



Symbotic Inc

Q2 FY 2025 Financials Call

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PRESENTATION

Operator

Thank you for standing by. Welcome to Symbotic's second quarter 2025 financial results conference call.

(Operator Instructions)

I would now like to hand the conference over to your first speaker today, Charlie Anderson, Vice President of Investor Relations.

Please go ahead.

Charlie Anderson Symbotic Inc. – Vice President, Investor Relations and Corporate Development

Thank you. Hello. Welcome to Symbotic's second quarter 2025 financial results webcast.

I'm Charlie Anderson, Symbotic's vice president of investor relations.

Some of the statements that we make today regarding our business operations and financial performance may be considered forward-looking.

Such statements are based on current expectations and assumptions that are subject to a number of risks and uncertainties. Actual results could differ materially.

Please refer to our Form 10-K including the risk factors.

We undertake no obligation to update any forward-looking statements.

In addition, during this call we will present both GAAP and non-GAAP financial measures.

A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release, which is distributed and available to the public through our Investor Relations website located at ir.symbotic.com.

On today's call we are joined by Rick Cohen, Symbotic's Founder, Chairman and Chief Executive Officer; and Carol Hibbard, Symbotic's Chief Financial Officer.

These executives will discuss our second quarter fiscal 2025 results and our outlook, followed by Q&A.

With that, I'll turn it over to Rick to begin.

Rick?

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

Thank you, Charlie. Good afternoon. And thank you for joining us to review our most recent results.

In the second quarter, we delivered strong results, both financially and operationally.

Our revenue grew by 40% year-over-year, and our gross margins expanded significantly, reflecting our focus on project execution while controlling costs and delivering high-quality deployments. Carol will give more detail on the level of improvements in her remarks, but at a high level, the changes we have made to improve our deployment processes are beginning to pay off.

These include a more streamlined and predictable workflow in installation, closer coordination with contractors by in-sourcing construction management, and a strong emphasis on quality management principles to minimize errors and rework, among others.

With stronger project execution, we are well positioned to access future growth and are adding talent to do so. That includes Brian Alexander, our new Senior Vice President, Commercial, who joined us recently from Hub Group, where he served in roles including Chief Operating Officer and



Chief Marketing Officer, serving multiple Fortune 500 clients with specialized supply chain solutions.

Additionally, GreenBox, our warehouse as a Service joint venture with SoftBank, recently hired Ashfaque Chowdhury as CEO.

Ashfaque joins GreenBox from CEVA Logistics, where he oversaw the third largest contract logistics business in the world as its Global Managing Director. GreenBox also began a third site during the quarter, and we remain excited about its prospects.

During the quarter, we also closed our acquisition of Walmart Advanced Systems & Robotics, or ASR, which expands our product portfolio to include a micro-fulfillment solution, both for ambient and perishable environments. Beyond this addition, we have compelling innovation on our roadmap to deliver even more value to our customers while also building upon the progress we've made to deploy systems more efficiently. I'm excited to share more in the coming quarters.

In summary, Symbotic is in an advantageous position going forward. We have a strong multiyear opportunity with nearly \$23 billion of backlog. Our margins have expanded due to improved execution, and we continue to attract impressive talent.

I will close my remarks by thanking our customers for their continued trust, our team for their strong execution and our investors for their support of our company. Now Carol will discuss our financial results and outlook. Carol?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Thanks, Rick.

Second quarter revenue grew 40% year-over-year to \$550 million, with revenue growth driven by solid progress across our 46 systems in deployment, and we more than doubled the number of operational systems from a year ago.

We also benefited from two months of contribution from the acquired Walmart Advanced Systems & Robotics. Higher revenues than forecast, combined with improving gross margins drove a reduction in our net loss to \$21 million in the second quarter versus \$55 million in the second quarter of fiscal 2024. Adjusted EBITDA in the quarter of \$35 million was also above our forecast and more than tripled year-over-year from \$9 million in the year ago quarter.

In our second quarter, we began a record 10 new system deployments, which included one new GreenBox site in Southern California intended for multiple tenants, along with multiple BreakPack deployments.

We also completed eight systems in the quarter, doubling our previous record of four, bringing us to a total of 37 operational systems.

As Rick mentioned, we are improving our installation performance. You have heard us talk in the past about total deployment timelines of roughly 24 months, defined as the time between the signing of the statement of work for system to customer acceptance of that system.



However, the portion of the deployment most in our control is the time between the start of its installation and its acceptance by a customer. This also happens to be where we see most of the cost and revenue recognition, which impacts our margin performance.

The largest sample size we have for comparison are the Phase 1 deployments for our largest customer. In the second quarter, our installation to acceptance timelines were roughly two months shorter for Phase 1 systems than our historical average. And notably, these systems were 15% larger in size than our historical average for Phase 1 systems. Normalizing for size, which also equates to revenue, our improvement level is more than 30% better than our historical average.

With the increase in operational systems, we saw our software revenue grow by over 160% year-over-year to \$6.7 million and operations services revenue grew 47% year-over-year to \$29.6 million.

In terms of the backlog, our backlog was \$22.7 billion and grew sequentially from \$22.4 billion last quarter. This increase was primarily due to the addition of our development contract with Walmart associated with accelerated pickup and delivery, or APD systems, offset by the revenue recognized.

Turning to margins. System gross margin improved significantly on a sequential basis as we gain the expected improvement from completing lower-margin systems while also improving our overall project execution as both Rick and I highlighted. Revenue from Walmart ASR was also accretive to our system margins.

Gross margin on software maintenance and support again exceeded 65% trending toward typical software industry margins as we gain scale. And in operation services, we swung back to a gross profit, thanks to a more favorable mix due to training revenue associated with the large number of new systems that went live. We also saw modest benefits in the Walmart ASR acquisition, where we are now providing services for the existing APD sites in operations. Operating expenses were up sequentially due to acquisitions and the investments we are making to support our growth.

We finished the quarter with cash and equivalents of \$955 million, which increased from \$903 million in the first quarter, primarily due from cash from operations of \$270 million in the quarter, offset by the \$200 million paid for Walmart ASR and \$21 million of capital expenditures.

Now turning to our outlook. For the third quarter of fiscal 2025, we expect revenue between \$520 million to \$540 million and adjusted EBITDA between \$26 million and \$30 million.

In summary, our execution has improved, resulting in improved gross margin performance, and we are investing to drive future growth and product innovation. With that, we now welcome your questions.

Operator, please begin the Q&A.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions)

Our first question comes from the line of Andy Kaplowitz with Citigroup



Andrew Kaplowitz, Citi -- Analyst

Rick and Carol, I know one of the big focal points this year was scaling for growth. So does Q2 foreshadow where you want to be in terms of, I think you said 10 system starts and completions. And if it does, how do we think about system starts and completions given the ramp-up in Q2.

Carol, I know you've said in the past it's lumpy, but should we assume that you've turned the corner, you continue to ramp up from here? And is the improvement really a function of getting your arms around EPC and sourcing?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

So thanks for the question, Andy. Our system starts will continue to be lumpy. So I do think the number that we start is a combination of ourselves as well as our customers, being ready to go ahead and launch and demo in a new building or a new space. And so it's a mutual decision between the two of us to go ahead and start.

But that being said, we do see the trajectory with the backlog ahead of us that we will continue to see the number of system starts improve as we go through the coming quarters and the coming years.

Andrew Kaplowitz, Citi -- Analyst

Got it. And you're forecasting EBITDA margin down a bit sequentially in Q3 versus Q2 at the midpoint.

Is there anything in the forecast for tariff-related impact? Maybe it's mix? Can you talk about the puts and takes on margin going into the second half? And do you have an estimate for tariff-related expense? Or how are you thinking about it moving forward in terms of price versus cost?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Okay. Yes. You've got a lot wrapped up in that question.

I'll start with the overall gross margin performance. So this quarter's gross margin performance was driven by three key things. It was project mix. We had eight projects that we completed, many of those were our lower-margin projects. And so those will be moving off. Overall, project execution improved, we also had contribution, as I mentioned, from our ASR business, which is bringing accretive margins to our overall systems revenue.

As I think about the -- our EBITDA guide for 3Q would imply roughly 100 basis points down from what we just posted this quarter. Primarily, the difference there is the ASR business for this quarter was higher than what we expect to see in the next quarter.

And so some of that business, as we work through overall design, we'll see that ramp back up in the coming quarters when we start building prototypes.

But you're seeing the impact of that, which is why we're at roughly 21% for the coming quarter. In terms of tariffs, our guide, both for top line and for bottom line does not include the impact of tariffs.



If I think about tariff impact for us, with most of our contracts allowing tariffs being passed through, you'll actually see increases in revenue associated with that, but it will be a drag on gross margin because it's pass-through revenue.

Andrew Kaplowitz, Citi -- Analyst

Got it. So just being dollar for dollar [pass-through]?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Yes.

Operator

Our next question comes from the line of Nicole DeBlase with Deutsche Bank.

Nicole DeBlase, Deutsche Bank – Analyst

Just a follow-on from Andy, you guys are also kind of modeling revenue down sequentially in the third quarter, which is unusual from a seasonal perspective. Is that also to do with the timing of acquisition impacting the P&L? Or is there something else going on there?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

So thanks for the question, Nicole. There is a little bit of impact because we did have modest revenue this quarter associated with ASR. We'll see that drop a little bit in the next quarter. But the primary driver for our third quarter revenue is really a function of the number of starts that we had a year ago.

So if you remember, 2Q and 3Q last year were our lowest system starts and we're now a year into where they would be really heavy in system implementation. And so that's the primary driver in terms of what you're seeing for our guide for the third quarter.

Nicole DeBlase, Deutsche Bank – Analyst

Okay. Understood. And then with respect to the OpEx, so R&D and SG&A stepped up pretty significantly sequentially. Are we now kind of at a good R&D and SG&A run rate? Or should we expect further step-ups in the second half?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

For our R&D run rate, I'd say that's a good run rate going forward. The SG&A run rate was higher this quarter, primarily related to acquisitions. So our acquisition costs were higher in SG&A. You're going to see that step back down in the next quarter and see that flatten.

Nicole DeBlase, Deutsche Bank – Analyst

Any quantification of how much we should expect that to step down?

Carol Hibbard Symbotic Inc. – Chief Financial Officer



I would expect \$4-5 million in a stepdown in the SG&A OpEx.

Operator

Our next question comes from the line of Jim Ricchiuti of Needham.

Jim Ricchiuti, *Needham -- Analyst*

I wasn't sure if you gave this in your script, did you say what ASR contributed in the quarter to revenue?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

No. We did not. Thanks for the question, Jim. So we are a single-digit percent of revenue associated with ASR.

As we build out the development program over the coming eight to 12 quarters, you'll see our revenue for ASR in back half of this year, early next year start ramping up as we start building prototypes.

Jim Ricchiuti, *Needham -- Analyst*

Got it. That's helpful. Are you able to tell us what the installation time looks like for your large customer? You're clearly are making progress there. But -- and I know some of these are different. But is there any -- in rough terms, can you tell us what the installation to acceptance time looks like right now?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So we quantify from start or signature of a project when we hit project acceptance of about 24 months. the install to acceptance, which is what we indicated where we have the most ability to impact is about half of that time.

So what we saw this quarter is a couple of month improvement. So we think we were at 12 months from install to accept on the -- a couple of the projects that we had this quarter, we saw two months shaved off of that.

Operator

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

Matt Summerville, *D.A. Davison – Analyst*

I was hoping maybe you could talk a little bit more about your technology and innovation roadmap, Rick. You've obviously touched on the development in perishable in the past.

So maybe an update there and maybe some of the other projects you're able to talk about that you're working on, maybe some milestones you may be achieving along the way there with some of those things. And then I have a follow-up.

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

Yes. Thanks, Matt. So with the ASR projects, which we're developing, we will have bots that can do both perishables and frozen.



So -- and that will -- eventually, we're now beginning to talk to people about actually building perishable warehouses for them. So -- that's on our roadmap and I can't say exactly when that will happen, but it's a lot sooner than it was two months ago.

So there's demand for it, and people are very interested in that. And we have to do it for the back of the store. And so that's moving right along. The other -- and we're doing a couple of other things to make the structure smaller, which is giving us opportunities to talk to customers that want smaller systems.

And also, it actually will accelerate the installation of some of the bigger systems because we can actually put more in a smaller space and get it built faster.

So technology is moving right along, we're starting our second design of our BreakPack system. The first one is working well. The second one is -- will be better. So we're now really able to offer three products.

One is the big system, and that can come in anywhere from very, very large to a couple of inbound and outbound cells on the smaller side. BreakPack system can be large or small. And now we're talking about a third module, which will be the really a 15,000-[square]-foot system in the back of a store or even -- we've had some people now come and say, "could you do a 30,000-foot system for us for special needs."

So as our product offering is expanding -- we're generating a lot of interest. And so we'll be going -- the development will be continuing to speed up.

Matt Summerville, *D.A. Davison – Analyst*

And as a follow-up, Carol, I just want to be clear. The Walmart ASR revenue was a single-digit millions or single-digit percentage because if it's a single-digit percentage that could be anywhere from like \$5 million to \$50 million.

So can you maybe help us triangulate on that a little bit. And then also, if you guys can give an update on when you think you'll be able to make some announcements regarding potential GreenBox tenants.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So yes, to clarify, ASR was single-digit percentage I'd say that's mid- to high single-digit percentage of revenue.

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

Yes. GreenBox -- we now have a CEO, and so we're accelerating our sales efforts, looking at a number of strategic opportunities and now talking to early customers about involvement in GreenBox.

Our first customer will be the Lathrop site, and that will be -- C&S will be the very first customer, plus we may be able to add some other customers onto that site compared to incorporating all the capacity that's available. Second site's in Atlanta, the third site will be in California. So more interest because we're on both coasts now.



Operator

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

Joe Giordano, TD Cowen – Analyst

Just curious on the tariffs. Is there any like -- how hard is the language on this stuff with pass-throughs? I know we had some in the past, like some of the stuff that was thought to be reimbursable was not. So like I'm guessing these contracts when they are written or then contemplating something like this necessarily like from a policy standpoint.

So how much debate or like ambiguity is there around [this]? Is this kind of except like is something from Eurozone? Like how do we think about this? Is there -- how certain are you on that?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

We are certain. So in general, these costs will be passed through for us. And we've gone through and analyzed all of our contracts over the last quarter or so. And I'll take this opportunity, Joe, to highlight a bit on tariffs because I really just answered the portion related to guide. So if I think about the current environment, we have now our overall exposure is a single-digit percent of a typical system.

We have coverage for USMCA for our bot production in Mexico. So our primary exposure comes from Europe. And as I indicated, the costs are passed through.

We recognize that this equates to higher system cost, though. And so we're in the process of identifying with our supply chain: What else can we go do to work offsets so that we're not passing all those costs on to our customers? But from a contractual perspective, we're protected.

Joe Giordano, TD Cowen – Analyst

Got it. That's clear. And then, Rick, I know it's early days with ASR, but like -- any updated thoughts on how you might be able to leverage kind of technology and best practices to take the best parts of each of the three types of modules you have to make like the three best things you can build?

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

Yes, sure. I think we're talking to some people about putting all three in the same building. And then we're also talking to some people about just putting them in the back of the store. Essentially, ASR is -- and this is a potential big plus for GreenBox -- is a modified e-commerce solution because we're actually, the goal of the system is to pick an each, put it in the bag, in the back of a store customer picks it up or you deliver.

But you can put it in a box and ship it to a customer. So -- and of course, e-commerce, the top 300,000, 400,000, 500,000 items that sell in e-commerce are the same top 400,000, 500,000 items that sell in the store.

So where we've had a lot of incomings because micro fulfillment, which is what other people call it, was really only looking at doing 5,000 or 6,000 items in the back of a store. And we think we



can do it in 15,000 or 20,000 feet -- we think we can do 50,000 or 60,000 items. So in 100,000 square feet, we might be able to do one million items. And so the opportunity -- and it uses the same basic software platform. There's some changes we would make to the bot.

But the reason that people are interested in because this is an existing technology that's modified -- the example I keep using this is just another app on the iPhone using the same iOS. And that's the way we position the technology, but it solves different problems for different customers. And there's shipping cases, they're shipping interpacks, and they're shipping eaches.

So, we think we're the only ones that actually offer with the same software and the same supplier, all three levels of integration. So, people are interested in that.

Operator

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

Mark Delaney *Goldman Sachs – Analyst*

Just trying to better understand what you're seeing for the potential to bring in additional customers, not only with GreenBox, but with Symbotic. You talk a little bit around the momentum and having a GreenBox CEO, but maybe you could elaborate a bit more on potential incoming demand? And have you seen it change at all with the tariff landscape and some of the supply chain challenges that may be creating for some of potential new customers?

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

We've seen two things. We've seen some people just -- the world is so unknown. We've had a lot of incoming.

We've had people probably said we want to study this. We want to understand it. Not sure we want to go forward to some -- and then the flip side is in places that have a lot of visas are foreign labor that was coming into the U.S. We've seen a significant uptick in places where large customers are doing well are very concerned about labor shortages. And so on balance, I would say we're seeing more incoming plus we've also increased our sales force.

So we probably made twice as many sales calls in the second quarter as we did in the prior one. But in general, we're -- I think the amount of incoming is increasing.

We're not -- the first thing we get is -- how effected are you by tariffs, what's the pricing? Most of our stuff comes from the U.S. We make a lot of stuff in a trade free zone in Mexico. So I think there's like, "okay." And then I think people think inflation is coming.

I think they think labor is going up. And so, a lot of incoming for that -- for those reasons. So, on balance, I would say, we're not seeing -- we're seeing more incoming than we are seeing people holding off.

Mark Delaney *Goldman Sachs – Analyst*

This is very helpful. A follow-up on that. I mean what's the likelihood in your opinion of material new customers being announced this year, either for GreenBox or core Symbotic? I recognize you would want to be selective and take the right kinds of projects on, but do you expect to be able to announce meaningful new customers this year?



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

We do.

Mark Delaney *Goldman Sachs -- Analyst*

Okay. Helpful. We'll stay tuned. My other question was for you, Carol, on free cash flow, very strong in the quarter, I think \$249 million against EBITDA of \$35 million. So maybe elaborate a bit more on what drove the degree of free cash flow strength and how to think about free cash flow from here.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. 2Q, similar to where we were in 1Q, benefited by timing of receipts. And as we've talked about, when we have a quarter where we're high in terms of the number of signatures, so we had 10 new starts this quarter.

Our contracts are pretty much set up as we get cash flow early on. And so that's what you're seeing levered. We also had the acquisitions take place this quarter.

So both the incoming cash and the outgoing cash, which was a net benefit for Symbotic. I would expect our free cash flow position between now and the end of the year to be stable as we head into the end of the year.

Operator

Our next question comes from the line of Colin Rusch with Oppenheimer.

Colin Rusch, *Oppenheimer – Analyst*

As some of the perception technology begins to evolve at a little bit faster rate. How quickly can you start to integrate some of that improvement into your systems? And how should we think about that impacting the productivity of the overall system.

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

Yes. I mean great question. So, we are -- because we're in 20, 30 warehouses now but we can also see each level of a warehouse. So let's say, there's 10 levels in the warehouse. There might be 300 or 400 [overall] levels where we'll have 100 bots on each level. So we now have bots in warehouses with LiDAR. We have bots in warehouses with vision. We have bots in warehouses that we can run remotely.

So, the level of technology and the incoming -- I mean it's very interesting and the incoming talent is accelerating. So, we would expect that the level of innovation will increase, not decrease.

I think we're just getting started with the learnings for what the bot can do. And so eventually, our fleet will be pretty much -- I don't know if it will be 100%, but pretty much a significant portion of our fleet will be -- will include LiDAR, we also have a new battery, which has 10x the energy.



So, I think what's going to happen and what we've been working on as we scale, is much more reliable machines and therefore, fewer operators, therefore, lower operating costs and therefore, higher returns for our customers and for us and easier to sell the system.

So, I think when we started the technology, there was always a concern about "where are you with Walmart? Where are we with the first systems?" And the word of mouth that we're getting back is why I think our incoming is increasing.

There's just nobody doing -- there's nobody that has LiDAR that we know of on a bot that runs in a warehouse at this scale. Nor can I tell you about bots, nor do you have vision. So all of those things are things that we're accelerating.

Colin Rusch, *Oppenheimer – Analyst*

That's super helpful. And then just in terms of the scalability as you get into the back half of the decade, early next decade.

I'm curious about the work that you're doing with finance partners in terms of underwriting these things with that, underwriting these assets with that, and helping kind of seed some of the education at this point? I guess, how mature is that, is that process? And is it anything that you really need to invest a fair amount of time on at this point?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So, we haven't encountered very many customers that have inquired about a financing arm. When you think about what GreenBox is designed to do, with GreenBox being warehouse-as-a-[service].

That's one of the opportunities for customers who might have less CapEx capability, so they could come in and be able to utilize part of the warehouse. And so, we've used GreenBox as that part of the leverage, but we have not seen a lot of incoming to date from our customers looking for financing.

Operator

Our next question comes from the line of Guy Hardwick of Freedom Capital Markets.

Guy Hardwick *Freedom Capital Markets – Analyst*

Just wondering what the Q3 revenue guidance assumes in terms of systems and deployments. Because obviously as pointed out earlier, it is a step down. So just wondering what you have in terms of deployments and progress as well as completions and starts in the quarter?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So thanks for the question. We typically don't guide with specific numbers of systems that are in deployment. But if you think about three were signed a year ago, four were signed the quarter after that, -- 12 months in, those are not -- there's not a large number contributing to the heavy install at that point.



We've got 10 that we signed this quarter and associated with our revenue ramp. Typically, we see revenue first quarter where we signed and then we're pretty stagnant on that for the next couple of quarters. But we typically don't guide in terms of total number of systems in deployment.

Guy Hardwick *Freedom Capital Markets – Analyst*

Okay. And just a follow-up on GreenBox. Can you kind of update us on kind of the progress of building out the sales capability and what stage do you think the GreenBox as a company is at this point?

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

I think pretty much, it's an early stage. We have two sites beyond the initial site that we're building out the sales force for and we're prospecting. And we've hired people from the 3PL space, one from Hub Group, one from CEVA. And we have some time because the buildings are still being built out for the Symbiotic system.

So we have about a year, 1.5 years before we're really concerned about filling them up, but the prospecting is going well and we're continuing to make a lot of sales calls. So, it just takes time.

Operator

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

Derek Soderberg *Cantor Fitzgerald – Analyst*

On the ASR business, can you provide some color as to what sort of revenue that is? I think you mentioned you're providing services. Curious if you're paying based off of each unit that you're handling? And I might have missed it, but are we going to be seeing that ASR revenue in operation services? Or is there a systems component to that as well?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

The development associated with ASR is running through our systems line. And so that's where we saw the revenue for this quarter primarily. And we talked about that being mid-to-high single-digit percentage of what we posted for the quarter. And so that's the development activity and the design activity. And for the next three years as we work through develop and build of our three prototypes, that's where you're going to see the primary revenue.

We do have some revenue running through recurring because associated with the acquisition, we are responsible for maintaining the existing APD systems.

So we have a small amount of software running through software, and then we have parts and services similar to how we operate our core business that you're going to see in the op services, but it's a very small amount of revenue.

Derek Soderberg *Cantor Fitzgerald – Analyst*

Got it. That's helpful. And then, Rick, you mentioned your scale and capabilities and just sort of being at multiple layers in the supply chain -- it seems like you can find some pretty valuable insights with that data.



Curious if you're exploring new avenues to monetize some of that data. Has there been an environment where you've kind of found certain insights and plug that back into the ROI of the system that longer term can improve kind of the wallet share with your customers? Any ways to sort of monetize that data at this point?

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

Yeah. We are doing that, we're actually -- the selling of the customer's data, the customer owns the data, so that's very tricky for us. And so, we should just -- I get asked this question a lot. And so, we can't sell their data. It's their data.

But what we've learned is surprisingly, we probably know more about the shape and size of boxes than anybody in the world at this point. And so, it's actually helped us redesign our system to be smaller, and that allows the customer to store more, and we're actually taking advantage of that in our pricing.

Operator

Our next question comes from the line of Ken Newman with KeyBanc Capital Markets.

Kenneth Newman *KeyBanc Capital Markets – Analyst*

Carol, maybe back on the tariff question. I know it sounds like the guide isn't reflecting any impact from pass-through pricing.

But I am curious if you're already seeing some of your larger suppliers push price to you. And curious if you have a sense of just how much that pass-through could look given the early notifications you may or may not be getting from your suppliers?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So, our primary impact is from Europe. Their tariffs went into effect in April. And so 3Q will be the first where we're actually seeing the impact of that. As I indicated, we're a single digit percent of a typical system.

And so, what we're in the process of doing right now is discussions with our supply chain because we also are interested in making sure we're focused on continuing to reduce the cost.

So, where we'll start seeing the impact is as the suppliers deliver equipment here in the third quarter. But we're in discussions to figure out other ways to offset.

Kenneth Newman *KeyBanc Capital Markets – Analyst*

Right. Okay. And then maybe as a follow-up there, just on that pass-through conversation, I get that pass-through protects gross profit dollars, but given all the talk that you had on improving the efficiencies and lowering the amount of time it takes to deploy a system, I would imagine you could also drive stronger SG&A leverage. Even if -- on the higher revenue base, even if you keep price cost neutral on the gross profit line. I know there are a lot of moving pieces, but do you think it's possible to drive EBITDA margin expansion even if the gross margins are nominally weaker just from tariffs?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*



Yes. We continue to focus on our SG&A leverage. And I think the step-up you saw this quarter was primarily related to our acquisitions as we get the synergies between the two companies better understood and work through that integration, we hopefully will be able to identify additional synergy going forward.

And then as you indicated, as we continue to scale, we're seeing the benefit of that scale on overall program management on our -- just the performance of what we did for in-sourcing on our EPC contract. So, we're starting to see the benefit as we continue to ramp.

Operator

Our next question comes from the line of Greg Palm with Craig-Hallum.

Greg Palm, Craig-Hallum – Analyst

Specifically on gross margin, I think, Carol, you mentioned or alluded to maybe a little bit of a benefit in the quarter from ASR.

But can you just talk about whether there were any other sort of one-time benefits? It sounds like a lot of it was just due to more efficiencies. And obviously you had much better gross margin in software and operation services. But, just kind of curious how you view that going forward?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Yes. The other one-time benefit is mostly in the recurring. And so, in a quarter where we had eight systems hit acceptance there's a significant amount of high-margin training revenue that goes along with that accepted.

So that's what you're seeing in the op services revenue. We had a bounce back this quarter from last quarter. So that's the one timer.

But in terms of the system gross margin – the project mix shifting – that will continue going forward. Our overall improvements that we're seeing from shorter install duration, benefits from bringing the in-sourcing in of EPC. That will continue.

And the ASR is a higher margin contribution. And so, we saw the benefit of that in the quarter, we'll have less of that next quarter, but that will come back as revenue continues to grow.

Greg Palm, Craig-Hallum – Analyst

Okay. Perfect. And you mentioned the three GreenBox locations already. I think there are another 10 that you have already specifically targeted in terms of cities. Can you just help us out with revenue contribution from GreenBox? I mean is there a timeline associated with the startup of these additional 10?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

And so, what we've talked about -- so we've launched three. And in prior quarters, we had talked about five locations where we would typically be thinking through a potential multi-tenant warehouse.



So one was the Atlanta region, one was Southern California. We've looked at Dallas, we looked at Chicago and we've looked at somewhere on the East Coast. So we've identified five of those which we have now launched two.

GreenBox has been slower to ramp -- but now that we've got the CEO and they're in place identifying additional sales folks, I think we're going to see a lot more activity on GreenBox in the coming quarters.

Operator

Our next question comes from the line of Robert Mason of Baird.

Robert Mason Baird – Analyst

Carol, you may have run through this, but could you bridge the backlog again from Q1 to Q2? I know ASR was booked, but was there anything else?

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Yes. Thanks for the question. Backlog, the addition to the backlog was for the development associated with the ASR business -- that was the only addition and then what you saw was reductions associated with the revenue posted for the quarter.

So those offset. And then every quarter, as we talk about, we sign a final statement of work, there's puts and takes in terms of final configuration, and that's what the delta is.

Robert Mason Baird – Analyst

Okay. Maybe related to that, I think earlier on, you mentioned around your deployment schedules compressing some of that Phase 1 -- some Phase 1s are now 15% larger than some of the earlier stage deployments.

I'm just curious what's driving that? Or is that just the nature of the particular sites? Or the customer wants more installed upfront. I'm just curious what's caused the expansion.

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Yes. It is purely the nature of those particular sites. I would not infer from that, that all future Phase 1s are getting bigger.

It really is dependent on every single location and size and capability of that particular warehouse as we go in. And as we talked about our largest customers, we typically end up with three phases. And so, there is a little bit of a mix of what they want to do in Phase 1, 2, or 3. But I would not infer that all of our Phase 1s are getting 15% larger.

Operator

I am showing no further questions at this time. I would now like to turn it back to Charlie Anderson for closing remarks.

Charlie Anderson Symbotic Inc. - VP, IR and Corporate Development

Yes. Thanks, everybody, for joining our call tonight. We really appreciate your interest in Symbotic



and look forward to seeing many of you during the quarter during the investor conferences we attend. Thanks. And have a nice day.

Operator

Thank you for your participation in today's conference. This concludes the program. You may now disconnect.

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.

