



Symbotic Inc

Q1 FY 2025 Financials Call

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PRESENTATION

Operator

Thank you for standing by, and welcome to Symbotic's first quarter 2025 financial results conference call.

(Operator Instructions)

I would now like to hand the call over to Charlie Anderson, Vice President of Investor Relations.

You may begin.

Charlie Anderson *Symbotic Inc. – Vice President, Investor Relations and Corporate Development*

Thank you. Hello. Welcome to Symbotic's first quarter 2025 financial results webcast.

I'm Charlie Anderson, Symbotic's vice president of investor relations.

Some of the statements that we make today regarding our business operations and financial performance may be considered forward-looking.

Such statements are based on current expectations and assumptions that are subject to a number of risks and uncertainties. Actual results could differ materially.

Please refer to our Form 10-K including the risk factors.

We undertake no obligation to update any forward-looking statements.

In addition, during this call we will present both GAAP and non-GAAP financial measures.

A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release, which is distributed and available to the public through our Investor Relations website located at ir.symbotic.com.

On today's call we are joined by Rick Cohen, Symbotic's Founder, Chairman and Chief Executive Officer; and Carol Hibbard, Symbotic's Chief Financial Officer.

These executives will discuss our first quarter fiscal 2025 results and our outlook, followed by Q&A.

With that, I'll turn it over to Rick to begin.

Rick?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Thank you, Charlie. Good afternoon. And thank you for joining us to review our most recent results. In the first quarter we continued to deliver high growth while enhancing our technology position.

Last quarter, I highlighted that our key objectives for our fiscal year 2025 were scaling for growth and investing in our innovation engine while delivering high-quality systems to our customers. And that by doing so, we would look forward to another year of strong top line growth and expanding profitability.

On the scaling front, we believe we have made good progress building out the team to support growth and deployments. Deployment execution is critical for our company, and we are seeing progress from the change we made last year bringing more of the deployment functions in-house. In addition, we continue to focus on project execution and schedule.

In terms of investing in innovation, we recently brought aboard a new CTO, James Kuffner. James brings a wealth of experience in robotics and software with relevant leadership experience at



Toyota and Google. James and the team are working on several exciting initiatives, notably new simulation tools intended to allow us to deploy new features more rapidly.

This capability was bolstered by our acquisition of OhmniLabs during the quarter, which allowed us to add software assets and tools that accelerate our simulation efforts company-wide. Having a strong technology position is at the core of our acquisition of Walmart's Advanced Systems and Robotics business and the related commercial agreement to automate Walmart store level accelerated pickup and delivery centers, or APDs.

As I noted a few weeks ago when we announced the deal, we see this acquisition as giving Symbotic arguably the industry's strongest collection of products, talent and intellectual property for supply chain automation.

Our goal is to help customers automate all the way from the manufacturing plant to the store and eventually to the consumer. We closed this transformative acquisition last week and have already begun our integration efforts.

As a reminder, we will first be in a development phase, which will include the building of prototypes. This is a logical extension of our core technology and Walmart is committed to deploying our technology in 400 stores over a multiyear period, representing over \$5 billion of future backlog, provided we meet key performance criteria during this phase.

Stepping back, we closed three acquisitions in the last seven months, which we believe sets us apart as a leader in this space. Further, Walmart's selection of us to automate their APDs is a strong acknowledgment of our capabilities. Our technical talent continues to grow, and we remain focused on expanding our profitability.

I want to close my remarks by thanking our team for their hard work this quarter, our customers for their continued trust and our investors for their support of our company.

Now Carol will discuss our financial results and outlook. Carol?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Thanks, Rick.

First quarter revenue grew 35% year-over-year to \$487 million, with revenue growth driven by solid progress across our 44 systems in the process of deployment, along with 80%-plus year-over-year growth from our recurring revenue, which includes software and operation services.

In the quarter, we began four new system deployments and completed four systems, bringing us up to a total of 29 in operation. As more systems go operational, we are seeing a more noticeable contribution from software. Our software revenue in the first quarter more than doubled year-over-year, and we delivered software margins over 65% for the first time in a quarter.

In terms of backlog, our backlog of committed contracted orders of \$22.4 billion remained consistent with last quarter as the addition of the Walmex contract plus final pricing on contracts was offset by revenue recognized during the quarter.



System gross margin improved on a sequential basis as we continue to improve our execution. Gross margin on software maintenance and support also improved sequentially, continuing its trend toward typical industry software margins as we gain scale.

In Operation Services, we posted a negative gross profit as we continue to support certain sites by investing in additional resources to ensure customer success. We would expect the impact of this increase in resources to moderate going forward and see no change to our long-term model of operation services as a beneficial contributor to overall margins.

We see our focus on reliability and ease of use for our customers as enabling long-term benefits that we believe will far exceed any short-term expense associated with these efforts.

Operating expenses were up sequentially, as expected, due to the investments we are making to support our growth. Overall, our net loss in the quarter was \$19 million. Thanks to improving gross margins on systems and software, adjusted EBITDA in the quarter of \$18 million came in above our forecast.

We finished the quarter with cash and equivalents of \$903 million, which increased from \$727 million in the fourth quarter, primarily due to cash from operations of \$205 million in the quarter, which was driven by the timing of cash receipts.

Now turning to our outlook. For the second quarter of fiscal 2025, we expect revenue of \$510 million to \$530 million and adjusted EBITDA between \$26 million and \$30 million, reflecting another quarter of at least 30% year-over-year revenue growth and a sequential increase in overall gross margins, while accommodating a sequential increase in operating expenses associated with recent acquisitions.

We note that our guidance reflects only a modest contribution from the acquisition of the Walmart Advanced Systems and Robotics business, given the partial quarter and the fact that it is the early days of our development program.

As a reminder, you should not expect our revenue for our development program to track Walmart's front-loaded payments, and we may end up deferring a portion of the revenue to the store deployment period.

In summary, we look forward to another quarter of high growth with the continued recovery in our margins. With that, we now welcome your questions.

Operator, please begin the Q&A.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions)

Our first question comes from the line of Nicole DeBlase with Deutsche Bank.

Nicole DeBlase, *Deutsche Bank – Analyst*



So maybe just starting with OpEx in 2Q. You mentioned that we should see another Q-on-Q increase. Can you talk a little bit about the magnitude of that OpEx increase expected? And at what point do you get to kind of run rate OpEx, maybe you can split it between SG&A and R&D?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Thanks, Nicole. Yes. So, we saw a step-up in our OpEx this quarter, and we would expect second quarter OpEx to increase about \$5 million to \$10 million. This is primarily driven by the investments we're making in the long term for the business as well as what you're seeing from the acquisitions.

So, the step-up this quarter for one quarter that we're posting, you saw a step up in SG&A. Some of that was our overall infrastructure, getting ready for acquisitions and our scaling of our program management function. So, as we moderate going forward, you should expect that OpEx to moderate between R&D and SG&A, similar to the levels you're going to see in the second quarter.

Nicole DeBlase, *Deutsche Bank – Analyst*

Got it. And then just maybe if we could dig into the Operation Services loss in the quarter a little bit more. I think you guys had expected that to return to maybe positive growth. So can you talk a little bit more about what happened? And then how should we think about gross profit for that business for the rest of the year?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So, when I think about Operation Services and what that includes -- and you see a little bit of lumpiness in terms of revenue from quarter-over-quarter as well. And so there are different intensities at different sites based on what we're providing from a training and resources perspective.

And what you saw this quarter, as we alluded to, we're supporting several of our customers and the resource needs -- that they need as some of our large systems go live. I would expect you are likely to see this continue in the near term but not at this same level. And that depends on what we're focused on for the long term, which is focus on reliability and support for our customers as they deploy and bring our systems online.

Operator

Our next question comes from the line of Andy Kaplowitz with Citigroup.

Andrew Kaplowitz, *Citi -- Analyst*

Rick or Carol, I think you said that your move to more in-sourcing is on track, and you're forecasting higher adjusted EBITDA margin again in Q2. So, it seems like you're starting to get down on the cost curve again as you increase the number of deployed systems.

But maybe you could update us on where you are in the process of insourcing whether you feel good about more, let's call it, limited noise and margin from here?



Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Thanks for the question, Andy. So, in terms of our engineering, procurement and construction contract, we're making good progress. And so, as we talked about, this is going to be a multi-quarter transition.

Over the course of the last several months, we have brought all of that work in-house and the sourcing that we had that we brought in-sourced in from the contractors. They have completed their work ahead of schedule.

And so all of that work is now in the hands of Symbotic. We continue to scale, and we will have our first couple of systems where Symbotic was performing the EPC work behind us in the next quarter or so.

So that's certainly one of the contributors in terms of managing overall schedule. We know we have work to do in terms of overall systems gross margin. Schedule is one of those elements. And then we're focused on how we continue to improve our costs as well.

Andrew Kaplowitz, *Citi -- Analyst*

Carol, that's helpful. And then maybe related, I think you said you had four new system starts this quarter. You had nine last quarter. We know it's going to be a bit lumpy. Is the run rate still higher, though, overall?

Or are you still expecting more over the next few quarters as you sort of stabilize as you just talked about in-sourcing and what have you. Like how do you think about sort of new starts while balancing execution as you've talked about?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. The four new starts this quarter was not unexpected given the fact that we were coming off of the last quarter at 9. We've also talked about every quarter's it's going to be lumpy.

We'll have some quarters that are higher, some are lower, but we should expect that number to continue to increase throughout the year as we build out our \$22 billion backlog.

Operator

Our next question comes from the line of Damian Karas with UBS.

Damian Karas, *UBS -- Analyst*

Maybe just taking a step back from kind of your current deployments. I was wondering if you could just maybe give us a sense on any indications or discussions from the potential target pool of customers out there and how they're thinking about budget this year. Are you possibly seeing any changes in those discussions from last year where there was a more tempered CapEx backdrop or kind of business as usual?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. This is Rick. So, it's been an interesting year. I think as the investments we're making in running these sites better and better and operationally have come to fruition. We've had a lot



more inquiries across multiple categories in the last, I would say, the end of last year, end of 2024, where people are starting to think about spending money in '25.

So, we've had -- obviously we've had a bunch more orders from Walmart, but also, we've had manufacturers, and different suppliers, a bunch more incoming as well as more international inquiries. So, I think what's happening is that I think people are more concerned about the labor situation than they were before.

I think the people that have the capital are interested in deploying the capital now versus maybe waiting and watching to see how some of our bigger customers were handling things. So, we're pretty encouraged by what we see with the new customers and the new inquiries coming in.

Damian Karas, UBS -- Analyst

Great. That's really helpful color. And obviously the subject matter of tariffs has been quite topical in the investor world of late.

I don't think -- I think you've said in the past, you don't depend too much on China, but maybe you could just give us a sense, thinking about these three countries, China, Mexico and Canada and what your exposures might be there?

Carol Hibbard Symbotic Inc. -- Chief Financial Officer

Yes. I can start, and then Rick chime in. We have immaterial impact for China. We continue to work closely with our supply chain team because as you indicated, it's rather volatile at the moment.

Our contracts are varied as well by customer and by project, but typically, these types of costs are pass-throughs for us. And so from the other jurisdictions, we're looking at, we do have bot assembly in Mexico, and so that's one we'll keep our eye on. But as you said, the -- what's included in terms of value add as well as what the final tariffs are going to end up being remains pretty volatile.

Rick Cohen Symbotic Inc. -- Chairman of the Board and Chief Executive Officer

And most of our products are actually made in the U.S. There's some assembly that we do in Mexico. I think the more interesting thing, though people are focusing on tariffs, but if immigration as a result of tariffs is slowed down and deportations are accelerated, I would expect the demand for our products to continue to accelerate.

Damian Karas, UBS -- Analyst

Yes. That makes sense. And just thinking about your own supply chain though, hypothetically, there is a Mexico tariff that gets tacked on would you lean towards making some price adjustments or kind of a shift in the footprint? Just any thoughts on where you have leaned.

Rick Cohen Symbotic Inc. -- Chairman of the Board and Chief Executive Officer

Yes. Contractually, we contemplated tariffs. We've contemplated, I don't know it's not necessarily force majeure, but government taxes and regulations and all of our contracts allow us to pass that along.



Operator

Our next question comes from the line of Joe Giordano with TD Cowen.

Joe Giordano, TD Cowen -- Analyst

Carol, I was wondering if you can give us an update on like the control procedures implemented related to the issues you guys found as part of the year-end audit. And how that's kind of informing your guides and giving kind of changing confidence in what you're seeing and how it relates to planning, future planning.

Carol Hibbard Symbotic Inc. – Chief Financial Officer

Yes. So, all of our deficiency remediation controls. Those included adding compensating controls over how we do goods receipt as well as adding compensating controls over how we're recording revenue for non-billable cost growth.

We've provided training. We've provided enhancements to our ERP system. So, all of those have been deployed. And the results of our testing are encouraging. We've had no deficiencies that were noted as part of that testing. But I believe that as we've noted before, it will take several sequential quarters of testing to remediate, but we are encouraged by the progress.

Joe Giordano, TD Cowen -- Analyst

Great. And then if I could -- one more follow-up there and then if I could sneak one in for Rick. But I'm just curious, the four that you completed, how long did those systems generally take to do? And like what's -- how does that compare to the expected timeline for the four that you just started. And then, Rick, just if I can ask you on the M&A side.

You've done some of these like interesting opportunistic deals here. How are you balancing complexity of the organization at an early stage where you're trying to like dial it in and get more efficient versus taking advantage of some of these things that are out there, but that kind of widens the scope of it.

Carol Hibbard Symbotic Inc. – Chief Financial Officer

In terms of our timeline, so we started our remediation process immediately after the identification of our material weaknesses. So those controls we put in place, and we tested them over the course of this quarter.

Rick Cohen Symbotic Inc. – Chairman of the Board and Chief Executive Officer

On the acquisition side, the acquisitions have been more -- they've been small. Two of the companies, we knew the people there and one of the companies was actually doing some consulting for us. The first two outside of the Walmart robotics systems were 20-person companies. And so not very significant increases and actually we have replaced some of our people with some of the new technology with some of the new folks.

So, no significant cost changes. On the Walmart robotics and systems piece. It's been a week or two. We're still evaluating everything. There's some talent there, and we'll figure the integration. But that building is just, I don't know it's like 10 minutes from here. So, we think the integration will work very smoothly.



Operator

Our next question comes from the line of Ross Sparenblek with William Blair.

Ross Sparenblek *William Blair -- Analyst*

Carol, can you update us on what the lead times look like in the quarter? And just given the work on in-sourcing, how should we think about the internal expectations for driving that progress as we move through the year?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

For lead times, over the course of 2024, I'll say post COVID is when we tightened up our lead times from the majority of our supply chain, and we have not had significant changes over the course of the last quarter or two. We continue to focus on what we can do upstream so that we can shorten that lead time as well as simplify the deployment once our material arrives on site.

Ross Sparenblek *William Blair -- Analyst*

Okay. I mean are we getting close to closing on kind of the 18 months with a path to 12. I mean is that really -- is that kind of the framework for the next 12, 24 months? Or is there something else that's going on.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So, the systems that we're deploying right now we're still averaging 24 months. And a couple of them they've been large complex deployments, I'll call it, and they've been over. Ross, we still see a path forward of how we streamline that improvement, but that's going to take some time.

Ross Sparenblek *William Blair -- Analyst*

Okay. And then maybe just touching on the tariffs and the pass-through. Can you give us a sense of the mix in the backlog that is fixed cost versus cost plus? I noticed there's some language that changed in the recent filing and just want to know how those contracts are negotiated if there's any recent updates there?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. I'd say that the best way to think about that is contract type, obviously varies by project and contract. And we have ability for even items that are in our backlog as we go ahead and sign new projects going forward. There's elements of that, that we negotiate as pass-throughs and updates for things like escalation and changes to material that we've talked about in the past around steel.

And probably the best way to look at it is that for those things that are fully in our control, whether that's schedule or project execution. The customers' expectations are that we go ahead and we perform to those and those costs and investments, we will take a hit on gross margin there if we don't perform to that. But the other things such as the tariffs that Rick identified, they're typically pass throughs.

Ross Sparenblek *William Blair -- Analyst*



Okay. But you don't get the sense you're seeing more pushback at this juncture. And if we hit a more rapid inflationary environment, you're going to start seeing more customers try to shift to a fixed cost schedule?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

No. We're not seeing that. As you're aware, we've got long-term agreements in place for a good portion of our backlog. And so, if you think about our backlog for both our Walmart customer and our GreenBox customer, those contracts are in place, and we're not looking at changing those.

Operator

Thank you. Our next question comes from the line of Colin Rusch with Oppenheimer.

Colin Rusch, *Oppenheimer – Analyst*

How should we be thinking about the potential for labor price inflation and how you guys are managing that risk as part of COGS?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So, a significant portion of our buildup is supply based. We continue to work with our suppliers and put in place long-term agreements with them to buffer us for some of that. And then for the portion of the work that is Symbotic labor and EPC, it's certainly one of the things we'll continue to monitor. And we're always looking for opportunities across the rest of our cost base is to ensure that we'll be able to offset that.

Colin Rusch, *Oppenheimer – Analyst*

And then there's a fair amount of money that's gone into investing in hardware innovation and around robotics. And certainly, with some of the kind of attention that's being brought to physical AI, we assume that there's going to be some pretty meaningful innovation happening on the component side.

Could you guys talk a little bit about what you're seeing that you're excited about in terms of incremental components that improve performance or drive costs lower, just in general across either the bots or the whole system?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So, I think we've been on the bleeding edge of that for a couple of years now. We started investing in vision with the NVIDIA chips and graphic interfaces. We started investing in that probably two or three years ago, and that's been one of the expenses that we've incurred over the last couple of years. Most of that is behind us now.

So, getting the physical architecture for our bots in place, was a journey because nobody else is doing what we're doing. People are doing this on cars. They do it in the auto industry, but the bots are stationary. And so, when you have a moving bot that's picking up boxes, that was unique in the industry because there's vibration. There's a bunch of other things.



That's behind us now. So now what we're really focusing on is being able to what we call tele-ops the bot. So essentially a bot to us is now becoming a drone and we can physically move the bot, we can move the arms. So that's happening now. It's been happening for the last six months.

And that's all been part of the journey we've been on to increase reliability. And in terms of the customer support, we've had a lot of people on site and what that translates -- and so that's been part of the expense of the last quarter. But what that translates into the bots learn.

So, what happens now is if a bot goes to pick up a case and the lid pops open, bot says, I can't pick up the case, maybe the bot gets stuck. Now what's happening is we'll tele-op it, it will actually mimic the skills that the operator is doing and teach the bot and you could call it AI, you can call it ever you want.

But the bots learn and then they give us feedback. And so that part of the journey is what really separates our system. We're still on the journey to have a lights-out warehouse within our structure and getting much, much closer to that in terms of how many manual interventions we have.

So, the AI, what we're seeing is the compute power is faster. So -- and we can now -- before, we used to have to do all this stuff with servers on site, we're going to start with proper cybersecurity. We're going to start to use -- take advantage of the cloud to actually get faster transactions, more simulations and take advantage of AI. So, ours is an application where AI will help us learn faster.

Operator

Our next question comes from the line of Mike Latimore with Northland Capital Markets.

Mike Latimore, *Northland Capital Markets -- Analyst*

All right. Great. Maybe an update on GreenBox. Can you talk a little bit about the demand you're seeing there? Do you expect revenue out of your Atlanta facility this year? Do you expect more sites this year? Maybe just some color on that would be great.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. Atlanta is still on build-out. So not a lot of revenue there for this year. That will probably run into next year. Lathrop in California, similar situation. But what we have -- we have had some interesting inquiries into GreenBox as people are starting to look at the technology and looking at different applications.

But when I spent the last -- the whole team has the last three or four months -- is where we can't announce it yet, but we have some very good hires that we will announce in the next quarter or so to build out the management team at GreenBox.

It has experience on -- with big and small manufacturers selling and developing out the rollout. So that's been a big focus on us, and we've had a couple of breakthroughs which we'll announce in the next quarter or so.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

And then I'll just do one, go back in terms of both Lathrop and Atlanta. Their heavy implementation period will be later this year. And so that's when you really start seeing the



revenue ramping up. But we're taking revenue for both of those now that you're probably seeing in our financials, but heavy ramp up towards the back half of this year.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. Symbotic will get revenue, but the GreenBox revenue starting next year.

Mike Latimore, *Northland Capital Markets -- Analyst*

Okay. So just to be clear, Symbotic will be seeing revenue later this year?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Absolutely, yes.

Mike Latimore, *Northland Capital Markets -- Analyst*

Makes sense. And then on the cash flow from operations, really strong quarter, \$205 million. The -- as you think about the rest of the year, should we view cash flow from operations being above or below whatever you produce in EBITDA?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So we don't guide for full year for free cash flow. So 1Q was significantly benefited by the timing of the receipts that we talked about last quarter we were waiting on and we had a large AR balance. So 1Q is highly benefited from that, but you should expect to see our cash position continue to rise throughout the year.

Operator

Our next question comes from the line of Derek Soderberg with Cantor Fitzgerald.

Derek Soderberg *Cantor Fitzgerald -- Analyst*

Yes. I wanted to ask on the software subscriptions and support. That was down quarter-over-quarter. Just curious what leads to the variability there on the downside, especially I think last quarter, you added nine systems. And you brought a few on to live production.

Just curious what leads to that to decline sequentially? And then what's the actual mix between software subscriptions in that and then the mix of support in that? And then I've got a follow-up.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

So, our software revenue quarter-over-quarter, we did grow the number of sites, so we went from 25 sites live to 29 sites live. 4Q, we had a onetime benefit in the software revenue line item for some features that we added.

So yes, if you normalize for that onetime benefit in the fourth quarter, you actually see a sequential increase in our overall revenue for software and we expect that to continue to grow. So the overall operations of the services we're performing from the site shows up in our operation services line. So our software line is software license and subscription related.



Derek Soderberg *Cantor Fitzgerald -- Analyst*

Got it. That's helpful. And then just a high-level question for Rick. The team has really executed against your growth strategy, expanding in domestic markets and then international with Walmex, now you've got an in-store solution.

How do you see the business evolving from here in terms of other adjacent growth opportunities, maybe cold chain, automating returns, smaller packages. What else do you envision that Symbotic can do that you're not already doing today?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So, the accelerated pickup and delivery, the APDs that we'll be doing for Walmart will have frozen and perishable. So, we're developing out the full cold chain and that will eventually lead to us doing just perishable warehouses as well as back of store.

We've already done some experimenting on the perishable side, 38 degrees is not a problem for us. Frozen is still -- we still have more testing to do. So that's still on our roadmap. Returns is something we think we could be very good at. We've just been too busy to actually get at it right now.

Operator

Our next question comes from the line of Greg Palm with Craig-Hallum.

Greg Palm, *Craig-Hallum -- Analyst*

Going back to some of the cost overruns that sort of surfaced last quarter. I'm just curious if we could get kind of just a broader update, especially on kind of visibility levels and when you sort of see those moderating/going away completely, at least given what we saw from some of the quarters in fiscal '24.

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So, this quarter, we saw a slight improvement in our systems gross margin. A slight tick up. And as we go forward in 2Q, 3Q, 4Q, we do have continued focus on making sure we're adhering to schedule, adhering to cost. What you're also going to see benefited in the back half of the year is we will see several of our lower margin, very complex systems go live.

And so, we're going to see the benefit of a higher gross margin mix as you head to the back half of the year. So, focus on cost control and focus on deploying opportunities for all of those projects, but we're also going to see the benefit of those systems starting to go live and our mix will improve.

Greg Palm, *Craig-Hallum -- Analyst*

Okay, understood. And then the revenue, at least by our math, the revenue from non-Walmart customers, which had been growing pretty fast for the last year plus really moderated this quarter.

It was just very, very slight growth. Was that just timing? Like how should we think about just the revenue profile of obviously the Walmart business, but also the non-Walmart customers as well?



Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So clearly, by the backlog that we have and the percent that's contributed from Walmart, you're going to see a significant contribution from Walmart going forward. And as Rick talked about from a GreenBox perspective, once we get the management team in place and we're fielding inbound there, you're going to start seeing that grow at the back half of the year.

We continue to focus on what are some other customers that we can bring in in-house. And maybe I'll turn it over to Rick to highlight some of the inbound or discussions we're having.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. I mean inbound, so we have a number of manufacturers now looking at how they could use our systems for mixing centers. This is opening up really our first CPG companies that are beginning to look at this as they start figuring out that they need to ship mixed pallets to some of their smaller customers because they need the sales.

I also think you're going to see the back of store systems which are considerably cheaper than a warehouse system as a way for us to get rapid interest from a lot of other retailers besides Walmart.

That we've already had a couple of incomings and we've only owned the company for a week, about could you do this in terms of customer pickup in the back of the store. And so we're seeing that, and that's basically what we've been working on. And then we've also seen -- we started doing some work in different verticals, medical supplies, things like that. So, I think we'll see interest there.

Operator

Our next question comes from the line of Rob Mason with Baird.

Robert Mason Baird -- Analyst

I wanted to see if you could provide us an update just on how the deployment of BreakPack systems are going. I understand, I guess, even last quarter, there was maybe the second one deployed, but how that's going and relatedly or maybe not. When you talk about, Carol, you mentioned some of the complexity of some of the lower-margin projects.

I'm just curious, is that related to new features that are being put in. New features that maybe we haven't been familiar with or just the nature of the installation that's causing the complexity?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So, we have our second BreakPack being deployed, and we have a bunch of others that will be coming after that shortly, which we haven't announced yet. We've redesigned the original Mini Bot, and we've made some new design functions, which actually customers are really happy about, makes it a little smaller, lowers the price but still a very -- it actually increases the margin for us. I would say that's just one -- another product that's been in development for a while and going well.



Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

And then in terms of my comment on the mix changing as we go forward. It's less about the new features that were on those projects, and there were projects that have just been with us for a long time that started out as lower margin. And as we burn those off, we're going to see that mix change.

So, it was less about features of those particular developments. Some of them are bigger systems that have been in deployment for a while, and it would be good to get those moved off into system deployment.

Operator

Our next question comes from the line of Ken Newman with KeyBanc Capital Markets.

Kenneth Newman *KeyBanc Capital Markets -- Analyst*

Carol, you mentioned expectations for gross margins to expand from 1Q into 2Q. When I just think about that in the context of the midpoint of your guide as well as some of the comments about mix kind of improving into the second half. Does that assume that the systems gross margin can break 20% here in the first half? Or is that still a bit too optimistic?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. I would say breaking 20% in the first half is optimistic. First half, meaning 1Q is behind us already. So if I think about 2Q I would not expect to see that eclipse 20% in the first half of the year.

Kenneth Newman *KeyBanc Capital Markets -- Analyst*

And to be clear, would that mix step-up that you mentioned earlier in the call. Is that a potential step to kind of breaking that pathway?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. And I think what you're going to see in the second quarter too is we're going to have growth in OpEx, which we talked about. And so that's what you're also seeing in our EBITDA guide. It reflects an increase in OpEx as well as a slight improvement in systems gross margin.

Software margin, we're going to continue to see levels in the 60s. And as we talked about, ops gross margin will be a drag for the near term. But in the long term, we expect that to rebound.

Kenneth Newman *KeyBanc Capital Markets -- Analyst*

Yes. And then for my follow-up here, Rick, I just wanted to circle back on an earlier comment around AI.

I know we've seen a lot of headlines here about potentially cheaper ways to train AI models. When you think of -- I know you've been kind of first movers within the technology, but when you consider that these models might be cheaper to train, do you view that as a catalyst for yourself?



Or, is that potentially [a] competitive threat as new -- as other competitors try to utilize that cheaper technology. How do you think about that as it relates to the system offerings?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. That's a really good question. We think we're very, very far ahead of everybody else. And the reason I say that is we've now hit 1 billion transactions a year, and you can't train these models without data. Nobody has the amount of data that we have combined with the architecture and the software. So, we think we'll just continue to distance ourselves from the crowd.

Operator

Our next question comes from the line of Will Bryant with Goldman Sachs.

Will Bryant *Goldman Sachs -- Analyst*

I'm on for Mark Delaney today. So just one really quickly on the APD acquisition. I know it's supposed to be accretive to revenue margins and free cash flow, but can you just give a little bit more impact to the financials going -- at least this year, given that revenue is not supposed to kick in for a couple of more quarters, please?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. Our second quarter does have a modest amount of revenue associated with our acquisitions. So again, it's modest because we'll have a partial quarter and we're just getting started from that development program.

But you're going to see that growth throughout 2025 as we ramp up development. If you think about the cash that we got for the first year, I think, our comment was, don't assume \$230 million of cash from the quarter drives \$200 million of revenue for this year.

So, it will be backloaded. But we do have revenue, a modest amount already beginning in the second quarter, and we're excited to get the integration going forward and start development.

Will Bryant *Goldman Sachs -- Analyst*

And just one more. I know Symbotic had commented that it plans to add more salespeople. What are your expectations for potential new customers either with Symbotic?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So that's what I was implying. We're starting to ramp up the GreenBox sales team and some of those will be transferable to Symbotic. Some will be selling a Symbotic system. Some will be offering a GreenBox solution.

We're in the process of bringing on the sales leaders, and we think with the reception we've had when the leadership teams are building up the sales force will be good. We have started hiring two or three additional salespeople at Symbotic already. And they'll focus on different verticals.

Operator

Our next question comes from the line of Guy Hardwick with Freedom Capital Markets.

Guy Hardwick *Freedom Capital Markets – Analyst*



Most of my questions have been asked already, but I just wonder how you feel about the guidance you gave in the 2024 10-K that 10% of the \$22.4 billion backlog would be delivered this year. And maybe you can give some puts and takes to that? Or does it depend on a certain number of deployments in progress?

Carol Hibbard *Symbotic Inc. – Chief Financial Officer*

Yes. So what you'll see in our 10-Q that we posted this evening, is the remaining performance obligation that we expect to deliver in the next 12 months, we've upped that to 11%. So, I think that will be a good indicator of how our revenue grows back half loaded for 2025. And so -- 4Q stronger than 3Q is what we're currently looking at.

Guy Hardwick *Freedom Capital Markets – Analyst*

Great. And just as a follow-up, sorry if I missed it earlier, I was late on the call. I'm just wondering how discussions with non-grocery customers are progressing, say, general merchandise customers potential for new customers, I mean.

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

A number of the customers we're talking to are non-grocery customers. And there are different verticals. So I mean most retail is still food or general merchandise, but there's also medical supplies, and there's auto parts, and there's a bunch of other things, all of which we're in discussions with.

Operator

Our next question comes from the line of Robert Jamieson with Vertical Research Partners

Robert Jamieson, *Vertical Research Partners -- Analyst*

Just I had a quick one on the Walmart Robotics acquisition. I know it's just closed, and it's only been a few weeks.

But Rick, do you have a sense of where you think majority of work will be directed to meet Walmart's requirements for these APD systems? Like is it more software related? Is there anything you can use or repurpose or make better on the hardware or robotics front that was maybe developed by Alert Innovation and the Alphabot system?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So, the Walmart's robotics solution, at this point, we're still looking at it. But there's a bunch of our hardware and a bunch of our software will be applicable to what Walmart already had, and that will accelerate the rollout of these sites. They had some good technology, but I think the combination of their technology and our technology is what really got Walmart excited and accelerate the rollout.

Robert Jamieson, *Vertical Research Partners -- Analyst*

Okay. And then just can we get an update on international. I mean it doesn't sound like there's much of an update this time. But I mean how did conversations trend during the quarter? Did you



see an increase in inbounds or queries? Anything that would suggest maybe the activity is getting a little bit better. The environment is improving over there?

Rick Cohen *Symbotic Inc. – Chairman of the Board and Chief Executive Officer*

Yes. So we had a couple of European tours that we gave and visits and then I spent a bunch of time in Mexico because of Walmex just to understand the potential there. And it was very interesting. I mean obviously wages are lower in Mexico than they are in the U.S., but also their supply chain is much further behind our supply chain in terms of inventory management and flow to the stores.

And actually, [I] went to some Walmart supercenters and -- but there are a lot of small stores in Mexico that actually are enabled by particularly the way you specialize and build pallets that are delivered to the store. So, a huge opportunity south of the border across -- all the way down to Mexico, Central America, South America.

Operator

Thank you. Ladies and gentlemen, I'm showing no further questions in the queue. I would now like to turn the call back to Charlie for closing remarks.

Charlie Anderson *Symbotic Inc. - VP, IR and Corporate Development*

Yes. Thank you, everybody, for joining our call tonight. We really appreciate your interest in Symbotic and look forward to seeing many of you during the quarter at the various investor conferences we'll be attending. Thank you.

Operator

Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.

ABOUT SYMBOTIC

Symbotic is an automation technology leader reimagining the supply chain with its end-to-end, A.I.-powered robotic and software platform. Symbotic reinvents the warehouse as a strategic asset for the world's largest retail, wholesale, and food & beverage companies. Applying next-generation technology, high-density storage and machine learning to solve today's complex distribution challenges, Symbotic enables companies to move goods with unmatched speed, agility, accuracy and efficiency. As the backbone of commerce Symbotic transforms the flow of goods and the economics of the supply chain for its customers. For more information, visit www.symbotic.com.

