TRANSCRIPT

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SmartRent

Second Quarter 2026 Earnings Call

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CORPORATE SPEAKERS:

Kelly Reisdorf
SmartRent; Head of Investor Relations
Frank Martell
SmartRent; President, Chief Executive Officer
Daryl Stemm
SmartRent; Chief Financial Officer

PARTICIPANTS:

Ryan Tomasello
KBW; Analyst

PRESENTATION:

Operator^ Hello everyone. Thank you for joining us and welcome to the SmartRent second quarter 2026 earnings call.

(Operator Instructions)

I will now hand the conference over to Kelly Reisdorf, Head of Investor Relations. Kelly, please go ahead.

Kelly Reisdorf^ Hello and 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-Q with the SEC, both of which are available on the Investor Relations section of our website.

I would like to remind everyone that the discussion today may contain certain 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 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 and we recommend that all investors review these reports thoroughly before taking a financial position in SmartRent. Unless otherwise noted, all comparisons discussed on today's call refer to the second quarter of 2026 compared with the second quarter of 2025.

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^ Good morning everyone, and thank you for joining us. Today I'm going to discuss the more significant operational and financial highlights from the quarter from my point of view. Daryl will conclude our prepared remarks with a more detailed discussion of our Q2 financial results.

By almost every measure, SmartRent delivered strong progress in the second quarter as we continue to stay laser focused on realizing the full benefits outlined in our Vision 2028 strategic plan. As you may recall, Vision 2028 focuses on two priorities. First, accelerating growth by expanding our competitive moat, and second, increasing profitability levels through a leverageable operating model. These priorities are anchored by five pillars.

First, growing our installed base at a double digit compound rate. Second, scaling a world class go to market organization. Third, infusing our platform with data analytics and AI. Fourth, simplifying our hardware architecture while investing in next generation capabilities. And fifth and finally, strengthening our internal operating rigor to drive sustainable profit and free cash flow.

I believe our second quarter results clearly demonstrate the value creation opportunities inherent in our growing market leadership and aggressive execution of Vision 2028. I will now take a couple of minutes to summarize key proof points highlighted in our second quarter results. First, we accelerated revenue and bookings growth attributable to our best in class IoT, access control and self guided tour solutions.

Our core revenues grew 14%, marking our highest quarterly growth rate in over two years. This double digit growth builds on our progress from the fourth quarter of 2025 when core revenues grew 12%. SaaS revenues in Q2 grew 13% and now represent more than 40% of total revenue. ARR increased year over year from 57 million to $65 million, reflecting continued expansion of our IoT footprint and increased demand for our highly regarded access control and self guided tour offerings.

In the second quarter we expanded our installed IoT footprint by 10% to nearly 930,000 units. On a trailing 12 month basis, units booked accelerated from 80,000 in the second quarter of last year to over 112,000 this quarter, which is a 40% increase. Given the significant acceleration of units booked over the last 12 months, I believe we're in a strong position to exceed 1 million units installed during the first half of next year.

The scaling of our installed base beyond 1 million units should create a new inflection point for our business from both a growth and a profitability standpoint. In addition to expanding our unit footprint, we are also investing in our data and analytics solutions which leverage our network of millions of connected devices through investments such as the planned launch of the SmartRent Innovation Center and our recently announced strategic collaborations with Hexaware and Databricks.

As we look forward, we will continue to actively pursue opportunities to expand our footprint and our solutions that drive measurable returns for our customers. A key example is our upcoming launch of a dedicated data and analytics practice. With millions of connected devices across our network, I believe SmartRent is uniquely positioned to translate real time data into actionable insights which will power ROI for our customers across such areas as energy efficiency, water conservation and risk management.

To power this practice, we are anchoring our tech stack on industry leading platforms including Databricks as a core component of our technology layer. A high impact data and analytics practice represents a sizable strategic tailwind opportunity for SmartRent. By layering high value insights powered by our unmatched device footprint, we anticipate being able to expand our total addressable market, drive ARPU growth and deepen our competitive moat.

We believe that we've never been better positioned to execute on the opportunities ahead. In addition to accelerating top line growth, we improved gross margins by 760 basis points to 41% in the second quarter. Our margin improvement reflects the dual benefits of our ongoing focus on revenue acceleration and structural cost reduction programs. Looking ahead, our recently announced partnership with Hexaware is expected to contribute to additional margin expansion while accelerating the deployment of AI tools in our operating processes.

We are continuing to progress towards consistently positive adjusted EBITDA and free cash flow. Higher revenues, including increased SaaS contributions as well as our focus on operational rigor, is fueling our rapid progress. Q2 was our third consecutive quarter of positive adjusted EBITDA. As Daryl will discuss in more detail in a few minutes, we continue to maintain a fortress balance sheet that provides significant financial flexibility to fund our Vision 2028 priorities.

During the second quarter we deployed a portion of our cash war chest to repurchase 1.5% of our outstanding shares. We also recently expanded our share repurchase authorization to $25 million to support future repurchases as warranted. I believe the second quarter provides many clear proof points of our progress, both strategically and operationally. Over the last several quarters we have demonstrated our ability to deliver accelerating growth as well as expanding margins and profitability while maintaining significant capital reserves.

As the trusted partner to over 600 multi and single family rental owners and operators, SmartRent is the clear, proven choice for any owner or operator that is looking to adopt and reap the benefits of smart home technology. In conclusion, I want to thank our employees for driving rapid and positive progress against our efficient 2020 priorities and pillars, and our shareholders for their continued support. I will now turn the floor over to Daryl.

Daryl Stemm^ Thank you, Frank, and good morning everyone. Total revenue for the second quarter was $40 million, up 4%, and core revenue, which excludes non cash hub amortization, was $38 million, up 14%. We continue to believe core revenue is the more representative measure of the underlying volume of our business. Digging deeper within the revenue mix, SaaS revenue grew 13% to $16 million, representing more than 40% of total revenue, and ARR increased to approximately $65 million.

ARR growth is primarily attributable to the continued expansion of our installed base and increased adoption of access control and self guided tour solutions. Hardware revenue was $14 million, down 10%. Professional services revenue was $9 million, up 100%, reflecting increased hardware refresh installations as well as higher access control volume which drive growth in professional services ARPU.

I'd like to spend a few minutes on bookings. Units booked totaled more than 48,000 in the quarter, and as Frank mentioned, on a trailing twelve month basis, units booked increased 40% to approximately 112,000 units. Bookings for individual quarters can be nonlinear. We have a long sales cycle and the timing of customer decisions and orders doesn't always align with our reporting periods.

As a result, we're increasingly focused on trailing 12 months units booked, which we believe provides a more meaningful view of underlying customer demand and the progress we're making in executing our go to market strategy. We're becoming a full cycle hardware enabled technology company. As our platform continues to expand and our installed base matures, the composition of our bookings naturally evolves. Historically, units deployed has been our primary revenue driver.

However, hardware refreshes, subscription renewals and adoption of additional solutions such as access control and self guided touring are becoming increasingly meaningful to our business. Different solutions carry different equipment and installation requirements and ARPU characteristics. All of these factors result in variability in both bookings and ARPU. For example, second quarter bookings were more heavily weighted towards IoT solutions, which led to a lower ARPU.

As our business evolves beyond primarily new IoT deployments to supporting customers throughout the life cycle of their communities, we expect the mix of bookings to continue to fluctuate. I believe viewed together continued core revenue growth, accelerating trailing twelve month bookings and expanding ARR provide three complementary indicators that demand for our platform remains healthy and that the underlying fundamentals of the business continue to strengthen.

Total gross margin expanded to 41% in the second quarter, up 760 basis points. SaaS gross margin expanded to 75%, up from 70% a year ago as a result of ARPU growth and continued cost discipline. Professional services gross margin improved dramatically to 21% compared with a negative 44% reflecting continued operational improvements. Hardware gross margin was 13% compared to 15%, primarily reflecting changes in mix. Operating expenses were $23 million in the second quarter, down 7% from $24 million, reflecting the continued benefit of our productivity initiatives.

Net loss was $6 million, an improvement of $5 million or 48%. Adjusted EBITDA was $700,000, our third consecutive quarter of positive adjusted EBITDA. We ended the quarter with $93 million in cash, no debt and an undrawn $75 million credit facility. We repurchased about 3 million shares, or approximately 1.5% of shares outstanding at an aggregate cost of $3 million during the quarter. Subsequent to quarter end, our board expanded our share repurchase plan with an authorization to repurchase up to $25 million.

With our strong balance sheet and improving financial results, we will continue to evaluate capital allocation opportunities, including share repurchases, through the lens of building long term shareholder value. As Frank mentioned, we remain focused on accelerating revenue growth while delivering adjusted EBITDA profitability.

As we look ahead to the balance of the year, we continue to believe our revenue, profitability and cash flow in the second half of 2026 will be stronger than the first. That confidence is supported by three factors. First, strength in trailing twelve month units booked. Second, sustainable margin expansion driven by operational improvements, and third, continued growth of our installed base and recurring revenue.

And with that, I'll turn the call back over to the operator for questions.

QUESTION & ANSWER:

Operator^ (Operator Instructions).

Your first question comes from the line of Ryan Tomasello with KBW. Your line is now open. Please go ahead.

Ryan Tomasello^ Hi everyone. Congrats on the solid execution in the quarter. In terms of bookings, appreciate the commentary in the prepared remarks, but if you can just put a finer point on maybe some specific factors you'd attribute that strong result to in the quarter. Any large outsized deals or seasonal factors to call out?

And in terms of the second half of the year, if there's any guardrails you can provide around the trajectory of unit deployments and bookings and just how we should be thinking about the flow through and timing of bookings to actual unit deployments. Thanks.

Frank Martell^ Hey Ryan, this is -- this is Frank. I think it's probably a two part question, so I'll handle the first part and then Daryl can jump in on the -- on the -- the other comment. But, yes, look, I think as Daryl mentioned in his script, there's not a linear -- unit orders are not linear. And this stat really covers IoT unit orders. And so we have -- we have timing issues. We have larger orders and smaller orders.

So this happened to be an -- There's a couple orders we've been working on for some period of time and they happen to fall into the second quarter. So, we saw an uptick in the velocity but it's more of a timing issue. And obviously, I talked last quarter about investing in our sales team and our go to market motion and we're definitely getting traction there as well. So we're seeing more -- more opportunities, and we're closing more opportunities.

So, we thought it was better to go to a kind of a TTM, trailing 12 month view because it shows the trend which is -- which is more representative of what we're going to see through the PnL. So -- So it was -- it was a couple of solid orders in addition to the other orders that were end of quarter and the things that kind of move timing wise that came -- came to pass in the second quarter.

The other thing I will mention is a very important point that Daryl raised in his prepared remarks which is we are seeing a lot more orders for things like access control and SGT, and those are higher margin and very good expansion of our footprint. And so we're excited about that because it has margin potential for us as we get in the second half of the year and especially as we go forward. So that's been evolving quite nicely in addition to IoT unit orders and hardware orders.

Daryl Stemm^ Yes, thanks -- thanks for your questions Ryan. With regards to volume of deployments in the back half of the year, I would point you really to the TTM, units booked in particular. Recent quarters, we've been running plus or minus about 20,000 units deployed in a quarter. I think that the TTM number, if you were to normalize that to a monthly basis, that would be a pretty good proxy for looking forward. Although I would caution you to attribute a full -- a full swing from 20 to close to 30,000 units. I wouldn't expect it to all occur in Q3.

Ryan Tomasello^ Okay, thanks. And then it sounds like you're optimistic about the initiatives you have underway to support the data and analytics build out. If you can just elaborate on what exactly you're working on there. Do you envision that unlocking monetization opportunities outside of your existing IoT customers or is this more focused on add on for the existing installed base?

And then in terms of the investment cycle there, if we should expect to feel this in the PnL? And just overall from a timing standpoint, how you're thinking about the build out there.

Frank Martell^ Yes. Let me just talk about the installed base really quickly Ryan, because we put out a bogey of getting over a million -- march to a million installed IoT units. I think the results this quarter and the order book clearly supports us achieving that within the targeted time frame of early next year. That's an important milestone because it reflects a little bit of an inflection point from a financial modeling point of view because obviously the bigger the footprint is the more software spins around it and that will have margin improvement, et cetera.

So I think -- I think that's -- that's an important thing to note and I think is materializing and we feel great about that. Secondarily to your question, so we actually announced in the public market two partnerships, one with Hexaware and one with Databricks. And I think we're trying to bring in really first class partnerships to help us with operating leverage and help us with technology velocity. And so those two, and I'll take them just in order, so Hexaware we brought in, they're really a -- a BPO play, they're AI -- AI forward BPO player. They're going to help us to build our operating leverage.

So, when we get the volume up, we'll be able to drop more of that to the bottom line, using -- using them as first of all as a workforce but also ingesting more AI into our process margins. So, that's more of an enabler. Regarding Databricks, so one of the things that we've tried to do and frankly we haven't done as great a job as we could have, but now it's integral part of our Vision '28, which is the -- taking all these devices and providing more insight to our customers.

So, we have -- we have the ability to do that but we need -- we need the partner to jumpstart the infrastructure required to have a data and analytics business. I came from several of them and so it's a lot of you have to build out the capability because it's kind of real time insight that you're providing.

And in our case the good news is the customers, it's real ROI building insight and it's about temperature management and it's about risk management and these are things that really add to our customers' bottom line. And so, we expect a repeatable data analytics business to be a sizable part of our -- of our revenue stream in the coming years. And so that's -- that's really an enabler that helps us to get there. And we feel very great about that. There's a lot of opportunity for the company as we expand the footprint, for sure.

Ryan Tomasello^ And then I'll just squeeze in two more here if you don't mind. If you can just give us an update on how renewal pricing is trending with the legacy customer cohorts that you've called out as an opportunity and how much longer that renewal cycle will take to play out. And then on the macro front, any updates on what you're hearing from customers around budget tightening and CapEx plans entering next year? Thanks guys.

Daryl Stemm^ Yes, you're welcome. Why don't I start by responding to the renewal progress? So, we talked last quarter about some negotiations for renewals that have been completed and we mentioned at that time that by the end of this year we expect to be benefiting to the tune of approximately $0.05 per unit per month. That equates to about $50,000 roughly per month of incremental revenue. An important thing to note about these renewals is most of our customers deployed to their communities over multiple years, so that $0.05 continues to grow in the following couple of years for two reasons.

Number one, more and more of their units will have -- or communities will have had their original subscriptions expire and they'll move to the new rates. And then additionally, these new renegotiations and renewals included escalation clauses in future periods, so we'll continue to enjoy expanded benefit beyond just this year. In addition to that, I guess the other part of that question was when do we expect that cycle to end? And the simple answer is I hope it never ends because we're continuing to expand our installed base, and as communities have their original subscriptions expire, we'll have renewal discussions on an ongoing basis.

And it's really that we're just now entering a new cycle for the company where not only renewals but also hardware refreshments become an important and regular, and again, we hope never ending annuity for the company's revenue streams. And I'll turn the call, or turn the call over to Frank perhaps to give a -- a comment or two on the macro conditions.

Frank Martell^ Yes, look, I would say that obviously our bookings velocity is improving and so we're having the discussions. I think the company is in a strong position financially and I think we're executing on our plan, our strategic plan and what we commit to do pretty well. So, I think there's less friction with the customer base than there was maybe a year or two ago. I think that's allowing us to have more discussions, and what I would say is bigger discussions about a more fulsome solution set for the customer.

So, I think from that point of view, they may have their individual pressure points. I wouldn't say that the market's super easy right now, but I think in terms of SmartRent and the engagement with SmartRent, I think most people see the ROI. A lot of it's kind of arithmetic frankly. But I think our growing financial strength and our growing footprint means we are a very, very credible counterparty. And that's allowing us to have at the highest levels bigger discussions and more discussions. And so, that bodes well.

As Daryl said, I think we have other opportunities and I think that's what's emerging is things like there will be because we have over a million units installed coming next year, that creates a annuity stream in terms of replacement of aged hardware, as well as just the discussion around data analytics, and as well as other, other solutions that will come online. So we're having more discussions than I think we've ever had. We've ramped up the sales team.

We have a channel partnership program that's going to build, so we have a lot of things going on in terms of our engagement infrastructure. And frankly, the entire leadership team, including myself, is personally engaged in -- in a lot of these discussions with the customers.

Operator^ There are no further questions at this time. This concludes today's call. Thank you for attending. You may now disconnect.