ShotSpotter, Inc.

Fourth Quarter and Full Year 2017 Earnings Call

February 20, 2018

CORPORATE PARTICIPANTS

Ralph Clark, *Chief Executive Officer*

Alan Stewart, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Richard Baldry, *ROTH Capital*

Tim Klasell, *Northland Securities*

Jeff Kessler, *Imperial Capital*

PRESENTATION

Operator:

Good afternoon, and welcome to the ShotSpotter's Fourth Quarter and Full Year 2017 Earnings Conference Call. My name is Darren (phon), 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. Following Management's remarks, we will take questions from ShotSpotter's publishing analysts. If you would like to ask a question, please press star, one on your telephone keypad. 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 using speaker equipment, it may be necessary to pickup your handset before pressing the star keys.

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 reflects Management's beliefs, estimates and predictions as of the date of this live broadcast, February 20, 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 everyone that this call will be recorded and made available for replay via a link available on the Investor Relations section of the Company's website at 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 to all of you joining us today. I'm going to provide a quick overview of the quarter and the year, and then Alan will cover our financial results in a little more detail. Then we'll be happy to take your questions. This is a very exciting time for Shotspotter. We're always happy to talk about our technology and a large market opportunity we're capitalizing on, but most of all, we love sharing how we're helping communities address the pervasive issue of gun violence. We're pleased that several existing customers like Chicago, Cincinnati and Louisville have publicly extolled the impact ShotSpotter's had in helping them address gun violence and we're grateful to be a part of their efforts.

In the fourth quarter, we continue to execute against our large underpenetrated market opportunity. From a financial standpoint, our success is reflected in our performance for the fourth quarter and full year. For the quarter, our revenues increased 43% to $6.5 million from the same period a year ago. For the full year 2017, we posted revenue of $23.8 million, representing 53% growth over 2016. We capitalized on this significant momentum we generated, and with the added visibility that we currently have into our bookings and pipeline, we're in a solid position to increase our revenue guidance for 2018. Alan will give more color on that in a moment.

We're also able to add 23 net new miles in Q4, including four miles lost from one city that did not renew their contract after being deployed for approximately two years. Overall, we added 114 net new miles for all of 2017. We encourage you to look at the annual net new miles number, primarily because our quarterly net new miles can be slightly lumpy, given the various bureaucratic budgetary and the infrastructure issues that can affect go-live dates in the short-term.

As we discussed previously, we're focused on driving high quality recurring revenue that is sticky. We demonstrated that with an exceptional revenue retention rate of 141% for 2017 compared to 127% for 2016. This is a key metric for us, because it underscores both the attractiveness of our solution and its real world operational efficacy. While consistently achieving 141% is not a realistic expectation over the long-term, our ability to generate revenue retention rates well north of 100% underscores the fact that ShotSpotter's technology helps reduce gun crime, improve public safety, increase officer safety and deepens ties between police and the communities they serve.

In other words, our solution works on many important levels and that is why customers deploy, expand and renew it. That said, we take absolutely nothing for granted in our customer relationships. In fact, one of the key target areas we've allocated for investment from our public offering proceeds has been in our customer onboarding and success effort. This investment continues to payoff through deeper engagement that not only helps us optimize how ShotSpotter's being used, but also generates valuable operating intelligence that we use to enhance the core technology and its use by all customers. Proof of that increase customer engagement has been a recent net promoter score or NPS of 55 compared to 48 in 2016 and 32 in 2015. This is an extraordinary increase and we're focused on driving it even higher.

Our obsession about the overall customer experience led us to challenge ourselves even more. In doing so, we made the decision to increase the detection rate in our service level agreement, or SLA, from 80% to 90%. In the near-term, this decision had a modest impact on our margins as we invested in and deployed additional sensors to increase sensor rate density and make other system resiliency improvements, but overtime, we strongly believe it will enhance our competitive mode, our strong brand image and expand sales efforts in our core business. We've also been very pleased with the early traction of our security business and saw an opportunity to accelerate the growth of that business by consolidating the sales efforts of both the security and public safety solutions teams into a single sales entity under the strong and capable leadership of Gary Bunyard, our Senior VP of Public Safety, and now, Security Solutions.

This decision makes perfect sense in how we go to market and also reflects what we're seeing in the marketplace. In essence, there is no clear demarcation between the general public safety concerns of a police department and the more specialized concerns of security departments responsible for safety on a school campus or other quasi-public space that exists within city limits. Gun violence is fluid and not bound by any arbitrary geographic dividing line. A clear illustration of this is represented in our SecureCampus solution, which was primarily designed to address the traffic and costly active shooter scenario.

Fortunately, none of our SecureCampus customers have had any on-campus active shooter incidents to date. However, there have been numerous cases of gun fire incidents captured by our solution in the surrounding city neighborhoods, that are adjacent to our covered campuses, and those alerts have been critical in getting campus police to quickly respond to these events, while coordinating lifesaving EMT resources, as well as making arrests of perpetrators, even though these events are not physically taking place on campus.

Clearly, our SecureCampus solution represents a value proposition that is broader and more multifaceted than we first envisioned. The idea of protecting the campus community that lives, works and plays, enclosed by transitional neighborhoods just off campus, who are exposed to intermittent gunfire, is paramount. This expanded vision of the role our solutions play can also be seen in our ongoing work to integrate ShotSpotter technology into the smart city platforms being pioneered by companies like Horizon and GE Current. These providers are creating sensor-based municipal infrastructures to support everything from lighting and traffic management, to public safety solutions, and even mesh nodes for digital communications networks.

Our acoustic sensors and embedded firmware are a natural addition to these types of infrastructure. Our unique technical leadership and expertise and acoustic gunfire surveillance is increasingly being recognized by new customer types, (inaudible) the new gunfire use cases. For example, we recently received a contract to deploy our solution to monitor a stretch of major California freeway that has been experiencing sniper-like gunfire incidents. Freeway shootings are a growing concern for public safety officials nationwide and we're pleased that our solution is being integrated with other technologies and processes to help mitigate this problem. It's in the early days for this specific use-case, but it could represent a potential material expansion of our team.

Given these industry tailwinds, it is our intention to slightly increase our spend in 2018. I'll let Alan provide the details, but it's clear to us that we have an excellent opportunity ahead and that modestly increasing our R&D and sales and marketing efforts can help solidify and expand ShotSpotter's leadership in these growing sectors. One final piece of news in the fourth quarter was Bill Bratton rejoining our Board of Directors. I can confidently say that there aren't many public safety professionals with more experience and expertise than Bill. His years as Commissioner of Police in New York City and Chief of Police of Los Angeles, has given him broaden deep insights into the business of public safety and security. He's a very valuable addition to our board and we're delighted to have him back.

In closing, I would like to remind you all that ShotSpotter pushed out 95,000 gunshot alerts to our subscribing agencies in 2017. At an average round count of 2.67 rounds per ShotSpotter activation, that is more than 260,000 rounds of ammunition per year, most of them being discharged in some of our most vulnerable communities. Each incident is criminal in nature and each incident victimizes residents of those communities, but each incident detected by ShotSpotter also represents an opportunity for police to more effectively respond to and investigate, and ultimately better engage those communities that they are sworn to serve and protect. This is the heart of our value proposition and what drives us to do better every day.

Well, that sums up my overview for the Company's progress in Q4 and year-end 2017. Here is Alan to provide a more detailed review of our financial results.

Alan Stewart:

Thank you, Ralph, and good afternoon, everyone. As you can see from our numbers, we ended 2017 on a strong note. Revenues for the fourth quarter exceeded our expectations, increasing 43% from fourth quarter 2016 to $6.5 million. Our full year revenue increased by 53% to a record $23.8 million, which also exceeded the guidance we provided back in November, and as Ralph mentioned, we added 23 net new miles in the fourth quarter. On top of this, our revenue retention rate increased to 141% for 2017, even after the loss of Puerto Rico, U.S. Virgin Islands and one other city, as customers.

For the third consecutive quarter, we generated cash from operations and we believe we are still on track to achieve GAAP profitability by the end of 2018, even with our strategic decision to increase spending this year, as Ralph mentioned earlier. Based on our success and performance in the fourth quarter of 2017, we are increasing our revenue guidance for 2018 to between $31 million and $33 million.

Let's look at the details of the quarter and the year. As I mentioned, our revenues for fourth quarter increased 43% to $6.5 million over the fourth quarter of 2016. This performance helped drive our topline for the year to $23.8 million, a 53% increase over 2016, reflecting growth in the number of miles covered through the expanded deployments for current customers, as well as the addition of new customers.

Gross profit for the fourth quarter was $3.2 million or 49% of total revenues, up from $2 million or 45% in the fourth quarter of 2016. It's important to note that our gross profit for fourth quarter of 2017 was impacted by costs associated with increasing our service level agreement, or SLA standard, including equipment of personnel. It was also impacted by an impairment charge related to one minor customer electing to not renew the ShotSpotter services.

These cost compressed our gross margin modestly for the quarter. We expect costs related to our SLA upgrade to continue to first quarter 2018 after which we believe our gross margins will improve. For the full year, our gross profit was $11.6 million or 49% of revenues, an improvement from $6 million or 38% of revenues in 2016.

Now, turning to our expenses. Our operating expenses for the fourth quarter were $5.4 million, a 107% increase over last year. For the full year, our operating expenses were $15.9 million or 67% of total revenues, which was up from $10.9 million or 70% in 2016.

With our focus on careful deployment of capital, our sales and marking spend per dollar of annualized contract revenue was approximately $0.34 per dollar in 2017, up only slightly from the $0.28 per dollar in 2016, while we increased our revenue retention rate to 141% for the full year.

Now, breaking down our expenses. Sales and marketing expenses for the fourth quarter were $1.9 million or 29% of total revenues versus $1 million or 23% of total revenues for the prior year period. As we've discussed, this increase reflects our continued expansion of our sales efforts along with increasing customer service line. As Ralph mentioned, we think accelerating our investment in sales and marketing, as well as R&D, has improved, helping us to reinforce our leading market position.

Our R&D expenses for the fourth quarter were $1.1 million or 70% of total revenues compared to $900,000 or 20% of total revenues for the prior year period. We continue to invest in R&D to expand the applications for our technology, improve our analytics capabilities and conduct other initiatives.

G&A expenses for the quarter were $2.4 million or 37% of total revenues, which is an increase of approximately $700,000 or 50% of total revenues for the prior year period. The increase reflects the cost of operating as a public company, including certain legal and by the expenses, professional and outside service fees.

Our GAAP net loss for the fourth quarter was $2.5 million or $0.26 per share based on 9.7 million in basic, diluted weighted average shares outstanding. This compares to a GAAP loss of $864,000 or $0.54 per share of the prior year, based on 1.6 million basic and diluted weighted average shares outstanding.

For the full year, our GAAP net loss was $10 million, $1.61 per share based on 6.2 million basic and diluted weighted average shares outstanding versus the loss of $6.9 million or $4.28 per share based on 1.6 million basic and diluted weighted average shares outstanding in 2016.

We added 27 new go-live miles in Q4, up from 11 miles added in the fourth quarter of 2016. For the full year, we added 150 new go-live miles, close to doubling the 77 go-live miles we added in 2016. We ended 2017 at approximately 510 public safety total miles covered, which was net of the 33 miles lost due to Puerto Rico and the U.S. Virgin Islands and four miles lost with the other customers.

Deferred revenue at the end of the year was $18.5 million, largely flat with the previous quarter. Of this amount, $15.8 million was short-term and $2.7 million was long-term. In general, we expect short-term deferred revenues to be recognized within four quarters. However, we caution that you shouldn't read too much into the quarterly changes in deferred revenue as time during the quarter when new miles go-live can add a significant impact in deferred revenue. We consider this another metric that is more informative on a year-over-year basis versus on a quarterly basis.

Cash flow from operations for the year was $3.4 million, an improvement from $2.3 million in 2016. As I mentioned earlier, fourth quarter of 2017 marked a third consecutive quarter that we've had positive cash flow from operations. We ended the year in a solid financial position with $19.6 million in cash and no short or long-term debt. This cash balance is up from the $19.3 million at the end of third quarter 2017.

Due to the strength of our fourth quarter results, we are increasing our revenue guidance for 2018. Note that this guidance is provide under Accounting Standards Codification, or ASC 605. We've also completed an in-depth review and do not believe the new revenue recognition standard under ASC 606, which we adopted as of January 1, will have a material impact on our business.

For the full year of 2018, we now expect revenues of approximately $31 million to $33 million, up from the guidance we provide last quarter of $30 million to $32 million. Our confidence in our full year outlook is based from the strength of our short-term deferred revenue, our historically strong renewal rates and new contract awards that we expect to go-live before the end of the year.

As Ralph indicated, we plan to continue our investment in 2018 with the goal of further penetrating this growing market. We are investing to accelerate our sales to add new clients, expanding our efforts to grow internationally, as well as accelerating our R&D programs, among other initiatives. However, because we've already increased our operating expenses in 2017, we expect operating expenses in 2018, as a whole, to increase by less than 5% from our fourth quarter 2017 run rate.

Within the OpEx categories, R&D will increase the most as we continue to invest in new technologies; sales and marketing should increase only slightly; and G&A, over the year, will actually reduce because fourth quarter contained certain extraordinary expense. Bottom-line, notwithstanding the higher G&A expenses in fourth quarter, we believe we're still on track to achieve GAAP profitability by the end of 2018.

While we do not provide quarterly guidance, we want to provide some color around the normal cadence of our operations throughout the year. Due to seasonality related to our contract renewal periods, historically, first quarter revenues are typically flat with the previous year's fourth quarter. Then we typically expect a step up in revenues in the second quarter, followed by a third quarter that is 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. Although, in first quarter we expect legal cost associated with ongoing litigation to continue, as well as costs related to our SLA upgrade. In closing, we entered the year with significant financial and operational momentum. We are excited and energized for our prospects in 2018 and beyond, and we look forward to sharing our progress with you throughout the year as we hope to realize reduced gun violence. Now back over to you Ralph.

Ralph Clark:

Thanks, Alan. Let me close by saying how proud we are to be engaged in the work that we do with agencies throughout the U.S. and beyond, in helping them prevent and reduce gun violence. These agencies are made up of committed public servants that put their lives on the line every day. We honor their service and their sacrifice. Now, we'll take your questions.

Operator:

Thank you. We will now take questions from ShotSpotter's publishing analysts. As a reminder if you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue.

Our first question comes from Richard Baldry of ROTH Capital. Please proceed with your question.

Richard Baldry:

Thanks. Could you talk about what the actual impact on the G&A line was in the fourth quarter? It went up about a little over $1 million sequentially, which is pretty disproportionate. What would a more normalized run rate be, sort of without those items?

Alan Stewart:

Sure, Rich. This is Alan. What I would say if we had approximately a little less than $900,000 in costs related to legal, related to the ongoing litigation we had, related to a list fee costs, and related to professional fees for the 606 analysis and other exec compensation analysis. If you wanted to get a more normalized line, you could remove about $900,000.

Richard Baldry:

Okay, thanks. Then, as you increase sort of the service level agreement metrics, is there any change to the deployment cycles for sort of newer customers, do you think, or is that pretty easy to absorb into the existing deployment processes that you have?

Ralph Clark:

Yes, thanks, Rich. This is Ralph. No, it's pretty easily absorbed into our current cadence on deploying our arrays, no real change there.

Richard Baldry:

Maybe last will be, can you talk about sort of your pipeline as you think about where you were maybe starting 2017, what you're looking at, talking to across your different end markets, not just large cities but sort of across the breadth of it, versus where you see yourself now, starting 2018, and maybe also a little discussion about the resources you have starting 2018 versus 2017? I think you've been talking about hiring in the sales side. Thanks.

Ralph Clark:

Sure. This is Ralph. On a qualitative basis, I think we feel very constructive about where we are from a, I'll call it, medium-term to long-term our pipeline point of view. As you know, we set about kind of rebuilding the sales organization earlier in 2017, kind of getting to five direct public safety selling directors across the U.S. and that team has come together really, really nicely, and on that we layered our customer success and on-boarding team and they're just doing a phenomenal job and that kind of shows up in our NPS results.

We're committed to, and still plan on, hiring an international sales executive to go get at the Latin American market, and we expect to have that completed by the end of this quarter. I'd say, on a qualitative basis, we're feeling really confident about where we are in terms of the pipeline, it's looking very good.

Richard Baldry:

Great, thanks.

Operator:

Our next question comes from Tim Klasell of Northland Securities. Please proceed with your question.

Tim Klasell:

Yes. Hi guys, nice quarter. Two quick questions. First, from a broader perspective, Ralph, you're combining and reorganizing your salesforce to bring the two together. Is it something you're seeing in your quest for proposals, your RFPs, that are making you think this or maybe it's a capacity issue? Maybe you can sort of walk us through what you're seeing and what you expect to see to drive that combination. Thank you.

Ralph Clark:

Hi, Tim, thank you. A couple of things: I think it was fair to say that where we started out in our security efforts was really more of, I guess, an incubation period, kind of getting out to those early adopters, testing the value proposition in the various use cases, and what we found from several of our SecureCampus deployments is that, in fact, although the initial design concept, or use case concept, was really around the mass shooter, active shooter scenario happening on campus, what we're actually finding is that we were detecting and alerting on a number of gunfire incidents that happened just off campus and this happened over three or four of our SecureCampus deployments, and that's a little bit of a different use case that really combines both university campus police as well as local police, and we thought that was a very compelling value proposition where we were able to direct law enforcement interventions to these direct locations where these events were taking place, along with EMT resources, that ended up kind of helping save some lives in a couple of situations and even arresting a couple of individuals. It became clear that the market pull opportunity for us was really kind of taking a more, I guess, holistic view of our SecureCampus deployments that just not addressed the on-campus active shooter scenario, but also the intermittent gunfire that can happen off campus just adjacent to the campus and many of these locations where the campuses are located in what I would describe as transitional neighborhoods.

Having successful incubated this through the kind of security business model, we felt that we had enough cadence and pipeline to kind of move it over to a fully functional, call it, sales organization where it's led by Gary Bunyard who has a set of processes and cadence, all around kind of executing and accelerating sales and kind of combining those two teams together, we felt, could give us a lot more, excuse the expression, bank for the buck, so to speak. We're really excited about the combination. We just pulled that together at the beginning of this year and we're excited about where that's going to take us.

Tim Klasell:

Okay, great. Then, quickly, on your SLA improvements, is that going to be rolled out across all your covered miles or is it quickly or is it going to be something that's going to be rolled up gradually? I.e., will that Q1 impact get the entire—your entire footprint covered? Thank you.

Ralph Clark:

Yes, it's a great question. I think most of it, from a cost point of view, has been dealt with in Q4. We're going to have some amount of additional investment in Q1, but I think the majority of it has already happened. I think we should definitely point out the fact that, operationally, we were detecting that SLA—excuse me—at rates of 90% and above. The thing that's a little bit different here is now we're making our SLA reflect what our operating experience was already and that kind of requires—the fact that we're kind of putting it in an SLA now really require us not to operate at a 90% level, but more at a 95% level, and that's where that additional investment—we think a very prudent additional investment has come to play so that we can really improve the customer experience and also establish a significant competitive mode. Anyone that was thinking about potentially entering into this business, they have a very, very high bar to overcome to be on the same level as we are.

The last point I'll make about this is, as we kind of move from what I would call the early adopter market to more of the early late majority market, the quality of the user experience is much more paramount, I would say, than, say, early adopter. I think we're really smart to recognize that and basically kind of move our capability and experience to where the market is going—the much bigger market, I would say. We're pretty excited about making that change and I think, internally, the way the team was able to kind of come together and collaborate and do the necessary thing, not only from a sensor deployment point of view, but also from the system resiliency and engineering point of view, it's really been quite remarkable. It's quite a team building effort and I think we've gotten a very positive response from our customers who weren't expecting this. It's not like the customers were "demanding this", but we've gotten some really positive feedback that this is, I guess, very consistent with the nature of brand that we're trying to establish as a company, doing the right thing.

Tim Klasell:

Okay, okay. It's very impressive. Then, one final one, just probably relating to the numbers you already gave us, but the goal is to grow as quickly as you can—and even if things accelerate like they have this quarter, but still get to Q4 profitability, is that sort of the—remains sort of the two bogies, if you will? Thank you.

Alan Stewart:

Yes, this is Alan. Absolutely, and we're confident that we can raise profitability byQ4.

Tim Klasell:

Okay, great. Thank you.

Operator:

Our next question comes from Jeff Kessler of Imperial Capital. Please proceed with your question.

Jeff Kessler:

Can you talk a little bit about, again, the SLA, because it's interesting that, when you've taken a look at the density of your sensors, and you looked at topology and you've taken all of this into account, that it works better in some areas than in other areas, and yet, you still have that confidence to take it up to 90% and with the goal of 95%. What have you learned, just in the last year, that that gives you the confidence to do this? Because clearly, nothing is perfect in this world, but at the same time, you're making kind of a big statement here to your existing customers.

Ralph Clark:

Sure. I think, fundamentally, we know that, in general, more sensors are better than less sensors. We've developed some really sophisticated modeling tools that incorporate, without giving away all the secret sauce, I'll say incorporate a lot of math, some notion of an anecdotal 3D capability, to be very smart about where we place additional sensors. We have this amazing database, frankly, where we're detecting and alerting on events and the amount of sensor participation that is involved in those events, and we're able to kind of pull all that together and say, "Okay, we can improve this array by adding maybe another one or two or three sensors here across this array."

Then, we've also done some pretty interesting things actually physically in the sensors that involve, I'll call it, kind of suppressing ambient noise and letting impulsive noises kind of spike out, effectively letting sensors hear further, and now that's fairly interesting innovation that our engineering team has put into play with some very sophisticated algorithms. Then, lastly, I think, on the system resiliency side, in terms of kind of keeping the core application up and running and available at all times, I think our work, frankly, with GE Current, AT&T and Verizon and those big companies have really helped us, I guess, step up our game, so to speak, with all of this kind of system availability resiliency stuff that we need to do.

We're benefiting, certainly, from our partnership with Amazon, AWS, in terms of kind of having a kind of robust resilient system with (inaudible) multiple redundant dissimilar independent backup systems capability, and kind of pulling all that together in a kind of cross functional team to enhance the user experience was our big goal, and we're not perfect, but we think we're making some really good strides in significantly improving the user experience and signaling to the marketplace that we are a deserving partner. We're a deserving partner of the dollars that they're investing with us, because we're going to not be lazy. We don't take anything for granted in this company and I thought that this particular SLA improvement was a testament of that.

Jeff Kessler:

Okay. With regard to what you just said, my next question was actually a segue right into it. What have you learned from working with GE and AT&T, at this point, given that, obviously, you would have said, the program had exploded into something huge by now. More importantly, what have you learned that has changed your—any type of operational or sensor capability from them that you would not have had, had you not had these contracts?

Alan Stewart:

Sure. This is Alan. I would say that our relationships are certainly evolving, both with GE/AT&T and Verizon, and we are working through our first deployment with GE/AT&T that we discussed last quarter in Atlanta, and I think, evaluating the proper mix of the GE-enabled—or ShotSpotter-enabled GE nodes versus the ShotSpotter sensors is something that is an excellent learning process for us. How to make sure that the cities themselves understand how the integration works is also something that we're learning. We expect to have the same—similar types of learning when we start rolling out to Verizon as well.

I would say that there's a large opportunity out there. They have different go-to-market strategies than we do. We think that's exciting, and the technology, in terms of actual deployments, is also something that that we're learning on a daily basis now in security…

Ralph Clark:

Yes, security is a big thing.

Jeff Kessler:

Okay. With regard to realizing that there's lumpiness on both sides of this, but expansion of existing customers versus new customers. Is there—do you detect any trend in change of the ratio that you're getting there?

Ralph Clark:

Well, I would say that our revenue retention rate of 141% is a real testimony to the expansions that we're—we experienced in 2017. Recognize that that metric does not include any miles from customers that just went live in 2017 as well. We're seeing growth in both sides. We're very optimistic in terms of the path.

Jeff Kessler:

Okay. Finally, any new international countries that you are looking at, that you could mention, that you haven't talked about before?

Ralph Clark:

No not that we haven't talked about before. I mean, we're very excited about the potential in South Africa. You know we have a very successful deployment in Cape Town, South Africa, with a huge net promoter in JP Smith, who's the Minister of Security there. We've had some discussions with other cities in South Africa and their gun violence problem is very similar to that of what we experience here in the U.S. We're excited about the potential there and are spending the requisite amount of time, I guess I would say, in South Africa, kind of pushing that agenda forward, but nothing new to report beyond that.

Jeff Kessler:

Okay, and final question: I know you're not going to be able to really answer this, but I have friends in San Juan and this is a developing situation for the last several months in which both crime and shootings have begun to increase because the infrastructure is not there to take care of them, and it's only going to go one way until something—until they get more funds to be able to deal with this. Can you talk about Puerto Rico in any way, shape or form?

Ralph Clark:

Yes. I would say—no, I think we said what we have already can say about Puerto Rico and USVI. I guess I would point out that they're not a part, really, of our thinking for our revenue for 2018 this year, and we just hope that they can get the resources they need to kind of bring some sense of normalcy back to those places. I mean, they are really hit hard. I don't imagine that ShotSpotter is the first thing on their agenda. They've got other priorities. We're hoping they can get those priorities sorted out.

Jeff Kessler:

Okay, great. Thank you very much.

Ralph Clark:

Thank you.

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 ir.shotspotter.com. I would now like to turn the call back over to Mr. Clark for his closing remarks.

Ralph Clark:

Great. Yes, so, no additional or closing remarks from us. I think we said pretty much all we can say at this point in time. Looking forward to seeing you all in about 90 days or so. We can tell you about the progress we've made in Q1 2018. Thank you very much for joining.

Operator:

Thank you for joining us today for ShotSpotter's fourth quarter and full year 2017 earnings call. You may now disconnect.