is the time that we either do more strategic partnerships, potentially some acquisition capabilities, but this is the time for companies like us that are strong to kind of take advantage of that.

Unidentified Participant

Yes. That makes total sense and appreciate the color on the market. Just on that point too, can you just -- any color kind of through the quarter just kind of trends that you saw?

Ryan Hamlin

On Q3, I guess, I mean, the main thing that I said. I mean, we continue to grow our [fixed] (ph) revenue every single month of the quarter, which was great. Last year Q4 was an anomaly because of -- since that was the beginning of the crash, so to speak. The good news is, this year we've had -- we just came through green Wednesday and whatever they call the day after Thanksgiving. But those were record sales days for us. And so, we're optimistic that what we're seeing is at least the merchants that we're working with are having a stronger fourth quarter. So hopefully that's going to obviously carry through to us and our ability to process more for them, which is not only going to help them in their store sales, but obviously it's going to help us with our revenue targets.

Unidentified Participant

Yes. No, that all makes sense. It does kind of feel like once you start to lap this kind of softening and again diversions between unit sales and dollar sales that you guys are going to be [indiscernible], all really helpful color. Last thing for me is, you mentioned something in the comments, which was you said, you'll be in a position to give guidance soon. I don't think you'll report fourth quarter earnings until next year, right? So what does -- that not very soon. What does it mean?

Ryan Hamlin

Yes. I mean, I guess, what I wanted to say, I anticipated somebody would ask this question. We're obviously very thoughtful about guidance. And we treat it extremely serious, because as you've seen, we want to hit our guidance and we think that's extremely important for us whenever we talk to our investors. So we weren't quite ready where we felt like the forecast needed to be and we need to be comfortable to give the guidance. When I say soon, it's not going to be next April, it's going to be either later this year or early, early next year that we plan on coming out. And will this -- we'll do that with a press release and we may even do a call just to kind of walk investors through it. But yes, we're excited. We definitely see on the horizon nothing that's really getting in the way from us to continue to execute like we have been. So we're on a path hopefully of something very similar to what everyone has seen over the last five years.

Unidentified Participant

Got it. Makes sense. I couldn't let you get below that one without explaining anything. [indiscernible].

Ryan Hamlin

I wouldn't expect anything else from you James. Thanks, buddy.

Unidentified Participant

All right. That's it from me. Thank you.

Ryan Hamlin

Thanks.

Operator

Okay. Up next we have Joshua Horowitz with Palm. Your line is live.

Joshua Horowitz

Thank you very much and congrats on a great result. Truly unbelievable how much this company has been able to grow and do, especially having raised such little capital over time. So great job. I have a question. So all the peers have bad business models, they're losing money, they're not capitalized well, are you having an easier time delivering your value proposition and onboarding customers, because the competition is in poor shape. Could you help us understand that on a more granular level?

Ryan Hamlin

Yes. I think a great question. And when we talk to our merchants, it's become very clear and we saw this down at MJBiz just a couple of weeks ago in Vegas that merchants and MSOs want to partner with companies that are stable. And that's a really important thing because when you -- especially when you make an investment into a point of sale, you want to make sure that that company is going to be around, that it's going to grow, that it's going to innovate. And because of the state of so many of the point of sale companies in this cannabis space, we're starting to really feel that impact and companies coming to us that have said, hey, we've heard a lot about POSaBIT or this merchant or this MSO has said great things about POSaBIT, tell us more. So we've definitely seen a change in the last, I would call it, three to four months on just more people wanting to bet on us, because they hear the consecutive results, they understand that we're extremely stable, we have cash and we continue to grow.

So I think that's a big part of it. They look at track records and they want to make sure the companies are around. So, yeah, it has become easier. The other big thing for us is that and we knew this kind of all along that the unit economics when you're trying to work with a TAM that's only 95,000 dispensaries, it's extremely hard to build a valuable SaaS based business unless you get significant market share. So when you start as a point of sale, and there's 10 other point of sales going for that same TAM or more, it's really hard to build a sustainable business. And so at day one, we didn't do the POS, we did payments. We used that payments revenue because it was obviously much better margins, much higher ticket, we could grow our company faster and we could self-fund with that payments revenue all along knowing we were going to do a POS, but we were going to do a POS when we have the capital to make the investment, to make a great POS that made sense. So I think that's what's playing out now and you have a lot of these SaaS based companies that just frankly have too small of a market to survive and are falling off on the side and then companies like us that have a very stable business that is grounded in payments revenue are being viewed as a much stronger opportunity and a stronger play for those merchants to partner with.

Joshua Horowitz

Very helpful. Very helpful. Thank you. As a follow-up to that, if somebody has -- if you'd reached out to a dispensary and made your pitch and they've said, no thanks. What is typically the reason that they say no?

Ryan Hamlin

Honestly, it's usually the ATM. So unfortunately, because this business -- this industry started out as cash only, the only alternative was for these owners to put ATMs in their store. And so, owners in some ways grew accustomed to enjoying those ATM fees that are associated with those ATMs in the cannabis store and a lot of them also recycle the cash. So the cash comes in from consumers and they can reload their ATMs themselves and then make fees off of that. So that's still the number one reason and you just have to kind of sit down and have a thoughtful owner that understands that, while cash initially that was ATM fees feel and seemed nice as a nice source of revenue, the reality is, cash actually costs more to manage than digital currency like a debit card because of all of the mistakes that are made obviously in counting the cash, the cost of dealing with it reconciliation obviously best and frankly just an unsafe work environment for customers and the merchant themselves. So you have to have somebody that's willing to kind of sit down and really understand it. Unfortunately, there are people out there that still just -- they want that ATM revenue. And so, usually when we don't get a deal it's usually because they're just so hooked on that ATM that they can't get away from it. So it's frustrating. We have case studies that really show how same store sales go up and average ticket goes up, but you can't -- I don't know what is it saying. You lead a horse to water, we can't force them to drink. So I guess that's kind of what we're doing here.

Joshua Horowitz

Terrific. Thank you very much. Great job.

Ryan Hamlin

Thanks, Josh. Good talking to you.

Operator

Okay. Up next we have Andrew Bond with Jefferies. Andrew, please proceed.

Andrew Bond

Hey, thanks for the follow-up. I just wanted to go back Ryan to your comments on safe banking. As you pointed out in your prepared remarks, we've definitely heard some thoughts around safe successfully passing in lame duck from industry participants and politicians. And from our conversations, this view seems to be shared by a lot of folks on Wall Street in the buy side. So wondering if you can talk out your views a little more and give some color around why you're skeptical of Safe Passing in the Lame duck?

Ryan Hamlin

I mean, I think it all comes down to just history. I mean, history -- we should learn from history here, because safe has tried and stopped six times. And so, I just think call me, I guess, I'm not optimistic about the ability for this thing to make it through this time and why this time is different. I guess you could argue that obviously the split Congress is -- is this going to be the issue that they're really going to push through given everything else that's going on in our economy. Does this create some sort of win across the aisle for both the Democrats and the Republicans? I think it's yet to be seen. So I just -- my main reasoning and what our team looks at it is just there's a bit of skepticism. We've been down this road before. We've heard that it's going to pass and yet here we stand. So again, we don't shy away from it. I think it's great for the industry, it's great for POSaBIT. But at the same time, we're just trying to be a little bit realistic about the ability to get it passed. And even when it is passed, how it's going to get implemented, obviously, the decriminalization side of this is really going to be the interesting point of how that's treated, because I think a lot of people don't want to be see safe pass unless it has some of that in there. And so, I think it's going to come down to that issue probably on how much people value the decriminalization side of the whole bill versus just the banking side.

I mean, ironically, say banking is -- a lot of safe banking isn't about banking. And the other thing that people sometimes forget is, there's over 700 banks that bank cannabis today. So finding a bank to bank your dispensary actually isn't a problem. It does have issues around lending and we understand that. But it's just, I guess, ironic that they call it safe banking when frankly, there's plenty of banking, it's really more about decriminalization.

Andrew Bond

Yes, fair points. Thank you for sharing your thoughts and congrats again on the quarter.

Ryan Hamlin

Thanks, Andrew.

Operator

[Operator Instructions] Up next we have Scott Fortune with ROTH Capital. Scott, your line is live.

Scott Fortune

Good afternoon, and thanks for taking the questions. Congratulations on operations side. Just to kind of follow-up on the safe banking side, if that does go through as a narrow bill here, just want to get sense for the opportunity as you see for your business and the competitive landscape with safe passing, a lot of big banks or big financial institutions probably won't get involved until federal negotiations. And then a follow-up on that on potential uplisting with tops or what are you hearing from NASDAQ or Stock Exchange as far as uplisting and kind of what's needed from that side of things? That'd be great.

Ryan Hamlin

Okay. Yes, I'll take the safe banking one and maybe Matt can answer the NASDAQ one, because I got him kind of one point for that stuff. I think the biggest thing and I've kind of been saying this all along is, it comes down to really two things. Safe banking happens immediately if -- and you said a really good point, if the card brands allow it, because remember, Visa and MasterCard have to allow it still to run on their rails. So people assume that safe banking passes and immediately Visa and MasterCard allow it. You got to remember that, if it's still illegal at the federal level, people need to – Visa and Master will evaluate, is it worth potential brand reputation to open -- to allow their rails to process or not. So let's just assume that that does happen. Right away, our volume is going to triple. So I said to you on the phone earlier, I said to the investors listening in, 30% of the sales on average when you first go into -- go through our system, it's still 70% cash. Now if you go to a coffee shopper or a restaurant, probably 95% of their transactions go through cards. So immediately, we're going to have a tripling of just revenue on our existing base. So obviously that's a great thing.

The competition point, ironically the merchants in the space today are actually transacting at a lower rate than they will post safe banking. And I know it sounds weird to say that, but today we can offset some of the costs with a non-cash fee that the consumer pays. Going forward, there won't be that, right? People don't expect to pay anything to use a credit card, but the rates will definitely go up. So a merchant today who's maybe paying 3.5%, their rates immediately are going to go to probably 5.5% to 6%. So there's going to be a shift in the revenue. So our revenue will remain the same as far as every ticket, how much we make. But the overall volume will triple. So that's why I said, we embrace it. We think it's going to take some time once it does pass. And then I think there's a couple of big variables of does Visa and MasterCard move forward or not. And like I mentioned on the call, the good news is, we've already built the entire back end to support credit. So if this past and this would never happen, but if credit was available tomorrow, we literally have the ability in our back end to switch and be ready to process credit tomorrow morning at eight in the morning. And so it's -- we built our infrastructure to be ready to support it. And it's just a matter of does it happen and does Visa and MasterCard allow it to happen and how does the competition, how fast do they come in? But there's a lot of ifs that are kind of in play. So in general, like I said, we feel great about where we are today and our ability to react and actually take advantage of safe banking once it does pass. But I'll pass it to Matt, go ahead and talk about NASDAQ.

Scott Fortune

Sure. Yes, I think we have counsel that really specialize in working with the NASDAQ on this specific issue. They keep a close pulse on this as well as in communication with the NYSE, because both are really options for us and making sure that if there is going to be a change or any legislation in the past, it includes language that would be needed to allow us to list. We're not there yet and we'd need too much legislation to get passed. But we continue to monitor it really closely and prepare ourselves for when that does come around.

Scott Fortune

Got it. Thanks for the color.

Ryan Hamlin

Thanks.

Operator

Okay. We have no further questions in queue. Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.