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Earnings Call

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Presentation

Operator

Good afternoon, ladies and gentlemen. Welcome to the SmartRent First Quarter 2023 Earnings Conference Call. [Operator Instructions] Please be advised that this call is being recorded. [Operator Instructions]. And now at this time, I would like to turn the call over to Annalise Lasater, Vice President of Investor Relations. Please go ahead, Ms. Lasater.

Annalise Lasater
VP of Investor Relations

Thank you, operator. Hello, everyone, and thank you for joining us today. My name is Annalise Lasater, Vice President of Investor Relations for SmartRent. I'm joined today by Lucas Haldeman, Chairman and CEO; and Hiroshi Okamoto, Chief Financial Officer. They will be taking you through our results for the first quarter of 2023 as well as discussing guidance for the second quarter and full year 2023. After today's market close, we issued an earnings release and filed our 10-Q for the 3 months ended March 31, 2023, 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 forward-looking statements that involve risks and uncertainties. Various factors could cause our actual results to be materially different from any future results expressed or implied by such statements. These factors are discussed in our SEC filings, including our annual report on Form 10-K and our quarterly report on Form 10-Q. We undertake no obligation to provide updates with regard to the forward-looking statements made during this call, and we recommend that all investors review these reports thoroughly before taking a financial position in SmartRent.

Also during today's call, we will refer to certain non-GAAP financial measures. A discussion of these non-GAAP financial measures, along with a reconciliation to the most directly comparable GAAP measure is included in today's earnings release. We would also like to highlight that our first quarter earnings deck is available on the Investor Relations section of our website. And with that, let me turn the call over to Lucas to review our results.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Good afternoon, and thank you for joining our call. I'm pleased to report we had an exceptionally strong first quarter. We grew top line revenue by 74% and improved adjusted EBITDA by 63% compared to Q1 of '22. Total revenue was a record $65 million for Q1, and adjusted EBITDA was negative $8.5 million. This marks our fourth consecutive quarter of improved adjusted EBITDA, driven by a combination of higher gross margin and tight controls on operating expenses. We generated over $9 million in gross profit as gross margin improved to 14% compared to negative 13% in Q1 of '22.

Professional services, in particular, improved significantly quarter-over-quarter by 43 percentage points from negative 81% to negative 38% due to better labor utilization rates, steady deployment volumes and new initiatives, including the adoption of new technology tools and enhancements. While each quarter is impacted by the mix of customers and products sold during the quarter, and growth will not be linear, we expect to see continued improvement in margins. We are the leading edge provider in our industry with over 600,000 Units Deployed more than all of our competitors combined. Consolidation in the industry has led to a more favorable competitive environment, giving us the opportunity to focus this year on optimizing our solutions and managing expenses while meaningfully growing revenue year-over-year.

We believe we can be profitable and grow. Ultimately, preserving our capital for the future when we are ready to deploy it on further innovation and potential growth opportunities. The ROI our platform delivers to customers provides an ongoing incentive to roll out our solutions as property owners seek to optimize business operations and maintain profits in a more challenging macro environment. We are confident about our business plan and have multiple levers that we can pull to reach profitability. Our business is

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evolving to a more diverse platform. Beyond our smart home solutions, our core product set has expanded to include multiple new SaaS solutions geared to efficiently managing property operations.

As we welcome new clients to SmartRent, we sell a full suite of products, both hardware and software working seamlessly together that solve the challenges operators face while at the same time making residents lives easier. Importantly, the untapped potential within our current customer base is significant and represents over 6 million units of opportunity, and we believe our customers are committed for the long term. We have completed several multiyear full portfolio rollouts with institutional clients, and our pipeline is dense with revenue opportunities within our current customer base.

Additionally, we have significant upsell and cross-sell opportunities. Our earliest enterprise customers who installed our smart home package are now ready for self-guided tours, a high-margin product that represents pure SaaS growth when paired with SmartRent's IoT platform. We are also starting to realize more revenue in cross-selling work management and answer automation to our existing customers, 2 additional pure SaaS solutions that facilitate smoother property operations for site teams. To realize the potential with our existing customer base, we made a strategic decision to bolster our account management function.

This team is fully dedicated to building relationships with clients in order to upsell and cross-sell our platform, and they participate in our incentive compensation program. We are highly motivated to stay close to our customers in order to grow revenue, and this also helps to inform our product and innovation plans and maintain our industry-leading position. As you are likely aware, SmartRent is both a SaaS company and a hardware company. The powerful combination of our hardware and software products is what has allowed us to scale, and we view hardware manufacturing as a fundamental aspect of our business model.

The hardware we developed from the ground up is intentionally designed to augment our SaaS offerings and provide enhanced value for our customers and their residents. By manufacturing hardware, we pick up additional margin compared to what we would realize as a reseller of third-party hardware, have full control of components we rely on from suppliers are able to integrate with our clients' existing property management systems and can conduct more efficient and reliable installations, which we manage with both in-house staff and external partners.

For example, last month, we began to roll out our patent-pending next-generation hub from our hardware brand, Alloy SmartHome. The new hub has a better hardware margin due to optimization in our design and functionality and lower tariff rates. It's also easier to install, saving us time and money, and we believe it will improve professional services margin in the long run. Additionally, we are developing a channel partner program, which will give us a much greater ability to expand our influence with SMB prospects in the long tail. Channel partners have traditionally been focused on other verticals within the commercial real estate industry, such as office and retail.

The macroeconomic shift creates a strong business case for channel partner expansion into multifamily. And because we are the only provider of smart home and property operations solutions at scale, we're an attractive partner for companies looking to diversify revenue. While this is an appealing vertical to pursue, this will require time to build the infrastructure needed to support the effort. It's also important to note that the majority of channel partner business is new construction, which means a longer sales cycle. We anticipate this to be a meaningful contributor to revenue in 2024.

Before I turn the call over to Hiroshi, I'm pleased to share that later this year, we are going to market with an expanded Community WiFi solution. Community WiFi is an essential amenity for residents. And with our solution, we believe owners and operators can realize significant revenue in the range of $30 to $50 in NOI per month per unit. The evolution of our Community WiFi offering is a great example of how our relationships with our customers inform our product road map. There is significant demand in the industry for this solution from owners, operators and residents, and we have already completed multiple site walks with customers interested in adding this amenity.

The reason we believe our customers will choose SmartRent's Community WiFi is because it is tailor-made for the multifamily space, integrating seamlessly with property management systems and installed by our

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nationwide white-glove service team. I will now turn the call over to Hiroshi to review the financials in more detail.

Hiroshi Okamoto
Chief Financial Officer

Thank you, Lucas. As Lucas stated, we had a tremendous quarter of revenue growth, margin expansion and adjusted EBITDA improvement. Total revenue for the quarter was $65 million, up 74% from Q1 2022 and up 60% sequentially from Q4. This shatters our previous quarterly record of $47 million and demonstrates our ability to scale and diversify the business. Unlike the past few quarters, this quarter was substantially free from supply chain constraints, labor volatility and other external factors that temporarily hampered our business. It was a quarter in which we were able to continue to build the business and improve operating efficiency without external headwinds.

All 3 revenue streams grew during the quarter. Hardware increased nearly $20 million, professional services by $4 million and hosted services by nearly $1 million, combining for more than a $24 million sequential increase. A full quarter of new revenue recognition for hubs combined with sales of more IoT devices like locks, thermostats and sensors increased ARPU for smart home package. Non-IoT hardware, including access control and Alloy SmartHome Access also contributed as we continue to fulfill the backlog we experienced from previous supply chain constraints.

Professional services revenue grew from $9 million to $13 million due to higher unit volume and increased ARPU from a favorable customer mix. The growth in hosted services is solely attributable to SaaS revenue. SaaS revenue increased 11% sequentially, pushing SaaS ARR to $36 million, up from $32 million last quarter. SaaS ARPU for all products for the quarter increased from $5.12 to $5.21, a 2% increase sequentially. SaaS ARPU for Booked Units was $5.40, a 23% improvement sequentially from $4.39 the previous quarter. Total Units Deployed at the end of the quarter was 602,000 as we deployed 55,000 units during the quarter, a 29% increase from Q4 of 2022.

Booked Units for the quarter was 65,000 units and total bookings were [$37 million.] The 3 revenue streams, hardware, professional services and hosted services not only set records in revenue but combined for a record $9 million in gross profit. This more than doubled the $4 million from last quarter, with hardware and professional services increasing more than $2 million each and SaaS almost $1 million. Total gross margin increased from 10% to 14%, a 4 percentage point increase as efficiencies and economies of scale drove improved margin. Hardware and professional services revenue streams are particularly subject to quarter-to-quarter fluctuations because of the customer and product mix in the quarter.

Hardware margins this quarter declined slightly from 15% to 13% because of a high volume of third-party products, which offset margin improvement from a full quarter of recognizing hub revenue. Professional services gross margin demonstrated the greatest improvement as gross margin losses of 81% were half to 38%. In addition to ARPU growth, we have been focused on streamlining processes to enhance performance, velocity and productivity of the implementation process. We are continually revisiting our operational processes and are tweaking them to deliver our services better, faster, more efficiently and more accurately, oftentimes with the help of technology. These changes are starting to positively impact professional services margins.

While we expect both hardware and professional services margins to continue to improve over time, we do not expect the rate of improvement to be linear. Hosted services gross margin, on the other hand, continues to show steady growth, improving sequentially from 60% to 62%. As hubs are no longer added to this revenue stream, hosted services will gradually be weighted more towards SaaS revenue. To provide better visibility into our SaaS gross margin, we will be sharing a new metric for our business, SaaS gross margin. SaaS margin has continued to improve over the past 5 quarters from 32% a year ago and 70% in Q4 to 73% in Q1.

We believe this will continue to improve incrementally as we continue to gain scale and seek further efficiencies. Operating expenses decreased from $26 million last quarter to $24 million, a decrease of 7% sequentially. R&D expenses decreased slightly, while sales and marketing expenses increased as

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we continue to balance our growth and profitability objectives. We achieved substantial efficiency gains through improved processes and technology initiatives, resulting in a headcount reduction of about 10% company-wide. This contributed to a reduction in general and administrative expenses by approximately $2 million in the quarter.

By simultaneously growing revenue, improving gross margin and reducing operating expenses, adjusted EBITDA improved significantly from negative $14 million last quarter to negative $8.5 million. We continue to execute on our path to reach intra-quarter profitability on an adjusted EBITDA basis. We ended the quarter with a cash balance of $204 million, which is ample liquidity to fund our working capital requirements. Our cash burn from ongoing operations in Q1, excluding any acquisition-related payments, was nearly half of our average quarterly burn in 2022. Especially in times of macroeconomic changes, we have been intentional in minimizing cash burn not only from operations, but by enhancing cash management, financial discipline and balance sheet optimization, which shows in our lower accounts receivable and inventory balances despite higher revenues.

As previously mentioned, Q1 was a phenomenal quarter of improvements in unit economics, efficiencies and velocity that led to record growth and improved profitability. While we believe we can sustain meaningful top line growth while narrowing the adjusted EBITDA loss, timing differences may lead to some quarter-to-quarter variability. Our Q2 guidance for revenue is $50 million to $55 million, and adjusted EBITDA is negative $7 million to negative $3 million. We reaffirm our 2023 full year guidance for revenue of $225 million to $250 million and adjusted EBITDA of negative $25 million to negative $15 million. I will now pass the call back to Lucas for closing remarks.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Thank you, Hiroshi. In 2023, we remain optimistic about the opportunity to further expand and deepen our category-leading position, both with our existing customer base and new prospects. Since our inception, we have focused on fundamentals that contribute to our ongoing success and continued growth. We truly listen to our customers and deliver solutions that solve their problems. The institutional grade platform we've created delivers efficiency and convenience, and we keep an open line of communication with customers to design and deploy additional offerings that meet their needs.

We understand the nuances and challenges in the rental housing industry. In today's macro environment, it's more important than ever for our clients to tighten operations and control costs. Our platform helps them do this while also providing a modern living experience for residents. Finally, we remain committed to making working and living easier for everyone we serve. From a resident who has peace of mind [indiscernible] their child as home safe for the door locked to the maintenance team member who doesn't have to run back and forth for keys, every incremental moment powered by our solutions adds up to an easier, better life with less hurdles and friction.

Our relentless pursuit of excellence and the desire to solve the smart home and property operations challenges faced in rental housing puts us in a strong position. We remain passionate and enthusiastic about the rental housing industry and are grateful for the opportunity to serve our customers. Every day, we see the impact we have and the difference we make for our clients. Before we open the call for questions, I'd like to share a recent example that illustrates the power of our platform. Using SmartRent self-guided tours, one of our clients recently posted on social media that they had completed 100 leases in 30 days without the need for leasing agent support, a significant achievement that speaks to the power of smart technology.
Their local team facilitated exceptional touring experiences without leaving the office and was able to maintain focus on their property operations intending to resident needs. This is exactly why we were founded, to bring efficiency, convenience and satisfaction to the rental industry. Solving problems for owners and operators and making residents lives easier is what fuels us. We remain energized for all that is on our horizon this year and into the future. Operator, please open the call for questions.

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Question and Answer

Operator

[Operator Instructions] We'll take our first question this afternoon from Ryan Tomasello at KBW.

Ryan John Tomasello
Keefe, Bruyette, & Woods, Inc., Research Division

I guess maybe just to start, I appreciate the new disclosure on the SaaS gross margin. Maybe just as a refresher there on gross margins, I guess this would be for Hiroshi. Can you remind us where you see gross margins progressing near term across the key revenue lines and how you're thinking about the potential run rate into next year as the business continues to scale? I guess with the new SaaS gross margin line, like to see the operating leverage you achieved there over the last few quarters. Just curious how you're thinking about leverage in that line going forward.

Hiroshi Okamoto
Chief Financial Officer

Sure. Thanks, Ryan. Let me just start from the SaaS margin. We decided to provide that this year because that -- as hub revenues will no longer be recorded in hosted services, that line becomes more prominent as it's more weighted towards SaaS margin. And because of the scale that we've been able to achieve, we've been -- we were able to hit 73% in Q1. And going forward, we think incrementally, we'll be able to improve on that as increased scale and efficiencies start to take hold of that. In terms of the other margins, however, hardware margin, I think, is -- you see that it was a slight decline this quarter, and that was really due to kind of the customer and the product set by -- that were sold in the quarter.

We believe that hardware margin should be in the low 20% gross margins, and we should be able to get there by the end of the year. Professional services, you'll see that we've improved tremendously in Q1, and that should be able to get to breakeven probably sometime in 2024. This will take a little bit longer. But I think generally, that's what we're thinking about in terms of gross margins for 3 revenue streams.

Ryan John Tomasello
Keefe, Bruyette, & Woods, Inc., Research Division

Great. I appreciate that. And then in terms of the cross-sell opportunities, Lucas, that you called out and the investment and the account management function, can you help frame the white space there perhaps an update on where attach rates are across the key add-on products. I think you referenced self-guided tours, work order management. What types of ARPU uplift can you achieve? Where ultimately do you think those attach rates could go over the next few years?

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. Thanks, Ryan, for the question. I think the biggest opportunity that we have is the cross-sell and upsell, and we brought it up this quarter and also last quarter around. There's a tremendous amount of white space left both in existing SmartRent customers or legacy SmartRent customers, who were early in rolling out our platform. And as I mentioned in the script that, that we're actually seeing start to add self-guided tour, add access control, add work order management and really having that dedicated team focused on that is starting to pay dividends.

So I think without sharing sort of specific attach rates and putting that out there, that really is an important way. And part of the focus on talking less about new units and more about total revenue and total margin and EBITDA. So feel really good about where we're going with that, Ryan.

Operator

We'll take our next question now from Sidney Ho at Deutsche Bank.

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Shek Ming Ho
Deutsche Bank AG, Research Division

Congrats on the strong results. My first question is on your second quarter guidance. Typically, you see a revenue jump in the second quarter revenue because of more installation. But this year -- you're guiding it to be down this year. Can you walk us through that dynamics? Was any of your hardware sales got pulled into first quarter, so your full year guidance doesn't really change?

Hiroshi Okamoto
Chief Financial Officer

Yes. Thanks, Sidney. It's -- as we started, we said that we had a very strong Q1 and especially kind of late in the quarter, in March, we had really good month. And actually, some of the projects that we were scheduling for Q2 came into Q1. So that's why you'll see that our guidance that we're giving for Q2 is lower than our actual for Q1. But I think the emphasis from us is that we are not -- we are reiterating our full year guidance and that we deployed more -- we deployed more units in Q2, but our -- the full year guidance, we're still reaffirming.

Shek Ming Ho
Deutsche Bank AG, Research Division

Okay. That's fair. My next follow-up question is, looking at your SaaS ARR, it's good to see that the SaaS ARR reaccelerated in the quarter [indiscernible] to 11%. Can you walk us through what drove the growth? And as you look out over the next few quarters, how quickly do you expect SaaS ARR to grow, especially with products like self-guided tours and maybe Community WiFi later in the year?

Hiroshi Okamoto
Chief Financial Officer

Yes. I think the SaaS ARR, the 11% per -- quarter-to-quarter growth is probably indicative of how we could continue to grow in the future, especially as we continue to add new products.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. I'll just add a little color to that, Sidney. I think you're thinking the way we're thinking about additional new products that we're bringing to market that don't have full adoption like self-guided tour and Community WiFi, but those will definitely be sort of out-of-cycle increases. What I love about the growth story here is just adding more new units continues to drive up the ARR, but we also have another vector of referring back to that cross-sell, upsell and new products to sort of out-of-cycle move that even higher.

Operator

We go next now to Erik Woodring at Morgan Stanley.

Erik William Richard Woodring
Morgan Stanley, Research Division

Just one Q. Lucas, I guess I just wanted to maybe poke you here because I feel like I'm hearing a bit of a pivot tonight because you've always pitched SmartRent as kind of the software platform that leans into third parties with hardware expertise. Now you're telling us that hardware manufacturing is a fundamental aspect of your business model. So I guess maybe my question is just what is changing and why now? And then I have a follow-up.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Thanks, Erik. Good question. And really nothing is changing other than I think we were just talking a lot about one piece. And we felt like as we were sort of reflecting, we wanted to highlight some of the other things that we think are really important. I think as we're talking about hardware, the most important

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piece in my mind is that we are a hardware-agnostic company. We create an integrated platform that works with lots of different types of hardware.

Some of that hardware happens to also be some hardware that we manufacture as well. And just as we're looking at sort of path to profitability that we've been talking about and how we achieve it, some of that comes from our ability to go and procure and make new hardware at more attractive margins. So I just wanted to really add that to the story. So it's not a pivot or not a change, but really just an additional talking point that we wanted to highlight.

Erik William Richard Woodring
Morgan Stanley, Research Division

Okay. All right. Fair enough. And then I don't know if this is for you or Hiroshi, but I believe at 3Q last year, you had over 500 customers that had 6.7 million units. Today in your disclosures in the PowerPoint, it says you have 496 million -- excuse me, 496 customers with 6.5 million units. And so are we seeing churn come into the model? Or has there been mergers between customers? Or help us understand why that might actually be down from 3Q of last year?

Hiroshi Okamoto
Chief Financial Officer

Yes. Thanks, Erik. It's -- so no churn -- material churn on the IoT or losing of customers. The 5 customers from 501 to 496 is really from SightPlan, which were only SightPlan only customers. And the portfolio unit decrease is as part of that as well.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. Just a little color on that too, Erik, is SightPlan has always had a churn rate higher than our SmartRent IoT. And part of that is because of the upfront cost that goes along with adding the IoT product. And so there's not been a material change in churn with SightPlan. It's remained relatively steady for the past 24 months even before we acquired it. So -- but you will see some of that come into play.

Erik William Richard Woodring
Morgan Stanley, Research Division

So those are legacy SightPlan customers that have turned off not necessarily because of the SmartRent side, but because of the SightPlan side? Is that a fair way of framing it?

Lucas Merwan Haldeman
Founder, Chairman & CEO

That's correct. Yes.

Operator

And we'll take our next question now from Brian Ruttenbur of Imperial Capital.

Brian William Ruttenbur
Imperial Capital, LLC, Research Division

A couple of quick questions, housekeeping, first of all, adjusted EBITDA was down -- well, excuse me, has been dramatically improving as has your cash burn. Has there been a headcount reduction? I was looking at your sales and marketing SG&A. Can you talk us through what's going on there in terms of overhead?

Hiroshi Okamoto
Chief Financial Officer

Sure. So I think I mentioned that we had about a 10% reduction company-wide, and that was not a mass layoff or anything. It was really through kind of process improvements and the efficiencies that we gained through the company that we were able to kind of make the organization more efficient and reduce our headcount by flattening the organization. I think the other thing to mention is that with the 2 acquisitions

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that we had last quarter, there was also some natural redundancies that we could make to better integrate the companies and improve alignment between them as well.

Brian William Ruttenbur
Imperial Capital, LLC, Research Division

Great. So -- and then just another question is on the WiFi and maybe some other services coming up. I know that Lucas talked a little bit about the WiFi. I know that others in the industry have talked about insurance. Can you talk about the ARPU opportunities for both the Community WiFi. You can't be specific, I understand but maybe you can talk a little bit about potential for partnerships and opportunity in insurance and other lines.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. I'll take that one, Brian. Thanks for the question. And I think WiFi without getting into the specific, ARPU is an order of magnitude larger than IoT, and that's part of why we think it's an attractive business to go into. I also think that the NOI bump for our partners, for the multifamily owners is an important reason to also do it, that it's a way for them to generate significant help to the NOI. And in terms of broadly looking at our platform and how we continue to partner, I think we're in the very early stages of that, and that's a lot of the growth vector we see ahead.

And insurance is certainly one that looms large in terms of an attractive area for partnering and both as a data provider and also just as helping underwrite and mitigate losses. So nothing to report this quarter, but I think there's a lot of interesting opportunity there and in other spaces that we're looking at.

Operator

We'll take our next question now from Tom White of D.A. Davidson.

Wyatt J. Swanson
D.A. Davidson & Co., Research Division

This is Wyatt Swanson on for Tom. My first one is just -- there's been a lot of discussion around softness in commercial real estate market broadly. Could you talk a bit about how that changes your go-to-market, length of sales cycle and generally what you're hearing from customers and prospects when it comes to making incremental software investments in this environment?

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. Hi, Wyatt. Thanks for the question. I think couple of thoughts on the macro view is actually looking like the first 2 quarters of '23 are going to be stronger than was anticipated last year and that we're not seeing blistering growth anymore, but we're certainly seeing steady same-store and steady NOI growth. So I feel like it's a pretty encouraging backdrop. That being said, I don't think we never really saw a dip in demand even when people were forecasting even softer rental market, and that really goes to where our products come out of in terms of a budget in terms of a CapEx expense and the attractive ROI associated with it.

So the ability to have a 18% to 20% IRR is accretive and incredibly attractive, and you don't typically get that out of your CapEx budget all the time. So I feel good about the macro backdrop. Certainly, single-family rentals have stayed incredibly strong. Multifamily is still strong, and we're seeing strong demand and not really having the same conversations we were having even in Q3 of last year about what might happen if we see a really soft market emerge.

Operator

[Operator Instructions]. And we do have a follow-up question now from Brian Ruttenbur of Imperial.

Brian William Ruttenbur
Imperial Capital, LLC, Research Division

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Great. As one more follow-up, can you talk a little bit about cash flow generation. It looks like you're going to get to adjusted EBITDA profitability or at least breakeven. And I noticed in your press release for at least 1 quarter this year, at least that's -- what it sounded like to be third or fourth quarter, maybe both. Can you talk about cash flow generation or breakeven?

Hiroshi Okamoto
Chief Financial Officer

Sure. Thanks, Brian. In terms of cash flow, there -- we've been improving our operations to generate cash, but also we've been very cognizant of kind of the environment and trying to improve our cash management. So our cash flow burn for the quarter was about $11 million from operations. And we expect that for the rest of the year, we should probably be about half of what our cash burn was last year. So very much we are improving on that. And as we get to adjusted EBITDA profitable in one of the quarters this year and we plan to stay there.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Yes. I think the other just point to make there, Brian, is that we see free cash flow coming in 1 to 2 quarters after we cross into adjusted EBITDA territory. So for us, this is a -- you can see that the narrowing losses. To me, I look at it as a line. It's a trajectory we're on, where we're going to continue to narrow those losses, cross over into adjusted EBITDA positive and then ultimately cross into free cash flow positive after that.

Operator

[Operator Instructions]. It appears we have no further questions this afternoon. Mr. Haldeman, I'd like to turn things back to you, sir, for any closing comments.

Lucas Merwan Haldeman
Founder, Chairman & CEO

Thanks, [Bo]. I'd just like to thank everyone for joining the call and appreciate your support and look forward to speaking with you again very soon. Thank you.

Operator
Thank you, Mr. Haldeman. Ladies and gentlemen, that will conclude the SmartRent First Quarter 2023 Earnings Call. I'd like to thank you all so much for joining us and wish you all a great rest of your day. Goodbye.

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