EDITED TRANSCRIPT
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CORPORATE PARTICIPANTS

Charles B. Messman *Smith Micro Software, Inc. - VP of IR & Corporate Development*

Timothy C. Huffmyer *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

William W. Smith *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

CONFERENCE CALL PARTICIPANTS

James Patrick McIlree *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Mark Gomes;Pipeline Data;Founder & CEO

Michael Joshua Nichols *B. Riley FBR, Inc., Research Division - Senior Analyst of Discovery Group*

Scott Wallace Searle *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

PRESENTATION

Operator

Good day and welcome to the Smith Micro Second Quarter 2019 Earnings Conference Call. (Operator Instructions)

Please note, this event is being recorded. I would now like to turn the conference over to Charles Messman, Vice President of Investor Relations and Corporate Development. Please go ahead.

Charles B. Messman - *Smith Micro Software, Inc. - VP of IR & Corporate Development*

Thank you, operator, and good afternoon, everyone. Thanks for joining us today to discuss Smith Micro Software financial results for the second quarter of fiscal year 2019, ended June 30th. By now, you should have received a copy of the press release with the financial results. If you do not have a copy and would like one, please visit the Investor Relations section of our website at www.smithmicro.com.

On today's call, we have Bill Smith, Chairman of the Board, President and Chief Executive Officer of Smith Micro; and Tim Huffmyer, Chief Financial Officer.

Please note that some of the information you will hear during our discussion today will consist of forward-looking statements, including without limitations those regarding the company's future revenue and profitability, new product development new market opportunities, operating expenses and company cash reserves. Forward-looking statements involve risks and uncertainties, which could cause actual results or trends to differ materially from those expressed or implied by our forward-looking statements. For more information, please refer to the risk factors discussed in Smith Micro's most recently filed Form 10-K.

Smith Micro assumes no obligation to update any forward-looking statements, which speaks to our management's beliefs and assumptions only as of the date that they are made.

I want to point out that in the forthcoming prepared remarks, we will refer to certain non-GAAP financial measures. Please refer back to our press release disseminated earlier today for reconciliation of the non-GAAP financial measures.

With that said, I'll now turn the call over to Bill. Bill?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Thank you, Charlie. Good afternoon, everyone, and thank you for joining us today for our 2019 second quarter earnings conference call.

I am very excited about the amazing acceleration of our revenues and profits in the second quarter over the fast start we made in the first quarter of 2019. We achieved growth across all 3 of our core wireless solutions, resulting in the delivery of excellent results for our second quarter, which I'm pleased to share with you today.

Looking at the results, total revenues from operations came in at $10.9 million up 29% over first quarter of 2019 and 56% over second quarter of 2018. Additionally, if we add the Poser transaction gain, total revenues came in at $11.3 million.

Non-GAAP net income from operations for the quarter was approximately $2.7 million or $0.8 per share. Gross margins came in at a very strong 91%, which truly highlights the strong leverage we have in place with our current business case. While revenues from CommSuite, SafePath and ViewSpot all grew, the company's growth was heavily driven by our SafePath platform, which increased 77% over the first quarter of 2019.

Of note, we launched SafePath Family with Boost Mobile, a first in the market for a Tier 1 prepaid carrier. This is a significant win for the company as we deepen our relationship with Boost. Boost Mobile has also deployed our CommSuite messaging platform to their subscriber base, which represents approximately 30% of our CommSuite revenues.

As merger talks continue between T-Mobile and Sprint, it appears that Boost Mobile will be divested to Dish Network. With the overall intention on the part of regulators of creating a fourth Tier 1 wireless carrier in the U.S. We see this as an excellent opportunity for Smith Micro that could result in a very strategic upside for us.

The merger of T-Mobile and Sprint presents risk, but it also provides immense opportunity for growth and expansion of Smith Micro. The entire team is focused on ensuring a successful outcome should the merger be approved. This prospect, combined with the opportunity to serve a new fourth Tier 1 carrier, presents an exciting time for the company.

Before we dive deeper, let's turn the call over to Tim to review the financials in greater detail. Tim?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Thanks, Bill.

As Bill mentioned, during the second quarter, we completed the sale of the Poser software product to a long time resale partner. The divestiture resulted in a gain of $483,000 and was recorded as other income. We are very pleased with the divestiture as we continue to focus on our 4 strategic products.

Now let's talk about the results. For the second quarter, we posted revenue of $10.9 million compared to $6.9 million for the same quarter last year, an increase of 56%. The wireless segment reported quarterly revenue of $10.6 million compared to $6.5 million last year, an increase of 64%.

Our graphics segment reported quarterly revenue of $217,000 compared to $439,000 last year. For the second quarter year-to-date, revenue was $19.3 million compared to $12.4 million last year, an increase of 55%. The increase in wireless revenue was primarily a result of revenue growth in the SafePath Family platform.

During the second quarter of 2019, revenue from SafePath Family grew by 77% sequentially, resulting in revenues of $3.8 million. We expect revenue growth to continue based on recent and expected marketing activities, which includes continued retail and call center promotions. These actions are dependent on Sprint execution. We continue to support efforts as requested.

Based on recent SafePath run rates, we expect the third quarter SafePath revenue to grow approximately 30% sequentially.

3

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During the second quarter of 2019, CommSuite VTT revenue, again, increased sequentially resulting in the seventh consecutive quarter of sequential revenue growth. As discussed in the beginning of 2019, we do expect continued sequential subscriber growth on this platform in the low single digits.

CommSuite advertising revenue also increased sequentially during the second quarter of 2019. This is a variable revenue stream and dependent on third-party activities. We expect quarterly revenue to be between $200,000 and $400,000 for the remainder of 2019.

ViewSpot revenue was $1.4 million for the quarter. Sequential growth was directly related to an increase in device and promotional campaigns from our existing U.S. Tier 1 contracts. We continue to expect 10% to 20% growth for ViewSpot this fiscal year.

For the second quarter, gross profit was $9.9 million compared to $5.8 million during the same period last year. Gross margin was 91% for the second quarter compared to 84% last year. The increase in gross margin is a direct result of higher wireless revenue.

For the second quarter year-to-date, gross profit was $17.4 million compared to $10 million during the same period last year. Gross margin was 90% for the second quarter year-to-date compared to 81% last year.

Operating expenses for the second quarter were $6.9 million, an increase of $1.2 million or 21% compared to last year. Operating expense for the second quarter year-to-date was $14.4 million, an increase of $2.5 million or 21% compared to last year. The increase in operating expenses is primarily related to an increase in operating expenses for ViewSpot, an increase in non-cash amortization expense for ViewSpot and an increase in non-cash stock compensation expense.

Also during the second quarter, we invested in additional resources to focus on ViewSpot customer delivery and product development, and we added resources to enhance the SafePath Family product development, resulting in a net headcount increase of 18. This additional headcount will result in a higher operating expense run rate for the remainder of 2019.

The non-GAAP pretax income for the second quarter was $3.6 million compared to a non-GAAP pretax income of $298,000 last year. The non-GAAP pretax income for the second quarter year-to-date was $4.3 million compared to a non-GAAP pretax loss of $1.6 million last year. The non-GAAP net income for the second quarter was $2.7 million or $0.08 earnings per share compared to a non-GAAP net income of $226,000 or $0.01 earnings per share last year.

The non-GAAP net income for the second quarter year-to-date was $3.3 million or $0.10 earnings per share compared to a non-GAAP net loss of $1.2 million or $0.07 loss per share last year. Within the recently issued press release, we have provided a reconciliation of our non-GAAP metric to the most comparable GAAP metric. For the second quarter, the reconciliation includes the following adjustments: stock compensation expense of $333,000, intangible amortization of $268,000, Poser transaction gain of $483,000, and preferred stock dividends of $34,000, some of which are noncash.

For the second quarter year-to-date, the reconciliation includes the following adjustments: stock compensation expense of $788,000, intangible amortization of $465,000, Poser transaction gain of $483,000, acquisition cost of $76,000 and preferred stock dividends of $67,000, some of which are noncash.

Due to our cumulated net losses over the past few years, our GAAP tax expense is primarily due to foreign income taxes. For non-GAAP purposes, we utilize a 24% tax rate for 2019. The resulting second quarter non-GAAP tax expense was $850,000 and the second quarter year-to-date non-GAAP tax expense was $1 million.

This concludes my financial review. Now back to you, Bill.

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Thanks, Tim.

Now let's talk further about our 3 core product suites and provide additional color.

As I stated earlier, SafePath had an excellent quarter driven by the Safe & Found deployment at Sprint, which achieved growth ahead of our expectations. The success of subscriber expansion is attributable to the efforts of Sprint and the significant investments we have made to enhance the overall SafePath application. We are also pleased by the continuation of our strategic marketing initiatives and the success we are generating.

I'm very happy with the launch of our first SafePath IoT device, a tracker, powered by our SafePath platform as it both expands our market reach and further builds our vision to deliver the best connected life experience for the family.

SafePath 6.0 creates a single payment glass to manage the family digital lifestyle, providing both family safety with parental controls, while integrating the management of connected devices, whether those devices are mobile or within the home.

This is a significant first in the marketplace that allows carriers to offer, not only the power of SafePath Family, but now includes connected devices under the same common application experience. This allows carriers to offer their subscribers the choice of either option.

With these new features, we have more than a new upside sales opportunity. We also have a strong competitive advantage for our solution that clearly separates us from our competition.

Sprint's launch, called Tracker + Safe & Sound, offers several capabilities, such as real-time location, geofencing, notifications, and most importantly, allows our customer to sell a thing or a device, something they are very good at, all powered by our SafePath platform.

Overall, we are very pleased with the initial demand for the tracker by, both new subscribers and those already on the SafePath platform, who have upgraded to the new device and service. In general, sales are exceeding expectations.

As mentioned earlier, the strategic win of Boost Mobile with the launch of SafePath Family expands our customer relationship with Boost. We are working closely with Boost to ensure a positive product launch.

Now let's look at ViewSpot. The result of the first quarter Smart Retail acquisition, which delivered solid growth for the quarter. We made significant strides during the quarter, completing the initial integrations and strengthening the team across all business aspects to support the growing demand we see in the market today.

We now look to accelerate the product roadmap with new features and functionality as well as better workflows for quicker turnaround and delivery of content, all while improving scalability and increasing sales. Our ViewSpot analytics platform roadmap is also gaining momentum. We plan to roll out significant upgrades in the coming quarters, such as real-time data flow, advanced device monitoring, AI-driven anomaly detection and new improved dashboards, just to name a few.

The ViewSpot sales pipeline continues to build with several new proof-of-concept trials currently underway around the world. The team has done a great job with these efforts, and I believe has properly positioned us for growth in the second half of the year.

Let's look at CommSuite, our voice messaging platform. CommSuite delivered solid results for the quarter and achieved the seventh consecutive quarter of subscriber growth and the highest quarterly revenue we have achieved since 2014. We look to build on this growth through the remainder of the year with a rollout of several new product features and marketing initiatives.

We are also enthused to attack the demand we see in the marketplace with other carriers.

In closing, I'm truly excited about where we are as a company as well as with the outlook ahead for this year and beyond. I believe we are still very early in our growth curve and have many new exciting opportunities ahead. We are off to a great start with the results of the first half of fiscal 2019 and plan to build on that momentum as we look to the remainder of the year.

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With that said, I will open the call for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Scott Searle with Roth Capital.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Guys, I guess, it goes without saying nice quarter. But just to get quickly calibrated, in terms of looking at that number in -- the June number, Tim, are there any one-time revenue anomalies in there just to get us calibrated? Then I have some follow-ups on SafePath and couple of the products.

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Not really Scott, we talked about the sale of the Poser software, which is down in other income. So everything else was core business results.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay, great. Obviously, SafePath, very exciting in terms of what you guys are seeing here. Your guidance for 30% sequential growth. Can you kind of take us through what is going into that? What's your assumption in terms of when Boost launches? Or is that included at all in the second quarter? And checks have been really positive on the tracker front, which I think you were alluding to. I mean, how big of a component is that? I know, it's early on in the deployment process, but do you have a sense in terms of what attach rates could look like? Or what you're thinking about in terms of penetration?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

So the 30% that we put out there is based on current run rate, Scott. So that can change to the positive or to the negative at any point. But we wanted to provide a glimpse, at least, of what we're seeing here today as best as we could, which is what we provided there.

From a Boost standpoint, there's nothing -- the core number includes any of the recently launched products basically. So that SafePath number is an all-encompassing number and we -- that's how we expected to play out through the quarter.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Got you. But just clarify because Boost is not live. So that's not in number, but trackers are kind of in the number, the current run rate that you're experiencing today?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Well, no. Wait a minute. Boost is live, and they are actively selling the product. They do not have a tracker at this time.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Right. Got you. Okay, okay. And...

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William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

And I think on the tracker front, just to be clear, Scott, it's very, very early, and so we don't really have deep color into that at this state. But as it evolves, we've just been pleased with what we've seen so far.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Okay. And last one on the SafePath front. You talked a little bit about Sprint, T-Mobile assuming like the coming transformation, the merger will be good, given where -- it looks like Boost is going to find a new home. Can you give us your updated thoughts in terms of both from a Sprint perspective, the latest and greatest thoughts in terms of location lab sunsetting? Are you talking with Boost at the current time in terms of who their next owner could be? And how that would roll out? And thoughts in terms of any carriers as you start to look out into late 2019, 2020?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Okay. Well, obviously, on the merger front, we can't have any meaningful discussions or disclose the discussions that we are having around that, as far as Boost. I mean we can only look at what the media reports are that they would be acquired by Dish. We have a good relationship with the Boost team, which soon would go over to Dish. And so we continue to work heavily in, both Kansas City and Seattle, and we have a lot of meetings and a lot of discussions and planning on going. And that's really all I can say about that subject.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Got you. And...

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

As far as -- I think exciting thing there is that with the divestiture of Boost, I mean the goal is clear that the regulators do want to create a new carrier that is a Tier 1 carrier. Boost is a meaningful part of our business. On CommSuite, as I mentioned, and a growing part now on SafePath albeit very early stage. And so we see that as another exciting upside potential for us. As far as other carriers, we have a lot of activities. I'm not at a point, where I feel comfortable to discuss those yet, but I see a lot of positives.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Got you. And lastly, if I could, just on the ViewSpot front, nice growth this quarter. I think it's the first 90-day quarter of contribution. Where are you in terms of penetration into some of the existing accounts? They have the retail locations, but are you -- you're fully deployed across that and are you getting some traction then into some of the other, either franchise or big-box retailer distribution for some of those carriers? Thanks and nice quarter.

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

We are in all the company-owned store locations for both of our Tier 1 carriers. We are not in there -- the other locations beyond that, that's something that we're in discussions with. We are very excited by the number of proof-of-concept trials. They are ongoing. It looks like we will have approximately 11 trials between now and the end of 2019, and hope to grow that. So -- but that gives you some idea of the level of sales activity that's ongoing with ViewSpot. We think it has some real likes.

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Operator

Our next question comes from Josh Nichols with B. Riley FBR.

Michael Joshua Nichols - *B. Riley FBR, Inc., Research Division - Senior Analyst of Discovery Group*

Obviously, it's some pretty phenomenal growth of SafePath. It looks like you're probably close to 450,000 average subs for the quarter. Just kind of how that number grew out? But given that Sprint has about 55 million subs, I guess, including Boost. How should we think about the market penetration opportunity as we think past this next quarter, but over the coming like 12 or 24 months, and what you think could be achieved?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

As I've always said, the goal of executive management and our customer is -- has always been to get millions of subs on Safe & Found. So there's a lot of work still to be done, there is a lot of work being done, there's a lot of continued effort. Clearly, the outcome of the merger could potentially expand the total adjustable market. We have with this customer and that's exciting as well. But I think we have to let the merger thing play through. None of us really know exactly how things are going to flow. And so that's part of the excitement of just trying to deal with this.

Michael Joshua Nichols - *B. Riley FBR, Inc., Research Division - Senior Analyst of Discovery Group*

And then you did mention, and it seems like things are going quite well with ViewSpot. I did want to ask, do you think that there's more likely that the next sizeable win for ViewSpot would be like a new carrier adding on these affiliate stores of existing contracts or maybe like a large retailer that sells these products if you kind of had to weigh in on what you think the most near-term opportunity is?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

I think the most near-term is probably new carriers. However, affiliate stores is an active discussion item. Our customers really like the product ViewSpot. It really helps them at the retail point of sale, and it gives them a strong consistent sales message about the products, whether that be handsets or other types of devices or services. And also, I would encourage you to visit our customers' locations and see the product in action. It does a really great job.

Michael Joshua Nichols - *B. Riley FBR, Inc., Research Division - Senior Analyst of Discovery Group*

And then last question for me and I'll pass the torch. Is there 1 or 2 specific marketing efforts at Sprint that you think are really driving this very quick ramp in SafePath just over last couple of quarters? And given how fast this has grown, what type of EBITDA margins do you think the company could achieve over the next year or so as this business scales so quickly?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Well, let me take the first part, and I'll let Tim handle that last one. I'm particularly excited and I know that management at Sprint is also excited by the success they have had in selling this as a value-added service within their retail locations. They've just done a phenomenal job in preparing the sales force and in sanitizing the sales force to get behind the product. They continue to do that, and they have new initiatives that we look for coming in the coming weeks and months. And so we think that will continue to drive the expansion of the user base. So yes, it's pretty exciting, and we didn't know this when we started this effort. We didn't know that they could sell as effectively as they have at the retail stores. And if there is one thing that we learned that is very meaningful -- also meaningful to us in helping out new customers going forward is to how the use their retail network. Tim?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Hey, Josh. The EBITDA margin or percentage this quarter is, obviously, pretty strong. You have your Poser transaction in there. So you'd want to pull that out. But that's probably a fair representation as we think about the coming quarters. Obviously, the growth of the product could drive that materially in a better way, but I -- we wanted to give that revenue target out there for that revenue run rate for a reason, so that we built some expectation of the best data that we're seeing here today. And I'd encourage you to model it off of what you see here today, based on the information we gave you.

Operator

Our next question comes from Jim McIlree with Chardan.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Great quarter, guys. Tim, you just said something about the gross margin impact from the Poser sale. Can you walk through what you're -- what the impact was?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Yes. So no impact to gross margin. We had the Poser sale recorded in other income. It's online item there that you'll see. It's about $483,000 gain for the quarter. So if you run an EBITDA, my point was you'd want to pull that out. That's an anomaly in EBITDA, not in revenue or anything, but in EBITDA, it is.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Okay. I misunderstood. Can you address the subscriber growth in SafePath? Generally speaking, where the subscribers are coming from that is new customers or transitioning from the legacy service for the quarter?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Okay. I would say that the largest percentage is coming from new customers. The legacy service, there is still people coming across on their own. How our customer decides to deal with the legacy, I think, is going to have to wait until post-merger.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Got it. Okay. And in answer to Scott's question, you talked about Boost and IoT, both contributing to Q3. Can you frame that? Is it a meaningful contribution? Is it -- you think it's greater than 5% or greater than 10% of SafePath revenue in the quarter, in Q3?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Yes. No, it's a small percentage, Jim. It's starting from 0. So in the sense that we have new clients out there that start from 0, it does take some time to ramp. So the meaningful part of all the growth is coming from Sprint right now. Now the good thing is that we've done this before. We have a lot of learning that we've completed, and we think we can hit the ground running. But in the current run rate that I gave, that did not assume a significant increase there on the Boost side.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Right. Okay. And can you talk about seasonality if there's anything to be aware of in Q4 that would impact the SafePath or ViewSpot results? But I'm thinking mostly for SafePath. Is there a likelihood that the customer focuses on new adds and isn't as concerned about signing up SafePath customers? Or is there any insight you can share with us about Q4 seasonality?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Yes. I think that it's pretty well proven that large carriers tend to focus on new sub adds in the fourth quarter, which can slow down the growth a little bit that we see in some of our value-added services. So I would probably model it that way, and then we'll work really hard to make it better than that.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Okay. And I think this is my last one. But Tim, in your initial prepared remarks, you talked about -- in reference to CommSuite, $200,000 to $400,000 for the remainder of 2019. I just -- I'd like to clarify, you were talking about $200,000 to $400,000 for add revenues per quarter for CommSuite for the rest of the year. Is that right? Or is it something different?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

No. You're correct. It was quarterly add revenues is the range I gave. Correct.

James Patrick McIlree - *Chardan Capital Markets, LLC, Research Division - Senior Research Analyst of Industrial and Consumer Technology*

Okay. But in Q2, you exceeded that. Did I hear that correctly? Or am I just making that up?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

I did not make a statement. I said it grew over the first quarter. So we grew sequentially, but it was in that range.

Operator

Our next question comes from Mark Gomes with Pipeline Data.

Mark Gomes;Pipeline Data;Founder & CEO

Congratulations, of course, gentlemen. Sorry if I didn't catch it in the beginning of call. We have got the $3.8 million for SafePath. What do we have for CommSuite and ViewSpot?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

We had -- ViewSpot was $1.4 million. And we did not give a number for CommSuite. So you can -- when you lay that out, you'll able to figure that out.

Mark Gomes;Pipeline Data;Founder & CEO

Okay, yes. And you're looking at the new hires. Also seeing a lot of open racks out there in the [ether.] Where are those kind of focused on in terms of product areas and initiatives?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Yes. So there are a lot of open racks, even though we've completed a lot of hiring. Those are primarily SafePath focused, Mark, and maybe a little bit of ViewSpot. So just a continued reinforcement of what we've done.

Mark Gomes;Pipeline Data;Founder & CEO

Okay, great. And then just kind of looking at the update that you guys did sort of product over the recent months that -- when we're looking at our due diligence from kind of downloads perspective, it seems like you're getting more subscribers per download relative to what we're looking at. How much has the -- how much have we -- how much have you seen from your end in terms of the number of downloads, types and the number of new subscribers?

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

We don't track or talk about that level of detail, Mark.

Operator

Our next question is a follow-up from Scott Searle with Roth Capital.

Scott Wallace Searle - *Roth Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Just a quick follow-up. Bill, I'm not sure if I missed it, but did you give any indications of time lines or other potential number of IoT devices that we could see as part of the SafePath ecosystem by the end of this year? And also as part of that, if you could give us a quick update in terms of parental controls in the Home and in-home capabilities, specifically, around growth? And how is that progressing? And when will we expect to see some commercialization?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Okay. We are working on a number of additional devices that are consumer IoT-oriented devices. And so you will see us talking about or demonstrating those devices before the end of the year. So there's a lot of activity in that area. As far as the SafePath Home efforts, we are working together with our partner to expand that product offering and to meet a -- I think what we now understand may be more fully as some of the requirements the carriers will have to allow them to effectively deploy. I think the other thing that you'll see is that with all the major carriers now really focus on what it is they're going to do as far as devices that they will put into the home. The types of servers that are -- routers, excuse me, that was the word I was looking for, routers, that they will then sell for home use allows us to focus in on how to best get the SafePath Home firmware included in those devices before they go on to the marketplace.

Operator

Our next question today comes from [Erin Warwick] with ES Capital.

Unidentified Analyst

I got a couple of questions. The first one would just be a follow-up from what Mark asked. It was interesting you had mentioned the increase in OpEx for the rest of the year and headcount. And like Mark mentioned, it looks like there's several more jobs you've got queued up. I'm just wondering are those -- is the increase in the headcount, is that because of the way that Sprint's ramped up? Or is that really more of what you guys kind of have in the pipeline for the future that you feel you're going to need those positions?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

I would say that it's both. We are looking at headcount to help service our existing customers, but we're also looking at headcount to service new opportunities that we believe are on their way. So yes, it's -- this is a pretty exciting time.

Unidentified Analyst

Yes, that's really exciting. Other question I asked on the last call about IoT device, and you guys delivered on that, I think, beyond anybody's expectation with the tracker, very impressive with that. I'm just wondering if you have an early read, how many of the people that are buying just the tracker only that are new to SafePath or to Safe & Found or are actually upgrading to the full version of it?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Yes. We really can't talk about that. That's something that there is a lot of studying going on between ourselves and our customer to better understand those dynamics. But that's really something that I think Sprint's going to have to talk about.

Operator

(Operator Instructions) Our next question is a follow-up from Mark Gomes with Pipeline Data.

Mark Gomes;Pipeline Data;Founder & CEO

Guys, back on the IoT a little bit more. Can you just kind of talk to us a little bit more about the advantage that you have there? Clearly, you have a legacy in IoT technology expertise. Wondering how that's benefiting you now? And how reallocated those resources? And how that's benefiting your sales cycle now to be able to offer the carrier something where you have a long reputation for providing applications that scale to their need, that tie to their back-end systems, and now also leverage your IoT expertise?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

Okay. As you are discussing, yes, we had a lot of efforts that have been done on the prior products, not SafePath, but that was more oriented towards Device Management and Industrial IoT implementations. That product was part of our -- we kind of moved it aside as we narrowed our focus on where we thought the company would see the most growth. That was a decision made really last year. That entire team, however, was extremely experienced, and they knew the space, they know how to work with IoT devices. They are predominantly housed in our Belgrade, Serbia location, and yes, they're doing a great job. The experience that they had is part of the reason why we can bring so many devices to the marketplace in our plants and what we've already done.

Mark Gomes;Pipeline Data;Founder & CEO

Great. And what does that mean in terms of -- like, do you have any kind of targets or restraints in terms of how many devices you can bring online, and tie to the platform over, say, a 12-month -- any given 12-month period?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

I don't think of it that way. Our job is to service our customers. And if our customers need more devices than we are thinking about at this minute then we'll have to react to that, and we'll have to figure out a way to service them. I mean, that's what we're in business to do.

Mark Gomes;Pipeline Data;Founder & CEO

Absolutely. And then just kind of back to the original question where I asked like, kind of what you're kind of seeing anecdotally from your sales pipeline in terms of their excitement around, the stuff that you're seeing so far with the platform, doing well at Sprint and/or just working in general?

William W. Smith - *Smith Micro Software, Inc. - Co-Founder, Chairman of the Board, CEO & President*

I would say that the carriers out there are watching with a great deal of interest and have sort of figured out that it's going pretty well at Sprint. That is also a positive thing for our sales efforts and for how we move this forward.

Mark Gomes;Pipeline Data;Founder & CEO

Now it's more apparent than it was yesterday. Great job guys I really appreciate the time and congratulations.

Timothy C. Huffmyer - *Smith Micro Software, Inc. - VP, CFO, Treasurer & Secretary*

Thanks, Mark.

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to Charles Messman for any closing remarks.

Charles B. Messman - *Smith Micro Software, Inc. - VP of IR & Corporate Development*

Well, again, I want to thank everyone for joining us today. We're, obviously, very excited here at Smith Micro. Should you have any other questions, please feel free to reach out to us here, and we'll look forward to speaking to you on our next conference call. Thanks. Have a great day.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.