



**ShotSpotter, Inc.**

**First Quarter 2018 Earnings Call**

**May 8, 2018**

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

**Ralph Clark**, *President and Chief Executive Officer*

**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

**Richard Baldry**, *ROTH Capital*

**Jeremy Hamblin**, *Dougherty & Co.*

**Tim Klasell**, *Northland Securities*

**James Medvedeff**, *Cowen & Company*

**Joseph Osha**, *JMP Securities*

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

### **Operator:**

Good afternoon, and welcome to ShotSpotter's First Quarter 2018 Earnings Conference Call. My name is Claudia 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 S-1.

These forward-looking statements reflect Management's beliefs, estimates and predictions as of the date of this live broadcast, May 8, 2018, and ShotSpotter undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date of this call.

Finally, I would like to remind everybody 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](http://ir.shotspotter.com).

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

### **Ralph Clark:**

Thanks, Operator, and hello to all of you on the call today. As usual, I'm going to give some color on the quarter and Alan will go through our results before we take your questions. I would like to take a brief moment to wish my amazingly beautiful and patient wife Rebecca Happy Birthday and Happy 30th Anniversary on this very special day - May 8th! Thank you for supporting me in my passionate pursuit of my purpose.

Now on to business. I am pleased to report that Q1 2018 represented a very solid financial and operational start to our full year 2018 objectives.

Our financial momentum was reflected in our top line revenue performance of \$6.9 million, up 51% from a year ago. In addition, we also saw our gross margin expand to 52%, up sequentially from 49% last quarter, Q4 2017. We also experienced a smaller operating loss than we had expected, demonstrating the strong financial leverage our business model provides.

Our mission is to help reduce gun violence and improve public safety and responsiveness in communities grappling with these issues - and this quarter we continued to execute on that mission by expanding our footprint with existing customers and deploying our solution in new cities.

Operationally, we went live with four new customers, including Bakersfield, Rockford, Atlanta and Sacramento County. These new cities, combined with expansions in Denver, Fresno, Chicago and the city of Sacramento, yielded 47 net-new-miles for Q1'18 compared to 29 net-new-miles in Q1'17, a year over year increase of 62%.

As I explained in last quarter's call, we focus primarily on our annual net new miles number as quarterly results can sometimes be a bit lumpy due to the various administrative factors that can affect our permitting and install process required to go-live.

However, I would be remiss not to highlight the Herculean efforts our Project Managers, local installer teams and Field Services organization executed to in lighting up miles in Chicago, Rockford and Calumet, which technically went live April 2<sup>nd</sup> in Q2. They accomplished this during one of the most difficult winters in recent memory. They deployed over 1100 sensors in outdoor temperatures of less than 25 degrees. I want to offer a sincere thank you to them and the extended ShotSpotter team that provided logistical and moral support to them over the quarter. This was an extremely instructive exercise as it demonstrated that we have the resources, processes and grit to deploy sensors at scale even in difficult conditions.

Speaking of Chicago, hopefully many of you have followed the positive news and success that Chicago PD has reported in strengthening community ties and thereby preventing and reducing gun violence. We are grateful to be a part of that big story and we're pleased to get some acknowledgement for the role we have played in those successes.

And, although it has not gone live yet, Baltimore is another great story in the making. The city was the recipient of a \$5 million grant from Bloomberg Philanthropies earmarked for gun violence solutions. That grant helped fund the ShotSpotter system in 10 square miles over East and West Baltimore where gun crime has been an ongoing problem. Baltimore will be replicating the Strategic Decision Support Center concept pioneered in Chicago which combines ShotSpotter data; other big data along with predictive analytics to address violent crime.

The early on-boarding and deployment process is going well. Feedback from the frontline police personnel has been very positive, and city administrators are pleased with the community response we have had to date. We believe we can build on this, similarly to our positive experience in Chicago. And once we prove operational effectiveness, we believe we can expand our footprint there and have a greater impact in the City of Baltimore.

I am also pleased to report that we made two key Management hires this quarter. We brought on Sam Klepper who is our new Senior VP of Marketing and Product Management. He is tasked, along with Paul Ames, our Senior VP of Technology and Products, to develop a product platform strategy and roadmap which extends the impact our solution can have on addressing violent crime. He is also responsible for leveraging our growing customer adoption into a strong sales pipeline for 2019 and beyond as we penetrate our large addressable market.

And specifically to help accelerate that expansion overseas, we have added a new VP of International Sales, Jon Magin. Jon's focus will be on Latin America, where we see a very large and compelling need and opportunity for our solutions. He has been on board for less than two months and is already off to a very fast start on surveying and connecting to the ecosystem of partners and potential prospects in the region. Welcome Sam and Jon!

It's sobering to realize that this is the second consecutive quarter that I am making reference to a serious large-scale mass shooting in America, but the events in Parkland, Florida underscore the frequency and ubiquity of gun violence. This problem is especially acute in certain parts of cities, but it isn't limited to at risk areas in large urban cities. Gun crime is everywhere now.

In fact, we recently published findings from our own large database that showed there are more than 4,800 gunshot incidents just near U.S. schools during 2017. That's over 5,000 rounds of ammunition or more or a dozen shots a day fired criminally near schoolchildren.

Clearly, we need to find ways to reduce and ultimately eliminate this kind of threat to the safety of Americans, old and young. ShotSpotter is not the singular solution to this intractable problem, but we do have an important role to play in addressing and mitigating the impact of gun violence. We believe public policy decision makers and public and private funders, such as Bloomberg Philanthropies, increasingly recognize this. Our job is to leverage this growing awareness and bring our solutions to more and more cities. That is both our mission and our calling.

Okay, that will do it for me. I look forward to your questions. Now here's Alan to review our financial results.

**Alan Stewart:**

Good afternoon everyone and thank you for joining us to discuss our first quarter 2018 results.

As Ralph has shared, we had a very strong quarter to start the year, and are pleased to have exceeded our revenue expectations, and added a record number of net new miles. Based on our performance, we are increasing our full year revenue guidance.

So, let's look at the details of the quarter. Revenues for first quarter increased 51% to \$6.9 million. Our growth was driven by both expanded deployments for current customers and the addition of four new cities.

Gross profit for the first quarter was \$3.6 million or 52% of total revenues, up from \$1.9 million or 41% in the first quarter of 2017. We are particularly pleased with the sequential increase in our gross margin to 52%, up from 49% in fourth quarter. As mentioned last quarter, the costs associated with our SLA increase are substantially behind us so we expect gross margins to continue to increase throughout the year.

In order to add more color to our performance, we are adding a new non-GAAP metric starting this quarter – Adjusted EBITDA. This metric will be our GAAP net income with net interest, taxes, depreciation, amortization and stock-based compensation added back in. For the first quarter of 2018, our Adjusted EBITDA is a positive \$26,000. We expect that our Adjusted EBITDA will remain positive in future quarters.

Turning to our expenses. Our operating expenses for the first quarter were \$4.8 million, a 57% increase over last year, reflecting increased costs related to revenue growth and operating as a public company. Sales and marketing expenses for the first quarter were \$1.6 million or 22% of total revenues versus \$1.1 million or 24% of total revenues for the prior-year period. This increase reflects the additional costs related to our continued focus on expanding our sales, marketing and customer success efforts.

Our R&D expenses for the first quarter were \$1.2 million, or 18% of total revenues, compared to \$1.0 million or 23% of total revenues for the prior-year period. While our R&D expenses did not increase year-over-year on a percentage basis, we still expect higher R&D spend this year as we invest to reinforce our leadership position and improve our analytics capabilities.

G&A expenses for the quarter were \$2.0 million or 29% of total revenues, which is an increase from \$930,000 or 20% of total revenues for the prior-year period. This increase reflects the cost of operating as a public company, including legal, professional and consulting fees.

Our GAAP net loss for the first quarter was \$1.2 million, or \$0.12 per share, based on 10.1 million basic and diluted weighted average shares outstanding. This compares to a GAAP net loss of \$1.6 million or \$0.93 per share in the prior year based on 1.7 million basic and diluted weighted average shares outstanding.

We added 47 net new go-live miles in the first quarter, up 62% from the 29 miles added in the first quarter of 2017 and ended the quarter with approximately 522 total miles live. This number includes 3 miles lost from our discontinuation of services to Fall River, Massachusetts.

Deferred revenue at the end of the quarter was \$18.1 million, down slightly from the previous quarter. Of this amount \$16.5 million was short-term and \$1.6 million was long-term. As noted in the past, the timing during the quarter when new miles go live can have a significant impact on deferred revenue balance, so we believe this metric is better evaluated on a year-over-year basis versus a sequential comparison, especially for this quarter. This quarter, our short and long-term deferred revenue was reduced by \$1.2 million as a result of our adoption of a new revenue recognition standard, ASC 606. This reduction in deferred revenue does not affect our new increased revenue guidance for 2018.

Cash flow from operations for the quarter was a use of \$2.2 million. We ended the quarter in a solid financial position with \$14.8 million in cash and no short or long-term debt. Our use of cash during the quarter was primarily due to a strong increase in accounts receivable, payment of the Company's annual bonuses in February and significant investments in PP&E for deployments underway. As of today, our cash balance is still strong at approximately \$15.6 million.

Based on our strong first quarter results, our confidence in our predictable business model and visibility into current and expected deployments, we are increasing, and narrowing, our full year revenue outlook. Our prior guidance was \$31 million to \$33 million. We are raising this to a range of \$33 million to \$34 million.

We continue to expect the same revenue cadence to the year that we discussed last quarter, based upon our historical trends. In short, Q1 is usually flat with Q4, due to contract renewal seasonality, although this year we did see growth, as reported today. We historically have seen a step-up in revenues in the

second quarter followed by a third quarter that's typically flat with the second. Finally, we typically expect another step-up in revenues for the fourth quarter.

In contrast, our operating expenses tend to increase more linearly throughout the year. This year, we expect R&D to show the greatest increase on a percentage basis, while sales and marketing will increase but at a slower rate and G&A will actually decrease versus the fourth quarter of 2017.

We still expect to achieve GAAP profitability by the end of 2018.

Back over to you, Ralph.

**Ralph Clark:**

Great. Thank you very much Alan. It really is truly an honor to be your partner here at ShotSpotter. I'm extremely grateful for your focus and hard work. I think we're ready to take your questions now. Thank you.

**Operator:**

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

Our first question comes from Richard Baldry with ROTH Capital. Please go ahead.

**Richard Baldry:**

Thanks. Can you talk a little bit—I guess I was surprised to see the COGS line down, slightly down, but still was down sequentially. How should we think about that? And in the long term as you grow, how do you think that'll move, sort of in-step with revenues with some leverage, will it be more lumpy as you have to put in capacity at certain moments in time? How do we really plan that ahead?

**Alan Stewart:**

Great question, Rich. This is Alan. We did see our cost of goods sold decrease on that. We do think that is the start of a trend actually and our gross margins should be increasing slightly throughout the year. We did have some SLA cost in Q4 and also some in Q1, but we are also seeing a slight reduction in some of our cost of goods sold with some of our telecom cost, which is helping improve our gross margins as well.

**Richard Baldry:**

And you've been starting to add into the sale side and moving into some new geographies. Can you maybe talk about any early—how you feel about receptiveness there, how they react to your referenceable customers from different geographies, sort of any early indications?

**Ralph Clark:**

Yes. So I would say—this is Ralph, Rich—I think the mood is very positive. We're engaged in a number of conversations and the quality of conversations are really quite encouraging. We're spending a lot of time of course with our buying center in law enforcement but we're also speaking time with elected officials

having participated in a number of conferences, such as U.S. Conference of Mayors and the National League of Cities. So we're feeling really positive about things. I think that under Gary's leadership we're getting our sea legs on the domestic sales front.

As I mentioned in my earlier prepared remarks, we're really quite excited by the early start that Jon has had in Latin America just being on board for less than two months. The number of conversations that he's having actually in-market have been really quite encouraging. Although our expectation always was that 2018 was going to be more around market scan (phon) activity with looking to get real revenue traction sometime in 2019. So we're feeling pretty bullish.

**Richard Baldry:**

You talked a little bit about how Baltimore is funding their new expansion with a grant. Do you sort of have a behind-the-scenes view of the broader ecosystem of grants, the amount of monies maybe made available? As you're getting more referenceable again with places like Chicago, you know, without maybe naming specific places, how do you feel about that funding environment maybe compared to prior years as a source of potential pipeline going forward?

**Ralph Clark:**

This is Ralph again. I think we've always maintained that funding is really not an issue for us. Once we have a motivated customer or client that wishes to adopt our solution to address violent crime, they always find the money. We're quite, I think, fortunate in that in this environment we're seeing, I guess, a much more rich mix of funding sources, I would say, so we'll continue to depend obviously on funding sources from agencies like the U.S. Federal Government. We're seeing more states kind of kick in the funding a lot more on the private/public partnership basis, a la the Bloomberg Philanthropies funding source that we saw for Baltimore.

So we're pretty encouraged by that. But that's never really honestly been a very big issue for us. I think it's really more around kind of motivating cities to adopt a solution to address gun violence, and as what you kind of hinted to I think is very important for folks to understand is that as we get more positive examples out there, like Chicago, Cincinnati, Louisville, etc., that these folks basically become very strong references for us and word of mouth is everything in this particular marketplace. I think we're seeing an accelerated set of conversations that are happening just because of the positive impact that we're able to make with agencies in our solution.

**Richard Baldry:**

Thanks. The last would be, you know, you did turn Adjusted EBITDA positive again and you've been there a few times and it looks like it's sustainable here forward. So in light of that and the fast growth that you've already got, maybe could you talk about what your appetite would be to deploy the cash on the balance sheet now as it starts to grow against maybe strategic initiatives. Is it more important to focus on internal growth when you've got an over 50% growth rate or do you think there's bandwidth for other strategic moves? Thanks.

**Alan Stewart:**

This is Alan. I would say that we are going to continue to focus primarily on organic growth. We still have a lot of headroom there and we feel that spending money there is the most appropriate place to do it, especially in the sales and marketing side. We are also investing in the R&D and engineering organization to expand our capabilities in analytics and (inaudible) side as well. So we'll be spending money there. That said, we are and continue to be interested in tuck-in acquisitions that might make

sense from a strategic perspective that could add to our portfolio of products that our customers might want.

**Richard Baldry:**

Thanks. Congrats on a great quarter.

**Alan Stewart:**

Thank you.

**Operator:**

Our next question is from Jeremy Hamblin with Dougherty & Co. Please go ahead.

**Jeremy Hamblin:**

Hi guys. Congratulations. I wanted to get into the Chicago roll-out and just get a sense for your roughly doubling your coverage miles. In terms of the timing of getting that set up and the set up costs associated that potentially have some drag on your gross margins. How is that shaping up here over the next kind of 18 months?

**Alan Stewart:**

This is Alan. Just to provide a little bit of color here. We ended the last year—we publicly disclosed that we had about 47 miles live in Chicago. We did put out a press release just recently that talked about over 100 square miles. So obviously the delta is what has gone live between the end of last year and the press release which was early May. So that's over 50 square miles. We feel pretty bullish about that customer in particular and we still do continue to deploy in that city. I would say that the actual rate of deployment there was very, very aggressive. As Ralph mentioned in his prepared remarks, our operational and field services teams did a phenomenal job in very challenging conditions to deploy those miles.

So I do think that we're going to continue to expand and try to keep the deployment schedule as high as it has been, although that'll be somewhat challenging. Ralph, your thoughts there?

**Ralph Clark:**

Yes. I just want to add one slight editorial comment that I think it's really the hundred square miles that we talked about in the press release really was more around the booked number and not necessarily go-live number because we just published 47 net square miles going live and not all those were Chicago. So I don't want anyone to walk away with the impression that the delta between the 40 and the 100 was all Chicago going live. So just to be clear about that particular point. There's still some miles to go live in Chicago.

**Alan Stewart:**

Correct. And some of those miles did go live in April and early May as well.

**Ralph Clark:**

Correct.



**Alan Stewart:**

Mm-hmm.

**Jeremy Hamblin:**

Great. That's very helpful clarification. I also wanted to ask about your stock comp expense of \$427,000. How is that allocated among your various line items? Is all that going into G&A? Is a portion of it in your sales and marketing and R&D line items?

**Alan Stewart:**

This is Alan. It is dispersed throughout the different line items in the income statement. We've got—the majority of it is in G&A and a smaller amount would actually be in cost of goods sold, sales and marketing and R&D. But over half of that is in G&A.

**Ralph Clark:**

And would that include director's comp as well?

**Alan Stewart:**

Yes.

**Jeremy Hamblin:**

Okay, great. That's helpful. And then I wanted also to follow-up on the grant money that obviously is a nice contributor here to Baltimore and a great win. I think the Federal budget has about a \$25 million line item for this year. In terms of what's happened, the terrible events over the last several months, is there an indication through the discussions that you have in Washington that Federal grant money could potentially be expanded even further to combat this gun violence problem?

**Ralph Clark:**

This is Ralph. I would say, and we're spending some time in DC, I would say that the conversations that are being had are quite constructive, and I guess that's all I would say about that. One never really quite knows what's going to happen from a Federal budgeting point of view. But certainly there's a lot of interest and people are paying attention to the issue of gun violence at large and the role that we're playing, frankly, in combating it. I'll also make the other observation that I think is very helpful that the current Attorney General Jeff Sessions comes from the State of Alabama where we have a very large deployment, a very successful deployment in Birmingham, Alabama. So we know that a lot of good news coming out of Birmingham, Alabama is hopefully making its way to the Office of the AG, which is helpful for us.

**Jeremy Hamblin:**

Okay, great. And then the last question here. Sales and marketing I think was actually controlled much better than we had anticipated. I'm assuming that that's going to ramp a little bit higher as your total sales ramps and you've made a couple of hires this year. Is that a pretty fair assumption? I mean, you just got incredible leverage on that line item here on your sales growth, but how should we be thinking about that moving forward?

**Alan Stewart:**

Sure. This is Alan. Your assessment is correct. Q4 did have some, I would say, higher costs in terms of commissions. We also had our largest trade show, which is ISCP that happens in the fourth quarter of every year. So for first quarter on a comparative basis, some of those expenses were not included or did not recur at that rate. I would say though that we are continuing to invest in sales and marketing, especially our international operations, which will be included in that line, and the addition of Sam Klepper, the Senior VP of Marketing. So those numbers and those dollars will increase throughout the year.

**Jeremy Hamblin:**

Got you. Would you be able to quantify the ISCP costs, trade show costs?

**Alan Stewart:**

The ISCP costs were probably about \$150,000.

**Jeremy Hamblin:**

Great. Thanks for taking the questions guys. Good luck.

**Alan Stewart:**

Thank you.

**Operator:**

Our next question is from Tim Klasell with Northland Securities. Please go ahead.

**Tim Klasell:**

Yes, good afternoon gentlemen and congrats on a good quarter. My question is about the sales cycles. With all the good press out of Chicago and other cities, what are you seeing with your sales cycles? Are they contracting at all with this? And then I have a quick follow-up after that.

**Ralph Clark:**

This is Ralph. So we see our sales cycles as being kind of 12 to 18 months. They've come a long way from where they were, say two to three years ago, and a lot of that has to do, I believe, with the leadership of Gary Bunyard and the excellent team that he's built out under Nathan. We're certainly getting more kind of viral help with respect to accelerating the sales process, but I don't think this will ever be a solution that gets us sold in less than 12 months. This is a complex sale and there's no getting around that. So we just want to set people's expectations correctly there.

**Tim Klasell:**

Okay, great. And then your Smart City initiatives, any sort of update there since that obviously is a pretty terrific opportunity and I didn't hear anything on the call about that.

**Alan Stewart:**

Sure. This is Alan. I would say with regards to GE/AT&T, we continue to explore opportunities with them. We did go live, and the first one Atlanta, early March. We are looking at several other opportunities there. And Verizon, we're still in the middle of the technology integration which we expect to have completed this year.

**Tim Klasell:**

Great. All right, great. Thanks gentlemen.

**Operator:**

Our next question is from James Medvedeff with Cowen & Company. Please go ahead.

**James Medvedeff:**

Hi. Good afternoon. Congratulations on the strong quarter.

**Ralph Clark:**

Thank you.

**James Medvedeff:**

So I wanted to follow-up on a couple of things. The share-based compensation was up pretty sharply quarter-over-quarter and year-over-year. Is that the sort of level we should expect going forward or is there something special that happened this quarter?

**Alan Stewart:**

No, nothing that happened special this quarter. I would expect that that's probably going to stay where— at this level or even slightly increase.

**James Medvedeff:**

Okay. And that's primarily important as we start thinking more about Adjusted EBITDA, you know, the add-back there, right?

**Alan Stewart:**

Mm-hmm. (Inaudible)

**Ralph Clark:**

Understood.

**James Medvedeff:**

Sorry?

**Ralph Clark:**

Understood.

**Alan Stewart:**

That's correct, yes.

**James Medvedeff:**

And then the other question that I have is on the pipeline. As you just mentioned a 12 to 18 month sales cycle. Can you give us any insight into—or I guess two halves of the question. First of all, I assume the sales cycle is shorter when you're increasing miles under coverage with existing cities. And that's the first half of the question. The other half of the question is, can you give us any insight into how the pipeline builds or is building or what's sort of entering the front end of the pipeline, with the back end of the pipeline in the last month or so?

**Ralph Clark:**

Yes, so great question. This is Ralph. I'll take a crack at answering and then Alan can jump in as appropriate. So I think it's first fair to say that we have a lot of visibility into our GAAP revenue for the remainder of the year, which is why we narrowed the range the way we did with our raise prospects, and the way to think about that revenue basically builds first from deferred revenue and then there's a pipeline, if you will, associated with renewable contracts that come due in the year that we have a very good track record in getting/giving our sales—same-store sales metric. We don't see a lot of attrition.

So those two numbers are fairly substantial. And then we have another number that adds to it. These are deals that we have booked that have not gone live yet, technically. So we talk about Baltimore as an example. It's not contributing to revenue yet, although we have booked it and we are in process of gaining permissions and permitting and deploying sensors and the like and at some point in time, hopefully, in Q2, that will go live and then we'll be able to represent, if it went live say, July 1 as an example, we would have 50% of that annual revenue recognized before the remaining of the year.

So when you add those three elements together, that gets us really, really, really, really close within our guidance range. We don't require a lot of additional sales to be able to get to our new guidance range. It's really about lighting up new miles. There will have to be some sales though, and that kind of gets to deals that we typically don't talk about because we don't talk about deals until they actually go live but oftentimes cities will talk about things they're planning to do. If you do the very basic Google search, you can see there's a few cities out there that we haven't mentioned that are talking about going to ShotSpotter. We haven't contracted with them yet in most cases, but we'll be working obviously on those. That's a part of our pipeline as well.

Is that helpful?

**James Medvedeff:**

Yes. It was that last piece that I was most interested in in terms of the business that we don't know about yet but you see building and wondering how that's going or what you can tell us about it.

**Ralph Clark:**

It's going very well.

**James Medvedeff:**

Okay. Thank you.

**Ralph Clark:**

You're welcome.

**Operator:**

Once again, if you have a question, please press star, and one on your telephone keypad.

Our next question is from Joseph Osha with JMP Securities. Please go ahead.

**Joseph Osha:**

Hello there. Can you hear me okay?

**Alan Stewart:**

We can, thank you.

**Joseph Osha:**

Okay, good. Yes. I wanted to ask in terms of your organization as it's currently set up, are you capacity constrained in terms of how quickly you can light up your neighborhood? I'm trying to get a sense as to how you need to scale the organization in line with the operational requirements that you have.

**Ralph Clark:**

Yes. This is Ralph. Alan can jump in here. So we feel like we're in a very good place from, I'll call it a ops point of view, and that's the organization that's led by Joe Hawkins that includes the project managers, the installers, as well as the field services team. We clearly demonstrated we have the capacity to light up kind of gross 50 square miles in a quarter in very difficult weather conditions and that capacity is there to do it again and beyond to the extent that there's business to be able to light up that we've got the capacity to do that at at least 50 square miles. If we could do it in Q1 we could do it in Q2 and Q3 if business opportunities provided that for us.

I don't know, Alan, if you had anything to add.

**Alan Stewart:**

No, I think that's right, and I think from the rest of the organization we continue to evaluate areas like our Incident Review Center, our engineering and technology team. We do have staffing plans and intentions this year to add to those but we think they're appropriate for the growth that we have and we do expect that our revenue increase is going to be greater than our increase in our operating expenses.

**Ralph Clark:**

Mm-hmm.

**Joseph Osha:**

Okay, and just to confirm. I believe I had this in my notes from the visit. You're not at all capacity constrained in your operations center, right?

**Alan Stewart:**

No, not at all.

**Joseph Osha:**

Okay, thank you.

**Ralph Clark:**

Great. Thanks Joe.

**Operator:**

At this time, this concludes our question-and-answer session. If your question was not taken, you may contact ShotSpotter's Investor Relations team at [sssti@liolios.com](mailto:sssti@liolios.com). I would now like to turn the call back over to Mr. Clark for his closing remarks.

**Ralph Clark:**

Great. Just want to thank everyone for their continued support and guidance for our Company. We're all working very hard and obviously very committed to the work that we do with cities to help prevent and reduce gun violence. So thank you very much for dialing in today and looking forward to talking to you all again in three months.

**Operator:**

Thank you for joining us today for ShotSpotter's first quarter 2018 earnings call. You may now disconnect. Thank you.