



Symbotic Inc

Q4 and FY 2022 Financials Call

OFFICIAL TRANSCRIPT

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CORPORATE PARTICIPANTS

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Jeff Evanson *Symbotic Inc. - VP, IR and Corporate Development*

CONFERENCE CALL PARTICIPANTS

Piyush Avasthy *Citigroup - Analyst*

Jim Ricchiuti *Needham - Analyst*

Chris Snyder *UBS - Analyst*

Matt Summerville *DA Davidson - Analyst*

Mark Delaney *Goldman Sachs - Analyst*

Mike Latimore *Northland Capital Markets - Analyst*

Brian Gesuale *Raymond James - Analyst*

Derek Soderberg *Cantor Fitzgerald - Analyst*

Rob Mason *Baird - Analyst*

PRESENTATION

Operator

Good day. Thank you for standing by. Welcome to Symbotic's Fourth Quarter and Fiscal Year 2022 Results Webcast. (Operator Instructions) Please be advised that today's conference is being recorded. I'd now like to turn the conference over to your speaker today, Jeff Evanson. Please go ahead.

Jeff Evanson *Symbotic Inc. - VP, IR and Corporate Development*

Thank you, Victor. Hello, everyone. Welcome to Symbotic's fourth quarter and fiscal year 2022 results webcast. I am Jeff Evanson, Vice President of Investor Relations and Corporate Development.

Our press release and discussion today will include forward-looking statements based on assumptions that are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements, including as a result of the factors described in cautionary statements and risk factors in Symbotic's financial release and

regulatory filings with the SEC, by which any forward-looking statements made during this call are qualified in their entirety.

In addition, during this call, certain financial measures may be discussed that are not recognized under US Generally Accepted Accounting Principles, which the SEC refers to as non-GAAP measures.

We believe these non-GAAP measures assist management in planning, forecasting and evaluating our business and financial performance, including allocating resources.

Reconciliations of these non-GAAP measures to their most comparable reported GAAP measures are included in our financial press release, which has been furnished to the SEC and is available in the Investor Relations section of our website and in our filings with the SEC.

These non-GAAP measures may not be comparable to measures used by other issuers. Today we will provide guidance for the first quarter including revenue and adjusted EBITDA. We're not providing guidance for net loss today which is the most comparable GAAP financial measure to adjusted EBITDA.

We're not able to provide reconciliations of adjusted EBITDA to GAAP financial measures, because certain items required for such reconciliations are outside of our control or cannot be reasonably predicted such as the provision for stock-based compensation.

On today's call, we are joined by Rick Cohen, Symbotic's Founder and Chief Executive Officer, and Tom Ernst, Symbotic's Chief Financial Officer. These executives will discuss our fourth quarter and fiscal year 2022 results followed by Q&A. With that, I'll turn it over to Rick. Rick?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Thank you, Jeff. 2022 has been an incredible year. We went public in June and over the past year we've signed new contracts to increase our backlog to over \$11 billion and we added a new customer with a multi-site contract as well. Our team has responded with incredible effort and passion, and in August we gave every full-time employee shares in Symbotic. We're all partners here.

The proof is in our quarterly results. Fourth-quarter revenue more than doubled compared to a year ago and gross profit and adjusted EBITDA both reached record levels. Our roadmap is clear. We are facing the challenges of hyper-growth and we are executing well and very focused on customer deliverables of quality and speed. The market for our systems is huge and demand is growing with repeat orders from new and existing customers that are battling for our capacity.

The global supply chain is undergoing transformational change and as the innovation leader we are benefiting from a variety of trends. Traditional Big Tech is laying off while we are hiring. Our supplier network is improving, and supply-chain shortages are going away, just as we are increasing orders and partnerships. And demand for our systems is increasing because we solve critical problems in providing people with the necessities of life, like food, like clothing and like household goods.

During the quarter, we significantly increased internal manufacturing output, we also accelerated system deployments and secured Tier 1 partner capacity to grow even faster, while we remain focused on our internal and external innovations. As announced in our earnings release, I'm returning to the role of Chief Executive Officer.



When reflecting on our critical next phase of growth, we determined that a single point of leadership is the best way to lead Symbotic. I'd like to take this opportunity to thank Michael Loparco for his many contributions, including advancing our partner network and helping us to scale for future growth. 2023 is off to a great start and we're excited about our future. Now, Tom will discuss our financial performance and our outlook. Tom?

Tom Ernst Symbotic Inc. – Chief Financial Officer

Thank you, Rick. Our fourth quarter revenue of \$244 million grew 167% over the prior year period, despite last year's fourth quarter including approximately \$35 million of proof-of-concept milestone revenue. Excluding that one-time revenue, total fourth quarter revenue more than tripled year-over-year.

We initiated a record five new system deployments during the quarter and, as planned, advanced one system into the fully functional production stage. We now have 17 active system deployments with multiple customers, which represents an increase from 13 systems last quarter and an increase from just five systems in the fourth quarter of last year.

On, September 26, two days after our quarter closed, we won an agreement for five systems with new customer, UNFI. Under the agreement, UNFI also has an option to implement Symbotic's warehouse automation systems in additional distribution centers. Our extraordinary revenue growth was driven by both faster progress on deployments already underway and the five deployments started during the quarter. We accelerated deployments by standardizing our systems and streamlining our deployment processes.

Next, we gained speed through our scaling efforts, including strong contributions from our outsourcing partners. Finally, while still seeing challenges, the overall supply-chain environment has improved.

One of the very attractive financial elements of our business model is our recurring revenue stream, which represents a significant portion of the lifetime value of the systems and our over \$11 billion backlog. This stream of revenue is associated with software license and maintenance, along with operation services that begin when we complete system deployments and recurs monthly as the customer uses the system and our services.

During the fourth quarter, we completed our first fully functional system against our large backlog. This deployment triggers recurring revenue for that system. In the near term, we expect the recurring revenue streams to be small relative to our rapidly growing systems revenue. But as system completions waterfall, recurring revenue should grow to have much higher gross margin than systems revenue and it should grow to become a greater portion of total revenue and provide powerful operating leverage to our business.

Our fourth quarter system gross margin continues to reflect significant costs associated with rapidly scaling our operations and the burden of elevated pass-through steel costs that together represent several hundred basis-points of systems gross margin in the quarter. In addition, the fourth quarter includes significant one-time expenses, including costs related to adding outsourcing as an option to our business model. Excluding these one-time and outsourcing costs, systems gross margin would have marginally improved quarter-over-quarter.

In the fourth quarter, operating expense growth moderated to 7% sequentially despite redundant costs associated with ramping partners and ongoing investments in our innovation initiatives like SymBot™ and BreakPack.



Operating leverage improved as we achieved a record 8.2% adjusted EBITDA loss rate compared to 26.3% in the fourth quarter a year ago, driven by our increased gross profit and slower operating expense growth. As we look ahead to achieving positive cash flow, we have strong operating leverage and with \$353 million of cash on hand, we are very well capitalized to execute our growth plans.

Turning to our outlook. For the first quarter of fiscal 2023, we expect revenue of \$170 million to \$200 million and an adjusted EBITDA loss of between \$21 million and \$25 million. This represents 140% revenue growth and a 15 percentage point improvement in our adjusted EBITDA loss rate year-over-year at the midpoint.

In closing, we're excited about our progress in helping revolutionize the supply chain. As a part of this journey, we will continue to innovate rapidly and scale our business to deliver against our, more than \$11 billion revenue backlog. We are excited to work in partnership with our customers, suppliers and you, our shareholders as we build this great company together.

We now welcome your questions. Victor, will you please open the Q&A.

Operator

(Operator Instructions) Our first question comes from the line of Piyush Avasthy from Citi.

Piyush Avasthy *Citigroup - Analyst*

Good evening, guys.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Hello.

Piyush Avasthy *Citigroup - Analyst*

Maybe starting with, Rick, you highlighted that Michael helped scale for future growth. Maybe elaborate on key initiatives that Michael worked on or implemented. And now with you back in the CEO seat, can you talk about your strategic priorities, let's say, in the next 12 to 18 months?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Sure. We had started a lot of these strategic plans over a year ago and those plans were really to outreach to partners who could help us in the manufacturing process.

We had already outsourced to a lot of steel manufacturers, so the plans really are just to continue to develop and work on the partners. And what's happened in the last year as tech has slowed down, we're finding the partners are more aggressive in pricing. We're finding partners that were fully booked before are now anxious to help us. So, the partnership plan which we started a while ago is now in full bore and we're expecting that to continue to develop and bear fruit.

And what I'm finding in my role is that, -- what's been interesting is, you can't really separate the product development from the partners from the scaling. And that's why we're combining all these offices into one, because a part of what I have to do is actually go out and meet with the partners and convince them how big an industry this is, because a lot of them were focused on electronic vehicles or some other part of tech and people are now starting to realize that warehouse automation is going to be a very, very big industry.



So, I'm leading that effort now and we're building a team to actually work with the suppliers and build up a good backlog of suppliers and more capabilities than hopefully we need, but that'll be a good thing.

Piyush Avasthy *Citigroup - Analyst*

Got it. Very helpful. And you talked about the UNFI contract, to the extent you can, maybe quantify the terms of the agreement? The macro-environment is slowing, so maybe talk about if you're seeing any changes in the pricing discussions that you're having with your customers or do you think you can still hold on to pricing?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

I can't really talk about pricing. I can tell you that the macro environment is actually working in our favor. What we're seeing is that our customers are pretty successful customers and they're leaning in to secure the capacity as they expect to actually expand. If the market slows down, most of our customers will do very well in that environment and they want to make sure they have the capacity to grow.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

And Piyush, we can't speak to specific customers, but just to add color, as we think about our overall pipeline and the reception we're getting in the marketplace. The demand for our time is exceptionally high. And so, we think that the opportunity for us to realize much stronger pricing than we have in the past is very high, without speaking to any specific customer.

Piyush Avasthy *Citigroup - Analyst*

Got it. Very helpful. Thank you guys.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thank you.

Operator

One moment for our next question. Our next question comes from the line of Jim Ricchiuti from Needham. Your line is open.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Hi, Jim.

Jim Ricchiuti *Needham - Analyst*

Hi, can you hear me okay?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

We can.

Jim Ricchiuti *Needham - Analyst*

Question I have -- thank you. The question I have relates to the Q1 guidance, which was stronger than expected. And I'm wondering, how we might think about either the deployment of systems over the course of fiscal '23 and the cadence of revenues. Obviously, the revenues are going to move around quarter-to-quarter, I think we are all aware of that. But I'm just wondering if you can give us anything we need to be mindful of in terms of how revenues progress over the course of fiscal '23?



Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thanks for the question, Jim. So just thinking about the growth. We're pushing the business to grow on multiple fronts. And so, if you look at the quarter we just posted, we clearly had some very strong results across the board and those results are just driven by strength in our ability to install the systems quickly, about fast uptake with our supply-chain partners, new starts and an overall improving supply chain. So, as we think about pushing the business on multiple fronts, it was clearly a quarter where things went in our favor.

As we look forward, we're focused on growing really fast. Now I think as we're deploying these systems, through these first wave of systems, we can see some significant quarter-on-quarter variability just due to the number of systems in our overall growth, but you should think about the general trend that we're trying to take those number of systems that we're deploying and pushing that to fully functional live and grow it as fast as we can.

Jim Ricchiuti *Needham - Analyst*

Got it. And the follow-up question is just on OpEx, pretty significant step-up in R&D and SG&A. How do you see these expense items scaling from the levels that were at in the current quarter? And perhaps as we think about the year as a whole? It sounds like you're clearly still in a heavy investment mode, given the prospects of the business and now what looks to be more available talent out there?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

We did see OpEx grow -- growth moderated to about 7% quarter-on-quarter and that's despite 167% year-on-year growth in revenue. Yes, I think as we look-forward and what's implicit in our guidance would be another more moderate growth in OpEx. As we think about our growth overall kind of looking at the results for the full year and then thinking about looking forward, we see some very strong operating leverage.

And so, thinking about that operating leverage, this OpEx growth, despite growing very fast, a significant portion, the majority of our OpEx, is invested in new innovation along with expanding our capacity to grow the business. So, we're showing strong leverage while still making these big investments to actually make the business grow faster and come out with new products. So, it's a great position to be in.

Jim Ricchiuti *Needham - Analyst*

Helpful. Thanks a lot. I'll jump back in the queue.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thanks Jim.

Operator

One moment for our next question. The next question from the line of Chris Snyder from UBS. Your line is open.

Chris Snyder *UBS - Analyst*

Thank you. Can you just kind of follow up on some of the gross margin challenge or headwinds in the quarter? I think you guys called out, if I heard right, several hundred basis-points from steel and then also some one-time costs around outsourcing, can you maybe just kind of recap what those were in the quarter? And then how should we expect the GM, gross margin, to trend going forward?



Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes. Thanks for the question, Chris. So in the fourth quarter, we continued to see what we had seen all of fiscal '22, which was, we are bearing some costs associated with just growing fast in the COGS line, along with those steel pass-through costs so that's been consistent throughout the course of fiscal '22. That does represent several hundred basis-points of gross margin impact to where we see a more structural gross margin mid to longer-term.

And to your question, we did have some additional one-time costs including some costs associated with outsourcing in the fourth quarter. Examples of those costs are a couple-fold, I'll give you two. We consolidated our warehousing operations and enhanced some other material handling processes. And so, we absorbed some of those costs as one-time in-period costs to make that shift and this is -- these are some key things that we wanted to do to really accelerate our ability to work with outsourcing partners.

Another example is we have some major innovation initiatives underway, some of those costs in part will flow into COGS not just in R&D and in the fourth quarter we made some significant headway in some of those innovation projects that did come in as in-period costs. So, I think as you think about that looking forward, we do see the fourth quarter as a low watermark and thinking about our fiscal '22 gross margin overall, we see some very strong gross margin leverage as we look forward with our operations.

Chris Snyder *UBS - Analyst*

I appreciate that. And if you just kind of look that like steel prices down pretty significantly off the high and that sounds like earlier the company is pretty confident in the ability to hold, if not even grow price, so it sounds like there's a pretty favorable price cost outlook here over the next 12 months, how should we think about maybe that lag?

Obviously, you guys aren't realizing some up-stock commodities in real-time. How long does it take that credit costs relief to flow through the business relative to kind of what we see in the stock market? Thank you.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes, Thanks for the question. So, thinking about all these effects in total too, ex times these one-time effects we saw in the fourth quarter, our gross margin would have been up quarter-on-quarter. So, these one-time effects were actually significant in the fourth quarter. You are pointing out steel as well, it's anywhere from six to up to a 12-month lag in terms of we lock in steel capacity for some items well in advance of installation. So, as you're watching steel industries, you should think about maybe on average of six-month lag in terms of weighted for us. Go ahead, Chris.

Chris Snyder *UBS - Analyst*

Thank you, Tom. If I can just squeeze in on one last one, so on more of the transitory gross margin headwinds like the outsourcing, the innovation, are those going away? Or are those going to stay with the business? I would imagine you guys will continue to outsource to kind of ramp if that is possible and I'm sure that innovation engine is not slowing either and that's why my last one. Thank you.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes. At the gross margin line, they are little bit more weighted towards the one-time. We are -- we have been and we will continue to invest to support some redundant costs that are associated with ramping on these outsourcing partners in the near-term.



We see those providing very significant mid and long-term revenue. In fact, as we think about the overall strategy here with outsourcing, we see it providing us first a path to be in a much bigger company. And that path to being a bigger company gives us a path to being more profitable, but not just because of the revenue, because we think it provides structural margins that are much higher, both at the gross and operating margin level as we think long term in the business.

Chris Snyder *UBS - Analyst*

Thank you.

Operator

Our next question comes from the line of Matt Summerville from D.A. Davidson.

Matt Summerville *DA Davidson - Analyst*

Hi. Thanks. Couple of questions. First, I'm wondering if -- some of the things you're talking about today whether the headwinds related to growth-related expenses, et cetera, has that changed your expectation as far as when you believe Symbotic will achieve free cash and adjusted EBITDA positivity?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thanks for the question, Matt. So, as we think about growth, obviously, we've given one quarter forward guidance. These initiatives to really accelerate our path with supply chain partners, we think provides us greater profit in the mid and long term. In the immediate near term as obviously as is implicit in our fourth quarter and first quarter, we're investing just a little bit more to get there. So hopefully that gives you a little bit of context.

Matt Summerville *DA Davidson - Analyst*

And then as a follow-up, I wanted to talk a little bit more about the management change with Michael exiting. At one point Rick you obviously felt it was better to maybe not have a single point of leadership. And I guess I'm curious what maybe transpired since you went down that path that led you to decide that impacts the single point methodology, if you will, is indeed the way to go for Symbotic. And do you feel that that's true over the long-term? Or is this more of a near-term decision? Thank you.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So, and I've been CEO here for 10 years. I really didn't -- I didn't anticipate everything that was going to happen over the last six months and I would say the messaging from both suppliers and customers is a single point is better. And so, it was a pretty straightforward decision.

The ability to separate out at the very top, my desire for product development and my desire to be with customers, I thought we could separate that from the scaling and the manufacturing. And the reality is, at this point, they're just too intertwined. So, I think at some point it will happen but this was just not the right time. And I don't think it wasn't fair to Michael and it wasn't the right thing to do at this point to do that. So, it was an agreeable change and that's what we did.

Matt Summerville *DA Davidson - Analyst*

Thanks, Rick. Appreciate the color. That's it from me.

Operator

Our next question comes from the line of Mark Delaney from Goldman Sachs.



Mark Delaney *Goldman Sachs - Analyst*

Yes, good afternoon. Thank you very much for taking the question. First is on the increased capacity that you're taking with the help of manufacturing partners. Maybe you can elaborate a little bit more in terms of how much added capacity Symbotic now has in terms of number of shipments that you can -- you have in a quarter or a year. And where do you think that can go over the intermediate to longer-term?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

So, I'll take first. Good afternoon, Mark. So, what our initiatives during the quarter and over the course of fiscal '22 have done for us is enabled us to get visibility with outsourcing partners for growth plans over the next few years.

So, we've done this and we want to continue to deepen this partner network with redundant multiple suppliers and working with world-class providers. So, it's about having that visibility into our multiple years of growth that enables us to have flexibility to really drive to the rapid growth that our \$11 billion backlog allows us to.

Mark Delaney *Goldman Sachs - Analyst*

And you think about your -- the operational changes you're making and the ability to have more redundant sources of supply or perhaps add more overall supply, what does it mean in terms of your ability to win additional customers, I mean, you spoke to one today in your prepared remarks? But do you think you can potentially bring on more customers as you add additional outsourced manufacturing partners? Thanks.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. This is Rick. I -- we're going to grow very quickly. We're going to keep things under control. When we go from 17 systems to 20 systems to 25 systems, then I think we will be able to answer your question that we can grow faster, but we're not going to disappoint our customers.

We're very focused on delivering on time. So, what we're doing is building a real base of capabilities and when we then need to call on our suppliers to increase supply, I think they'll all be willing to step up.

We're not going single-thread anything. We're going to have multiple suppliers and part of what I'm spending a lot of time on the road with suppliers is actually convincing them how big this business is and when we will scale up. So, it will be a while before -- I mean we're on an incredible growth trajectory already with this huge backlog and just fulfilling the existing customers is going to be full-time. But once we get the sense that we can fulfill our existing business and grow more, then we'll grow even faster.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes. I'll just add to that, Mark. I mean, it's -- you know our business well, these each individual system we deploy is a very big system, a lot of revenue. So, when we announced a multi-site win with the customer, that's visibility to a lot of business, so it really only takes new customers by the ones or twos per year for us to have an incredible amount of business in front of us.

Mark Delaney *Goldman Sachs - Analyst*

Thank you.

Operator

Our next question comes from the line of Mike Latimore from Northland Capital.



Mike Latimore *Northland Capital Markets - Analyst*

Great. Thanks very much and congrats on the very strong results there. It sounds like you made a ton of progress in terms of capturing or getting outsourcing partners. Can you provide any sort of color as to how far into the kind of execution on the outsourcing plans are you in inning one or two or seven or eight here?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

That's a good one baseball, a lot can happen in the ninth inning. I would -- but I guess the best way to answer your question is, we are very focused, we're very far down the line of making the decision. And what has happened in the last year is lots of partners who didn't have capacity are now coming back and saying we have capacity.

So, I think we're feeling pretty good, I think we're in the sixth inning and maybe we are ahead by five runs, but we haven't won yet. But we're feeling pretty good, we still got our opening pitcher in and we're hitting pretty well.

So, I guess the best way to answer it is, we're very encouraged by the partnerships that we're able to get, we're encouraged that the supply-chain shortages are declining, we're encouraged by the chips. And so, because we were kind of in a startup, we've made very good decisions and I think the partners are also looking for a new avenue for growth, so I think we're pretty far along.

Mike Latimore *Northland Capital Markets - Analyst*

Great. Makes sense. I assume you're -- in terms of the current year we are in, I assume you're sort of fully scheduled for the year or is there some unscheduled periods there?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

We're fully scheduled.

Mike Latimore *Northland Capital Markets - Analyst*

Yes. And just last one. Is there any inherent seasonality like in the December quarter just given holidays or should we not think of that?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. I was just talking to somebody today in the construction space and the good thing is, we're already -- we're building everything we're doing in existing warehouses for the most part. And so, there is no weather-related and really is no seasonality related to what we're doing. What happens with our projects is starting probably in the summer, people make space available and then we're just building in that space. So, they've already made the decisions within a facility to give us space well before the holidays. So, it's not very seasonal at all.

Mike Latimore *Northland Capital Markets - Analyst*

Okay. Great. Thanks very much.

Operator

Your next question comes from the line Brian Gesuale from Raymond James.

Brian Gesuale *Raymond James - Analyst*

Yes. Good evening. Thanks for taking my questions here. Just a couple, I wanted to maybe ask about BreakPack, when we might start to see some of those systems get deployed. Also maybe,



wondering if some of the step-up in R&D and costs incurred there are innovations on that front and maybe just how we can think about the length of time for these systems to deploy versus a regular system? Thank you.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

So, BreakPack is a system we talked about, we talked about at our Analyst Day that we see as a game changer in the industry. As you know, Brian, this is something that really enables us to get in and handle at the individual each level, including mixed-each totes. It's a game changer for the customers.

We are in a live proof-of-concept deployment of a system with a customer. We haven't talked about when we expect that to turn into product that we intend to ship and make generally available to customers over and over again, so that's something that's still something to look forward to, but it is something we're excited about.

Yes, it does make up a significant level of our R&D investment. And that was the case last year, we continued to make investments in R&D on BreakPack as we think about fiscal '23 as well.

Brian Gesuale *Raymond James - Analyst*

Fantastic. That's great color. And then, I guess maybe can we just talk about give us a little bit of sense for the systems to be completed this year? I think you had about five in the Q4 of last year, so many of these -- so you've got like a year under your belt, I think we're on kind of an 18-month kind of deployment cycle.

Can you maybe just talk about what you're seeing as the supply chain eases in terms of that 18 months? And how we might see some of these systems kind of get over their delivery milestones? Thank you.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes, Brian. I think our goal is to continue to start deployments of new systems and complete deployments of systems each and every quarter. You should expect that there will be some variability on a quarter-in, quarter-out basis on that. But as you think about on the annual basis, our goal is to continue to ramp and grow this business year-on-year full year, so looking for growth.

Brian Gesuale *Raymond James - Analyst*

Great. I appreciate it. I'll jump back in the queue guys.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thank you.

Operator

Our next question comes from the line of Derek Soderberg from Cantor.

Derek Soderberg *Cantor Fitzgerald - Analyst*

Hi guys. Thanks for taking my questions and my congrats on the strong results as well. I know you guys have talked about initiatives around shrinking the deployment timeline. I'm curious to what extent did -- any progress there in shrinking that deployment timeline have an impact on the upside this quarter? And then can you sort of share in terms of maybe months or days, how long it takes for a new deployment win today to reach live production? And then I have a follow-up.



Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes. Thanks, Derek. So, we did benefit from seeing some acceleration in our ability to deploy. Part of that is just getting some relief on supply-chain challenges and part of it is just we're getting more at-bats from the first wave of systems which naturally you'd expect took us longer than they should as we get going.

So -- but yes, we saw acceleration, that was a continuation of a trend we saw in the third quarter. And that's something that we're focused on continuing to drive in the near term and as we think systemically both through product innovation along with our overall approach with partners putting in systemic capabilities that can help us really improve that over the long run.

Our average -- we're still seeking for an average deployment to be in that year and half-ish type of range here in this first wave of our business as we're rolling out. And we can look to drive that lower and set lower -- set faster targets when it's appropriate, but around that timeframe is still our current process.

Derek Soderberg *Cantor Fitzgerald - Analyst*

Got it. That's helpful. Then as my follow-up, was there any systems revenue associated with the five new deployments this quarter? Just wondering if you could maybe give us some detail on how long it takes from initiating a new deployment to you guys seeing the first revenue from those projects? Thanks.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

When we initiated the deployment, revenue starts as the work starts. So typically, it's small, but yes, our revenue is generated as work has progressed across system deployments from the start of the early build phase through the end of the test and validation phase. Strong majority of revenue comes in the bulk of the -- that installation, commission, test and validation of the product though.

Derek Soderberg *Cantor Fitzgerald - Analyst*

Great. Thanks.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thank you, Derek.

Operator

Our last question comes from the line of Rob Mason from Baird.

Rob Mason *Baird - Analyst*

Yes, good evening. My question was actually around the new customer announcement. You had mentioned that you signed to deploy in five new distribution centers, but I recall currently you deploy sometimes multiple systems in it, the distribution center, is that going to be the case with UNFI as well?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

So we don't -- we didn't disclose how many phases the customer does, you're right, Rob, that it's often common for us that customer will take a multi-phased deployment in a distribution center, but our announcement with UNFI was that we will do five distribution centers of theirs with an option to do more.



Rob Mason Baird - Analyst

Any color, Tom, that you can provide just on how -- they mentioned -- you mentioned in the press release, they currently have automation in a number of their DCs just where you are deploying these, what the current system of operation looks like in the distribution center? Is this a manual warehouse converting automation or they converting existing automation to yours?

Rick Cohen Symbotic Inc. – Chairman of the Board and Chief Executive Officer

They're manual warehouses with some limited automation.

Tom Ernst Symbotic Inc. – Chief Financial Officer

There is some common typical conveyance-based mechanization.

Rob Mason Baird - Analyst

I see. Okay. Very good. Thank you.

Tom Ernst Symbotic Inc. – Chief Financial Officer

Thank you, Rob.

Operator

Thank you. Now I'd now like to turn the conference back to Jeff for any closing remarks.

Jeff Evanson Symbotic Inc. - VP, IR and Corporate Development

Thank you, Victor. Thank you everyone for joining our call tonight. We appreciate your interest in Symbotic. And we look forward to seeing you at conferences or on our facility tours or virtually over the next quarter. Goodbye.

Operator

And this concludes today's conference call. Thank you for participating. You may now disconnect. Everyone have a great day.

ABOUT SYMBOTIC

Symbotic is an automation technology leader reimagining the supply chain with its end-to-end, A.I.-powered robotic and software platform. Symbotic reinvents the warehouse as a strategic asset for the world's largest retail, wholesale, and food & beverage companies. Applying next-generation technology, high-density storage and machine learning to solve today's complex distribution challenges, Symbotic enables companies to move goods with unmatched speed, agility, accuracy and efficiency. As the backbone of commerce Symbotic transforms the flow of goods and the economics of the supply chain for its customers. For more information, visit www.symbotic.com.

