

Digital Ally, Inc. NasdaqCM:DGLY

FQ4 2019 Earnings Call Transcripts

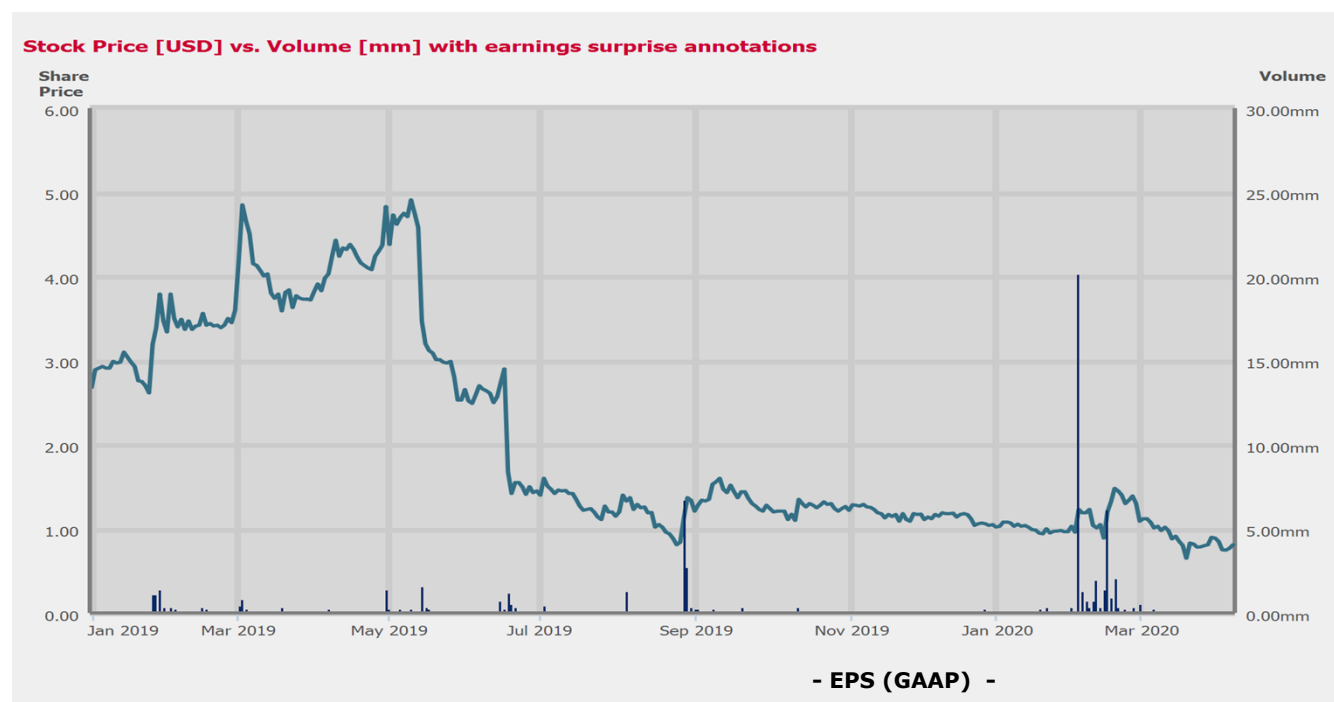
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S&P Global Market Intelligence Estimates

	-FQ2 2019-		
	CONSENSUS	ACTUAL	SURPRISE
EPS (GAAP)	0.25	(0.03)	NM
Revenue (mm)	2.63	2.55	▼ (3.04 %)

Currency: USD

Consensus as of May-16-2019 5:20 PM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ3 2018	-	(0.60)	NM
FQ4 2018	(0.27)	(0.51)	NM
FQ1 2019	(0.50)	(0.29)	NM
FQ2 2019	0.25	(0.03)	NM

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Call Participants

EXECUTIVES

Stanton E. Ross

Chairman, President & CEO

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

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Presentation

Operator

This conference call may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words believe, expect, anticipate, intend, estimate, may, should, could, will, plan, future, continue and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters, identify forward-looking statements.

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Now I'd like to turn the call over to Stan Ross.

Stanton E. Ross

Chairman, President & CEO

Thanks, everybody, for joining us today. I've got with me Tom Heckman, the company's CFO. Tom will do a quick recap of last year's numbers and fourth quarter numbers. And we will probably move rather quickly on into visiting about what we still believe 2020 looks like in regards to our existing products and also touch on our most recent press release that we announced today concerning the disinfectant that we will now be marketing to our first responders as well.

So Tom, I'll let you do a little quick recap, and then we'll get into the forward-looking stuff.

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

All right. Thank you, Stan, and welcome, everyone. I appreciate you joining us today. I do want to let you know that we have filed our Form 10-K with the SEC this morning. And it is a full recap of the year 2019 versus 2018, and I certainly refer you to that. I'm not going to go through that in any significant detail. I'll try and hit some of the high points. And I know with the current environment and everything that's going on, 2019 seems like ancient history with what we're dealing with right now. So I won't spend a lot of time with it. We'll talk about what's happened recently, including in the first quarter here and where we sit today.

So anyway, with that in mind, I would tell you that 2019, on a bottom line, about \$5 million better than the previous year. And that was primarily due to the patent litigation settlement that we entered into with WatchGuard, where gained \$6 million in funding through that. Offset by a \$3.3 million increase in our patent litigation liability, the fair value of that. So in essence, that contributed about \$3 million, a little less than \$3 million to our bottom line. So we had good improvement elsewhere.

If you look at the top line, really, I think it's more indicative of 2 factors. Number one, we're trying to move people more to a service plan and platform rather than a product sale, a hardware sale program. In that regard, our overall sales declined 15%, but our service and other income increased by 25%, not income, I mean, revenue. And it's clear why we're doing that. Our margins -- our gross margins on service hit 77% in 2019 versus 76% in 2018. So our overall plan seems to be working from that standpoint. We are shifting more sales to the service channel rather than the hardware sales.

And the second reason for that is we did introduce EVO-HD in the middle point of last year. And as expected, our customers took a pause to look at that and evaluate it. It is a revolutionary new platform that we're very proud of, but it has taken some time for our customers to review it, test it and adopt it. And in that regard, we did do a press release, I think, last week about a pretty nice order we got for EVOs. I would tell you also, the domestic order that we got for EVOs. I will tell you that we had a rather large international order in the hopper to ship in March of 2020. That was and is delayed because of the coronavirus outbreak. Countries and certainly foreign countries have their hands full with the coronavirus.

So I think the bottom line here is that we are seeing some very good traction. Customers are very receptive to the EVO-HD and the new platform and the connectivity of that platform. And I believe it will be the bellwether for years to come. With that in mind, it did hamper our hardware sales in 2019 as well.

So let's talk about a few other things that have happened more recently. We did complete a \$2.5 million underwritten public offering in March at \$1.15 per share. Gross proceeds of roughly \$3 million. We're very happy to get that done before the coronavirus epidemic really became problematic in the capital market. So we got that done in early March, and we're glad we did that.

Our first quarter revenues, I will say, are very similar to last year, which I think, given the situation, most people would be pretty happy with that. But for -- I would -- thinking for myself and I think even Stan, we're both very disappointed in that. We started the year, January, February with double-digit increases over prior year revenues. We were seeing good traction. The EVO is starting to hit a little bit. And in March, we had several large international orders as well as domestic orders that were set to go out. We even had them on pallets ready to ship at one time. That got delayed because of the impact of the coronavirus. So although first quarter is going to be very similar to last year, we're disappointed in that we did not get the opportunity to ship orders that should have been shipped, given normal times rather than what we're currently experiencing.

So also, I would tell you that the Axon litigation, we did a press release that announced the oral arguments were supposed to happen today. And because of the coronavirus thing and other factors, the appellate court issued a order that they were not going to do oral arguments that they were going to rule upon the briefs as submitted by the 2 party. Stan and I really looking through the tea leaves, and it's only our judgment is we believe that's good news, but we don't know until they actually issue. And quite frankly, we don't know when they're going to issue with what's going on, when they're going to meet and go over the briefs and determine an outcome for that appellate hearing so.

Stanton E. Ross

Chairman, President & CEO

Yes. But it's my understanding, Tom, that the briefs will be submitted today. So that's still taking place. In talking to our litigation team, we believe that maybe because of the fact that they're not now going through the trouble of oral arguments but are ruling based upon just the briefs that they may be able to actually move a little quicker. So we still think, at least from what we're hearing, unless there's -- they shut -- completely shut the courts down and don't allow them to make any kind of rulings, that we should see something, I would say, within the next 45 days. So it could be rather quickly as they're not having people walking through in and out of the courtroom. They could be sitting around the table right now, and all parties looking at it and saying what your thoughts on it so. But we do think that the fact that they did not -- and they did elect to go ahead and instead of postponing it, went ahead and did a what do you want to say just said, "Hey, guys, you don't need to come here. We've got enough or believe that our position, we can get to a position to rule on it by just using the briefs." We look upon that as somewhat favorable. We would have thought that if, for some reason, they weren't interested in hearing our side of it, as we're the ones that actually filed it, they would at least postpone and given us our day in court. So we're hopeful that it will continue to move forward, and we'll get something on that in the next 45 days.

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Okay. Thank you, Stan. And I just got a couple of other things I'll mention. We were deficient with the NASDAQ listing requirements, continued listing requirements. We filed several 8-Ks and releases that

described that event. Stan and I met with the NASDAQ Board in February and presented our compliance plan, which we're happy to announce or I think we have announced already that the NASDAQ was very receptive and approved our plan. And gave us until June 30, 2020, to achieve that plan.

Now with the current environment, we kind of expect that, that will be delayed because of everything that's going on with the coronavirus, and I know there's a lot more NASDAQ companies with deficiency issues as well as us that the NASDAQ is dealing with. So I hope that, that gets delayed, but I don't know that it will get delayed. And we don't -- and we will certainly appraise the market when and if we hear from the NASDAQ on the exact date, if that's going to be delayed at all.

I would tell you from a coronavirus perspective, we have made some changes in our operating plans, including having people work from home. And I think you guys have seen -- hopefully, you've seen the press release this morning. We've taken on a new line of products to help our first responders deal with the coronavirus onset to disinfect cars, any kind of surface, jails, tables, whatever it is, the product that I'm sure you guys will want to know more about has been around for a number of years. We have a distributorship for that, and we're going to hit our customer base with an e-mail blast today, and we expect and we hope that we'll get a very good response from that because this is an exciting product. It's nontoxic, and it's approved by the EPA to fight the coronavirus as well as a number of other contaminants and bacteria and viruses, including HIV, MRSA, I can't remember, C. diff, Salmonella.

Stanton E. Ross

Chairman, President & CEO

There's a ton of them. If you go to our website, and can bear with us that it's getting more and more information put on it, virtually every hour. But you could get on there and get a pretty good understanding, and there's some links that take you to the -- I think it's the FDA and the EPA, the appropriate government sites to give you a little more understanding of what it's capable of doing. And just touching on it, Tom, since we're on it right now is the product itself, we've been knowledgeable about it and setter and did a little bit of preliminary, I would say, marketing and talking to a few of our key customers, if they would have a level of interest in the product. And we were overwhelmed with those that clearly say they have an interest. And in talking to our team, and we realized that this is going to be a situation for sanitation, the cleanliness, on and on, that is going to be looked at, scrutinized. Even our government has said that they're concerned about if we get past these next month or so that still need to be on high alert on cleanliness and stuff as we go into the flu season later this year, that it could come back around. And until we really get a vaccine for it, it's going to be with us.

So with the thousands of departments they currently buy from us that could utilize it, the amount of taxi cabs, just -- there are multiple customers that we have and have all shown very strong levels of interest in the product. I would be -- we just literally launched it today and told our sales team, and we do have our e-mail blast going out here in a few hours. But just really surprised by the amount of interest and those that are already placing orders for shipments that will go out later this week. We have a very good relationship with the bottling company or, let's say, the master distributor that we work very closely with and have had a relationship with for some time. So we are excited about it. We think that this is a area that really could have an impact in our 2020 numbers. And we will update you all in the form of a press release as we see how things play out for, let's just say, the month of April. We'll give you an update and let you know how many gallons or thousands of gallons or whatever the magic number may be, we'll let you know. But we are very excited about this product.

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Yes. And I would just add a couple of comments and then turn it back to Stan to -- I'm sure you guys have many comments and questions about where we're headed. But we're looking at this as a new channel for Digital Ally to help first responders, not only first responders, but it really fits in well with the rest of our businesses. We have the event solutions business, the taxi cab, the cruise ships.

Stanton E. Ross

Chairman, President & CEO

Ambulances.

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Ambulances. So it really fits like a glove with our current customer list. And obviously, we're going to exploit that. But we believe it's going to bring in new channels as well and give us avenues to also sell them hardware and services surrounding our recording products. So anyway, we're excited about it. We're looking for other ones, too. I mean there's other products that we're looking at that we may take on in a similar category. But look for us to try and improve revenues through other channels as well.

So with that, I'll turn it back to Stan, and I'm sure you guys have more questions for us.

Stanton E. Ross

Chairman, President & CEO

Yes. And Tom, as everybody should know that's on the call that we also have been making quite a bit of headway in regards to our new breathalyzer that has our patent associated with it, that continues to come along real nicely in the development, and we still anticipate being able to have that out later this year. So yes, we will continue to look at mainly different products. I don't know if I want to say channels, different products that can really easily fit into the existing distribution channels that we have. And then that will have a ripple effect leading into other areas. Obviously, with our relationship and partnerships with a lot of the entities from football to NASCAR, those are avenues that will continue to -- we'll be able to expand on with some of our products. And we also will be actually bringing in sub distributors in regards to a couple of our products that have their own channels and network in place too. So I'm excited about what we have ahead of us and really would just like to see, like all of us, things get back to normalcy so that we can all be shaking hands again at some point in time and being able to talk business across from the table versus over the phone.

So anyways, we'll go ahead and open this up for the Q&A side of our call.

Question and Answer

Operator

[Operator Instructions] The first question will come from Brian Kinstlinger with Alliance Global Partners.

Brian David Kinstlinger

Alliance Global Partners, Research Division

With the current revenue base, how are you addressing overhead? And can you talk about with your business being essential but volumes down, where you can take operating expenses? It looks like you were at about \$15 million in 2019, which I assume includes the \$3 million in litigation expense you discussed. So where can we take that to right now?

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Yes. Overhead wise, we've pared down I wouldn't say substantially, but we've pared down in the areas that really are flat or actually not existent in this economy right now with coronavirus on thing like event solutions and likewise. So we've made cutbacks, both employees and overhead in those areas that make sense. But I would tell you that certain areas of commercial is revving up. Private security seems to be doing real well as well as our regular law enforcement business. So there's areas that we have cut back in because those areas are dead in the water right now until the economy really opens back up. As far as what to expect from an overhead perspective, it will go down. But I cannot tell you how much, depending on where else we cut and what else we do. But we're looking at every overhead expense, obviously, and trying to make it right versus what kind of revenues we're generating from those channels.

Stanton E. Ross

Chairman, President & CEO

Yes. A lot of it -- some of the expenses, as you can imagine, instead of us going to trade shows and other events, I mean, even all our outside reps are basically considered inside reps. I mean, they are happen to keep the relationships by phone. We do a tremendous amount of webinars to try to keep everyone educated and get new business through those means, but the expenses of being out on the road is nonexistent pretty much right now. So there are a lot of areas that the expenses came down dramatically, let alone the areas where we really did have to pare back, as Tom was saying, that because the opportunities are nonexistent for a while.

Brian David Kinstlinger

Alliance Global Partners, Research Division

Great. And then in terms of the disrupted supply chain, what supplies are you having trouble procuring? Where are they procured from? And is there any communication from suppliers as to when this might improve?

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Yes. As you might expect, we do get some of our camera products from the orient, specifically China, Philippines, South Korea. Those suppliers obviously have been affected, but it really hasn't hurt us that bad. We've had some delays, but we've eventually got the ordered quantities and products. So yes, we have been affected. It has slowed down. But we are getting products from those companies and suppliers, and we don't think that, that will be an ongoing problem once the coronavirus thing kind of passes.

Brian David Kinstlinger

Alliance Global Partners, Research Division

Great. And then last question, can you expand on the press release comment that you are evaluating acquiring distribution rights for several products? Just some more detail on what this might mean.

Stanton E. Ross

Chairman, President & CEO

Yes. As we look at and seen the level of interest in the current products that we're out there with, it's clearly opened our eyes up to other potential products such as even hardware, that we have the capability of being able to produce and could implement and sell-through our existing channels. So we're looking at what all, not only the current product, but additional ones along this line, how we can expand on that. And again, as I mentioned, we're still excited about our breathalyzer hitting the marketplace. We do have a next-generation of body camera that we have not pumped the brakes on at all. We're still going full speed ahead for it to get to development. We have the, what we call the 250 in a box or the 250 fleet, that's for over-the-road truckers. And that product, too, is right around the corner. So there's several additional products that we have -- we've been working on and others that we believe now with sort of the changing environment that we clearly have the capabilities to get into. And again, one, I just need to wait a little bit longer and explain on, but there are some even medical devices that we have the capability of design and producing.

Operator

The next question is from Bryan Lubitz with Aegis.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

I hope the family and all the friends out there are being safe and everyone is healthy. As you know, I'm on the island, and we're becoming the hotspot. So my thoughts and prayers are out to you guys and your families, put it that way.

Stanton E. Ross

Chairman, President & CEO

Yes, in your way as well, Bryan.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

All right. So first thing I want to touch base on and then I'll segue back to, obviously, COVID, but I want to start on the service revenue for the quarter and obviously for the full year, going up substantially from last year, as you guys are segueing from being more of a product-based sales company to having that residual sticky business, if you will. Can you guys give us a mix of how much of that is actually from generating off of the data plans, monthly storage fees and how much of it is actually from, I guess, warranties and services?

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Yes. The lion's share of that, Bryan, is from extended warranty services and installation services, if you will. The data plans, as you might expect, they're covered over 3 to 5 years. So it's a much smaller number but there's really no costs associated with it. So if you look at shared numbers, the warranty revenue -- the extended warranty revenue is larger and the installation revenue is larger. But there's virtually no cost, very little cost on the data plans. And that's -- so it's a little misleading from that standpoint.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. So now off of that, Tom, in regards to gross margins and being that there's very little cost in the data, how do we get that number up? Is it just by you guys signing new contracts? Or is that 3-year deal, does it kind of preclude you even with new contracts getting that number higher and higher?

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

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No. I think the major effect on this year and even last year's gross margin numbers is some reserves we took against inventory of the older product. We were introducing the EVO-HD and so we knew that the older product lines would really dissipate. So we took some necessary reserves in order to get our inventory in line with bringing on this new EVO business. So that's really what's affecting that. I think now that we've pretty much got that behind us, we know where we're headed there. I think you're going to see some growth in the gross margins just from the standpoint that we've already taken our hits on obsolete and excess inventory.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. As far as your sales team, is it -- I don't want to say a mandate, but is it of utmost importance that they sign up customers with the data program, being that the margins are so good there?

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

Yes. Well, we're -- this new EVO-HD platform is a connected platform, Bryan. So by definition, you sell on EVO-HD, you're generally selling a connected program, a cloud-based program. We're also moving full speed ahead on our body cameras because we just don't make much money on the hardware for body camera. The real money is in the data plan and the storage. So we're moving head long into that, and we're trying to phase out the older storage requirements, which would be local in nature. So we're moving posthaste into that type of scenario.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay, super. Now I also want to touch base with -- Stan, I believe you mentioned that you guys even had product on the skids to go out on the pallets and then you kind of had to pull it back. Is that based upon international orders where our borders are being shut down, their borders are being shut down? What's the reason why that order didn't actually get shipped out?

Stanton E. Ross

Chairman, President & CEO

It was, Bryan. I mean, because of the virus, they said, "Look, we want to put everything on hold. You mind just holding that until we see where things ramp. Because it's one thing to sit there and have the product sitting on our dock versus sitting on theirs because they still need to have us come over and assist in the deployment and get them all set up. And so it's not that the opportunity or the orders are going away. It's just a matter of timing when the travel opens back up for us all. I mean just to give you an example, Bryan. I mean, unfortunately, we had -- one of our key employees was out in Colorado and just made a quick trip. And while they're out there, our governor said anyone that's traveling from Colorado to Kansas has to be self-quarantined for 14 days. So it's just one of those that stay at home is -- even though we're somewhat exempt and have the ability to come into the office, we're still trying to do the best we can to keep those people that can work from home at home and safe. So it just got pushed back a little bit.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. So I just want to be clear. No orders have been canceled, they've just been delayed?

Stanton E. Ross

Chairman, President & CEO

Yes. So here's where I'm at. I mean, one of the things, as you know, we gave guidance of the \$13.5 million. And I know that a lot of people have been pulling their guidance. We have still seen law enforcement to be somewhat strong. We also realized with some of the new products that we have coming in and the strength that they could add to our overall numbers. I'm reluctant to pull our guidance at this point as I believe that we still clearly have the capabilities of hitting our number. And that's going to be a

big year-over-year number as you can tell, I mean, we're still saying that we'll exceed \$13.5 million. Now you let me get another 30, 60, 90 days down the road, and we continue to see things put on hold, then I may, on our next call, be a little different. But at this point in time, I'm pretty excited about -- still very excited about 2020.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. So you're still confident in the numbers, and that's good and obviously, you guys are essential. One of the things I can tell you, just as a fact, it's being reported here in New York by the Wall Street Journal that over 1,500 police officers actually have the virus. It's -- so I don't know -- obviously, they're still working. They're still out there as a whole, but those 1,500 at home. The 5,000 body camera order that you guys got from the police force down, I believe, in South America, is that something where as we're seeing disruption with them as well, being that they're international? Or is that something that's moving the full speed ahead?

Stanton E. Ross

Chairman, President & CEO

No. With them being international, it's slowing up a little bit.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. So that is for that.

Thomas J. Heckman

CFO, VP, Treasurer & Secretary

But again that one was never in the -- in what I want to say, the Q in regards to our numbers. We never had that one in -- that wasn't even on the radar in regards to our \$13.5 million number, by the way.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Yes. When you guys gave guidance in October of last year, what you're saying is that guidance for \$13.5 million does not include the 5,000 body cameras.

Stanton E. Ross

Chairman, President & CEO

Yes. We didn't know how that was going to play out.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. And one other thing, Stan, you had mentioned back in the third quarter when you gave guidance and I've also seen you on Bloomberg and given some interviews and radio dial ins and things of that nature that you guys are -- you expect the first quarter to be really big with new contracts. Obviously, we've had some, but you guys are really close to a nationwide fleet in terms of a trucking company. Can you elaborate on that at all?

Stanton E. Ross

Chairman, President & CEO

So that still the works. This is still looks like it's coming together. And what we did and have been doing is working with a couple companies, one in particular, that really has, I would say, the last ingredients that we need to finalize the recipe that we're putting together for the over-the-road industry. We have pretty much everything, and they're actually missing what we have. And so we look to try to get that still finalized right away and then that would be a very big launch that we would anticipate because of our partnerships in a lot of areas would have a very good and quick significance to our numbers this year.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Being specific, Stan, is that related to the partnership you guys announced with mobile insight data?

Stanton E. Ross

Chairman, President & CEO

That is absolutely one of them, absolutely.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. And now that guidance came before that announcement of that contract. So obviously, if you announce something with the partnership with them that would be in addition to the \$13 million as well?

Stanton E. Ross

Chairman, President & CEO

We knew this was coming into play. We just don't know how big it is. So we've been working on this for some time. So we just -- we have to see. Let me have a good quarter of being able to be out on the streets, and then I'll have a better sense of how to give some guidance.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. And the last thing I would say to you is, with your press release today, again, everyone is being affected by coronavirus. Obviously, you guys are moving into a new revenue stream, potentially with the partnership and distributing of the DanaLite solution. Are you guys going to just be a distributor and you're using your channels that you already have with your customers, i.e., the ambulances and the police stations and taxies, et cetera? Are you actually going to be sending in crews to do the disinfecting in all of the work related to that product as well?

Stanton E. Ross

Chairman, President & CEO

Right. At this time, we're just being what I would call more of a master distributor. We have relationships with others that will be sub distributors that have different marketing channels that could utilize the product as well. But we clearly have a very nice agreement and with room to bring on some additional sub distributors. And at that point in time, that will be our role. Now some of these end users would be those that would be utilizing the product for cleaning facilities and as such. But we don't see us walking in there doing that at this point.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

So you don't have to worry about, obviously, getting your workforce suited up and massed up and actually flying around the country, you're just going to ship the product via your partnership with the solution DanaLite?

Stanton E. Ross

Chairman, President & CEO

Right, right. I think what we'll do is continue to provide the product. And then those that have a lot more experience at it than us, let them go ahead and do the actual applications.

Bryan Preston Lubitz

Aegis Capital Corporation, Research Division

Okay. And now as far as that market being concerned, obviously, here, again, Long Island, New York were kind of an epicenter. We're all kind of getting, it's very fluid, let's put it that way, the whole situation of the coronavirus. But you don't have to be a rocket scientist to figure out 2 things that America needs to get

back to work is going to be testing and obviously cleaning. How big do you see this market being for this type of a product? I mean, do you guys see it moving into schools and hospitals? Or is it just going to be police and ambulances?

Stanton E. Ross

Chairman, President & CEO

Bryan, we've had numbers that we believe if, they play out, because you do know that we do have relationships with schools, taxi cabs, ambulances, police, cruise ships on and on and on, that I don't want to say something that's just crazy. But I mean, you guys can put 2 and 2 together. I mean, it may -- you may see it, at least for 2020 reinvent the company in some fashion, and I'd hate to say this, but to where you guys are calling up and saying how many tens of thousands, hundreds of thousands gallons did you sell this quarter versus how many body cameras. I mean it's the hot item right now. And some of the preliminary numbers that we hear that some of our end users are going through and would like to give us a shot are just mind-boggling how big they can be. So right, I don't -- I really don't want to touch it. You guys are going to have to put 2 and 2 together on that one. I'll make sure -- and again, I'll try to give an update at the end of the month when I've got the numbers and just do something in the form of a press release as asked everyone that we've been very pleased with the launch. To date, we have seen orders and shipments in excess of x, whatever that may be. So that will give you as much visibility as I can give you.

Operator

The next question is from Allan Lyons with Vestal Venture Capital.

Allan Lyons;Vestal Venture Capital;Managing Partner

Stan and Tom, I'm glad to hear you guys are all safe and healthy at this tremulous time for sure. The question I had, I noticed you have \$4.8 million warrants outstanding, assuming you can, have you given any consideration to reduce the exercise price for 1 month and that people exercise that, let's say, at the current price, they can do it. And if they don't, it reverts back to the original terms.

Stanton E. Ross

Chairman, President & CEO

That -- some of that's been thrown around as an option. And instead of doing anything new and additional dilution for is something new coming off the table, I think what -- sort of where we're postured right now is just really wanting to see how a couple of events play out. I mean, let's just say that we are fortunate enough to have ruling -- and fortunate enough that the ruling goes in our favor in regards to the appeal, I would think it'd have a very, very, very strong impact on the stock. And so a lot of those warrants would be getting exercised at, I believe, at full price. So we have taken into consideration what you're saying and thought about it. We're just -- and there's just so much going on right now that we're trying to figure out how to play the cards every day. But that's a great comment that you made there.

Allan Lyons;Vestal Venture Capital;Managing Partner

I understand. And you don't want to do it prematurely. But obviously, cash is king here and depending how these turn out, you don't know. So I'm glad you're thinking about it, and that's for you guys to decide.

Stanton E. Ross

Chairman, President & CEO

Listen, I want to thank everybody for calling in today and all the great questions. On behalf of Digital Ally and all of our employees, we, too, wish everyone the best and to be safe, and I can't thank our first responders and all our healthcare workers and so many people that are still out there on the front lines doing what they can for the betterment of us all. So we appreciate everybody's effort, and we'll do the best to keep everyone informed on how we're doing. And everybody be safe, and we'll talk to you soon. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference call. You may now disconnect.

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