Symbotic Inc

GreenBox JV Presentation

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PRESENTATION

(Page 1: Creation of GreenBox to Bring Symbotic's Technology Platform to Warehouse-as-a-Service)

Operator
Good morning and thank you for standing by. Welcome to the GreenBox Joint Venture Announcement. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star one one on your telephone. You will then hear an automated message, advising your hand is raised. To withdraw your question, please press star one one again. Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Jeff Evanson, Vice President of Investor Relations. Please go ahead.

(page 2: Disclaimer)

Jeff Evanson *Symbotic Inc. - VP, IR and Corporate Development*
Thank you, Operator. Hello, everyone and welcome to our joint venture announcement. I'm Jeff Evanson, Symbotic's VP of Investor Relations. Our press release, presentation and discussion

today all include forward-looking statements that are 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 the result of the factors described in cautionary statements and risk factors in Symbotic's release and regulatory filings with the SEC, by which any forward-looking statements made during this call are qualified in their entirety.

This morning, we are only discussing our news announcement about the joint venture and we will not be discussing any financial results or updating our financial outlook that we provided when we reported our second quarter results.

On today's call, we are joined by Rick Cohen, Symbotic's Founder, Chairman and Chief Executive Officer; Bill Boyd, Symbotic's Chief Strategy Officer; and Tom Ernst, Symbotic's Chief Financial Officer. These executives will discuss our announcement this morning, followed by a Q&A. Again, we ask that during the Q&A you restrict your questions to the topics of only today's news.

And now with that, I'll turn the call over to our CEO, Rick Cohen.

(page 3: Symbotic and GreenBox)

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*
Thanks, Jeff. Good morning, everyone. I'm very excited to share with you something that we've been working on for a long time now and it will totally transform the supply chain in our business.

Today we are announcing that we have formed a joint venture with SoftBank called GreenBox. GreenBox brings A1-enabled warehouse automation to the world. Certainly, medium and smaller-sized companies will take advantage of GreenBox, but we think it also offers services for anyone that needs storage services or supply chain services anywhere around the world.

(page 4: $500B+GreenBox Opportunity)

GreenBox is a great way for Symbotic to do something that I've wanted to do for many years. And when I first started thinking about automating the supply chain, I wanted to be able to create an automated – not just an automated warehouse, but an automated platform that had perfect inventory management, perfect accuracy in shipping. And could be so good that you could create a warehouse that was a multi-tenant warehouse with perfect accuracy that allowed anyone that had any storage needs at any time to be able to take advantage of this platform.

I think that we've created that with Symbotic in the way to – and GreenBox, and I look forward to partnering with SoftBank on this. We share the same view of going big and going fast. We think this service is a worldwide service and we're very excited about it.

The way to think about this service is something that I've thought about for a long time, it's basically cloud computing for the physical world. So, if you think about what companies have embraced – big, small and medium-sized companies are taking their data and storing it in the cloud. Well, we've now created and will create a warehouse network and a supply chain network and an information platform that will allow people to create – to store physical goods, their products, in our warehouses, and that's why I call it the cloud computing of the physical world.

So with that, we're very excited. We have a very large order from GreenBox. It's approximately $7.5 billion plus a very nice recurring revenue stream. Our partnership with SoftBank is such that we will own 35% of GreenBox, because we want to participate in the upside, and our technology and our expertise will greatly enable this company.

So with that, I'd like to turn it over to Bill Boyd.

Bill Boyd *Symbotic Inc. – Chief Strategy Officer*
Hi, everyone. This is Bill. And as we switch to the next slide – slide five – we'll take you a little bit deeper into what we've actually created here.

(page 5: GreenBox Joint Venture Overview)

As Rick said, we're creating this joint venture with a 65% ownership of SoftBank and 35% ownership by Symbotic. We will be together contributing an initial $100 million in the investment – $35 million from Symbotic. After that initial investment, we expect the – this entire investment for Symbotic to be self-funding.

In addition, GreenBox has placed an order for approximately $7.5 billion of our systems, including recurring revenue, as Rick said. And what this will allow us to do is to bring two offerings to the market through our salesforce. We'll be able to offer our traditional standalone sales and we'll be able to offer this warehouse-as-a-service to our customers. Essentially, this allows us to have an additional additive market stream to our existing backlog and existing business.

GreenBox will have a separate management team and the power of this, we believe, is that we're bringing together yet another company, like Walmart that shares our vision for transforming the supply chain, and SoftBank, with a global vision and a desire to move our platform forward as quickly and to as many supply chain customers as possible.

Now that's the 'what'. Let's move to the 'why' on the next slide.

(page 6: GreenBox Enables Significant New Incremental TAM for Symbotic)

Why do this? Simply, it's because we believe this market is massive. As Rick said, we've been looking at this for a long time. This has been the natural evolution to the next stage in our company. We believe that this new GreenBox opportunity is a $500 billion annual recurring revenue opportunity. That's obviously in addition to our massive SAM which we've already put in as $432 billion. And we believe that this combination of the new TAM and the existing SAM makes this one of the largest addressable markets available.

In the end, this has been a demand-led evolution. The more we've delved into our market and the more we've worked with our existing customers and understood their customers and the market out there, the more we have been pushed towards offering our systems faster, making them available to more customers and moving this system into use more broadly.

(page 7: GreenBox Enhances Value for Symbotic Shareholders)

So, as we move to slide seven, a quick summary before I hand it over to Tom, who will take you deeper into the financials; We believe that this JV structure allows us to rapidly capture market share in a very capital-efficient way. We believe we've found the right partner to help us take this to the global market, and we believe our contract with GreenBox will allow us to access this market with very strong gross margins and recurring revenue. And our shareholders will benefit from that increased contract and a 35% ownership stake in what we believe is going to be a very valuable business going forward.

So Tom, let me hand it over to you.

(page 8: GreenBox Contract and Financial Benefits)

Tom Ernst *Symbotic Inc. – Chief Financial Officer*
Thank you, Bill. I'm excited to walk us through some of the key contract terms and highlights of the financial benefits for Symbotic.

GreenBox has committed to the purchase of approximately $7.5 billion worth of systems. When adding the initial commitment for recurring software, this venture will add approximately $11 billion in backlog. This adds to and extends our already large $12 billion backlog. Additionally, like some of our existing long-term customer contracts, the GreenBox commitment is non-cancellable and enables us to visibly plan for a ramped deployment. The contract also enables us to automatically capture increased economics as system performance increases over time.

As we move forward with GreenBox, we are establishing higher margins, primarily from recurring revenue. We are able to capture these higher economics while also creating a more cost-efficient service for the end customer and strong expected returns for GreenBox shareholders. We are able to do so because our Symbotic-powered "as-a-service" offering is a transformational offering in the marketplace. Symbotic is contributing an initial $35 million to launch the venture.

Another very attractive benefit of the venture's structure is that following this initial investment, the contract is expected to be cash flow positive at all points throughout its duration. We expect GreenBox payments to Symbotic to exceed the sum of our cost payments to deliver the systems and our pro rata capital contributions to scale the growth of the venture. These cash flows are all concurrently planned such that the net cash flow to Symbotic is expected to be positive at all times in all growth scenarios, giving us very high visibility to plan our growth at Symbotic, and is consistent with the cash flow visibility we already have in our existing $12 billion backlog.

(page 9: Significant Recurring Revenue Opportunities for Symbotic)

Let's turn to slide nine and discuss how these revenue streams will manifest over time. Revenue generation with GreenBox will behave much like that of our existing backlog, with the added benefit of sharing in the economic profits of GreenBox through our ownership of the venture. As GreenBox orders systems, the $11 billion in initially committed backlog will first translate into revenue after we receive the order and commence deploying systems. We expect to establish new modestly higher gross margins on system revenue with GreenBox and we expect to realize these higher structural margins immediately with the first systems deployed.

A minority portion of system revenue starts shortly after identifying the project and starting deployment. And after approximately one year, when the physical installation of a system on site commences, the strongest system revenue generation begins and is recognized in total when the system goes live. When each system goes live and begins its ramp into full production usage, then recurring revenue to Symbotic begins.

As with our existing business, these recurring revenues include three components. First, annual software fees, which are required to use the system. We are also establishing new higher-margin recurring revenue with GreenBox. In addition to software, we will support GreenBox's independent operations with parts and supplementary operation services, including services such as consulting and training. Over time, and as GreenBox builds its global network, these revenue streams will layer to provide growth in Symbotic's revenue. Ultimately, we expect over $500 million in recurring revenue from GreenBox.

As Rick mentioned, a key reason we chose the joint venture strategy is enable us to reach globally and go really fast. GreenBox will have the focus and invested capital to scale its business. Because Symbotic is taking a 35% ownership stake, Symbotic will gain the additional benefit of participating in the economic returns of GreenBox. We believe that GreenBox has the clear opportunity to generate strong cash flow and investment returns over time and are excited about the benefits that our participation will have in the net recurring subscription profits.

(page 10: Expected Operational Timeline of GreenBox)

Let’s turn to slide 10 and discuss the timeline in a little more detail. Today we are announcing GreenBox. And the first steps are to staff an independent board of directors and management team. We will work jointly with SoftBank to do this, and this is the first priority.

Next, GreenBox will formulate and make available its as-a-service configurations and create its formal go-to-market plans. From there, we anticipate securing the first GreenBox customers in fiscal 2024. Our launch of the strategy was demand-led, with what we believe to be attractive prospective customers. So, while we are anxious to bring GreenBox to market, like Symbotic, we intend to infuse the north star of creating “braggingly happy customers” into the culture of GreenBox. Therefore, customer launch will not come before the business operations are ready sometime in 2024.

We anticipate completing the first system and being live with customers fully in 2026, starting the first recurring revenue for Symbotic as well as the first subscription revenue for GreenBox. Finally, GreenBox is obligated to start all its deployments in the $7.5 billion commitment within six years, and we have provisions whereby as the business executes, we may accelerate on that timeline if GreenBox and Symbotic mutually agree. This gives us tremendous visibility and control as we think about expanding our growth trajectory beyond our existing backlog with this venture.

(page 11: Summary)

Let’s turn to slide 12 and wrap up with a couple of concluding thoughts. Slide 13, please. So, in conclusion, we are excited about the transformational nature of this joint venture. It adds a $500 billion-plus TAM. And it expands our backlog by approximately $11 billion. And we’re excited to be sharing this with you today and look forward to taking your questions.

Operator, may we open up the Q&A, please?

(operator instructions)

Jim Ricchiuti *Needham & Co.* - Analyst
Hi. Good morning. Congratulations on this announcement. I was wondering if you can perhaps elaborate on what you mean about this being a first step in the potential long-term relationship with GreenBox. In terms of the solutions that are being brought to the market and the TAM, what I guess I’m wondering is, are there going to be some areas where this JV is going to need to develop adjacent automation solutions, either internally or via acquisitions?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*
Thanks, Jim. I’ll take a first stab at it and Bill or Rick can comment as well. So, this initial – we think of it as a first step, Jim, because although a $7.5 billion commitment and plans for growth over the next six years sounds like a big move, that represents a small portion of what we see as ultimately a $500 billion annual recurring opportunity for GreenBox. So, we think it’s the right mix of ambition and yet the first move we want to make in the marketplace.

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

Yes, I think the other way I would answer that is that – this is Rick – that what we're finding as we talk to more and more customers is they're – we're really a customer-focused company and they're asking us for solutions. So, right now we know that lots of people are saying, 'Well, I don't want to buy a whole big system and – but I'd love to store 10,000 boxes, 100,000 boxes in your system.' And so, that's – and there's lots and lots of customers for that. We also have big customers that are saying, 'Well, I just' – auto parts, airplane parts, all kinds of parts. So, I think what we're saying is that this is the first step and we will learn from our customers and as they ask us for different solutions where the automation is a part of it, but the warehouse management and the inventory management and the software platform is another platform. And so, we'll continue to expand as our customers ask us to do new things.

Jim Ricchiuti *Needham & Co.* - Analyst

And then just with respect to acquisitions being a part of this, obviously you guys provide solutions – some key solutions for the market. You've also talked about areas that you may look at from an acquisition standpoint. I'm just wondering how this JV plays into that.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

So Jim, we think that this venture, as launched with SoftBank and Symbotic as the partners here, is ready to penetrate the market. So, now, we'll be an independently led company and so, we see it as having large growth prospects, so who knows where the evolution takes it over time, but we're excited about it formulated out of the gate.

Jim Ricchiuti *Needham & Co.* - Analyst

Got it. Thanks a lot.

Greg Palm *Craig-Hallum Capital Group* - Analyst

Thanks. Morning, everybody else. Also offer my congratulations on this. I guess just to start off, it'd be helpful if we could get a little bit of background. It sounds like this has been in talks for some time, but maybe a little bit of a background on how this evolved. And just in terms of the timing of the announcement, I'm curious if it all is a byproduct of how your own outsourcing strategy has progressed over the last year or so. Maybe the comfort and how that's been going. So, maybe you can address that. And I've got a follow-up as well.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Do you want to take the first part?

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

Yeah. So, as you know, I've spent my whole life in the outsourcing business and as a 3PL business with C&S. So, this – the ability to run warehouses for people has always been on the plate, and when we initially engaged with SoftBank, they got it immediately and wanted us to go as fast as possible.

We also had some great fortune in that we got this huge contract from Walmart. And so we said we're going to take care of our – and Walmart's a large shareholder of Symbotic – we're going to take care of Walmart first and make sure that we can scale up for them. But over the last year, as we talked about, especially in the last six months, our outsourcing with partners who can build bots for us and cells for us has gone very well, and probably about as well as we could have hoped. And so now, we're beginning to look up and say, 'We can actually do more.' We have to take care of our large backlog and our key customers that are already customers today. But yes, we are now starting to say, I think we can do more. We have to be careful. We have to plan it, but this is the right time to announce that we want to go into this space.

Greg Palm *Craig-Hallum Capital Group* - Analyst

Understood. Okay. That makes sense. And I just wanted to follow up on the capital contribution commentary. I forget if it was Tom or Bill – I think Tom maybe you'd mentioned self-funded post this initial contribution. But just given the size of this initial order, maybe you just can walk us through the cash flow expectations as well, because I would have thought that there maybe would have been a little bit of a timing difference in terms of capital contribution versus cash flow. And I guess the self-funding part, does that depend on how much of this is more of a RaaS model versus – because I think you had mentioned that the customers can either own the system itself or it can be a RaaS model. So, just want to make sure we're all clear about the capital contributions and cash flow expectations on this. Thanks.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Thanks for that question, Greg. So, you're right, I made the comment that we expect this to be self-funding to Symbotic. So, what that means is in all growth scenarios as we think about the GreenBox operations – and remember that GreenBox is obligated to execute those starts of systems within a six-year timeframe, and jointly we can agree to go faster as the business merits that. But in all growth scenarios we have concurrently timed the payments of systems to Symbotic, such that those payments of the systems and any capital contributions required from us to support those growth plans for GreenBox are more than offset by – excuse me – the payments to us more than offset the capital contributions we make plus the cash outflows we have in building the systems throughout the entirety of that contract.

So, that's a very nice structure to the contract for us. On the GreenBox side, there will be growth capital that's necessary. And this is one of the key things that SoftBank brings to the equation, in addition to their shared vision and their global reach, is they bring the right level of capital such that, to the extent we choose to go fast, Symbotic – or SoftBank brings capital to that equation to help us scale the GreenBox business. So, on the GreenBox side, we do anticipate there being some capital necessary to grow that business.

The GreenBox business model's expected to be a subscription-as-a-service business for the customer extensively, which is part of the value proposition of that flexible business model that helps those customers really gain access to this transformational technology. Does that answer the question, Greg?

Greg Palm *Craig-Hallum Capital Group* - Analyst

Yes, it does. And just to be clear, any additional or further capital contributions, that's I assume going to be on the pro rata 65:35?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

That's correct.

Greg Palm *Craig-Hallum Capital Group* - Analyst

Perfect. Okay. Great. Thank you.

Chris Snyder *UBS Investment Bank* – Analyst

Thank you guys and also, congrats on getting the deal done. I guess my first question is, could you guys provide more color as to why you went the JV route? And then specifically some of the positives or the advantages that SoftBank is bringing to the deal. Because obviously, the tech is Symbotic's. It seems like the capital needs for the most part are pretty – quite low. So just, kind of, color on what – why not go after the opportunity alone? Is it the ability to procure customers or even the willingness to operate the facility from the SoftBank side? Thank you.

Bill Boyd *Symbotic Inc. – Chief Strategy Officer*

Hey Chris, it's Bill. Thanks for the question. It's a great question. So, to drive a little deeper into that, the answer is that we believe that SoftBank is the perfect partner to do this with, and we believe it's the right time to do it. As we – I think Rick and I both said, we have the opportunity to move forward with a warehouse-as-a-service model, which allows us to deeper penetrate a number of different markets here, reach new customers, really fix some of the – what we would call the dislocation and pain in the supply chain. When you think about a number of customers who are paying for inefficient supply chains, who are smaller, who can't afford their own warehouse, who can't do their own warehouse, this allows that customer group to have a more efficient supply chain, as well as larger. It allows us to go after it.

The specific reason we did it today and with this partner is that SoftBank has the same shared vision, as Rick said. It's got a global mindset, it understands this market well and believes that the Symbotic technology is the cornerstone to getting this done, as we do. So, we've got – effectively, it's – I guess you would call it the right time, it's the right partner and it allows us to go after it faster than, as you noted, we could do it ourselves. When you think about the capital that's being deployed here, being able to do that with a partner who believes is a faster access to that opportunity than we would have had on our own.

Chris Snyder *UBS Investment Bank* – Analyst

Thank you. I appreciate that. And then I want to ask a question – I think it was slide five – when we see – it was, kind of – I guess, it's the flow of the relationship, and it sounds like a lot of these customers will be multi-tenant, which would, I think, make sense. So, I guess, just to be clear, will GreenBox be owning and operating the facility in any capacity, and managing, like, the commercial side of all these multi-tenants? Or is it just simply, the warehouse-as-a-service piece, or – the system as a service piece? Thank you.

Bill Boyd *Symbotic Inc. – Chief Strategy Officer*

Sure, Chris. I think the beauty of this opportunity is that it, in all honesty, could be either. So, the idea here is that GreenBox will be providing a service to customers who wish to have – who wish to have access to the systems in a different way. And so some of that could be – it could be that GreenBox operates a facility. It could be that GreenBox provides the systems to another operator. It's the opportunity to get into that market with multiple tenants and in a different way than we currently are accessing it today.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes, in terms of the ownership of the actual physical site, GreenBox may own those but we expect that they'll likely rent, making the real estate just part of the COGS of the service.

Chris Snyder *UBS Investment Bank* – Analyst

Thank you. I appreciate that.

Matt Summerville *D.A. Davidson & Co.* - Analyst

Thanks. Morning. Can you talk just a little bit more about the target customer base, the type of customer, the type of… I mean, you mentioned auto parts, airplane parts, but a little more granularity on the type of customer you have in mind? Do you already have a launch or does GreenBox already have a launch customer teed up? Level of visibility just to go-forward customers? Maybe just start there and then I have a follow-up.

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

Yeah. So, look, so let me take – let me talk about this business in general. So, when you go into the warehouse-as-a-service business, there are key logistics hubs around the United States. There's Southern California. There's Northern California. There's Northern Texas. There's Northern Florida. There's Georgia, Atlanta. There's Bethlehem, PA. There's Chicago. So, there are about 10 or 12 logistics hubs that if you have a warehouse in those hubs, you can supply product to lots and lots of different warehouses. And so, in many cases, there are small manufacturers in those areas and they're taking products and they're storing them somewhere. So, those customers would be our target customers in those hubs. That's where we think we would start.

We're also getting a lot of interest, for instance, in – there's a big company in Austin right now that has a need for storage parts, and we know that because we have a warehouse that we run with Walmart in New Braunfels, Texas, and there's a huge labor shortage in that part of the world. Perfect application for automation, for lots of new markets being available.

So, the reason that we're partnering with SoftBank is that we want to be able to take advantage for those markets when we – when it comes about. And what's interesting is that many of those customers don't want their own warehouses because they don't have that much business, but they said, 'If you had a warehouse there,' they would pay a pretty good fee to have the availability of perfect inventory, perfect selection, perfect storage. And so, those are the type of customers.

Then you get into the ports, which is something that we worked with SoftBank with, which is we just came through COVID, all those containers that backed up to the ports, what people don't quite understand is that they might even have been able to get the containers off the ships, they just couldn't get them unloaded. And so, because they couldn't get them unloaded, there was actually a shortage of containers, there was a shortage of the devices that they attach to trucks to put the containers on. And so, this is kind of a dark – not a dark, but an under-utilized market that people don't even know exists. And I think that's why I say it's like web services; when you create this market, there's customers that are going to say, 'Oh, this is so much better than storing in my Uncle Joe's warehouse and not knowing where my inventory is.'

So, high-quality storage is going to do the same thing that high-quality web storage did for the world. So, we don't – we have a lot of target customers, but we also think that once we announce this, which is why we're doing this now, over the next couple of years we will fill the backlog and we will figure out which markets we want to build warehouses in first.

Bill Boyd *Symbotic Inc. – Chief Strategy Officer*

And Matt, one addition to that. Everything Rick just laid out, as the dislocations and the opportunities in the US, is replicated around the world. And so, we really also believe this is an opportunity for us to look globally at all of the same problems and provide solutions.

Matt Summerville *D.A. Davidson & Co. -* Analyst

Appreciate that color. And just as a quick follow-up, can you talk about the size and scale of these facilities relative to, say, the Walmart deployments you're doing at present? And will all of these be greenfield? How many facilities are contemplated in the initial $7.5 billion? Thank you.

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

So, the nice thing about our system, as you know, is that we can retrofit any existing facilities. So, I think we would look for facilities in the right locations and if there was a greenfield or if there was a facility that was empty, that some of the big public warehouse REITs are building or have built with this capacity, we would go wherever there's capacity. So, we don't need greenfields. We're not – we don't. We're not averse to greenfields, but we think there's actually going to be a lot of excess storage capacity that's going to come about over the next couple of years and we'll be very primed to build out that network.

Joe Giordano *TD Cowen* - Analyst

Hey guys. Morning. As you get into multi-tenant, is there any, sort of, like, fundamental differences in how you have to design the product to handle, kind of, different mechanisms they might be using, different coding or just different systems at the same site?

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

No. Our system is – essentially, what we do for some of our large customers is handle perhaps 100 different vendors, which they then buy and put into their inventory. But no, for us, it's – we would keep track of the boxes from that individual customer and give them their individual information, but for us the system looks the same.

Joe Giordano *TD Cowen* - Analyst

Okay. And then just thinking about the production scale here, I mean, you guys were planning on increasing your throughput just to meet existing orders and backlog prior to this and now, ostensibly, like, doubling, kind of, the backlog here. Does this require a new set of new outsourcing partners to be able to handle that type of demand? And, like, how do you, kind of – how does it get prioritized? If there's not enough to go around, where's it going?

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

So, let me be clear. Our existing customers are our priority. And we – and future customers are our next priority. So, we take care of who took us to the dance, that's my philosophy, and we're leaving with that same partner.

So, this is just expanding a TAM, so yes, for the last six months we've been traveling all over the world, expanded our supply chain team, added additional capacity to the supply chain team. And what we're finding – we're very happy to find, we weren't sure we would find this a year ago – is there's actually lots of capacity, lots of companies that want to partner with us to build all parts of our network.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

I'll just add to that, Joe, that the nice thing about being able to plan the timeline as we conceptualized it here is that it is clearly adding to our backlog and but it's also extending that backlog. So if you think about our growth trajectory that we have with our existing customers, this helps us extend the growth in our planning horizon. And as well as your question about – honestly, we've been contemplating this for quite some time, so we have been building that supply chain to continue that growth profile through that extension and continuation.

Joe Giordano *TD Cowen* - Analyst

And then just last for me – well, kind of, a two-part thing – so, the recurring element of the – with the annual software and the parts and service that you're contemplating, how does that look like as a percentage of the systems deployment for these new ones? And as part of that $500 billion annual recurring TAM that you mentioned, how is that calculated? Is that, like, some combination of annual software plus, kind of, perpetual deployment of new systems, because you think that will take a very long time to, kind of, saturate the market?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes, thanks for those questions, Joe. Let me answer those in reverse. So, as we thought about the TAM, what we looked at is we studied the actual case flow of goods in the supply chain just in the United States, and then extrapolated that to globally and thought about the case handling costs per case globally. So, that – it's actually conservatively measured at the U.S. volume and we think obviously, the TAM's bigger than that.

The recurring component – yes, we do expect to see a – in excess of $500 billion recurring component to our business as we get to the back end of this phase here with GreenBox. You should think about that – I think if you do the math on that, you'll see that that represents about a high-single digit when measured as a percentage of a system sale. And that is a higher margin – a higher capture rate than our existing backlog, where we've talked about that trajecting towards – the recent adds to that have been more in the mid-single-digit range. And the early entrants into our backlog prior to public listing actually came in in the low single digits.

Rob Mason *Robert W. Baird & Co.* - Analyst

Yes, good morning and congratulations on the announcement. I wanted to see if you could just speak to how you think the cost structure –talking operating expense, I think you outlined the capital commitment level – how does the operating expenses change at Symbotic on a go-forward basis as you work on this effort?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Rob, one of the things we're very excited about is we've built this business to deliver the platform technology with the help of our existing customers, and in particular Walmart and others. And we have the machinery in place already to take that platform business looking forward. So, this really doesn't alter the plans as we've talked about it in the past, as we think about where we're headed. We've talked about how we feel like our level of R&D investment is above and beyond anything else in the marketplace, while we already have a strong technology advantage. And we've been, as you know, expanding and hardening our supply chain to create the ability to scale this business for growth. So, we feel like we're well positioned with our existing cost structure and plans.

Rob Mason *Robert W. Baird & Co.* - Analyst

And just as a follow-up, could you clarify the commentary around six years, I think that you mentioned? Does the – do you have to begin deploying the entirety of the $7.5 billion within that six-year window, or do they have to order that within…? Just clarify the six-year comment, please.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

That's correct, Rob. Within six years of the signing of the contract, which is yesterday, GreenBox is obligated to start the deployments of all $7.5 billion, approximately, of systems. Obviously, you start those – if it takes all six years, you start that last one – that last one would go live within approximately or shorter two years after that.

Rob Mason *Robert W. Baird & Co.* - Analyst

And what should we think about in terms of a per-system size, dollar value? I mean, we used $50 million as a benchmark coming out of the initial offering, but I'm just curious how should we think about these now.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

We think they're going to vary, Rob. It depends on the market and use case. Some – like our existing captive systems, we think they can range. Fifty million dollars might be an average to smaller size system. It's possible that systems here for GreenBox could be half the size of that. It's possible systems for GreenBox could be several times larger. So, we do think we'll see a range of systems, depending on the market and the use case that's being – that it's going in for.

Nicole DeBlase *Deutsche Bank* - Director & Lead Analyst

Yes, thanks for the question and congratulations on getting this done. Maybe just first on the gross margin structure. Tom, I think you mentioned that this will come with modestly higher gross margins. Is that because of the higher recurring revenue component? Or are you guys also expecting the gross margins on the system sales to be higher as well?

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

Yes, thanks for the question, Nicole. We're expecting both. So, we do expect to see higher structural gross margins on the system sale and we expect that we can be achieving those structural gross margins with the earlier systems. But in addition, we expect to see significantly higher recurring gross margins as we move forward with the business.

Nicole DeBlase *Deutsche Bank* - Director & Lead Analyst

Okay, got it. And it's not a function of the outsourcing work that you've done? I guess just trying to understand what drives the higher gross margins versus current system deployments.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*

A couple of things. So, given our progress since our public listing and over the recent years, we're continuing to traject with strong deployments and getting a stronger offering and more profitable product. But then it also comes down to just the price with which we can take this to market. So, you bring those in combination, and we anticipate seeing higher recurring software margins and along with parts and services margins.

Nicole DeBlase *Deutsche Bank* - Director & Lead Analyst

Okay, understood. Thank you. And then just thinking about, like, the growth trajectory, how would you guys compare the growth opportunity for warehouse-as-a-service versus what you're providing today, like the actual system sales to new customers? Thank you.

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

We're seeing great growth in what we're doing now. I think this is actually a bigger market. But our growth – we're seeing lots of good demand for selling the systems as we have for the last year. But we also think, just by definition of the market, there are more medium and small customers and even large customers who have not – have needs for not a whole warehouse but for a partial warehouse. We just think this is a bigger market and but we're pretty happy with the market that we started out with.

Tom Ernst *Symbotic Inc. – Chief Financial Officer*
Yes, I'll just add to that. By choosing this venture strategy, this enables Symbotic to focus on delivering the platform technology and brings in a key partner up here that helps us bring this as-a-service. So that combination really helps us grow much faster we think than if we chose the strategy on our own. And so, to Rick's point, we have exceptionally strong demand for captive systems and we have strong demand for the as-a-service offering. We think this is the best way to go big and go fast.

Operator: Unfortunately, we are now past our scheduled time, and this is all the time we have today for questions. This concludes today's conference call. And thank you for participating.

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.