Symbotic Inc

Q1 Fiscal 2023 Financials Call

OFFICIAL TRANSCRIPT

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PRESENTATION

Operator
Thank you for standing by, and welcome to the Symbotic First Quarter 2023 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. I will now turn the conference over to your host, Mr. Jeff Evanson, Vice President of Investor Relations. Please go ahead.

Jeff Evanson *Symbotic Inc. - VP, IR and Corporate Development*
Thank you, Valerie. Good afternoon, everyone. Welcome to Symbotic's First Quarter 2023 Results Webcast. As Valerie mentioned, I am Jeff Evanson, Symbotic's VP of Investor Relations.

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 factors described in the 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, we will discuss certain financial measures that are not recognized under U.S. 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 is available in the Investor Relations section of our website and is on file with the SEC. These non-GAAP measures may not be comparable to measures used by other issuers.

Today, we will provide guidance for the second quarter, including revenue and adjusted EBITDA. We are not providing guidance for net loss today, which is the most comparable GAAP financial measure to adjusted EBITDA.

We are not able to provide reconciliations of adjusted EBITDA to GAAP financial measures because certain items required for such reconciliations are outside of our control and/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, Chairman and Chief Executive Officer; and Tom Ernst, Symbotic's Chief Financial Officer. These executives will discuss our first quarter 2023 results, our outlook, and then we'll follow up with Q&A.

So, with that, Valerie -- oh, I'm sorry, Rick, go ahead.

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Thanks, Jeff. 2023 is off to a great start, and we are excited about our outlook. Again, our results reflect strong execution of our growth opportunity.

In our first quarter, the Symbotic team delivered triple-digit revenue growth and improved both gross profit and adjusted operating margins. I thank our entire team for their hard work and excellent execution.

Last quarter, we highlighted our plans to build on our existing base of outsourcing partners. During this quarter, we added additional Tier 1 suppliers to build capacity to meet our growing demand as well as to ensure supply chain and redundancy. These outsourcing partners now span our full deployment process for manufacturing of bots, cells and lifts to construction and installation.

We're excited about our partners growing contributions as they help us accelerate delivery of systems while maintaining our extraordinary rate of growth. These partnerships will also help us to reduce system costs and streamline deployments and reduced deployment time creates the capacity to satisfy the high demand for our solutions.

In summary, our supply chain continues to improve, costs are moderating, and we continue to attract top talent. Demand for our solutions continues to grow, and our contracted backlog now stands at $12 billion.

Now Tom will discuss our financial performance and outlook. Tom?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Thank you, Rick. Our first quarter revenue of $206 million grew 168% over the prior-year period. We initiated 6 new system deployments during the quarter and, as planned, advanced one system to fully functional production operations. We now have 22 active system deployments with multiple customers, up from 17 systems last quarter and 9 systems in the first quarter of last year.

Our extraordinary revenue growth was driven by both progress on deployments already underway and the 6 deployments started during the quarter. We are gaining efficiency in our deployments by standardizing our systems, streamlining our deployment processes, and realizing the benefits of outsourcing.

Our cash and equivalents, including marketable securities, grew $94 million sequentially to $448 million due to favorable working capital performance. Looking forward, we believe last quarter's balance of $353 million will be a low watermark. We believe we have more than adequate resources on hand to achieve our strong growth plans and remain very well capitalized to execute our strategy.

Recurring revenue grew 25% sequentially as deployments have begun to move to production operations. We now have 8 systems operating at customer sites. In the near to midterm, we expect recurring revenue to be small relative to our rapidly growing systems revenue.

Over time, as system completions waterfall, recurring revenue should grow to have a much higher gross margin than systems revenue as well as become an increasing share of our revenue mix to provide powerful operating leverage to our business.

Our first quarter gross margin increased 230 basis points sequentially. These results still reflect significant costs associated with rapidly scaling our operations and the burden of elevated pass-through steel costs.

In the first quarter, operating expenses, excluding stock-based comp, declined sequentially, demonstrating the cresting of expenses that we had anticipated. Despite this, we still have ongoing redundant costs associated with ramping partners and ongoing investments in our innovation initiatives, such as SymBot™ and BreakPack.

Operating leverage improved as we achieved a record 7.9% adjusted EBITDA loss rate compared to 27.6% in the first quarter a year ago, driven by our revenue growth and moderating operating expenses.

Our backlog increased this quarter to $12 billion. Cost-adjusted pricing, the addition of UNFI as a customer, and an additional non-Walmart existing customer deployment start contributed to the 8% sequential increase.

Turning to our outlook for the second quarter of fiscal 2023, we expect revenue of $205 million to $230 million and an adjusted EBITDA loss of between $13 million and $17 million. This represents 126% revenue growth year-over-year at the midpoint of our revenue guidance range.

In closing, 2023 is off to a great start, and our team is energized. We are excited about the year ahead and our opportunity to transform the supply chain. We'll continue to scale our business and innovate rapidly to deliver against our $12 billion revenue backlog. We look forward to speaking with you again next quarter to provide an update on our progress.

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

QUESTIONS AND ANSWERS

Operator
(Operator Instructions) Our first question comes from Matt Summerville of D.A. Davidson.

Matt Summerville ***D.A. Davidson & Co.- Analyst***
A couple of questions. First, on gross margin and OpEx, how should we be thinking about those items kind of scaling from here? You mentioned OpEx kind of cresting last quarter, so things seemingly moving in the right direction with more efficiencies to be gained.

And then maybe put a finer point on gross margin, how we should think about that rolling forward from here? And how much steel is still maybe diluting that margin? And then I have a follow-up.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thank you for the question, Matt. So, first, on the OpEx side, we reported an adjusted OpEx of $52 million. That was lower in both of the prior quarters as we had fewer third-party expenses. So, I think a way to think about that is some of that is structural as we're shifting to outsourcing partners, and some of it is just the quarterly variability of our engineering projects.

Looking through to that, our headcount is up about 9% quarter-on-quarter. So, you can see we're still investing and hiring heads as we're able to make a benefit of less dependency on third-party resources to grow and scale our business.

Perhaps shifting over to the gross margin side. Quarter-on-quarter system gross margin, which drives our overall gross margin, improved sequentially by 250 basis points. This really is an attenuation of some of the effects that we saw last quarter in terms of some of those scaling and project costs that have made their way into gross margin. We began to see some of those recede.

And so generally, we expect that trend to continue as we look forward over the coming quarters, although quarterly progress on that can be stair-step. So, I won't predict and give you guidance for exactly how we make progress against that. But the general trend over the coming quarters, you should expect us to see some of those effects of -- some of those costs that are in gross margin associated with scale in the business begin to attenuate, along with steel costs begin to flow through as less of a headwind.

A way to think about that steel as well -- don't forget that we do lock in much of our steel pricing 12 months prior to the start of an installation. So, if you look at the steel price indexes, the steel prices have really been lower for about 5 to 6 months.

So, we expect kind of the benefit of lower steel prices to wash in over the coming few quarters rather than right away. Does that answer the question, Matt?

Matt Summerville ***D.A. Davidson & Co.- Analyst***
That makes sense. Yes, that does. And then just as a follow-up, from here forward, what are the key incremental steps Symbotic needs to take, from an outsourcing standpoint, to further accelerate system implementations? And when do you think the company will reach an optimal sort of implementation rate?

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Yes. So, we spent this last quarter a lot of face-to-face time with suppliers. So, we're pretty much locked in our suppliers. We have a couple of very good suppliers that are going to be ramping up in the second and third quarters. So, we're pretty well set with our outsourcing supplier mix.

And we're seeing -- as they learn to make the systems better and a little competition, we're seeing the pricing come down. We're also seeing efficiencies of rollout. And as we work with the suppliers and redesign small components of it, we're finding that the installs will happen faster. So, I think the next 3 to 6 months, you should see the full benefit of the outsourcing of the suppliers.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
And I'll add to that, Matt, as we just think about the long term, we see this as a continuous opportunity for us to -- where the system can be engineered for faster deployments. Our partners are going to gain efficiency, we're going to gain speed with it.

So, we think that, in addition to Rick highlighting these 3 to -- next 3 to 6 months, are huge for us. There are gains that we can have over the coming years to continue to speed deployments and get more efficient.

Operator
Our next question comes from the line of Andrew Kaplowitz of Citi.

Andrew Kaplowitz ***Citigroup Inc. - Analyst***
Can you give us a little more color into the revenue ramp that you're seeing? I'm sure you want to be conservative. But at the bottom of your revenue guidance for Q2, you're predicting flat sequential revenue despite your system deployments and Symbotic rapidly scaling its business.

So, is there something that could hold you back or are you just being conservative, given you never know supply chain constraints come back? Or is there any risk of customers slowing down deployments, given macro concerns?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Andrew. So, you're right. We're growing rapidly. Our number of systems under deployment, as you highlighted here, is now at 22%. That's up 5% net of the one that went into full production from last quarter. That translates into 126% year-on-year revenue growth, which we think is quite rapid. So, we're planning to deliver and scale against that rapid growth.

I think something -- one of the things we talked about in our last earnings call was these first few systems -- first wave of a few systems we delivered did see somewhat of kind of a stacking of the key concentration of revenue, delivered those systems over the -- really the prior quarter, a little bit into Q3 as well. As we begin to deliver more and more waves of systems, they're going to be more uniformly spaced, and we'll begin to see some of that quarterly variations and revenues smooth out a bit.

But really, what you're seeing is a function of our sequential growth is more just to do with the concentration of the stacking of some of the smaller number of systems actually in the meat of their deployment.

Andrew Kaplowitz ***Citigroup Inc. - Analyst***
Got it. That's helpful. And then you mentioned backlog of $12 billion. Obviously, it continues to go up. I think you talked about upgrading from $11 billion last quarter. So, is this just more addendums to sort of existing contracts that you have? Or do you continue to win work with new customers?

Obviously, we know, eventually, revenue will begin to eat into that backlog, given it's so big. But how are you thinking about backlog at this point? Should it begin to go down now as revenue ramps up? Or still more new awards to be had?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Andrew. So, you're right, backlog did increase net of the revenue out in the quarter by about $900 million in the quarter. So that really reflects a couple of things. It reflects the new UNFI relationship that we announced on last quarter's earnings call that was signed during this quarter. It also reflects an additional existing customer, new deployment we started in the quarter.

And then finally, it reflects cost-adjusted pricing for the existing backlog in the quarter that we expect that you'll see once a year when we start each calendar year. So, a little bit different average cost per system in the backlog.

How you should think about the backlog? Our strategy hasn't shifted. We're thrilled with the $12 billion backlog. Our goal is really not to drive backlog growth so much, but really to drive our customers to being braggingly happy and having -- and to scale against the opportunity we have.

We're looking to add new customers more by the 1 or 2 per year rather than add to the backlog as our primary strategy here in the near term, given that we do have such a strong demand for our systems that we can control adds to backlog as we want them.

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

Mark Delaney ***Goldman Sachs Group, Inc. - Analyst***
Rick, I think your decision to retake the CEO role on, as I understood it, was to streamline the touch points that your customers have and hopefully create some more efficiencies in that sort of relationships. Could you elaborate if that's materializing as you expected?

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Yes. It's -- I mean I've been the CEO for most of the time, except for really a short period of time. The interaction -- so yes, it's playing out the way I thought. Customers want to talk to me. They've been talking to me for a long time. I'm really the Chief Product Development Officer.

And so, when I just talk to customers, one of the things they're asking is, because of my deep distribution background, if they think some of the products that they're thinking about are viable.

And so, it just makes the logical, the sales cycle, the proof-of-concept piece of selling these big pieces of equipment and then the follow-through logical. So, it's playing out pretty much exactly the way I thought it would.

Mark Delaney ***Goldman Sachs Group, Inc. - Analyst***
That's very helpful. And then my second question was around how to think about the cadence of systems going forward. And maybe help us better understand what's contemplated in the guidance, perhaps in terms of number of new installations that may be started and if you think you'll move any other systems into full completion this coming quarter baked into guidance.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Mark. So, we do anticipate adding more systems each quarter. It's a little bit less predictable on a given quarterly basis exactly how many we'll add. But you should expect that as you look forward over coming quarters, we continue to add systems and potentially in growing numbers as we look forward.

Those systems that get added in the quarter don't add as much revenue as the systems that have already been on the books for a couple or a few quarters. I think you know that our value that we deliver and thus the revenue that we carry from those systems is recognized and reported on a percentage completion basis, but it's not linear.

The revenue actually has a bit of a concentration to the middle part of the -- the middle of the second half part of the contract when we're doing the meat of the installation and testing of the system. So those early systems do benefit quarterly revenue production, but not as strong as the systems that are well into the meat of installation.

Operator
Our next question comes from the line of Nicole DeBlase.

Nicole DeBlase ***Deutsche Bank AG - Analyst***
Maybe just on the outsourcing initiative. It sounds like from the opening remarks that you guys have made really good progress on that. So, if we were to talk about it in baseball terms, I guess, what inning are you in with all of your projects on outsourcing?

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Yes. So, in baseball terms, I would say, we have -- I would say we're probably in the fifth, sixth inning on outsourcing. The partners are doing a good job, and -- but we haven't finished the process yet. So, I think we're bringing on some new -- we haven't announced them yet. We've

announced some of it internally.

We're bringing on some new, very experienced manufacturing partners to help us work the outsourcing part of the business. So, we feel really good about it, where the game plan is probably gone a little bit better than we thought, which is a nice thing to say.

And no showstoppers. The world out there of our particular partners is interested in warehouse automation and in making EVs. And we right now have a lot of interest because of our big backlog and warehouse automation.

So, we're very happy with the attention we're getting from suppliers, quite frankly, all over the world. So, that was not the case a year ago. So, I guess, fifth inning, sixth inning, maybe even seventh inning. We're pretty happy with where we are.

Nicole DeBlase ***Deutsche Bank AG - Analyst***
Got it. Rick, that's helpful. And then one more question for you guys is just -- I know you talked about OpEx cresting. Is that also the case for the subcomponent of R&D? Is that also expected to crest, just trying to think about all of the innovation initiatives that you guys also have underway?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Thanks for the question, Nicole. So, I would expect modest growth in our OpEx, particularly near term. Our OpEx we reported in this quarter was relatively light in terms of third-party expenses and kind of special projects.

But if you take the last 3 quarters overall, that general comment about crested is generally right maybe with moderate growth, looking forward. In terms specifically with R&D, yes, it applies to R&D as well.

Operator
Our next question comes from the line of James Ricchiuti of Needham & Company.

James Ricchiuti ***Needham & Company, LLC - Analyst***
I think you referenced an order from an existing customer. Was this one of your legacy customers?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, James. It was. And in fact, we disclosed in our proxy filing that, that customer is C&S Wholesale Grocers.

James Ricchiuti ***Needham & Company, LLC - Analyst***
Got it. And I'm wondering, as you talk about the supply chain and the contract manufacturing capability that you're bringing on and you expect to see ramp, can you talk about the interest you're getting from new customers and your ability, your capacity to maybe take on newer business?

And specifically, I'm wondering, most of your business has been in the U.S., North America. And is there the potential over the next couple of quarters for you to potentially take on some business in Europe, for instance?

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Yes. We -- it's a fairly long sales cycle, but we've had interest from Mexico. We've had interest from Europe. So, we -- and the numbers are pretty promising. I made a trip to Japan to visit SoftBank. That's a very promising -- these high-cost labor markets are interesting.

So, nothing to announce, nothing probably to announce for a while, but a lot of interest. And what we're doing with the supply chain partners, actually, some of the partners are in Europe, places like Italy, Germany.

And so, they're actually out there kind of helping sell for us, legitimizing our product. We do have a number of international customers coming to visit in the next 3 to 6 months, to go visit sites.

And one of the things that we're doing with the outsourcing partners is as we ramp them up, it allows us to complete sites faster. And if we can complete sites faster, we can do more sites. And also, one of the things that we're looking at is outsourcing partners, in particular from Europe, that would be good partners and doing European installs.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
I'll just reiterate, James, that while we're working to create that additional capacity, our operating strategy is to add new customers slowly, kind of 1 to 2 per year.

James Ricchiuti ***Needham & Company, LLC - Analyst***
Okay. And final question for me. When would you anticipate completing the next fully functional system from your backlog, if you can say?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Sure. Thanks for the question, James. It's hard to predict on a given quarterly basis. But as we look forward over the coming quarters, we do anticipate that you'll begin to see us get into a pattern of moving systems from deployment to fully functionally complete -- hit the customer with increasing regularity.

Operator
Our next question comes from the line of Michael Latimore of Northland Capital Markets.

Mike Latimore ***Northland Capital Markets - Analyst***
Great results here. Just in terms of the deployment time frames, what are you seeing now? How long do you anticipate deployments to take, given some of the added outsourcing capacity here?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Michael. So, we continue to make progress on this front. We are definitely beginning to feel the benefits of having done it many times now, along with beginning to get support from our outsourcing partners that are helping this trend in the right direction.

And as you would expect, Michael, our first wave of systems take longer than what we expect those next couple of waves to take, particularly in the light of having an extended supply chain where we got out in the front and made sure that we started those systems early with an extended supply chain.

So, we are making progress. I think we're generally on track with our plans and where we thought it would be a year ago. And to the points of Rick's comments just a minute or two ago, working with these outsourcing partners in the next few months really help us unlock the ability to move faster here over just the coming 4, 5, 6 quarters.

Mike Latimore ***Northland Capital Markets - Analyst***
Got it. Right. And then as you think about backlog addition opportunities, would they be bigger in terms of new customers? Or would it be kind of expansions of current customers? So, as you think you grow backlog longer term, is there one that clearly is a bigger contributor there?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
I think you'll see a mix of both. Again, our strategy here is less to grow backlog and more to scale our operations against the existing backlog. But we do anticipate that over the coming handful of quarters, you'll see us add both new customers and new projects with existing customers.

Mike Latimore ***Northland Capital Markets - Analyst***
Got it. And just last, on gross margin. I think you gave some color; I just want to be clear. So, would -- is it fair to say gross margin in the first quarter would be the trough for the year or low point for the year? How should we think about gross margin?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. I think we said pretty clearly, last quarter, we expected, when we reported a 15% gross margin, that, that was a low watermark. So, we emphatically feel that that's still very much a low watermark. Progress against the 18.7%, we reported this quarter, we expect to see that happen, but the progress can be stair-step. So, we'll talk about the progress as we make it each quarter.

Operator
Our next question comes from the line of Chris Snyder of UBS.

Chris Snyder ***UBS Investment Bank - Analyst***
I understand the outsourcing push is helping to accelerate the rate of system deployments. But is there any negative offset on the gross margin line? Because I believe in the past, the company has spoken to -- or talked to a high 20% gross margin target versus kind of high teens today within systems. Is that target still achievable with a higher level of outsourcing?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Chris. In fact, we think that our gross margins are higher long term under our outsourcing initiative. Now we did talk last quarter about the aggressive ramp, to bring on some of these outsourcing partners, was definitely coming along with some increased short-

term expenses to ramp these partners.

As you can imagine, we have redundant resources, right, as we're ramping partners and redundant supply chains and kind of a whole host of costs that not only flow through COGS, but also flow through OpEx. So, we are still seeing some of those transitory costs associated with the outsourcing program that is a negative near-term impact to gross margin.

But we think that, that very quickly flips to a positive and over the long term leads to not only higher gross margins but just the ability to deliver these systems with less risk and the ability to do many, many more systems concurrently than we could do on our own.

Chris Snyder ***UBS Investment Bank - Analyst***
If I could just maybe follow up quickly on that. If I look from fiscal Q1 to fiscal Q2, the company is guiding revenue up mid-single digit, high single-digit percent at the midpoint, but a roughly unchanged EBITDA loss. Is that just due to the ramping of the outsource partners? And is that like effective margin down on the gross margin side or the OpEx side?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
I think one of my comments I made in the prepared remarks was that we saw a relatively low amount of third-party and special projects in fiscal Q1. So those costs are -- can be variable, a little bit less easy to predict on kind of a quarter in/quarter out basis.

I think the implicit in my Q2 guidance is a little bit more of an average type of quarter in terms of third-party and one-time costs relative to what we expect looking forward for the year. Does that help?

Chris Snyder ***UBS Investment Bank - Analyst***
Absolutely. If I could just follow up on something maybe more thematic. If you guys look at the backlog of projects or you're engaging with customers, is it more on the brownfield side, essentially upgrading or modernizing an existing facility? Or is it more greenfield, just kind of new warehouse capacity coming to the market?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Our existing backlog, Chris, is heavily concentrated to retrofits, to brownfield. That being said, as we think about the market over the long term, we see a very, very large market opportunity with greenfield as well.

I think as you know, one of our key -- one of the key benefits that we have as a business is there is no other end-to-end automation technology that can really work effectively and efficiently in a brownfield environment.

But shifting to the greenfield market, we're incredibly more economically efficient. We just bring a much, much stronger ROI versus legacy generation end-to-end automation systems.

So, we do anticipate that you'll hear us over the coming years talk more and more about greenfield opportunities as well. Today, backlog is highly brownfield.

Operator
Our next question comes from the line of Rob Mason of Baird.

Rob Mason ***Robert W. Baird & Co. - Analyst***
I just had a quick question, Tom. I think you mentioned that you expect cash to be at the low watermark. Obviously, you'll build -- inferring you'll build cash through the year. Just was curious if you could speak to how the cash flow profile should play out this year.

I'm just curious how lumpy the payments from your customers could be on a quarter-to-quarter basis. Just how we should think about free cash flow generation through the year or cash generation through the year?

And then secondarily, with the push on outsourcing that you've had, has there been any change in how you view CapEx or the capital intensity from maybe the plan when you first came public?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks for the question, Rob. So, you are correct, our cash flow from the customer payment side is actually quite a bit lumpy. We tend to have large milestone payments from our customers that are far fewer, therefore lumpier than our vendor payments, which are much smoother, as well as our revenue is quite a bit smoother.

So, the quarterly performance on the cash, you definitely could potentially see up and down sequential type of quarters. That being said, we feel confident enough to say that our starting cash position, which was $353 million to start Q1, is our low watermark for the year.

Shifting to your CapEx question. we anticipate that our CapEx will be relatively light. Our operating plans for this year, our CapEx is essentially associated with office equipment and a little bit of engineering test tools.

That being said, as we think about kind of the mid, long term, there's definitely the potential that we could have projects where we do use more CapEx. But in the near term, we expect to be pretty CapEx light.

Rob Mason ***Robert W. Baird & Co. - Analyst***
Do the contracts for newer customers, maybe like the ones you just brought, the one that you just brought on, does the cash flow -- the upfront cash flow, upfront payments, does that continue with new contracts as well?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes, Rob, thank you. We don't like to speak to specific new customers. But if I generalize across our near-term pipeline, in general, yes, we anticipate that we have a strong working capital positive relationship across the life cycle of our projects with our customers.

That doesn't mean in the future that we won't support a customer that wants to pay more perhaps and have a more even or even slightly negative cash flow. So, we'll reserve that opportunity for later. But for now, our business has constructed with strong positive working capital.

Operator
Our next question comes from the line of Joe Giordano of Cowen.

Joe Giordano ***Cowen and Company, LLC - Analyst***
So, Tom, when I think about this quarter versus last quarter and your actual results versus what you guided, like can you maybe contrast how you formulated the guides?

And last quarter, obviously, it was like a substantial massive beat over the top end. This is still very strong over the top end, but the magnitude is very different. So, like how -- when you formulated those initial estimates versus what came out, like talk us through how those are different.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Maybe just one observation to give you a little context as to how we think about it. We're beginning to benefit from having more systems add up. Therefore, the variability and volatility and what we predict is lessening, right, so less variability. We're able to get a little bit tighter range.

I think you can see that implicit in the guidance too -- our guidance ranges are narrowing a little bit as times move forward. So, thinking back to Q3 and Q4, where you saw some pretty significant top-line beats, I'll point back to the words we used at the time.

As we're compressing schedules and we're kind of hitting key milestones a little bit more rapidly, that led to some pretty strong outperformance. Well, now we're getting a little bit more spread across these systems. It's just a bit more predictable.

Joe Giordano ***Cowen and Company, LLC - Analyst***
Yes, that makes sense. As you guys have been adding at an accelerating rate here, you added 3 a couple of quarters ago, then 4 and then 5 and 6. Like is there like a target that you're trying to get up to? Is it 10? Like how many can you guys theoretically even put into production in a quarter? And how many do you even like want to?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Right. So, we're not looking to add an additional system each quarter, if that makes sense. But our goal is to enable the right ecosystem of outsourcing partners that manufacture everything we do, right?

SymBots, cells, partners that install and run the projects for construction and installation, and then to be a fantastic manufacturer and designer of these systems that enable those partners to have this business scale so that we can do multiples of what we're doing today.

Our focus is on scaling this business to really address the massive TAM that exists. So, I won't predict how many that gets to, but we do believe it's many multiples of what we're doing today.

Joe Giordano ***Cowen and Company, LLC - Analyst***
And then maybe last. Rick, when I speak to clients after having the initial discussion about the technology itself and the markets you serve, it always comes back to the share structure and

liquidity. And just curious for your comments on how you see that now and where you'd ideally like to see that potentially in the future, if it's different than it is today.

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
What's the question, the share structure?

Joseph Giordano ***Cowen and Company, LLC - Analyst***
Like liquidity is always -- the liquidity of the shares is always like the first question I get asked from clients. I'm just curious if you have any comments on where that is now. And is it optimal? Is it how -- do you plan on -- are there things you can do to address that?

Rick Cohen ***Symbotic Inc. – Chairman of the Board and Chief Executive Officer***
Yes. No, I think it's fine where it is today. It's not optimal. I think, at some point -- The reason I said it's fine where it is today because we are just ramping. As we think, to respond -- to reflect to what Tom said, if we're going to grow at multiple times our sales and do multiple applications, we probably are going to want more shares out there.

And so, we don't have to do that. We're generating -- we're in a very strong cash position, and our contracts are structured to do that. But it is something that I think about. So, I'm not hung up on owning between me and SoftBank and Walmart having just 3 people on such a large percentage of the shares. We'd like, when the time is right, to have large investors own more of the shares, and we think we will have very good uses for that liquidity.

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
One thing that we have seen a little bit of a benefit from, Joe, recently that you may have seen is we have seen lockup triggers be released. So, we now have 22% of the 555 million shares are now unlocked.

To Rick's point, a significant portion of that is held by affiliated partners of ours, SoftBank and Walmart. But we are beginning to see the benefit of increased employee shares and all those shares being unlocked as well. That might begin to alleviate a relatively less liquid stock out there.

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

Derek Soderberg ***Cantor Fitzgerald & Co. - Analyst***
I wanted to start with software revenue. Tom, I guess I would have expected that software license revenue would have been a bit higher. Can you just help me understand how many of the eight live production modules are generating software license revenue today? And is that software fee sort of in the mid-single digits percentage annually? Is that correct?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thank you for the question, Derek. So, we have eight systems that are up and running and in fully functional production mode, and all of those are receiving software and operations revenue. Now don't forget that six of those were pre -- or generally available launch of new

product.

So those six generational technologies were sold effectively as prototypes, proof of concepts and carry generally not only less software revenue than our go-forward business model but much less profitable software revenue.

The other thing to remember, too, is that these two systems that have come live since, one of them was late in the last quarter, the other one was late in the quarter prior to that, so those waterfall streams are just starting to trickle in.

You should expect to see it build from here, but it will build slowly. And I think importantly as well, while we're growing our systems revenue rapidly, continue to be -- continue to represent a small portion of our overall revenue.

So, operations revenue and software revenue taken together for those systems in our backlog, the $12 billion backlog, represent a mid-single-digit percentage of revenue, not individually each component, but taken together.

Derek Soderberg ***Cantor Fitzgerald & Co. - Analyst***
Got it. That's very helpful. And then my follow-up is on the backlog. Curious if part of the backlog growth with existing customers included BreakPack. I'm just curious if that's the case.

And then within the $12 billion backlog, are there any agreements in there for non-ambient food or cold storage applications? Or is it all ambient food and generalized merchandise?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
Yes. Thanks, Derek. So no, you should read the backlog increase besides the two new systems, the UNFI system and the C&S system I referred to. That's -- the bulk of that is associated with cost-adjusted pricing across the existing backlog rather than a change in the mix of the systems.

Derek Soderberg ***Cantor Fitzgerald & Co. - Analyst***
Got it. And then within the backlog, are there applications in cold storage in there?

Tom Ernst ***Symbotic Inc. – Chief Financial Officer***
So, we haven't addressed that, and that's something that might be hard to address as we look forward. Our customers' strategies are often something they want to keep to themselves. So no, we haven't addressed the mix of the specific technologies in our backlog.

Operator
I'm showing no further questions at this time. I'd like to turn the call back over to Jeff Evanson for any closing remarks.

Jeff Evanson ***Symbotic Inc. - VP, IR and Corporate Development***
Thank you, Valerie. And thank you, everyone, for joining our call tonight. We appreciate your interest in Symbotic, and we look forward to seeing you at conferences, on our warehouse tours

or virtually when we talk over the next quarter. Have a great night. Bye-bye.

Operator
Thank you. Ladies and gentlemen, this does conclude today's conference. Thank you all for participating. You may now disconnect. 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.