

# ShotSpotter Reports Second Quarter 2019 Financial Results

## Achieves Record Quarterly Revenue and Record Quarterly GAAP Net Income

NEWARK, Calif., Aug. 06, 2019 (GLOBE NEWSWIRE) -- [ShotSpotter, Inc.](#) (NASDAQ: SSTI), the leader in gunshot detection solutions that help law enforcement officials and security personnel identify, locate and deter gun violence, today reported financial results for the second quarter ended June 30, 2019.

## Second Quarter 2019 Financial and Operational Highlights

- Revenues increased 15% to \$10.3 million, up from \$8.9 million for the second quarter of 2018.
- Gross profit margin increased by 2% points to 58% from 56% for the second quarter of 2018.
- Net income totaled \$387,000, an improvement from a net loss of \$369,000 for the second quarter of 2018.
- Adjusted EBITDA<sup>1</sup> totaled \$2.4 million, which almost doubled from \$1.2 million for the second quarter of 2018.
- Added 25 net new “go-live” square miles of coverage during the quarter.
- Revenue guidance reduced to a range of \$42 million to \$44.5 million.

1. See the section below titled “Non-GAAP Financial Measures” for more information about adjusted EBITDA, and its reconciliation to GAAP net income (loss).

## Management Commentary

“In the second quarter of 2019, we continued to build momentum for future growth and made tangible progress on many of our long-term strategic objectives,” said Ralph Clark, CEO of ShotSpotter. “From a financial perspective, the period was highlighted by another double-digit increase in revenues, a substantial sequential and year-over-year improvement in adjusted EBITDA, as well as a return to GAAP profitability, all of which reflect the expanding leverage in our operating model. More specifically, the return to GAAP profitability in the second quarter puts us well on track to achieve GAAP profitability for the full year 2019.

“Operationally, we added 25 go-live miles in the quarter, which consists of an existing customer expansion as well as five new city deployments. We also generated initial revenues from ShotSpotter Labs, which focuses on wildlife protection. We continue to make solid progress in building a robust international sales pipeline, which we believe will have a significant impact on next year’s results. While it is hard to predict the timing of contracts in new markets, with the demand we are seeing for Flex both internationally and domestically, along with our expanding pipeline for Missions, we believe we will continue delivering

revenue and adjusted EBITDA growth and GAAP profitability for the balance of the year, and will be well-positioned for accelerating growth in 2020.”

## **Second Quarter 2019 Financial Results**

Revenues for the second quarter of 2019 increased 15% to \$10.3 million from \$8.9 million for the same period in 2018. The increase in revenues was due to growth in the number of miles covered, which was driven by expanded deployments with current customers as well as the addition of new customers.

Gross profit for the second quarter of 2019 increased 20% to \$6.0 million (58% of revenues) from \$5.0 million (56% of revenues) for the same period in 2018.

Total operating expenses for the second quarter of 2019 increased 8% to \$5.7 million from \$5.3 million for the same period last year. The increase in operating expenses was primarily due to higher sales and marketing expenses related to expanded marketing initiatives and growth of the company’s customer success team. Management expects operating expenses to increase moderately on a dollar basis in all expense categories for the remainder of 2019.

Net income totaled \$387,000 or \$0.03 per share (based on 11.4 million basic and 12.0 million diluted weighted average shares outstanding), an improvement from net loss of \$369,000 or \$(0.03) per share (based on 10.6 million basic and diluted weighted average shares outstanding) for the same period in 2018.

Adjusted EBITDA for the second quarter of 2019 totaled \$2.4 million, which almost doubled from an adjusted EBITDA of \$1.2 million in the same period last year.

## **Financial Outlook**

The company is reducing its full year revenue outlook to reflect the timing uncertainty of closing certain contracts, primarily in new international markets. For the full year of 2019, the company now expects revenues of \$42 million to \$44.5 million compared to its previous guidance of \$44.5 million to \$45.5 million, with approximately 24% year-over-year revenue growth at the midpoint of the new range. There is no change to the company’s expectation of GAAP profitability for the full year of 2019.

The company’s financial outlook statements are based on current expectations. The preceding statements are forward-looking, and actual results could differ materially depending on market conditions and the factors set forth under “Safe Harbor Statement” below.

## **Conference Call**

ShotSpotter will hold a conference call today (August 6, 2019) at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time) to discuss these results and provide an update on business conditions.

ShotSpotter management will host the presentation, followed by a question and answer period.

Date: Tuesday, August 6, 2019

Time: 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time)  
U.S. dial-in: 1-877-451-6152  
International dial-in: 1-201-389-0879  
Conference ID: 13692464

The conference call will be broadcast simultaneously and available for replay via the investor section of the company's website at [www.shotspotter.com](http://www.shotspotter.com).

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact ShotSpotter's investor relations team at 1-949-574-3860.

A replay of the call will be available after 7:30 p.m. Eastern Time on the same day through September 6, 2019.

U.S. replay dial-in: 1-844-512-2921  
International replay dial-in: 1-412-317-6671  
Replay ID: 13692464

## **Non-GAAP Financial Measures**

**Adjusted EBITDA:** ShotSpotter discloses the following non-GAAP financial measure in this release and the earnings call referencing this press release: Adjusted EBITDA, which represents the company's net income or loss before interest (income) expense, income taxes, depreciation and amortization and stock-based compensation expense. Adjusted EBITDA is a measure used by management internally to understand and evaluate the company's core operating performance and trends across accounting periods and in connection with developing future operating plans, making strategic decisions regarding the allocation of capital and considering initiatives focused on cultivating new markets for our solutions. In particular, the exclusion of these expenses in calculating adjusted EBITDA facilitates comparisons of the company's operating performance on a period-to-period basis.

ShotSpotter believes adjusted EBITDA also provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. For example, ShotSpotter adjusts EBITDA for stock-based compensation expense because that expense often varies for reasons that are generally unrelated to financial and operational performance in any particular period. Stock-based compensation is utilized by ShotSpotter to attract and retain employees with a goal of long-term retention and the alignment of employee interests with those of the Company and its stockholders, rather than to address operational performance for any particular period.

Adjusted EBITDA is not a measure calculated in accordance with GAAP. Accordingly, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of ShotSpotter's financial results as reported under GAAP. Some of these limitations are: (1) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; and (2) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our GAAP-based financial performance measures, in particular net income or loss, and our other GAAP financial

results.

The following table presents a reconciliation of adjusted EBITDA to net income or loss, the most directly comparable GAAP measure, for each of the periods indicated:

|                                  | <b>Three Months Ended June 30,</b> |                 | <b>Six Months Ended June 30,</b> |                 |
|----------------------------------|------------------------------------|-----------------|----------------------------------|-----------------|
|                                  | <b>2019</b>                        | <b>2018</b>     | <b>2019</b>                      | <b>2018</b>     |
| GAAP net income (loss)           | \$ 387                             | \$ (369 )       | \$ 25                            | \$ (1,586       |
| Less:                            |                                    |                 |                                  |                 |
| Interest income                  | (171 )                             | (22 )           | (204 )                           | (49             |
| Income taxes                     | 22                                 | 18              | 40                               | 44              |
| Depreciation and amortization    | 1,245                              | 958             | 2,402                            | 1,775           |
| Stock-based compensation expense | 905                                | 648             | 1,659                            | 1,075           |
| Adjusted EBITDA                  | <u>\$ 2,388</u>                    | <u>\$ 1,233</u> | <u>\$ 3,922</u>                  | <u>\$ 1,259</u> |

## Safe Harbor Statement

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding the company's business plans, international expansion, expectations regarding future sales and expenses, our ability to act opportunistically on strategic M&A opportunities and expand our SaaS platform into adjacent growth markets, our ability to capitalize on market opportunities, the ability to achieve near and long-term growth and profitability objectives, and revenue and net income expectations and GAAP profitability guidance for 2019. Words such as "expect," "anticipate," "should," "believe," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "could," "intend," variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the company's control. The company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to: the company's ability to maintain and increase sales; the availability of funding for the company's customers to purchase the company's solutions; the complexity, expense and time associated with contracting with government entities; the company's ability to maintain and expand coverage of existing public safety customer accounts and further penetrate the public safety market; the company's ability to sell its solutions into international and other new markets; the lengthy sales cycle for the company's solutions; changes in federal funding available to support local law enforcement; the company's ability to deploy and deliver its solutions; and the company's ability to maintain and enhance its brand, as well as other risk factors included in the company's most recent annual report on Form 10-K and other SEC filings. These forward-looking statements are made as of the date of this press release and are based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Except as required by law, the company undertakes no duty or obligation to update any forward-looking statements contained in this release as a result of new information, future events or changes in its expectations.

## **About ShotSpotter, Inc.**

ShotSpotter (NASDAQ: SSTI) provides precision-policing solutions for law enforcement to help deter gun violence and make cities, campuses and facilities safer. The company's flagship product, ShotSpotter® Flex™, is the leading gunshot detection, location and forensic system trusted by over 100 cities. ShotSpotter® Missions™ uses artificial intelligence-driven analysis to help strategically plan patrol missions and tactics for maximum crime deterrence. ShotSpotter has been designated a [Great Place to Work](#)® Company.

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**ShotSpotter, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(In thousands, except share and per share data)**  
**(Unaudited)**

|                                      | <b>Three Months Ended June 30,</b> |             | <b>Six Months Ended June 30,</b> |             |
|--------------------------------------|------------------------------------|-------------|----------------------------------|-------------|
|                                      | <b>2019</b>                        | <b>2018</b> | <b>2019</b>                      | <b>2018</b> |
| Revenues                             | \$ 10,260                          | \$ 8,927    | \$ 19,853                        | \$ 15,834   |
| Costs                                |                                    |             |                                  |             |
| Cost of revenues                     | 4,277                              | 3,589       | 8,281                            | 6,897       |
| Impairment of property and equipment | —                                  | 361         | —                                | 361         |
| Total costs                          | 4,277                              | 3,950       | 8,281                            | 7,258       |
| Gross profit                         | 5,983                              | 4,977       | 11,572                           | 8,576       |
| Operating expenses                   |                                    |             |                                  |             |
| Sales and marketing                  | 2,439                              | 2,195       | 5,068                            | 3,749       |

|                                                                                |            |            |            |             |
|--------------------------------------------------------------------------------|------------|------------|------------|-------------|
| Research and development                                                       | 1,374      | 1,255      | 2,668      | 2,491       |
| General and administrative                                                     | 1,880      | 1,824      | 3,866      | 3,852       |
| Total operating expenses                                                       | 5,693      | 5,274      | 11,602     | 10,092      |
| Operating income (loss)                                                        | 290        | (297 )     | (30 )      | (1,516 )    |
| Other income (expense), net                                                    |            |            |            |             |
| Interest income, net                                                           | 171        | 22         | 204        | 49          |
| Other expense, net                                                             | (52 )      | (76 )      | (109 )     | (75 )       |
| Total other income (expense), net                                              | 119        | (54 )      | 95         | (26 )       |
| Income (loss) before income taxes                                              | 409        | (351 )     | 65         | (1,542 )    |
| Provision for income taxes                                                     | 22         | 18         | 40         | 44          |
| Net income (loss)                                                              | \$ 387     | \$ (369 )  | \$ 25      | \$ (1,586 ) |
| Net income (loss) per share, basic                                             | \$ 0.03    | \$ (0.03 ) | \$ 0.00    | \$ (0.15 )  |
| Net income (loss) per share, diluted                                           | \$ 0.03    | \$ (0.03 ) | \$ 0.00    | \$ (0.15 )  |
| Weighted average shares used in computing net income (loss) per share, basic   | 11,365,472 | 10,589,038 | 11,186,371 | 10,329,874  |
| Weighted average shares used in computing net income (loss) per share, diluted | 11,973,476 | 10,589,038 | 11,857,346 | 10,329,874  |

**ShotSpotter, Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands)

|                                           | <b>June 30,<br/>2019<br/>(Unaudited)</b> | <b>December 31,<br/>2018</b> |
|-------------------------------------------|------------------------------------------|------------------------------|
| <b>Assets</b>                             |                                          |                              |
| Current assets                            |                                          |                              |
| Cash and cash equivalents                 | \$ 27,432                                | \$ 10,218                    |
| Accounts receivable and unbilled revenue  | 8,967                                    | 15,267                       |
| Prepaid expenses and other current assets | 2,202                                    | 1,527                        |
| Restricted cash                           | —                                        | 60                           |
| Total current assets                      | 38,601                                   | 27,072                       |
| Property and equipment, net               | 16,834                                   | 16,504                       |
| Operating lease right-of-use asset        | 697                                      | —                            |
| Goodwill                                  | 1,379                                    | 1,379                        |
| Intangible assets, net                    | 237                                      | 242                          |
| Other assets                              | 1,596                                    | 1,922                        |

|                                                |                  |                  |
|------------------------------------------------|------------------|------------------|
| Total assets                                   | <u>\$ 59,344</u> | <u>\$ 47,119</u> |
| Liabilities and Stockholders' Equity           |                  |                  |
| Current liabilities                            |                  |                  |
| Accounts payable                               | \$ 1,099         | \$ 1,307         |
| Deferred revenue, short-term                   | 21,988           | 23,102           |
| Accrued expenses and other current liabilities | 4,209            | 4,427            |
| Total current liabilities                      | <u>27,296</u>    | <u>28,836</u>    |
| Deferred revenue, long-term                    | 1,133            | 1,060            |
| Other liabilities                              | 467              | 76               |
| Total liabilities                              | <u>28,896</u>    | <u>29,972</u>    |
| Stockholders' equity                           |                  |                  |
| Common stock                                   | 57               | 55               |
| Additional paid-in capital                     | 127,870          | 114,618          |
| Accumulated deficit                            | (97,352 )        | (97,377 )        |
| Accumulated other comprehensive loss           | (127 )           | (149 )           |
| Total stockholders' equity                     | <u>30,448</u>    | <u>17,147</u>    |
| Total liabilities and stockholders' equity     | <u>\$ 59,344</u> | <u>\$ 47,119</u> |

**ShotSpotter, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

|                                                                                                    | <u>Six Months Ended June 30,</u> |               |
|----------------------------------------------------------------------------------------------------|----------------------------------|---------------|
|                                                                                                    | <u>2019</u>                      | <u>2018</u>   |
| Cash flows from operating activities:                                                              |                                  |               |
| Net income (loss)                                                                                  | \$ 25                            | \$ (1,586 )   |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                                  |               |
| Depreciation and amortization                                                                      | 2,402                            | 1,775         |
| Impairment of property and equipment                                                               | —                                | 361           |
| Stock-based compensation                                                                           | 1,659                            | 1,075         |
| Changes in operating assets and liabilities:                                                       |                                  |               |
| Accounts receivable                                                                                | 6,299                            | (2,431 )      |
| Prepaid expenses and other assets                                                                  | (621 )                           | (568 )        |
| Accounts payable                                                                                   | (514 )                           | 1,105         |
| Accrued expenses and other current liabilities                                                     | (510 )                           | (702 )        |
| Deferred revenue                                                                                   | (1,049 )                         | 134           |
| Net cash provided by (used in) operating activities                                                | <u>7,691</u>                     | <u>(837 )</u> |
| Cash flows from investing activities:                                                              |                                  |               |
| Purchase of property and equipment                                                                 | (2,363 )                         | (5,643 )      |
| Investment in intangible and other assets                                                          | (39 )                            | (26 )         |

|                                                                   |                  |                  |
|-------------------------------------------------------------------|------------------|------------------|
| Net cash used in investing activities                             | <u>(2,402 )</u>  | <u>(5,669 )</u>  |
| Cash flows from financing activities:                             |                  |                  |
| Proceeds from issuance of common stock upon secondary offering    | 11,247           | —                |
| Payments of offering costs                                        | (445 )           | —                |
| Proceeds from exercise of stock options                           | 348              | 451              |
| Proceeds from exercise of warrants                                | 51               | 989              |
| Proceeds from employee stock purchase plan                        | 642              | 421              |
| Net cash provided by financing activities                         | <u>11,843</u>    | <u>1,861</u>     |
| Increase (decrease) in cash, cash equivalents and restricted cash | 17,132           | (4,645 )         |
| Effect of exchange rate on cash and cash equivalents              | 22               | (81 )            |
| Cash, cash equivalents and restricted cash at beginning of year   | 10,278           | 19,597           |
| Cash, cash equivalents and restricted cash at end of period       | <u>\$ 27,432</u> | <u>\$ 14,871</u> |



Source: ShotSpotter, Inc.