Transcript of SmartRent First Quarter 2021 Earnings Call by Lucas Haldeman

Operator:

Good morning and welcome to the SmartRent first quarter 2021 earnings conference call. All participants will be in listen-only mode and there will not be a Q&A session following the prepared remarks.

Before we begin, I would like to remind you that various statements made during this call that are not statements of historical facts constitute forward-looking statements that are subject to risks, uncertainties and other factors that could cause the company's actual results to differ from historical results and/or from its forecast, including those set forth in Fifth Wall Acquisition Corp. I's S-4 filed on May 14th and the exhibits thereto.

For more information, please refer to the risks, uncertainties and other factors discussed in Fifth Wall Acquisition Corp. I's SEC filings. All cautionary statements that are made during this call are applicable to any forward-looking statements made whenever they appear. You should carefully consider the risks, uncertainties and other factors discussed in Fifth Wall Acquisition Corp. I's SEC filings. Do not place undue reliance on forward-looking statements, which the company assumes no responsibility for updating.

Hosting today's call is Lucas Haldeman, Founder and Chief Executive Officer of SmartRent. I will now turn the call over to Lucas. Lucas, please go ahead.

Lucas Haldeman:

Thank you and good morning, everyone. Welcome to SmartRent's first quarter 2021 earnings call. We are excited to provide a brief overview of our strong first quarter performance and would like to thank our investors, customers and all our team members for helping us get to where we are today. This morning, SmartRent and Fifth Wall Acquisition Corp. I issued a press release announcing SmartRent's first quarter results, which is also available at investors.smartrent.com. I'll begin today's discussion with an overview of the quarter and talk about some business highlights and will then discuss our first quarter financials in greater detail.

Before we dig into our first quarter performance, let me start with an overview of our business and why we believe we are uniquely positioned to capitalize on significant growth opportunities. SmartRent was founded in 2017 as an enterprise smart home and smart building technology platform for owners, managers and residents. Over the last several years, we have seen rapid growth in our business as we developed a single fulsome solution to managing all smart home residential technology that is deeply integrated within each residential community. Our real estate owners and operators enjoy seamless visibility and control over their assets, as well as cost savings and additional revenue opportunities through all-in-one home control offerings, while our residents derive the benefits of an elevated, smart living experience, as well as potential cost savings.

We believe we have developed the most scalable and owner/operator-friendly smart home operating system in the industry and have a growing base of recurring revenue with an opportunity to generate up to $1.5 billion in annual revenue solely from our existing customer base. We are proud of the fact that 15 of the top 20 multifamily owners in the U.S have chosen to partner with SmartRent, alongside many

of the top single-family owners, homebuilders and other leaders in the residential industry. Our growth trajectory is further supported by an exceptional 0% customer churn since our inception and the fact that many of our existing customers install our SmartRent solutions across their full operating portfolios over time. Furthermore, 80% of our revenue projections for 2021 – 2022 come from already committed units. We are continuing to grow our user base and intend to leverage Fifth Wall's investor base of domestic and international real estate owners as the company expands into Western Europe, Japan, Southeast Asia, and more.

We have made great progress as a company and during the first quarter we installed our products in over 32,000 new units, nearly double the installations achieved during the first quarter of last year. As of the end of the first quarter, we have nearly 188,000 units deployed, which is up 109% year-over-year and demonstrates our remarkable growth and strong adoption of our solutions nationwide. We added 19 new logos and booked more than 45,000 units during the first quarter and the signed contracts to date in Q2 demonstrates the strong demand we continue to experience.

As part of our plan, our second quarter was projected to see a sequential decline in new units deployed over the first quarter of 2021 due to the temporary delays experienced in our supply chain as a result of the global chip shortage. Despite these constraints, we are happy to report that we are tracking in line with our second quarter unit install projection. The supply chain issues from April and May have been largely resolved, and we do not expect the pace of installs to be impacted going forward. We have the booked sales, the inventory, and the personnel required to deliver planned units throughout the remainder of the year, positioning us well to achieve our full year 2021 projections.

Conversations with our customers have been extremely positive and we continue to sign new contracts and increase our backlog at a healthy pace. Importantly, our deferred revenue continues to grow and allows us to enjoy a predictable and steady stream of recurring revenues.

Since the beginning of the year, we've announced new products and partnerships that will support our growth trajectory. In May, SmartRent announced the launch of an exclusive integration with Engrain, which is a map visualization technology leader. The integration will allow us to deploy and optimize our new parking management solution, Alloy Parking, which uses parking sensors to track vehicles on-site and provide real-time occupancy data, violation alerts and trend reporting.

Also, earlier this year, we announced a number of new features including the addition of Guest Parking to Alloy Parking and the addition of Hubless Credentials to Alloy Access. We are also pleased to report that the SmartRent platform now supports electronic locks from Salto Locks, which provides wire-free bluetooth, low energy solutions that does not require a WiFi connection. These partnerships and integrations allow us to optimize management efficiency and to continually enhance our users' experience.

As many of you know, in April, we announced our intention to go public via a merger with Fifth Wall Acquisition Corp. I, which is a special purpose acquisition corporation sponsored by Fifth Wall, the world's largest proptech investor. This is an exciting new stage in our journey as a company.

Importantly, following the close of the transaction we are expected to hold up to $513 million in cash. This is comprised of the funds from the FWAA IPO, as well as proceeds from an oversubscribed PIPE

totaling $155 million. This transaction will allow us to accelerate the growth of our category-leading smart home technology for the global real estate industry.

Additionally, the PIPE is anchored by leading real estate companies, SmartRent customers, and institutional investors. We expect the transaction to close during the third quarter of this calendar year and look forward to taking this next step as a public company.

Before turning to the financials, I wanted to spend a moment to recognize our Company's achievements which reflect the tremendous work of our entire team. Our innovation, rapid growth and best-in-class customer service are being recognized in the industry and I am proud to announce that SmartRent was recently named a winner in the HousingWire Tech100 Real Estate awards, recognizing the most innovative technology companies serving the mortgage and real estate industries.

Additionally, we were named #1 in Growjo's "100 Fastest Growing Companies in Arizona" Awards for 2021. Lastly, we continue to focus on customer satisfaction, and I am happy to say the SmartRent Support Team was recognized as a Silver Stevie Winner for Contact Center of the Year within the technology sector.

I'll now turn to key financial highlights for the first quarter. We had a strong start to the year and have continued to grow the business, underscored by the significant increase in units installed, which exceeded our forecast. Now onto the details…

Total revenue was $19.2 million, an increase of $2.6 million, or 16%, from $16.6 million in the first quarter of 2020. The year-over-year increase was primarily driven by an increased number of active subscriptions for the Company's software service applications and an increase in the volume of installations of the Company's smart home hardware devices. We benefited from higher-than-expected unit installations during the quarter, which more than made up for a delay of revenue related to our anticipated launch of the Fusion Hub, which was pushed from the first quarter to the second half of 2021 due to the aforementioned chip shortage-related supply chain issues.

Total deferred revenue, which is an important metric in measuring our future revenue and reflects the growth potential of our business, was $64.0 million as of March 31, 2021. This was up from $53.5 million at the end of the fourth quarter of 2020 and up from $27.4 million as of the end of the first quarter of 2020. We expect to recognize 48% of total deferred revenue within the next 12 months, and 31% of total deferred revenue between 1 and 2 years. The remainder of the total deferred revenue, we expect to recognize within 5 years.

Our annualized recurring revenue, or ARR, was $5.3 million in the first quarter of 2021, up 101% compared to $2.7 million in the first quarter of 2020.

Our operating expenses totaled $8.8 million, up from $7.4 million in the prior year period. This was largely due to an increase in research and development expenses related to product portfolio enhancements, as well as sales and marketing expenses primarily from increased personnel-related costs to support the growth of the Company's operations as we scale. The Company has increased its total headcount by approximately 100% since the end of March 2020.

Adjusted EBITDA was negative $7.9 million in the first quarter of 2021, driven by the push out of Fusion Hub revenue and increased operating expenses. Net loss was $9.3 million in the first quarter of 2021.

Before we wrap up the call, I would like to take a moment to reiterate the strength of our business and the growth we are experiencing as evidenced by our first quarter results. As of March 31, 2021, our customers owned an aggregated 2.9 million rental units and those customers are expected to deploy SmartRent solutions in more than 600,000 units in the next two years. I am happy to say that we are seeing strong momentum in the business carry into the second quarter. Thank you for joining the call today and we look forward to providing future updates on our continued progress.

Operator:

The conference call has now concluded. You may disconnect your lines at this time. Thank you for your participation and enjoy your day.