



May 1, 2023

Dear Fellow Shareholders,

I am very proud to write this letter under our recently announced new brand and company name SoundThinking. Our core purpose continues to be focused on bringing to market leading technology solutions that help drive positive public safety outcomes. We also acknowledge that we have evolved into a very different company from the one started 25 years ago.

The public safety landscape has significantly changed over the past five years. The broad ecosystem faces both many new challenges and increased scrutiny. We have been intentional in expanding our suite of transformative solutions and advisory services to help our partners address those challenges. We believe our broad capabilities can empower law enforcement and civic leaders in helping them to create safer and healthier neighborhoods. In short, our ambitions have grown far beyond our invention of the acoustic gunshot detection category and it was time for our name to reflect those ambitions.

The SoundThinking corporate name represents our commitment to providing innovative technologies and solutions that assist with fast and precise response to save lives and deter criminal gunfire. Our investigation solutions help increase case closure rates and improve community confidence. And our resource deployment solution acts as a force multiplier in an environment that is experiencing declining resources and delivers rich data that can be leveraged to support community violence prevention programs. SoundThinking also embodies the sound strategic advice we offer to the overall public safety ecosystem through trusted partnerships tied to a suite of services and solutions that ultimately help to create safer neighborhoods.

The SafetySmart Platform is the **product brand** and is comprised of an integrated suite of four data-driven tools enabling law enforcement and community organizations to be



more efficient, effective, and equitable in driving positive public safety outcomes.

Designed with a holistic focus on public safety in mind, our SafetySmart platform helps ensure the right resources are allocated when and where they're needed most.

**The SafetySmart Platform includes:**

- [ShotSpotter](#), the leading acoustic gunshot detection system that alerts police to virtually all gunfire within a city's ShotSpotter coverage area within 60 seconds, helping reduce police response times to gun incidents and save lives.
- [CrimeTracer](#), the leading law enforcement search engine that enables investigators to search through more than 1 billion criminal justice records from across jurisdictions to generate tactical leads and quickly make intelligent connections.
- [CaseBuilder](#), a comprehensive investigative management solution for tracking, reporting, collaborating on and clearing cases. It produces a single electronic courtroom-ready document for prosecutors to help take offenders off the streets.
- [ResourceRouter](#), software that directs the deployment of patrol or community group resources in an objective way to maximize the impact of limited resources and improve community safety.

We believe these solutions address the demands of the market that are dealing with four powerful and long-term structural trends:

- First, the uptick in violent crime has been measurable and the economic and social costs staggering.
- Second, from a political perspective, recent local elections have had public safety as the #1 or #2 issue. The defund the police movement has seemingly withered and there is growing support at the local, federal and state level to be supportive of refunding the police while still holding them accountable to transparency and constitutional policing.



- Third, local law enforcement has been operating at significantly below their budgeted staffing levels as they grapple with the resignation and retirement of experienced officers. This is taking place within the context of a challenging recruiting environment as the policing profession has become a less attractive career option for many.
- And fourth, local law enforcement is lagging on the adoption of digital transformation solutions which would enable them being more efficient, effective and equitable in providing public service.

While the above represents real challenges, we believe the silver lining is the collective political will and budgetary resources to address these challenges are stronger and more robust than they have been in recent years. These four core trends combined with the constructive funding environment should create structural tailwinds that can support our profitable growth over the long term.

Our long-term strategic business plan builds upon the strong, trusted relationships we have secured over the years with our core buying center of public safety agency command staff. We have consistently achieved high Net Promoter Score (NPS) results which have been driven by differentiated, high-quality technology solutions combined with our unique customer on-boarding and customer success focus. The “return on our investment” in relationship capital have resulted in GAAP revenue retention of over 99% three years in a row.

We believe we can also leverage our trusted partner status to sell beyond our core dominance in the acoustic gunshot detection space to our other integrated solutions on the SafetySmart Platform. Further, we believe there are solution adjacencies that we can add onto the platform and bring additional value and impact to our customers.

Our financial performance in 2022 was the result of strong sales execution; successful customer engagement/retention management and disciplined expense control. Top line revenue increased over 39% to \$81 million from 2021. The increase was due to revenues related to our Forensic Logic acquisition and growth from 100 miles of ShotSpotter gunshot detection going live from new customers and expansions. Revenue retention was impressive at 124% in 2022 and in line with 125% in 2021.



Gross margin increased to 58% in 2022 from 56% in 2021 even with the completion of our 3G sensor replacement project. Our net income was \$6.4 million or \$0.52 per share on a fully diluted basis, in 2022 compared to a net loss of \$4.4 million or (\$0.38) per share on a fully diluted basis, in 2021. Importantly, adjusted EBITDA increased 54% to \$15.9 million in 2022, representing a 20% adjusted EBITDA margin, from \$10.9 million in 2021. We believe our excellent Net Promoter Score of 56 promotes strong viral sales trends that drive sales and marketing spend of \$0.40 to acquire and convert \$1 worth of annualized contract value in the next 12 months.

As of year-end 2022, our balance sheet remained strong with \$43.7 million of deferred revenue and \$10.5 million of cash and cash equivalents and \$31.0 million of accounts receivable. This includes investments of approximately \$4.9 million of cash on our Forensic Logic acquisition; approximately \$3.1 million of cash in share repurchases and approximately \$3.4 million on our 3G replacement project. We have no debt outstanding and approximately \$25.0 million available on a line of credit with Umpqua Bank. The board approved a \$25.0 million stock repurchase program and we expect to be in the market opportunistically repurchasing our shares at valuation levels we find attractive. Lastly, we entered 2023 with \$79.7 million in annual recurring revenue up 26% from the year prior, providing solid financial visibility into our 2023 revenue guidance.

Of course, none of this is possible without the passion and dedication present in each of our employees and for whom we strive to create a safe and inclusive work environment. SoundThinking was recently recertified as a Great Place to Work earlier this year. We are proud to report that 87% of our employees say SoundThinking is a great place to work, where people feel that they can come and be as they are to do work that matters in a mission-driven, high purpose work environment. The company also benefits from an engaged and diverse board of directors, and a set of rigorous governance practices and oversight. We continue to be inspired by and are grateful for their support and guidance.

Our future is bright, and we view the path forward not as a singular company journey but as a collective stakeholder journey that includes the customers we serve along with you, our investors. To quote a powerful African proverb, "If you want to go fast, go alone; if you want to go far, go together."



Please take the time to read our Proxy Statement for the 2022 Annual Meeting of Stockholders along with our 2022 Annual Report.

Thank you again for all your support of our mission of making communities safer.

Sincerely,

A handwritten signature in black ink, appearing to read "R Clark".

Ralph Clark  
President and CEO