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ShotSpotter, Inc.

Second Quarter 2017 Earnings Conference Call

August 8, 2017

C O R P O R A T E   P A R T I C I P A N T S

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Alan Stewart, *Chief Financial Officer*

C O N F E R E N C E   C A L L   P A R T I C I P A N T S

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Jeff Kessler, *Imperial Capital, LLC*

P R E S E N T A T I O N

Operator:

Good afternoon, and welcome to ShotSpotter's Second Quarter 2017 Earnings Conference Call. My name is Rob and I will be your coordinator for today's call. Joining us for today's call are ShotSpotter's, CEO, Ralph Clark, and CFO, Alan Stewart. Please note that certain information discussed on the call today will include forward-looking statements about future events and ShotSpotter's business strategy and future financial and operating performance. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict and may cause the actual results to differ materially from those stated or implied by those statements.

Certain of these risks and assumptions are discussed in ShotSpotter's SEC filings, including its registration statement on Form-S1. These forward-looking statements reflect Management's beliefs, estimates and predictions as of the date of this live broadcast, August 8, 2017, and ShotSpotter undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this conference call.

Finally, I would like to remind everyone that this call will be recorded and made available for replay via a link available in the Investor Relations section of the Company's website at ir.shotspotter.com.

Now I would like to turn the call over to ShotSpotter' CEO, Ralph Clark. Sir, please proceed.

Ralph Clark:

Thank you, Operator, and good afternoon to all of you listening in today. Alan and I are going to give you a quick overview of the second quarter and then we'll take questions from our publishing analysts. We

just saw many of you on our IPO road show and we really enjoyed the give and take of talking about our Company with experienced Investors. Those collective conversations helped us hone our strategic and tactical thinking about ShotSpotter and that's always a good thing. We're extremely delighted so many of you have chosen to become Shareholders and partners in our efforts to help cities and institutions in the prevention and reduction of gun violence.

Our IPO priced on June 6, and we sold a total of 3.2 million shares, raising net proceeds of $32.4 million. We're obviously pleased with the financial success of the offering and even more encouraged by the breadth and depth of ownership our company has attracted. We're looking forward to building a mutually beneficial relationship with all of you.

I'm very pleased to report that we're off to a solid start as a public company. Q2 was a successful quarter with results exceeding our expectations for top line revenue growth, improving gross margins, and increasing momentum toward achieving profitability. Alan will dig in a little deeper into the P&L in a moment. Unfortunately, even if you take a quick look at recent headlines, it is clear that gun violence is a broad-based, increasingly intractable state of affairs in almost all parts of the United States and even in some cities abroad. It is this state of affairs that is driving a need for our solutions. We're still in the early stages of penetrating our market. There are approximately 1,600 domestic and international cities, as well as 6,800 college campuses, train stations and airports, that could benefit from ShotSpotter's solutions, representing approximately $1.4 billion in potential annual subscription revenues.

We believe we're well-positioned to capitalize on the strong market opportunity in front of us. Given this large and unmet market need, we're working hard to raise the profile of our technology and increase the penetration of our proprietary solutions. Operationally during Q2, we continue to expand our market penetration and increase the present of our ShotSpotter solution in cities needing an effective way to deal with gun violence. As you may recall from our S1 filing at the end of Q1 2017, ShotSpotter had 74 public safety customers with coverage areas of approximately 450 square miles in 89 cities and municipalities. The system had identified, validated, and sent alerts on more than 80,000-gun fire incidents.

Since then, we have continued to expand upon those metrics. In the second quarter of 2017, we went live with 44 net new miles, including new customer deployments in Miami-Dade County, Florida, Louisville, Kentucky and St. Louis County, as well as current customer expansions in New York City and Chicago. We also booked a new city contract with Jacksonville, Florida that recently announced the Go Live on July 28.

Alan will cover the definition of net new miles during his portion of the call. We're also delighted to report that we completed our collaborative engineering effort with GE Current to embed ShotSpotter technology into their smart city IoT platform called CityIQ. This platform will be marketed and sold through GE's current exclusive Smart Cities partner, AT&T. We're also excited about the CityIQ platform as it will enable us to deploy larger coverage areas with minimal capital, truck roll and ongoing maintenance costs, helping us expand our solution and generate new revenue through broader security coverage. Also those deployments will now be able to leverage additional sensor-based capability within the platform, such as cameras and edge analytics. We anticipate this will enhance and expand the capabilities we provide in the reduction and prevention of gun violence.

Clearly, there's lots of running room ahead and we're investing to take advantage of the opportunity. We've expanded our sales team in the past few weeks by hiring and onboarding two new carrying quota-carrying Sales Directors, which increases our direct domestic field sales force from three to five sales people. As you know, our sales cycle can take time. There's a great deal of technological and consultative education involved with working with public government agencies who can be fairly deliberative in their approach to new vendors and services.

Face-to-face meetings, often repeated over a lengthy period of time, is the norm. Having two more sales professionals building those relationships and explaining the ShotSpotter value proposition is both important and useful. With these two new Sales Directors, who are based in the Texas area and Midwest respectively, we've increased our sales capacity by 40% in order to build and convert new customer pipeline as well as existing customer expansion opportunities.

I would also point out that we're investing not only in customer acquisition but also customer success. We've learned over the years how important the onboarding process is and we've developed internal best practices and play books in order to strengthen new customer onboarding and engagement. In our business, how you start is literally how you finish. As we continue expanding our customer base, we're focused on building the kind of highly trusted partnerships that are crucial and unique between our public safety, agency customers, and our Company.

Remember, our solutions are delivered in real time and can involve life and death situations. Seamless collaboration is the key to success and that takes effort and commitment. We're expanding our customer success and support teams to get that type of engagement wherever our solutions are deployed and if we execute properly, our customer relationships will steadily grow stronger, more cooperative, and importantly, stickier.

Looking into the second half of the year and beyond, we're very encouraged by the opportunity to have a real impact with our technology solution and we're positive on our overall business prospects. I will now turn it over to Alan to give you more detail on how that business performed in Q2. Here is Alan.

Alan Stewart:

Thank you, Ralph, and good afternoon, everyone. I think you will see from our numbers, Q2 reflects great success for ShotSpotter. We grew revenues to a record $5.8 million, a 48% increase over second quarter of last year. Our net loss was $4.3 million, however, this included a $3.7 million expense related to the final remeasurement (phon) of our preferred stock warrant liability. Excluding this expense, the Company's adjusted net loss would have been approximately $600,000. Our solid execution has allowed us to focus on customer success which is driving our continued growth. Our subscription-based revenue business model, and our ability to generate strong cash flow, has put us on a very positive trajectory for the future.

Now, turning to our financial numbers. We encourage you to reference today's full earnings release which is posted on our website. As I mentioned, revenues for the second quarter increased 48% to $5.8 million from $3.9 million in the same quarter last year, and we're also up 28% from the first quarter of 2017. For the quarter, our revenue increases were driven by new customer orders, mileage expansions with existing customers and excellent customer renewal rates. We did experience a one-time uptick in revenue during Q2 from the development project completed with GE Current for integration of our sensor technology into the GE Smart City IoT platform. Even without the revenues from GE Current, our Q2 performance is evidence of the momentum we're seeing from the continual and expanding customer adoption.

Turning to expenses, our gross profit for the quarter was $3.1 million or 54% of total revenue. This was an improvement from $1.5 million or 38% of total revenue in the second quarter of 2016. Our R&D expenses for the second quarter of 2017 were $900,000 or 16% of total revenues compared to $1 million or 26% of total revenues in the second quarter of last year.

A reduction in R&D expenses was due to reduction in the use of outside consultants in our engineering group. We expect R&D expenses as a percentage of revenues to be around 13% to 15% going forward. Our selling and marketing expenses for the quarter were $1.4 million or 23% of total revenues, compared

to $1.3 million or 34% in Q2 last year. The slight increase in selling and marketing expenses for the quarter was primarily due to increased labor costs associated with our expanding sales, marketing and customer success efforts, offset by a large commission payment paid in Q2, 2016. We expect selling and marketing expenses, as a percentage of revenues, to be around 21% to 24% going forward.

For the second quarter of 2017, our general and administrative expenses were $1 million or 17% of total revenues compared to $600,000 or 14% of total revenues in Q2 of last year. Our G&A expenses are increasing as we operate as a public company. We expect our G&A expenses, as a percentage of revenue, to be around 18% to 22% going forward. For the year-to-date through Q2, GAAP net loss totalled $5.9 million or $2.19 per diluted share based on 2.7 million shares on a weighted average shares outstanding basis. Net loss was up 32% compared to the same period a year ago, however our results for the first six months of the year include the $3.7 million charge related to the preferred (phon) stock warrant that I mentioned earlier.

By way of comparison, this chart was approximately $600,000 for the first six months of 2016. Cash flow generated from operations for the first six months of the year was $1.1 million compared to a use of $700,000 in the first six months of 2016. We continue to maintain a strong balance sheet with $35.1 million in cash. We intend to repay our outstanding debt of approximately $13.5 million before the end of Q3. Capital expenditures have been $2.9 million for the first six months of the year. We do not disclose our backlog or bookings but have determined that a meaningful metric from which to understand our growth and future performance is miles that Go Live during each quarter. Miles that Go Live represent incremental deployed miles, where all required sign-ups on mileage deployment have been received during the quarter. Essentially, these represent the start of revenue recognition for those respective miles.

During the second quarter of 2017, we went live on 44 miles. These reported miles will always be a combination of new customer implementation as well as existing customers expansions, and net of any customer losses. We do not intend to break out the respective amounts as the miles may vary greatly quarter-by-quarter and we are sensitive to misinterpretation if additional data are provided in the breakout. Partially due to the new miles that went live in Q2, we added $1.6 million in deferred revenue, ending the quarter with $17 million in deferred revenue, $13.9 million of which is short term and $3.1 million of which is long term.

Now, breaking down our revenue by business segment, our public safety solutions, including ShotSpotter Flex and all our remaining legacy customers, continue to represent the majority of our revenues at approximately 95% of our revenue for the quarter. Our security solutions provided minimal revenue and the one-time NRE-related revenue, related to the GE development efforts which would represent our first revenues related to Smart City initiatives, was $250,000 or approximately 4% of our revenue. As you can see from our strong numbers across the board, both for the second quarter and for the first six months of 2017, our team generated impressive results on our company-wide objectives.

Shifting gears to our financial outlook for the rest of the year. We are increasing our revenue guidance. Our prior guidance was for a 35% increase in revenues from fiscal year 2016. For fiscal year 2017, and based on our operational momentum and current pipeline of expected deployments, we anticipate revenues to range between $21.5 million and $22.5 million which represents an increase of 41% in the middle of the range compared to revenue in fiscal year 2016.

Our full-year guidance is predicated on our ability to continue to go live on new miles already sold and maintain healthy renewal rates. Please understand that this revenue guidance update is based on current company estimates. Actual results could differ materially depending on business conditions and other factors including those mentioned in the forward-looking statements discussed at the beginning of the call.

This completes my financial summary. For a more detailed analysis of our financial results, please reference our Form 10-Q which we plan to file by August 14. Ralph, over to you.

Ralph Clark:

Thanks, Alan. We are entering into the second half of 2017 with a strong balance sheet and enviable market position and an execution-oriented team, and we're quite positive on our near-term and strategic prospects. We have shown in this quarter's performance that we can drive top line revenue growth with disciplined operating expense management. We anticipate significant returns from our focus investment initiatives in sales and customer success capabilities, and look forward to having a transformative impact in many more cities. Again, thank you for your time today. We look forward to updating you on our progress on a future call. We're now ready to open the line for questions from our analysts. Operator?

Operator:

Thank you. We will now take questions from ShotSpotter's publishing analysts. If you would like to ask a question today, please press star, one from your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants that are using speaker equipment, please pick up the handset before pressing the star keys. One moment please while we poll for questions.

Our first question will come from the line of Richard Baldry with ROTH Capital. Please proceed with your question.

Richard Baldry:

Thanks. Congrats on a good starting quarter. Could you talk a little bit about any seasonality you might have had in the past to this new net miles added figure, to follow sort of your traditional strength in Q2, Q4 versus Q1, Q3, or how do we think about that number with that net 44 in this quarter being an ABC performance, so we know sort of how to think about the ones we're going to look at coming ahead. Thanks.

Alan Stewart:

Thanks, Rich. This is Alan. Q2 was a fairly strong quarter for us in the net new miles. In general, we would expect the seasonality of net new miles to go live in Q1 and Q3 to be a little lower than Q2 and Q4 respectively. By way of comparison, in Q1 of 2017, the net new miles was 29 compared to the 44 we had for Q2.

Richard Baldry:

You talked about the split between sort of expansions versus what anywhere else—we can call new locals or, sorry, new municipalities or cities. What did that split look like in the first half or Q2? What do you think should be typical longer term?

Alan Stewart:

Well, we've actually have chosen to non-disclose the split. I think, ironically, with the seasonality of the quarters, I think it's best if we just give the overall net new miles per quarter.

Richard Baldry:

Okay. Can you refresh us on the typical for a time-to-live for deployment from the time you do contract signing, sort of to give us an idea of the visibility you have for one thing that's moving to revenue recognition after signing? It sort of gives us a flavor for revenue visibility in the second half. Thanks.

Ralph Clark:

Sure, Rich. This is Ralph. I will answer that question. You can typically think in terms of 90 to 120 days for a typical deployment from contract booking to Go Live, and that's the period of time it takes for us to design the array and get permissions and then actually do the truck roll for installs and alike. Think in terms of 90 to 120 days for a typical deployment and, of course, that could take shorter time or longer time based on the size of the deployment.

Richard Baldry:

Then, turning to the GE NRE revenues, you hit some milestones there. Can you talk a little—have they done test deployments with the new integrated system? How that's gone? When would you expect sort of a test deployment to go out?

Ralph Clark:

We are pretty excited—this is Ralph, again. We're pretty excited about the GE Current and, now, AT&T collaboration. We certainly did all the work required to be able to recognize that 250k of NRE work that we're doing with GE, and I think their plan is, they have a GA product now available, so I think that's all I will say about that, but we're pretty excited about what this capability is going to offer us in the marketplace.

Richard Baldry:

Ralph, there has been some articles about the University of Alabama testing a system over the last of couple of days, can you talk about, was that a typical sort of new win in the security side and sort of how that sales cycle works? How replicable that cycle should be as you go forward with other campuses? Thanks.

Ralph Clark:

Sure. Yes, so we're very excited about our prospects in the security business. I think we have reported during our road show process that we had successfully sold to six campuses and I think the University of Alabama happened to be one of those campuses that we sold to, and I think what you saw in the press is them actually going live and doing their, what we call our DQV process or live fire process, where we actually calibrate the system with live fire testing. We're pretty excited about what we're doing in the security side especially along college campuses and the like.

Richard Baldry:

Thanks. Congrats, again.

Ralph Clark:

Thanks, Rich.

Operator:

Our next question will come from the line of Tim Klasell with Northland Securities. Please proceed with your question.

Tim Klasell:

Yes. Hey, guys. Congrats on the quarter as well. My question has to do with GE, you mentioned the time to go live with your deployments on your one contract, with GE, how much does it shorten that time frame because, clearly, I think it should make that process go much faster? Thank you.

Ralph Clark:

Yes. This Ralph. That's an interesting question. I'm not sure I know how to answer that question just yet because we haven't had any deployments with GE. Certainly, structurally now, the ShotSpotter capability is now integrated into their CityIQ platform and they would have the responsibility, to the extent that we're deploying through that channel, to basically do the truck roll and deployment so our gaining revenue recognition or Go Live would be based on how quickly they could deploy those sensors and that's not anything that I have visibility into, that we have visibility into, at this point in time.

Tim Klasell:

Okay, great, great. Thank you for that color. Then, obviously we get a lot of press releases. You're in—the negotiating process with some of your customers is obviously much more public than some people in traditional enterprise software space. Can you walk us through just a little bit on when you guys get awarded a contract to, maybe, the time all the paperwork is done and then you have to start to do the actual deployments? I understand the timeframe from the time you start a deployment to, you can start recognizing revenues, but maybe you can talk us through some of the processes of how you negotiate that sort of a thing, just to help us better understand when we read something in the newspaper, what it really means. Thank you.

Ralph Clark:

Yes, that's a great question and I'm not quite sure how to define how you should interpret what you read in the newspaper because it's—the reporting is all over the place there, but let me just say the following: there are kind of two phases that you could think about, there's the kind of early phase where we're in discussions with a particular client on an expansion or a new city. We haven't contracted anything yet, these are people saying, hey, we're really interested, we're having conversations, we're very excited, we might have funding, we're looking for funding, et cetera, and those can be kind of all over the place. I think we talked during our prepared comments about how deliberate the process can take with respect to educating customers on the value proposition and kind of going through that process.

Once we get to a contract, so that kind of 90 to 120 days from kind of contract to Go Live where the array has been designed, deployed and lit up and we've done on-boarding training and the like, that you can think of in terms of 90 to 120 days for most installations. But it's really hard to say, to find, I guess, that prior sales cycle, if you will, kind of getting it from a, I guess, from a kind of prospect to a signed deal. That's really the sales cycle you're referring to and those tend to be long and complicated but I don't have a specific time to give you but you can think in terms of 90 to 120 days from contract to Go Live.

Tim Klasell:

Okay, great, and then one final one. Congrats on the new hires. What does it typically take from the time you hire somebody to the time they start being productive? I know you guys have a plan for your typical

sales guy, how long does that take? Does that take six months, a year, or what? How long does it take for a rep to get "productive", if he will hit his target?

Ralph Clark:

Yes, so, in our case we think that's a relatively short period of time. It turns out that these two particular hires are very experienced Sales Directors. They are known to our Senior VP of Sales. They have worked together in a previous life at another public safety solutions company so they know the market space fairly. They know a number of the players in the market space. We've been very deliberate about how we on-board and into our company and making them, I guess, effective in delivering the message, if you will. They'll be partnered up with a more experienced ShotSpotter, I would say, with experienced resources to do that. We don't think that's going to take an extremely long time. We think they can be productive relatively quickly.

Tim Klasell:

Perfect. Thank you very much for that color.

Operator:

The next question comes from the line of Jeff Kessler with Imperial Capital. Please proceed with your question.

Jeff Kessler:

Thank you. Can you talk a little bit about how, and if, the IPO has brought you some greater recognition with regard to some of the new areas that you've been targeting such as critical infrastructure or transportation? Is there more willingness? Is there more, I guess the word is—is there a little bit more buy-in on the part of the initial talks that you're having to try to get them comfortable with both the technology and the ongoing services you provide?

Alan Stewart:

Sure. This is Alan. I will go ahead and just address—we haven't seen any material changes related to that. I think certainly the interest and the knowledge about ShotSpotter has increased, but it hasn't really directly led to sales at this point. I think it's really too early to tell but surely from a knowledge about us and about what we provide, we think we've gotten a positive bump from them.

Jeff Kessler:

In working with GE and in looking at the types of arrays that you've had to use for your sensors in given topographies around the country, actually, around the globe before, have you or GE learned anything going forward about how they might deploy differently or slightly differently, and the tweaks that you might have in secure cities programs and any other programs that they might be getting involved with?

Ralph Clark:

Well, this Ralph**.** Certainly, the deployment model is going to be bound by really what's required around intelligent lighting, first and foremost, because that's the thing that's kind of driving these intelligent depth sensors, and what we know about the lighting is that it tends to be of a higher density than what we typically deploy on a standalone basis. We don't have any specific, I guess, experience yet with deploying anything because we've just completed the NRE project to actually integrate those sensors this

past quarter, Q2. Hopefully that's going to be something we're going to learn a lot about here in the future as we partner with GE Current and AT&T and get some of these intelligent lighting or smart city deployments.

Jeff Kessler:

Okay. Will any of the two new sales persons you've hired, or in total, the sales group as a whole, have a little more leeway to market internationally, particularly in those countries where you already are?

Ralph Clark:

No, so these are domestically-focused sales reps, our net two adds, there. We are looking at bringing on some additional sales resources to help us internationally, both in the Africa, I will call it EMEA market, as well as the South American, Latin American and Caribbean market. Those, we've been kind of doing remotely. That's an area of opportunity for us and our expectation is that we would hire at least one individual, if not two, no later than in the end of Q1, 2018. That's an active pursuit for us.

Jeff Kessler:

Okay. Is the deployment period different when you go abroad?

Ralph Clark:

No, it's relatively the same, our experience is kind of the same. We have had some experience deploying internationally, as you know. It's not materially different.

Jeff Kessler:

Finally, I don't believe—I will grant you that you're not going to be giving out which specific cities you have up for—you have up for renegotiation as their contracts roll into the option periods and beyond, but can you just give some type of qualitative idea as to where you are with regard to new—potential new adds, as well as what is there in terms of existing adds out there in the marketplace so that we can perhaps get a better feel for modelling in the course of the next year or so?

Ralph Clark:

That's a tough one, this is Ralph, and, Alan, jump in as required. I think we can't be helpful in that regard. I guess we would just kind of point you to our new kind of 2017 revenue guidance. We've come out with new guidance with a range of $21.5 million to $22.5 million, which represents a 40% increase over our prior year guidance of 35%, and I think we feel really comfortable that we can hit something within that range, so if that kind of helps your modeling effort, I would just kind of point you to that direction.

Jeff Kessler:

Okay, great. One final question, will there be times when growth in deferred revenue versus growth in booked revenue? Obviously, begins—will there be ebbs and flows between the two numbers as we see one being put on the balance sheet, the other being taken on to the P&L, is this—I'm trying to gauge a way in which you don't get too alarmed or actually too excited when you see deferred revenues go up or not go up as much as you expect.

Alan Stewart:

Yes, I think there will be some cyclicality related to that but that will also be tied to the actual Go Live miles, as well, which really is the start of the revenue recognition. I would expect some cyclicality on there but it's a little hard to predict in how that's going to change quarter-to-quarter.

Jeff Kessler:

Again, one of the final question, given the jump in your gross margin this quarter, do you have any feel for what your incremental gross margin should be? Let me put it a way that you can try to answer this, are you more optimistic about where your gross margin could be on an incremental basis, on an ongoing basis, given what you've seen in the last quarter, or is that last quarter a small anomaly because of the GE installation?

Alan Stewart:

Well, actually, I think we're feeling pretty good about our progress and gross margin. Our long term goal is to reach gross margins of approximate 65%. As our revenues increase, our semi-fixed costs are increasing at a lower rate which is increasing our gross margin. The GE revenue, it was—it did positively impact our gross margins by about 2%, so I think without the GE revenue, our gross margins still would have been a significant increase, would have been about 52%, which was significantly higher than the 41% even in first quarter.

Jeff Kessler:

Okay, great. Okay, thank you very much, and congratulations on a great quarter.

Ralph Clark:

Thank you. Appreciate it.

Operator:

Thank you. We have a follow-up from the line of Richard Baldry with ROTH Capital. Please proceed with your question.

Richard Baldry:

Thanks. Maybe following up on the last question but asked a little different; the college line only moved about 10% this quarter year-over-year, but your revenue is up 48%-ish; are there any sort of one-time step-ups you see ahead? Maybe could you talk about the capacity you think you've got in your data center to support the new customers as they come live? Anything incremental that will step that up at any point in time we should be aware of? Or is it very much just small increments along the way leveraging the existing infrastructure? Thanks.

Alan Stewart:

No, it's more the latter, Rich. Incremental along the way. We don't anticipate any large step-up increases. Basically, that's—the progress we have right now, we think we're going to continue to see as top line revenue increases.

Richard Baldry:

When we look at the sales and marketing line, will that track your net miles deployed number or is it really a matter of the sales and marketing will follow commissions at the time things are signed as opposed to when actual deployments and rev recognition kind of hits? Thanks.

Alan Stewart:

Yes, again, more the latter. The sales and marketing will have a greater variability quarter-to-quarter, the commissions do go when the contracts are signed. If there's a large contract that's signed, the sales and marking expenses will go up in that quarter where the net new miles might not be realized for a quarter or two after that.

Richard Baldry:

Great. Thanks.

Operator:

Thank you. At this time, this concludes our question-and-answer session. If your question was not taken, you may contact ShotSpotters Investor Relations team at ir.shotspotter.com. I would now like to turn the call back over to Mr. Clark for his closing remarks.

Ralph Clark:

Great. Thank you very much, and thank you, all, for joining us on today's call, especially wanted to thank all of our customers as well as employees and partners for their continued support in helping us prevent and reduce gun violence. We're looking forward to updating you on our next call. Thank you very much and have a great day.

Operator:

Thank you for joining us today for ShotSpotter's second quarter 2017 earnings call. You may now disconnect.