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SmartRent, Inc.

Fourth Quarter 2025 Earnings

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CORPORATE SPEAKERS:

Kelly Reisdorf

SmartRent, Inc.; Head of Investor Relations

Frank Martell

SmartRent, Inc.; President and Chief Executive Officer

Daryl Stemm

SmartRent, Inc.; Chief Financial Officer

PARTICIPANTS:

Ryan Tomasello

KBW; Analyst

PRESENTATION:

Kelly Reisdorf^ Hello. Thank you for joining us today.

My name is Kelly Reisdorf, Head of Investor Relations for SmartRent.

I'm joined today by our President and Chief Executive Officer, Frank Martell; and Daryl Stemm, Chief Financial Officer.

Before the market opened today, we issued an earnings release and filed our 10-K with the SEC, both of which are available on the Investor Relations section of our website.

Before I turn the call over to Frank, I would like to remind everyone that the discussion today may contain certain forward-looking statements that involve risks and uncertainties.

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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 in our annual report on Form 10-K and quarterly reports on Form 10-Q.

We undertake no obligation to provide updates regarding forward-looking statements made during this call. 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 quarterly earnings presentation is available on the Investor Relations section of our website.

And with that, I will turn the call over to Frank.

Frank Martell^ Thanks, Kelly, and good morning, everyone.

The second half of 2025 marked an inflection point for SmartRent.

Today I'm going to highlight a number of key takeaways from 2025, both operationally and financially, as well as provide comments on 2026 and our strategic plan which we are calling Vision 2028.

In many ways, 2025 was a critical year for the company, and through the hard work and dedication of our team and the support of our customers, we made significant progress in virtually all areas of the business. Here are some of the more significant highlights from my perspective.

First, the company spent significant time on organization development and improving the effectiveness of key workflows.

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Second, we expanded our executive leadership bench strength through the promotion of high-performing internal leaders as well as added domain expertise from outside the company.

Third, we also expanded our go-to-market capabilities, people, process and customer outreach, supporting the acceleration of our revenue growth.

In addition, we invested in our hardware and software offerings with a focus on customer ROI and increasing our internal operating leverage. And finally, we reset our cost structure, which yielded an annualized cost savings number of over \$30 million.

From a financial point of view, the company executed against its commitments of returning to profitable revenue growth with positive run rates for cash flow and adjusted EBITDA.

Some specific Q4 highlights include our total revenue growth was positive for the first time in seven quarters as we grew SaaS revenue by 13%. ARR grew to just under \$62 million, which represents approximately 40% of the company's total revenue. Operating expenses were lower by 22%. We recorded positive adjusted EBITDA, and our net loss was significantly reduced from \$11.4 million to \$3.2 million.

Then finally, we ended the year in great shape from a liquidity standpoint.

Daryl will provide a more detailed review of our 2025 results in a few minutes.

Looking forward to 2026, we expect to grow total revenues supported by a double-digit growth in ARR, which is made possible by the continuous expansion of our deployed unit footprint. In addition, we should continue to capture the benefits of productivity improvements through optimizing our key workflows.

We believe a combination of revenue growth and continued productivity benefits will produce positive run rates of adjusted EBITDA and free cash flow on a full year basis.

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I will now focus the balance of my remarks today on outlining our strategic plan which we call Vision 2028.

Vision 2028 is built around two clear value creation priorities: number one is accelerating growth by reinforcing and expanding our competitive moat; and number two is increasing profitability through a more scalable and leverageable operating model.

These priorities will be operationalized through five strategic pillars as follows: first, growing our installed base at a double-digit pace; second, scaling a world-class go-to-market organization to facilitate increased revenue velocity; third, deepening platform integration with increasing infusion of data, analytics and AI, which offer expanded ROI for our customers and an elevated resident experience; fourth, simplifying hardware architecture while investing in next-generation capabilities that increase insights and foster a more leverageable platform; and finally, continuing to strengthen our internal operating rigor to drive sustainable operating leverage and free cash flow.

I will now spend a few minutes to discuss our focus with regards to the first pillar, which focuses on building scale in our competitive moat that underpins the unique value proposition of SmartRent.

Our IoT technologies operational in more than 890,000 rental units across the U.S. Additionally, our maintenance and leasing operations solutions support more than 1.2 million units. Our IoT units are connected to well over three million devices across roughly 3,500 properties.

Our platform is a significant and critical component of our customers' daily property operations and resident workflows, delivering quantifiable ROI. This represents a significant competitive differentiator for SmartRent.

We believe we are nearing an inflection point in terms of scale. Over the next four to five quarters, we're on a march to one million installed units.

As part of Vision 2028, we are targeting to grow our installed base at a double-digit compound annualized growth rate through 2028. And assuming our historical low churn rates, we believe this will yield a total installed base of over 1.2 million units exiting 2028.

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Our expanded hardware footprint will generate additional software revenues from existing and new solution sets. These revenues should be onboarded at rates above our current average revenue per unit. This should yield an accelerating contribution from our software revenues, which we believe will result in higher margins for the company and more predictable revenue performance.

An important benefit of our expanded installed base should be our ability to fund reinvestments in our solutions that capture advances in technology, which allows us to capture more insights and provide those outputs to our customers.

We have included further details on Vision 2028 in our investor materials on our website. As our strategic plan unfolds, we will keep you updated on key areas of our progress.

In closing, I want to acknowledge the dedication and excellence of the SmartRent team. I also want to thank our shareholders for their support as we build a more valuable and durable company in line with our Vision 2028 strategy.

We're committed to building something that matters and continuing to execute against our vision to bring smarter living and working to everyone.

With that, I'll turn the call over to Daryl to discuss our financials in more detail.

Daryl Stemm^ Thank you, Frank, and good morning.

Today I'll review the fourth quarter and full year results, provide context on margins, cash flow and working capital, and then offer my perspective on the company as we enter 2026.

Total revenue for the fourth quarter was \$36.5 million, an increase of approximately 3% from \$35.4 million in the fourth quarter of 2024, representing our first quarter of year-over-year revenue growth in the last seven quarters.

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Hosted services revenue totaled \$18.1 million and included \$15.4 million of SaaS revenue and \$2.7 million of noncash hub amortization revenue.

Hardware revenue was \$12.5 million, up 20% year-over-year, and professional services revenue was \$5.9 million.

For the full year, Total revenue was \$152.3 million, down 13% from last year, reflecting our continued transition away from both hardware transactions that were not aligned with customer implementation timelines.

For the full year, SaaS revenue was \$57.8 million, up 12% year-over-year.

As Frank mentioned, ARR now represents 40% of total revenue. This continued expansion of ARR reflects our growing installed base.

Hosted services revenue includes noncash hub amortization associated with non-distinct hubs sold in prior periods.

Hub amortization totaled \$2.7 million in the fourth quarter of 2025, as compared to \$5.2 million from the prior year quarter.

Total revenue, less hub amortization, or what we refer to as core revenue, was approximately \$33.8 million compared to \$30.2 million in the fourth quarter of 2024, representing growth of approximately 12%. We believe core revenue is more reflective of the underlying volume of the business as it excludes noncash revenue from hub shipped in prior years.

For the full year, hub amortization totaled \$15.4 million compared to \$21.6 million in 2024.

Core revenue for the full year was approximately \$136.9 million compared to \$153.3 million in fiscal 2024, reflecting the company's continued transition away from bulk hardware transactions. Hub amortization revenue is expected to further decrease to less than \$5 million in 2026. We

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believe separating this non-cash revenue provides clear visibility into the underlying growth of the business.

And now turning to margins. Total gross margin in the fourth quarter expanded approximately 990 basis points year-over-year to 38.6%.

Hosted services gross margin increased to 75.7%, reflecting SaaS ARPU growth and operating leverage within the recurring model.

Professional services gross margin improved significantly and was approximately breakeven in the fourth quarter, our second consecutive quarter of profitable professional services operations.

Operating expenses in the fourth quarter were \$18 million, down 22% year-over-year. For the full year, operating expenses were \$88.9 million, down 13% year-over-year. These reductions reflect structural cost actions implemented in the second half of the year.

Net loss improved at \$3.2 million in the fourth quarter compared to \$11.4 million in the prior year quarter. For the full year, net loss was \$60.6 million compared to \$33.6 million in 2024, primarily driven by a \$24.9 million goodwill impairment charge recorded in the first quarter of 2025.

Adjusted EBITDA improved by 103% to a profit of approximately \$200,000 in the fourth quarter compared to a loss of \$7.4 million in the prior year quarter. For the full year, adjusted EBITDA was a loss of \$16.4 million compared to a loss of \$9.9 million in 2024.

We ended the year with approximately \$105 million in cash and no debt under our \$75 million credit facility. In the fourth quarter, we grew our cash balance by \$4.5 million and achieved our goal of cash flow neutrality on a run rate basis exiting the year.

It's important to note that our business has cash flow seasonality, but we expect to be cash flow positive on an annual basis. Working capital improved year-over-year, accounts receivable and inventory levels declined primarily due to improved collection cycles and improvements in forecasting, respectively.

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SaaS ARPU in the fourth quarter was \$5.83 compared to \$5.68 in the prior year quarter, an increase of approximately 3%. On a full year basis, SaaS ARPU increased approximately 1%. Units booked SaaS ARPU in the fourth quarter was \$7.64 compared to \$8.9 in the prior year quarter.

For the full year, units booked SaaS ARPU was \$8.40 compared to \$6.44 in 2024. This reflects changes in customer and product mix within new bookings.

Turning now to outlook.

We're seeing a healthy customer engagement. We're seeing improved booking activity. We have a structurally lower cost base, and we have an increasing recurring revenue contribution. At the same time, we remain measured deployment timing variability and macro uncertainty warrant discipline.

We have a growing deployed base, which drives growth in recurring revenue and an improving margin profile. However, as Frank mentioned, we're on a march to one million installed units. We believe our expanded installed base sets us up for accelerated growth and profitability.

And with that, we will open the line and take your questions.

Operator?

Operator^ (Operator Instructions) Your first question comes from the line of Ryan Tomasello with KBW.

Ryan Tomasello^ Nice to see the 2028 targets.

I guess -- in terms of the unit deployment goals, how much of that is being driven by existing customers versus net new logos?

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Then in terms of the sales organization and installation teams, how much wood is there still to chop in order to get that capacity built out to execute on these targets?

Frank Martell^ Ryan, it's Frank Martell. Just -- we'll answer your question in reverse order.

So in terms of the sales organization, as I mentioned, we are making a significant investment, roughly doubling the size of the sales organization. With that, we're looking at potential of partnerships with other firms for local reach and expect that to be -- to materialize towards the end of this year.

I'd say that from my standpoint, the -- we are penetrating additional customers. We have about 600 currently, which -- there's plenty of opportunity.

We tend to spend a lot of time on the top 20, obviously, but we are definitely looking to expand our reach in the mid and mass market as we build the sales organization and the capability to do that effectively.

I'll let Daryl answer the longer-range assumptions.

Daryl Stemm^ Yes. Thanks, Frank.

Ryan, historically, most of our short-term growth in unit deployment comes from the existing customers. We're always looking to expand the customer base, but in this horizon that we're looking at for Vision 2028, I would expect that trend to continue.

We've got plenty of growth opportunity from our existing approximately 600 customers. But as Frank mentioned, we are also expecting to address with renewed rigor the small and medium portion of the market.

Ryan Tomasello^ Great. That's all very helpful.

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Then in terms of SaaS ARPU, I know you're targeting higher attach rates to expand ARPU in these targets.

But any color you can give around the types of growth rates and, I guess overall CAGR do you think is achievable in SaaS ARPU over the next three years?

Daryl Stemm^ Yes.

No guidance that we want to give you there, although you can tell from Frank's remarks that we are investing in our technology -- customer-facing technology so that we can expand our offering. And we do believe that it will have a positive impact on expanding our ARPU.

Ryan Tomasello^ Then last one for me. And forgive me, you might have mentioned some of this in your prepared remarks, but for 2026, just any broad commentary on what you think is achievable from a revenue and EBITDA standpoint?

Then over the course of the next few years through your 2028 targets, how you're thinking about driving operating leverage and what the ramp in EBITDA could look like?

Daryl Stemm^ Yes. So starting with 2026, I think we've given some, what I would refer to as soft guidance, no specific numeric guidance.

But we expect to reach one million deployed units within four or five quarters. I think that expanding our installed base remains our primary revenue driver.

So you could model first off of the assumption of when we would reach one million.

The other guidance that we've provided is that for the whole year, our expectation is to be adjusted EBITDA profitable as well as positive from a free cash flow basis.

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Operator^ There are no further questions at this time. This concludes today's call.

Thank you all for attending. You may now disconnect.