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SmartRent Technologies, Inc.

Fourth Quarter and Year End 2021 Earnings Call

March 24, 2022

CORPORATE PARTICIPANTS

Evelyn Infurna, *Senior Vice President, Investor Relations*

Lucas Haldeman, *Chairman and Chief Executive Officer*

Jonathan Wolter, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Max Kemper, *Goldman Sachs*

Tom White, *D.A. Davidson*

Ryan Tomasello, *KBW*

Sidney Ho, *Deutsche Bank*

Erik Woodring, *Morgan Stanley*

Ben Sherlund, *Cantor Fitzgerald*

PRESENTATION

Operator

Good evening, and welcome to the SmartRent Inc. Fourth Quarter and Year End 2021 Earnings Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the Management's presentation.

As a reminder, this conference call is being recorded.

I would now like to turn the call over to your host Evelyn Infurna, Senior Vice President of Investor Relations. Thank you, Evelyn. You may begin.

Evelyn Infurna

Thank you, Operator.

Hello, everyone, and thank you for joining us today.

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Lucas Haldeman, Chairman and CEO, and Jon Wolter, Chief Financial Officer, are with me and will be taking you through our results for 4Q 2021 and the year, as well as guidance for 2022.

After today's market close, we issued an earnings release and an announcement regarding the acquisition of SightPlan, both of which are available on the Investor Relations section of our website, smartrent.com.

Before I turn the call over to Lucas, I would like to remind everyone that the discussion today may contain statements related to our business that may be considered forward-looking, including statements regarding plans to execute on our growth strategy, our ability to maintain existing and acquire new customers, the benefits of our strategic acquisitions, including our acquisition of SightPlan, expected financial results, product portfolio enhancements, expansion plans and opportunities, expectations regarding key operational metrics, and other statements regarding our plans and prospects.

Forward-looking statements are often identified with words such as we expect, we anticipate, we believe or similar expressions. These statements reflect our view only as of today, March 24, 2022 and should not be considered our views as of any subsequent date. We do not undertake any obligation to update or revise any forward-looking statements.

Forward-looking statements are not promises or guarantees of future performance and are subject to a variety of risks and uncertainties that could cause the actual results to differ materially from our expectations.

For a discussion of material risks and other important factors that could affect our actual results, please refer to those contained in our Form 10-K, which will be filed with the SEC later this evening. Our 10-K will be available on the Investor Relations section of our website and on the SEC's website at sec.gov.

Finally, during today's call, we will refer to certain non-GAAP financial measures. A discussion of these non-GAAP financial measures is included in our earnings release, along with the reconciliation to the most directly comparable GAAP measure.

With that, let me turn the call over to Lucas to review our results. Lucas?

Lucas Haldeman

Thank you, Evelyn, and thank you to the investors and analysts on the call for your support and continued interest in SmartRent. We are very excited to share our 2021 results, 2022 guidance and details about our acquisition of SightPlan.

Twenty-twenty-one was a landmark year for SmartRent. We completed our IPO in August, raising approximately $450 million in gross proceeds, and delivered record revenue. We ended the year with 339,500 units live after deploying 168,000 new units in 2021, exceeding our forecast.

We organically grew our customer base by 62% to 230 customers by adding 88 new logos, 31 of these were added in the fourth quarter alone and we are seeing this momentum carry through into this year.

Another record that bears mentioning is the installation of over 800,000 pieces of hardware in the phase of unprecedented supply chain and logistics headwinds.

We also grew our team by 147% to 639 teammates.

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Additionally, we launched four new products to further enhance our comprehensive Smart Home platform, including the Fusion Hub, Alloy Access, Smart Parking and Smart Intercom.

The investment in our team was our primary use of capital in 2021. While we will continue to scale the team to meet our strong demand, it will not be at the same pace.

We have a solid capital and liquidity position. In the fourth quarter, we took additional steps to further enhance liquidity by securing a $75 million revolving credit facility. That facility is unused and we have no debt outstanding.

Following our acquisition of SightPlan, we continue to be confident that our liquidity position will support our growth plan. The team did a remarkable job last year, managing the demands of growing our book of business while also deploying the most units in our history. Our 2021 achievements were focused on expanding our footprint and on execution.

Our new units deployed helped deliver revenue growth of 155%, achieving $35 million for the fourth quarter and 111%—achieving $111 million for the year. We delivered a record number of new units deployed in the fourth quarter at 52,000 and 168,000 units for the year compared to 30,000 units in the fourth quarter and 83,000 units for the year 2020. Our total units deployed increased 108% to 323,000 units from a year ago.

In the fourth quarter, units booked increased 42% to 84,000 from 59,000 a year ago. We typically see higher orders for units booked in the fourth quarter, reflecting a mix of both binding orders for the subsequent quarter, as well as some orders for the following full year. While units booked are typically converted into units deployed in the subsequent quarter, the fourth quarter units booked includes some annual bookings coming out of our larger customers' budgeting season.

During the full year of 2021, units booked increased 94% to 218,000 compared to 113,000 for the full year of 2020. We define bookings as the aggregate dollar value associated with a signed master services agreement or binding purchase orders executed during the period. This includes the value of all hardware, professional services, Smart Hubs, as well as the value of the first year of software services included in a purchase order net of any discounts.

For the quarter, bookings were $68 million compared to $61 million in the fourth quarter of 2020, and $170 million for the full year compared to $94 million for all of 2020.

Committed units, a metric we adopted in 2021, is another of our forward-looking key operating metrics. We ended the year with 742,000 committed units, up 5% from the third quarter of 2021. We will be able to provide comparable year-over-year data on this metric when we report our first quarter 2022 results. As a reminder, committed units is the aggregate number of Smart Hubs that are subject to binding orders together with a unit under a master services agreement that are expected to be deployed within 2 years of the quarter.

I am going to turn the call over to Jon to discuss our financial results. Following Jon's remarks, I will share additional perspective on our 2021 results, our strategic and operational outlook for 2022 and our recent acquisition of SightPlan before opening the call for questions.

Jon?

Jonathan Wolter

Thank you, Lucas, and thank you, all, for joining today.

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Total revenue for the fourth quarter was $35 million, up 155% from $14 million in the fourth quarter of 2020. On a sequential quarter basis, total revenue declined 14% from Q3, reflecting the expected seasonality in our business related to a lower number of installation days during the holiday season.

For the year, we delivered record total revenue of $111 million, $6 million ahead of the top end of our revised 2021 revenue guidance, and 111% higher than 2020's revenue of $53 million. The growth in revenue for both periods reflects the increased volume of deployments of our Smart Home hardware devices and the growth in our software subscriptions, as well as a 20% improvement in hardware average revenue per unit or ARPU and a 5% increase in hosted services ARPU.

Total deferred revenue, another metric that provides us with near and medium-term revenue visibility, was approximately $96 million at the end of 2021, up 79% from $54 million a year ago. We expect to recognize 44% of our total deferred revenue within the next 12 months.

Hosted services ARPU in the quarter increased 2% to $6.86 per unit per month as compared to $6.75 in the fourth quarter of 2020, and was up 5% to $6.37 for 2021 as compared to $6.06 last year. The improvement in hosted services ARPU was driven by several factors, including an expanding customer base that is opting for more of our products, the upselling of legacy customers, and a pricing review of our SaaS subscriptions which resulted in higher market aligned subscription rates for our new customers.

Annual recurring revenue, or ARR, which we define as the annualized value of our recurring SaaS revenue earned in the current quarter, was $10.6 million, up more than 21% sequentially from the third quarter and up 114% compared to the fourth quarter of last year.

SaaS revenue for the fourth quarter was $2.6 million, up 114% from the fourth quarter of 2020, and for the year SaaS revenue was $7.9 million, up 133% from 2020. The improvement in SaaS revenue for both periods reflects the increase in the volume of units deployed and improving pricing on a per unit basis.

Moving on to expenses, cost of revenue for the fourth quarter was $38 million, up 129% from the fourth quarter 2020 and $121 million for the year, up 112% from 2020. The year-over-year increase in both periods reflected our increased volume of deployments and the impact of scaling our professional services team. It also reflects an incremental warranty charge of $700,000 for the fourth quarter and $6.4 million for the year in hardware cost of revenue.

The expansion of our professional services team and the warranty charge pressured our gross margin for both the quarter and for the year. We anticipate an improvement in gross margin in 2022 as we realize efficiencies from our professional services activities. The impact of planned 2022 price increases for our professional services and for our SaaS subscriptions should also contribute to an improvement in our gross margin.

Operating expenses for the quarter were approximately $23 million compared to $8 million in the fourth quarter of 2020, and approximately $62 million for the year compared to $31 million in 2020. The operating expense increase in both periods was driven by adding team members in response to growing demand, public company costs such as directors and officers' insurance, legal consulting and banking fees, as well as non-cash equity compensation of $3 million in the fourth quarter and $8.1 million for the year.

Net loss for the fourth quarter was $26 million as compared to the net loss of $11 million for the fourth quarter of 2020, and for the full year 2021 net loss was $72 million compared to the net loss $37 million in the prior year.

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Adjusted EBITDA loss for the fourth quarter was approximately $22 million compared to the loss of $7 million in the fourth quarter of 2020, and a loss of $56 million in the Full Year 2021 compared to the loss of $27 million for the Full Year 2020.

Let's move now to capital and liquidity. On December 31, 2021, SmartRent had approximately $430 million of cash and cash equivalents and no debt outstanding. In December, we entered into a $75 million revolving credit facility that provides for an additional $75 million. We entered into this facility to provide the Company with additional financial flexibility.

Our cash position as of March 22, 2022 is approximately $265 million reflecting the all cash purchase of SightPlan for approximately $135 million. We believe that our liquidity position of cash and our unused credit facilities provide us with sufficient capital to advance our organic growth plans.

Lucas will now provide additional perspective on our strategic outlook and operations. Lucas?

Lucas Haldeman

Thank you, Jon. SmartRent has changed the game for what people thought was possible with smart technology, bringing much needed services to residents, property owners, managers and homebuilders.

As a best-in-class enterprise platform, further strengthened with the addition of SightPlan, we are establishing the Company as the preferred provider among the largest owners of apartment communities, as well as the owners and managers in the long tail.

The investment in our sales force is paying us a return in the form of an expanded customer base and increased bookings. The 88 new customers who joined the SmartRent platform last year own or control 1.3 million units. These customers are fully embracing the SmartRent platform, with over 50% of our new customers contracting for two or more of our products. As Jon shared earlier, these new customers are signing SaaS contracts at current market rates.

For example, bookings from new customers in the fourth quarter had a SaaS ARPU of $6.72 as compared to SaaS ARPU of $3.82 for total bookings in the fourth quarter. The positive impact of new customer SaaS ARPU rates on our Company average will be gradual over time as the majority of our near-term unit deployment and units booked are more heavily weighted for our early adopters and large portfolio clients that contracted lower SaaS ARPU pricing as compared to current market rates.

Seasonality in our business has become more identifiable with each year in our history. While admittedly we have never had a normal year as we have been in hyper-growth mode since our formation, we anticipate that for 2022 the first and fourth quarters will be slower quarters in terms of deployments for different reasons.

In the first quarter, we typically have a higher percentage of deployments that are related to new customers. Generally, deployments are slower with new customers given the time necessary to devise the successful rollout plan and train both property staff and residents. In preparation for our project launch, our team performs a site survey at each property, confirming the design and implementation plan for each of the community solutions, staging hardware and getting new customers and their managers fully on-boarded. These deployments tend to accelerate as the year goes by.

In the fourth quarter, we typically have lower deployments due to days lost during the holiday season. Consequently, we anticipate our deployments will be higher in the second and third quarters.

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With respect to the supply chain, we continue to face macro headwinds. We are working closely with our suppliers and contract manufacturers to ensure we have enough product on hand, in production or in transit to meet our deployment targets. Even with all the measures we have taken, there may be unanticipated disruptions due to events outside our control, such as continuing shortage of component parts and the impact from factory closings.

Another important consideration is inflation. Our platform helps customers offset inflationary pressures in the form of expense control. Additionally, residents we support are able to better manage increasing energy prices by using our smart thermostats. We anticipate that inflationary pressures on real estate operations maybe a driver of demand for us in 2022.

With the addition of SightPlan, which also has expense reduction attributes, we believe that there is an incremental opportunity to cross-sell our combined product suite to customers that are unique to SmartRent or unique to SightPlan.

SightPlan's all software platform was particularly interesting to us as it immediately and significantly increases our SaaS revenue and is highly complementary to our platform. SightPlan's addition advances our product roadmap by adding an extensive suite of property management and resident engagement software for both the property and the portfolio level.

We believe that our combined platform further differentiates us from competitors and meaningfully widens our competitive moat. Because many SmartRent customers also run SightPlan and the two platforms are already integrated, we know firsthand how well the combined offering can help real estate operators.

Both companies were committed from our respective formations, maximizing the functionality of our offerings by embracing an open architecture that works with multiple API integrations and certified third-party partnerships. By combining our platforms, we are creating a highly differentiated, comprehensive property and resident management ecosystem that is unique in the market.

From a cultural perspective, SightPlan is also a strong fit. We know the team well from the industry and from our numerous integrations over the years. We share similar values and a deep passion for helping people live easier, better lives. We strongly believe our combination best (audio interference).

Now that we have provided some context on the factors that we believe will influence our performance in 2022, I'd like to share our guidance for the full year and for the first quarter of 2022.

For the full year, we are providing total revenue guidance between $220 million and $250 million and Adjusted EBITDA loss of $50 million to $35 million and a range of units deployed between 280,000 and 320,000 units.

For the first quarter, we are providing total revenue guidance of $35 million to $37 million and units deployed between 46,000 and 48,000, which reflects our assessment regarding seasonality and supply chain headwinds.

Our guidance includes our expectation for the approximate $10 million of SaaS contribution from SightPlan and does not consider additional acquisitions or capital markets activities in 2022. That also incorporates our best estimates at this time, including considerations for supply chain impacts we are experiencing. We believe 2022 is setting up to be another record-breaking year.

At the midpoint of our guidance ranges, we anticipate over 100% revenue growth, approximately 30% improvement in Adjusted EBITDA and 80% increase in units deployed.

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To all of my SmartRent teammates, thank you. To our new SightPlan teammates, welcome. We have a one-of-a-kind enterprise real estate platform and an enormous market opportunity ahead of us.

Operator, please open the call for questions.

Operator

Thank you. Our first question comes from Rod Hall with Goldman Sachs. Please proceed with your question.

Max Kemper

Hey team, this is Max Kemper (phon) on for Rod. Thank you for taking our question. I would maybe like to start off with if you could just maybe walk us through the main drivers behind the changes of your new 2022 forecast versus the original ones referencing the original model when the Company initially went public.

Lucas Haldeman

Max, thanks for your question. Yes, we did adjust our expectations. I think even with the adjustment, we are looking at over 100% in revenue growth, 30% reduction in EBITDA loss, 80% increase in deployed units. I think it's going to be another record-breaking year. But we felt that adjusting expectations for events that we can't control is the right business decision at this time. We developed our IPO model over a year ago and the world looked very different. At the time, we thought COVID would be a diminishing factor this year, we believe inflation was historic. Today inflation has been persistent and the resurgence of COVID has continued to create supply chain headwinds for us and mainly around factory closings and things out of our control.

We are excited to have a great year, but didn't feel like it was appropriate to adjust expectations.

Max Kemper

Got it. Thanks, Lucas for that. Then as a follow-up, if you could help us get a better sense for the methodology used behind your total committed units. It looks like they grew to about 720,000 and you expect to deploy about 300,000, that midpoint in 2022. As we look to 2023, would you expect about 420,000 or so units to be deployed? Yes, would be great to get a better sense for the longer vision for how many units you would expect to deploy. Thank you.

Lucas Haldeman

Yes. Max, on that, committed units, we are not going to give guidance on '23 today, and that number continues to roll. It's a two-year rolling metric. It will change throughout the year as we come back every quarter. But we are at a point to that is we are still seeing incredibly strong demand. We are growing that number every quarter. We feel really good about where the business is headed.

Max Kemper

Got it. Thank you.

Lucas Haldeman

Thank you.

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Operator

Our next question comes from Tom White with D.A. Davidson. Please proceed with your question.

Tom White

Great. Thanks, guys, for taking my questions. Two, if I could, one, just on supply chai., I was hoping you could give maybe a little bit more color on how you guys are trying to manage that and be proactive and curious if you can share any metrics around maybe what percentage of orders or deliveries have been on time or what percentage of customer projects, either retrofit or any new builds, have been on time or delayed?

Then just on SightPlan, just curious whether this signals that more property management type SaaS solutions is going to be an area of focus for you guys going forward. Maybe you could just double click on the resident engagement comment that you made on SightPlan and curious what that could mean for you there?

Lucas Haldeman

Tom, thanks for your question. I will take the second one first. Around the SightPlan, I think we are incredibly excited to continue to broaden our reach in terms of getting into property operations and property management. It's been on our roadmap; it was in a roadmap slide that we have shared before. It's definitely something that is core to our strategy.

I think it really enhances our product offerings. We have been able to see firsthand how well these complementary products work together. We have many customers that use both SmartRent and SightPlan today. As we said in the call, our integration is already complete.

We know really firsthand how great these work together. The other thing that I think is interesting, especially as we talk about the supply chain headwinds, it is great to have pure SaaS software that we can go sell and implement even if supply chain is persisting. We are not relying on any hardware to deploy any of the SightPlan products.

In terms of being more specific on the supply chain, I think we have a good stock on hand of our core components. But a lot of jobs that we have require semi custom or unique components that remain challenging to get.

It's not a metric where we could say X percent arrived on time or Y percent didn't. But it really is just that we are still seeing progress, we are seeing the supply chain is thawing, but it's going to take—we feel like guidance from our suppliers and our contract manufacturers, it will continue to get better this year, but it's going to be persistent.

The other thing that I think I might drop in there is when we have these delays, they are just delays, so the great news is our customers are in this with us. We are not—we haven't lost a single customer because we couldn't deliver, so no one is happy about the delay, but they certainly understand what's going on.

Tom White

Yes. Got it. That's great. Very helpful. Thank you.

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Lucas Haldeman

Thanks, Tom.

Operator

Our next question comes from Ryan Tomasello with KBW. Please proceed with your question.

Ryan Tomasello

Hi, everyone. Thanks for taking the questions. I just wanted to start with putting a finer point around the expense buildup within the EBITDA guidance, maybe in terms of the gross margin outlook by the various revenue lines, as well as the fixed OpEx growth of the year, and in particular, any color that you are willing to provide at this point around the cadence of profitability through the year, as well as free cash flow and any color around the timeline to reaching positive margins at some point, maybe in the back half and into next year. Thanks.

Lucas Haldeman

Ryan, thanks for the question. We do see improving margins throughout the year. I think you'll look to see us be Adjusted EBITDA positive in 2023, with the combined—with the combination of us and SightPlan. I think we are feeling good about as we are ever seeing inflation pressure up our costs, that we are able to adjust our pricing and stay on top of that. Did that answer your question?

Ryan Tomasello

Yes. As a follow on to that, what EBITDA contribution are you expecting from pipeline in the year?

Lucas Haldeman

We are expecting it to be breakeven.

Ryan Tomasello

Okay, got it. Then the flip side of the guidance in terms of the revenue buildup, any hand holding you can give us in terms of the breakdown between hardware installation versus hosted services and where you would expect SaaS ARR to shake out by the end of the year based on your current modeling? Understanding that much of the weaker '22 guide likely relates to hardware revenue from the supply chain headwinds, but if I remember correctly in your past commentary, you did talk about a more manageable impact to your ability to deploy new units so any color you can provide around what's driving the much weaker unit deployments in your guide relative to the prior targets? Thanks.

Lucas Haldeman

Yes. I think it is we are not seeing the macro headwinds fade as we thought they would. Really, I think that's true of a lot of folks that we definitely expected a year ago that the supply chain would not still be where it is today. We are confident in the numbers we have put out and feel really good about being able to achieve that. Again, we are doubling our revenue. I think that's a pretty good year in anybody's book.

Ryan Tomasello

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Any commentary around the revenue build up between the one-time hardware and installation revenue versus SaaS ARR to the year?

Lucas Haldeman

We have doubled our SaaS ARR today with the announcements of SightPlan. I think that's one guidance that I can point you towards. Then the rest of it will stay pretty similar in terms of contribution as in the past or no big difference. We love that SaaS continues to grow and become a more and more important piece to it. But as we have talked about in the past, we continue to deploy a lot of new units, have a lot of professional services, a lot of hardware. I feel like you look at those numbers separately and not combined, that we have a hardware professional services tranche and then we have got the ARR tranche, and we want both to be growing meaningfully, and they are.

Ryan Tomasello

Thanks for taking the questions.

Lucas Haldeman

Thanks, Ryan.

Operator

Our next question comes from line of Sidney Ho with Deutsche Bank. Please proceed with your question.

Sidney Ho

Thanks for taking my question and congrats on the deal. That's a much bigger deal than the previous deal that you guys have announced. My first question is, there is always a question about build versus buy. In this case you decided to buy. Is there much overlap between SightPlan's software platform and your own R&D? Generally, how should we think about how quickly you can integrate the SightPlan platform? Any particular challenges you foresee? It sounds like you have completed that integration, I think you mentioned earlier, but was there any surprise or do you expect any kind of surprise down the road as you continue to operate as one company? I have a follow-up question.

Lucas Haldeman

Thanks, Sidney. Yes. On the SightPlan, we are fully integrated the two platforms. There will be team integration and that will—I am not discounting that. But it's great to already have the technical lift done. There is a very little overlap in our product suites. They are very, very complementary to each other. Really, the only overlap we both have a resident app. We will create one better resident app out of those two disparate products today. That will be ongoing throughout this year. But that's part of what attracted us to it is, yes, we did the build versus buy and it was accretive. We loved the customer set base. We loved the team that's there and bringing those team members on to our team we think is going to enhance the overall company. We felt like it was the right choice to make.

Sidney Ho

Okay, great. That's helpful. Maybe a follow-up question is on the ARPU side, your hosted service ARPU was relatively flat in Q4 exiting last year versus the year ago, but the SaaS ARPU was up 10%. Based on your guidance on deployed units, probably it seems hosted services ARPU could be up as much as maybe 50% exiting this year if I do my math right. Can you talk about what gives you that confidence? I

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think earlier in answering one of the questions you talked about the SaaS ARPU doubles from the acquisition, but I am just curious about what are the drivers you think that can get overall ARPU can grow that much and how much of that is coming from organic versus inorganic? Thanks.

Lucas Haldeman

Got it. In our forecast, it's all coming from organic. I will start with that part of the question. Then overall, there is two major drivers of the ARPU growth, one we referenced in the call, which is as we put this large sales force out into market and we are signing into the long tail of real estate, we are able to achieve higher prices. That was the number, the metrics that we have quoted in the prepared remarks, where in Q4 new customers were at an ARPU 672% versus an overall ARPU of 382% for all customers. What you are seeing is a lot of our early adopting customers that are the largest real estate portfolios have a lower price rate.

The other thing that's driving that is the attach rate going up. We brought four new products to market last year. Another metric that we shared, over 50% of our new customers in Q4 had two or more products. As we see that trend continue, we feel good about that, that ARPU growth through this year.

Sidney Ho

Great, thank you very much.

Lucas Haldeman

Thanks, Sidney.

Operator

Our next question comes from Erik Woodring with Morgan Stanley. Please proceed with your question.

Erik Woodring

Hey, guys. Good afternoon. Thank you for taking the call. I just want to quickly first just dig into the comments that you made about '22 in terms of macro headwinds because you obviously upsided on deployments in 4Q versus your prior expectations.

The question is what would then cause potentially supply to worsen in 2022, just given the lower revenue guidance that you had? Or is it not necessarily supply, it's more macro uncertainty driving different deployment trends? I just want to make sure I understand if this is macro, if this is supply chain, if this is both? Then I have a follow-up. Thanks.

Lucas Haldeman

The only thing we are seeing with demand is seeing demand increase. It really is around these supply chain headwinds. In Q4, most of that product actually came in Q3. It was actually in Q4, we were still experiencing some of those headwinds and we shared that in our last call.

The last time we talked we were not feeling the resurgence of COVID. We have had specific cases where factories have been closed for several weeks, we are getting no product out, that was unexpected. There is still a component shortage of parts that has still struggled to get enough physical component parts. We anticipated it to be better and it's not moving in that direction.

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Erik Woodring

Okay. No, that's helpful. Then, I know you don't necessarily guide committed units, but you look back over the last three quarters, new committed units went from, if my math is right, in the June quarter, 26,000, September quarter was 157,000, December was 107,000, so just all over the board. Maybe you could just help us. Would you expect the pace of deployment of new committed units to be more like the second half of 2021 or maybe just put some guardrails around how we might be able to think about that without necessarily quantifying that, so to speak?

Lucas Haldeman

Yes. I think it can be lumpy. We have said this a little bit but I'll double click, so Q4, typically what we are looking at for our bookings is that they are going to come in to be deployed in the next quarter. Q4, we see that higher because some of our larger customers are making commitments and signing for the full year so that spreads out.

In terms of the committed units, that pipeline, you will see it continue to grow. The only thing to keep in mind is that I point towards if the units we deploy in the quarter come out of the committed units, so the bigger the quarter we have, it actually can move the committed units down in a very good way, because they went from committed to being cash generating, but other than that, I think you will see it continue to grow.

Erik Woodring

Okay. That's helpful. Thank you, guys.

Lucas Haldeman

Thanks, Eric.

Operator

Our next question comes from Ben Sherlund with Cantor Fitzgerald. Please proceed with your question.

Ben Sherlund

Hey, guys. Thanks for taking my question. Maybe one on gross margin. In your Analyst Day deck from last summer, you pointed to pretty significant gross margin expansion in the hosted services segment. I am seeing an estimated 50% hosted services gross margin in 2021, which is up from 34% in 2020.

You reported 2021 hosted gross services margin—or sorry, hosted services gross margin at flat year-over-year at 34%. It's a two-part question. First, what held you back from seeing that gross margin expansion in hosted services? I am assuming it's related to the supply chain issues. But could you give us any color around which products have significantly higher gross margins?

Second, when your supply chain issues do moderate, should we be modeling hosted services gross margin expansion at a similar pace to your investor deck from last summer? Thanks.

Lucas Haldeman

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On the first part of the question, yes, it's supply chain related. We achieve higher gross margin on products that we manufacture. You can look to where we have some of the delays, like in our Fusion Hub, that are having an impact there and continue to have an impact this year.

In terms of the second part of the question, I think you will see that coming through. I think, again, I just want to double click on this and say it's great to have an extra $50 million of high margin SaaS revenue come in from SightPlan.

Ben Sherlund

Okay, great. Then maybe one more, just double clicking on how we should be modeling ARPU in 2022. ARPU has been largely flat over the past couple of quarters. Are you largely just backfilling existing smaller, simpler projects and should ARPU continue to track how it's been over the past few quarters while some of the more complex higher ARPU projects are waiting to see some of the new products be more readily deployed? Should we be loading the ARPU expansion more into the back half versus the front half? Any color there would be really helpful. Thanks, guys.

Lucas Haldeman

Ben, you are spot on there. That is what we are seeing. I would agree with your calculation there. The other thing that can weigh down ARPU is as those larger legacy customers become a smaller part of the total install, you will see that continue to move up, but there is a big part of the dominators that just weighs down the average.

Ben Sherlund

Okay, great. Thanks, guys.

Lucas Haldeman

Thanks, Ben.

Operator

Excuse me, Mr. Haldeman, there are no more questions in the queue. Please continue with your closing remarks.

Lucas Haldeman

Well, great. I just want to say thank you to everyone for joining us today. We appreciate your time, your continued support and we look forward to catching up with many in the coming days and weeks. Have a great night and talk to you soon.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you, all, for your participation.

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