



SmartRent

Home INsecurity

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December 2023

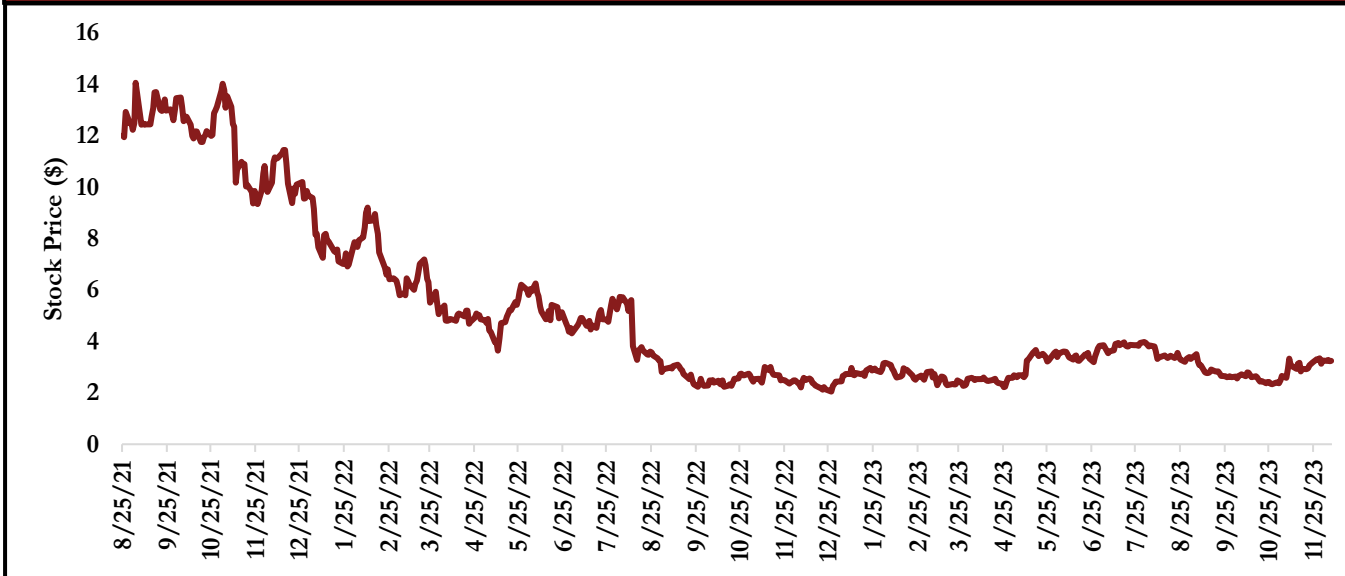
We recommend a short position in SMRT with a 28.2% downside based in our \$2.28 PT with a timeframe of ~1 year

Company Description



SmartRent is the category-leading smart home operating system for **residential property owners and managers, home builders, home buyers, and residents**. Founded in 2017, SmartRent is a **proptech company** that provides the real estate industry with fully integrated, brand-agnostic **hardware** and **software** solutions. SmartRent's IoT operating system enables property owners, operators, and developers to decrease the complexities of property management, lower costs, and increase revenue.

SMRT Stock Price



Stock Price **\$3.18**

Market Cap*	\$646.0
Revenue*	\$217.1
Adj. EBITDA*	\$(74.7)
Diluted EPS	\$(0.49)
Shares Outstanding*	203.1

**All Numbers are represented with LTM data and are in millions (\$) except for EPS*

Business Breakdown

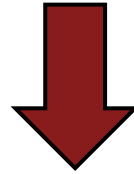
Hardware



Hub Device, door-locks, thermostats, sensors, light switches



Professional Services



Installation of smart home hardware devices



Hosted Services



Customer access to software applications



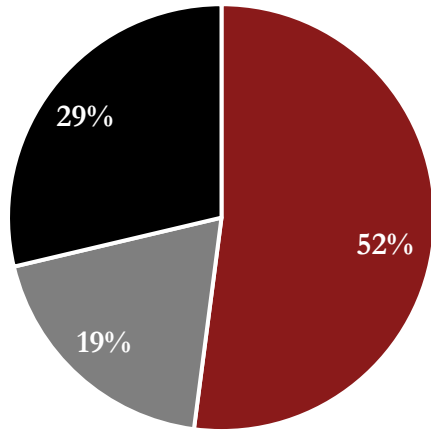
Key Operating Metrics

- Units Deployed: The number of Hub Devices that have been installed during a stated measurement period
- Units Booked: The number of Hub Devices associated with binding orders executed during a stated measurement period

Revenue



Revenue 2022

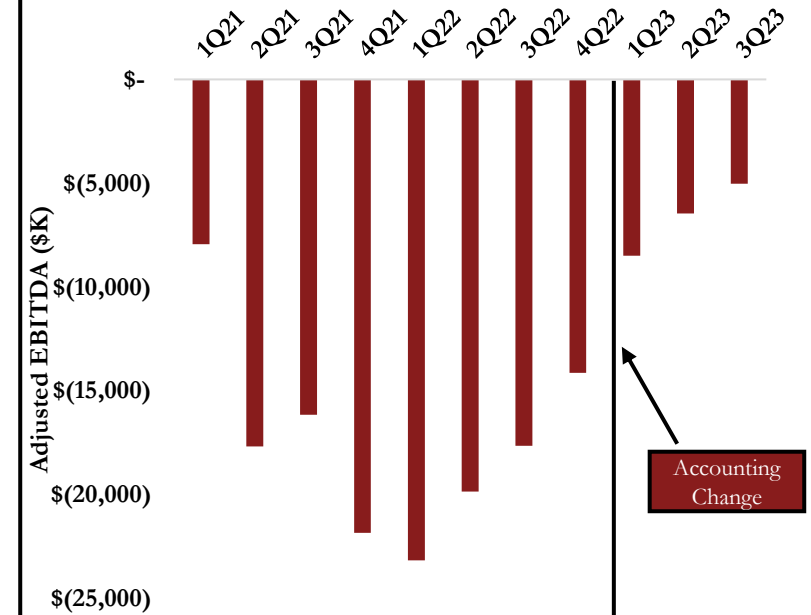


■ Hardware ■ Professional services ■ Hosted services

Adjusted EBITDA Calculation

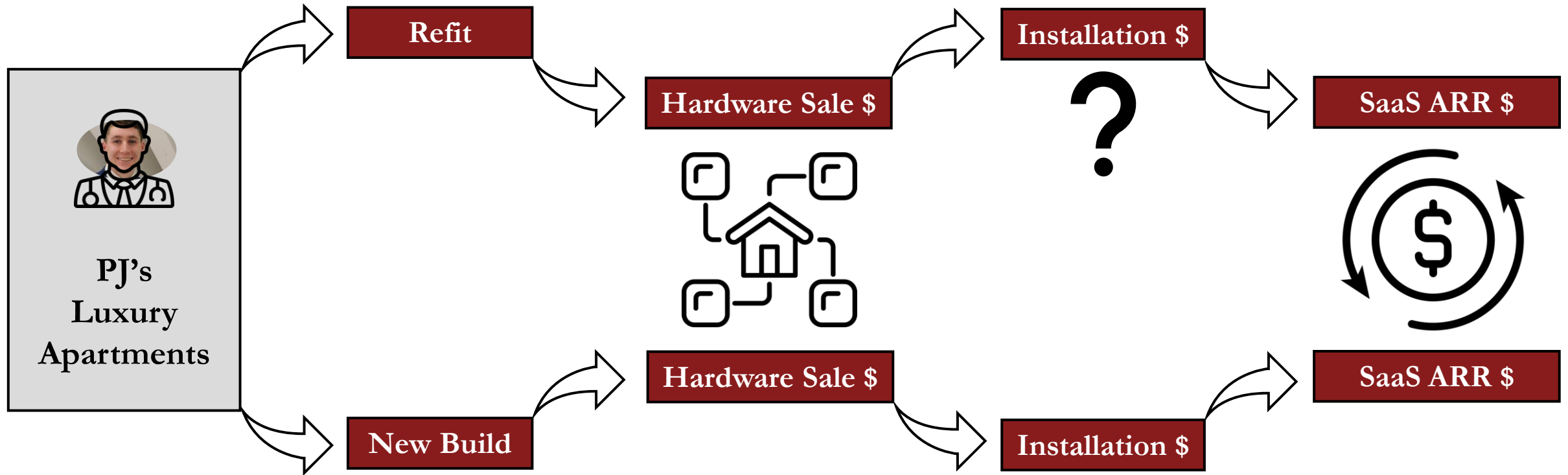
EBITDA	-99,394
Stock based compensation	13,716
Non-employee warrant expense	289
Compensation expense in connection with acq.	5,042
Other non-recurring acquisition expense	1,197
Asset impairment	4,441
Adjusted EBITDA	-74,709

Adjusted EBITDA Performance



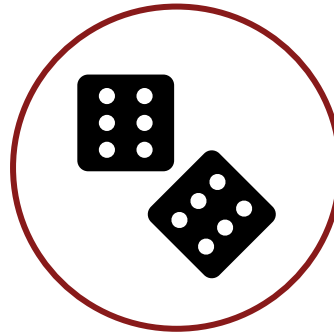
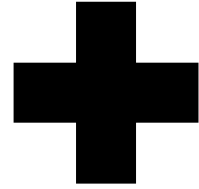
Accounting Change

How does SMRT Make a Dollar

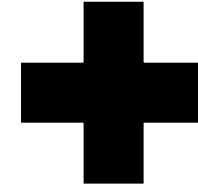




VC Exit & Impact

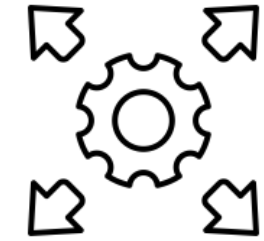
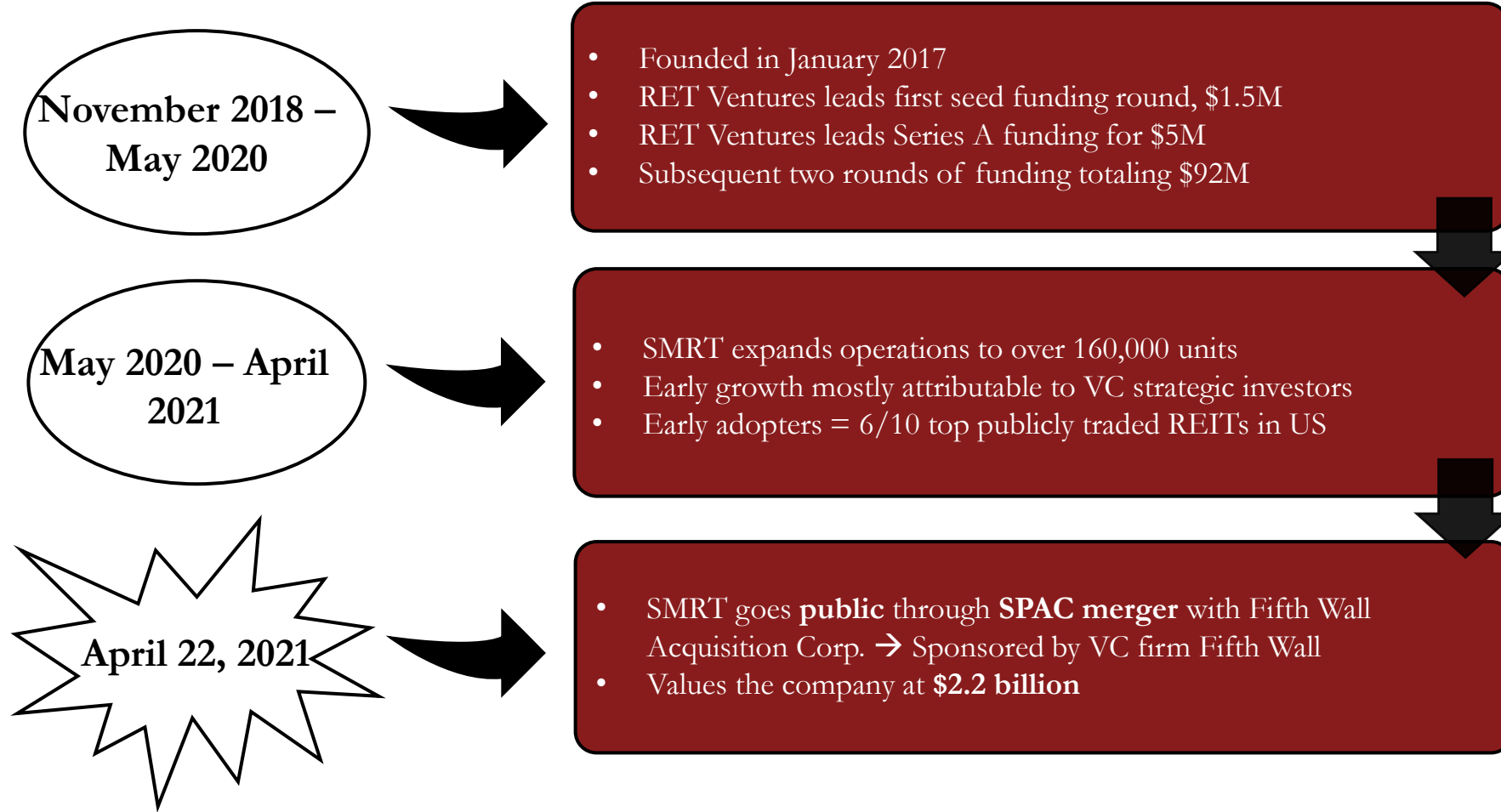


Management's Gamble
& Implications

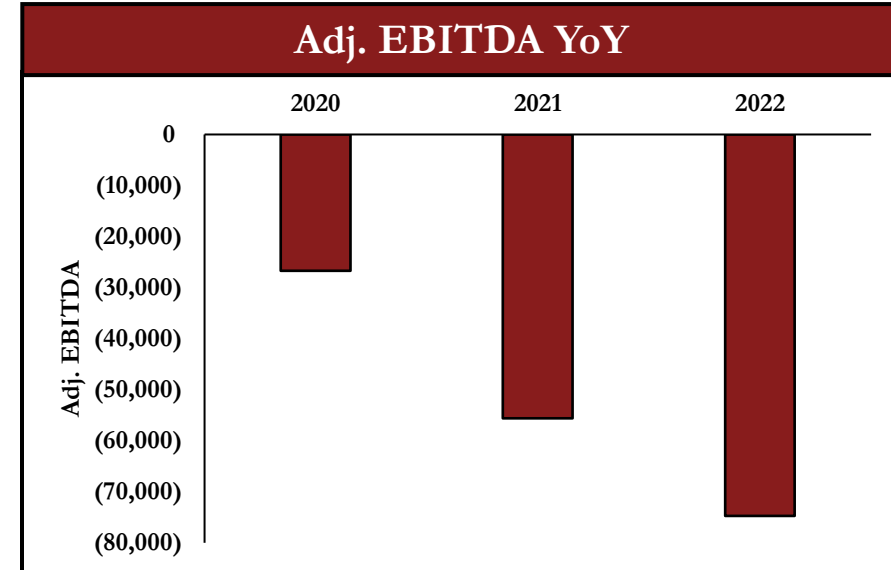
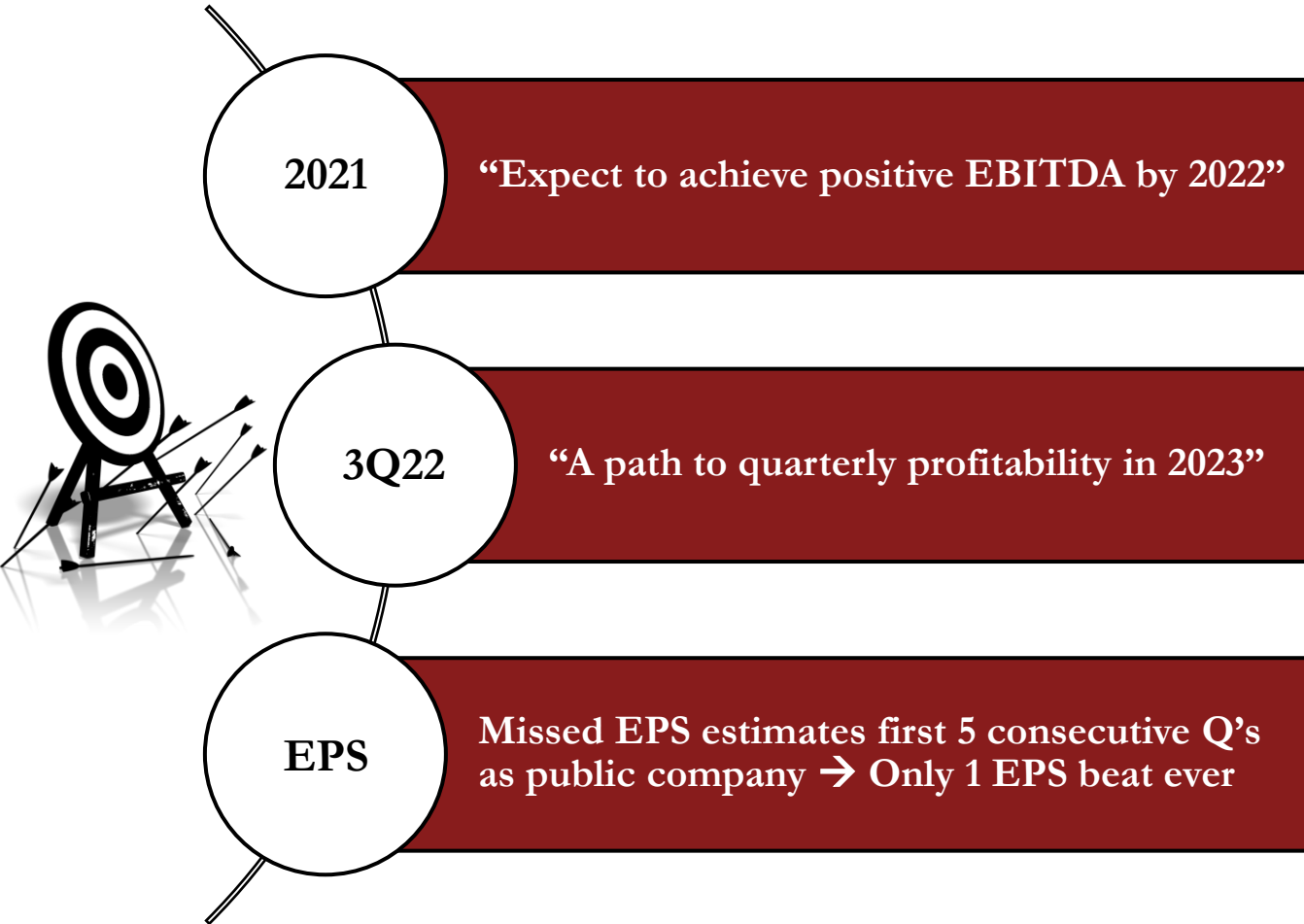


Underlying Financial
Ruins

SPAC Foundations



Missing Guidance



EPS Misses

3Q21	4Q21	1Q22	2Q22	3Q22
(0.20)	(0.31)	(0.04)	(0.01)	(0.02)

RET Ventures Business Model

Driving Portfolio Through LP's

- RET raises all \$ from industry participants → LP base of **institutional real estate owners & operators**
- These ~45 strategic investors take portfolio company products & **distribute across LP base** → Guaranteeing adoption
- Drive immediate **sales** provide **deep industry insight** to startup company
- Startup accesses new customer base, revenue stream, unit expansion, & funding

Operations & ROI for LP's

- By distributing across LP's/Portfolio, investors gain **bargaining power** to push startup's product in direction they want
- LP's adopt leading edge tech **to improve operations** across asset base
- Improve **ROI** by increasing sales & **valuations** on the portfolio companies
- **>80%** of LP base uses at least 1 RET portfolio company & **65% use 6+**

Portfolio Companies

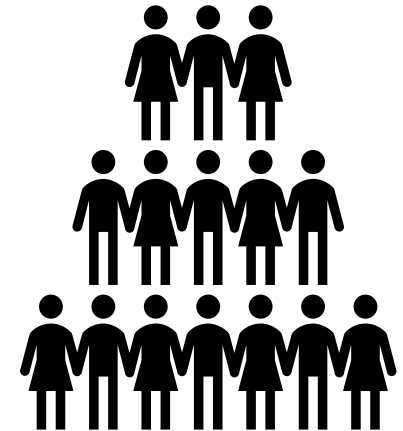
ENGRAIN

 SmartRent

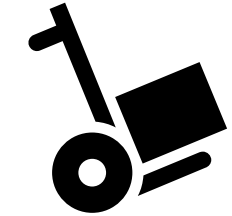
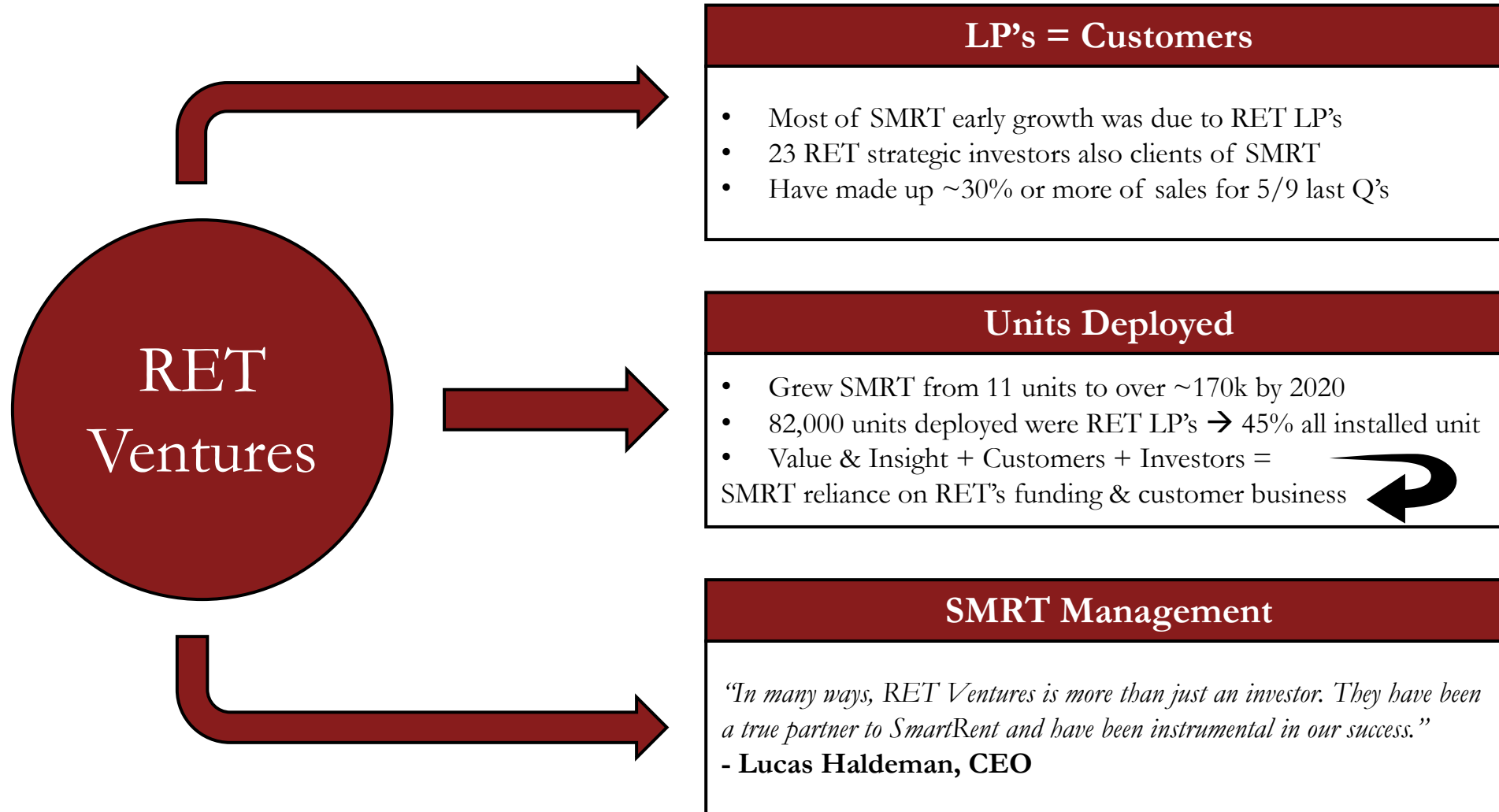
 MARKERR



Strategic Investors



RET Reliance for Early Growth



Reality: Orders Plummet

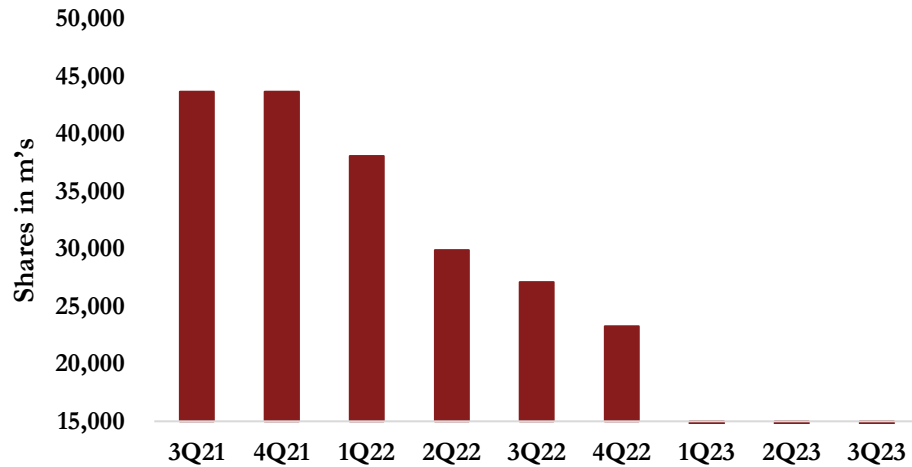
RET Ventures Exits

- As of 1Q23, RET Ventures dumped entire stake in SmartRent
- With exit, RET Strategic Investors & portfolio companies have less incentive to continue being customers of SMRT
- Bain Ventures, Spark Capital and Lennar owned ~25% at IPO, a year later owned 0%

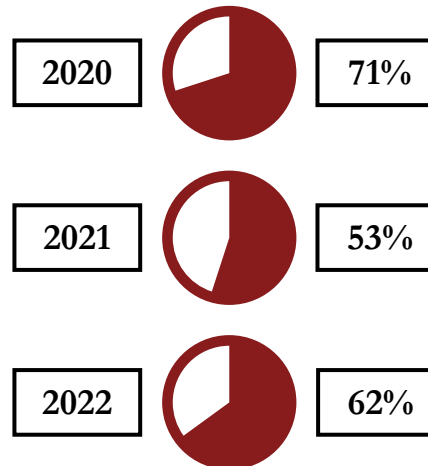
New Units Deployed Declines

- RET Exits → LP's stop prioritizing SMRT products → New Units Decline
- New units deployed = # of devices installed during period → Revenue is driven by this KPI
 - Signifies future recurring revenue; decline now = less future SaaS revenue
 - However, accounting change masked horrible New Units data

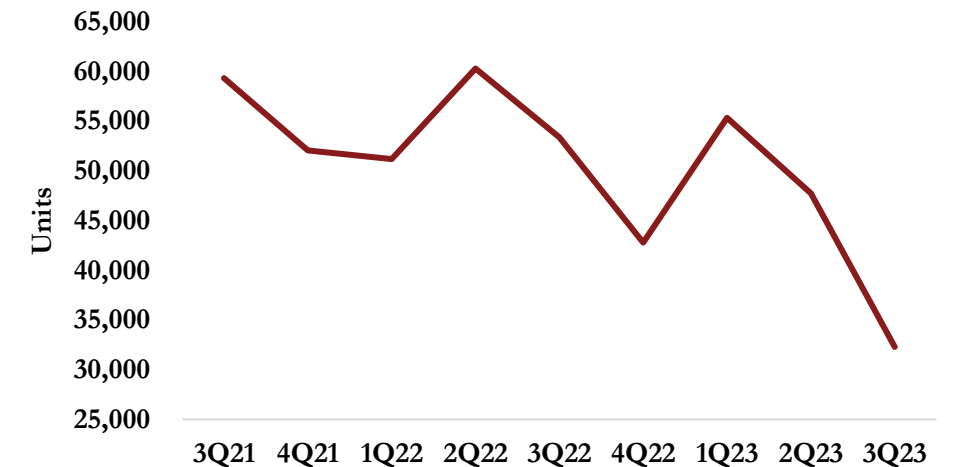
RET Ventures SMRT Shares Owned



RET Related Rev as % of Total SMRT Rev



SMRT New Units Deployed



Management's Reaction

The Issue

RET Ventures Exits

LPs not incentivized to use SMRT

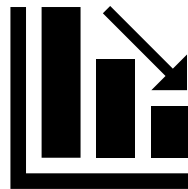
Drop in New Units Deployed

Management's Solution

Focused on hitting guidance

Revenue Recognition Change

Management wants to shift KPI



“we really tried to signal to investors and to the analyst community that we’re diverging from the primary KPI of this business being new units and that we’re really focused on growing revenue” - Lucas Haldeman, CEO

New Revenue Recognition

Accounting Change in new revenue recognition policy materially **inflates** revenue growth. In 1Q23 SmartRent reported Revenue of \$65m and an EDITDA loss of \$8.5m, beating consensus

In 2022

- Sold SmartHubs that only functioned with a subscription to its software (**non-distinct Hub Devices**)



SmartHubs recognized under SaaS

1Q23

- Sold SmartHubs with features that function independently from its software subscription (**distinct Hub Devices**)



SmartHubs recognized under Hardware

Effect

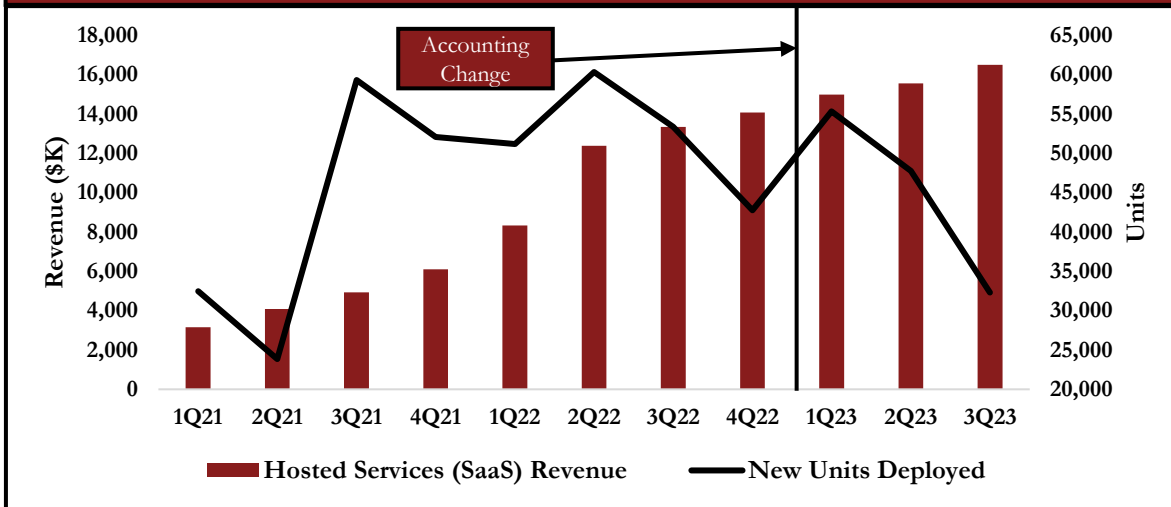
- Significant acceleration in revenue and an improvement in Hardware margins



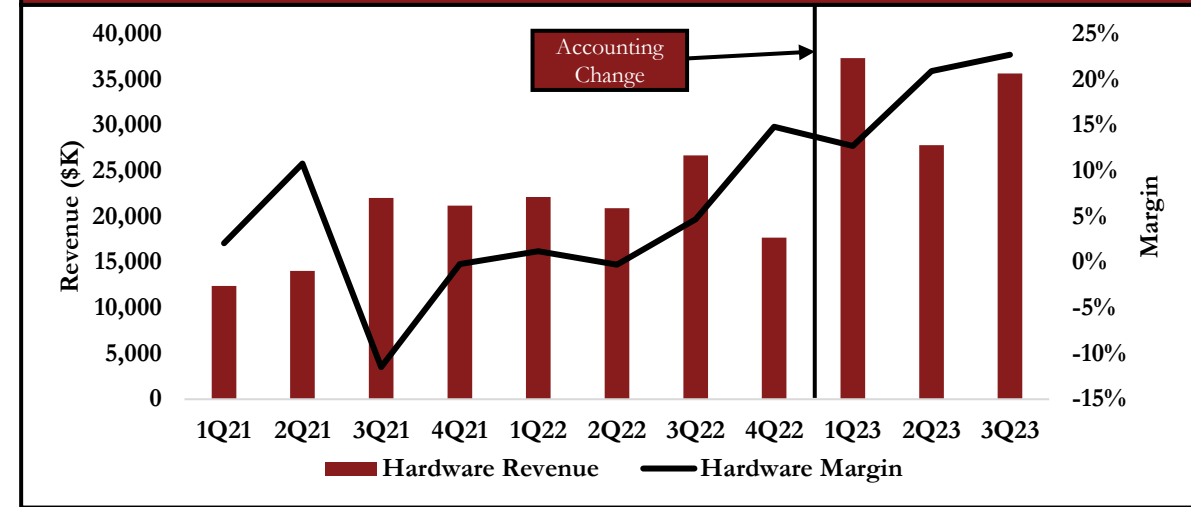
Impacted Financials

Impacted Financials

SaaS Revenue v New Units Deployed



Hardware Revenue v Hardware Margin

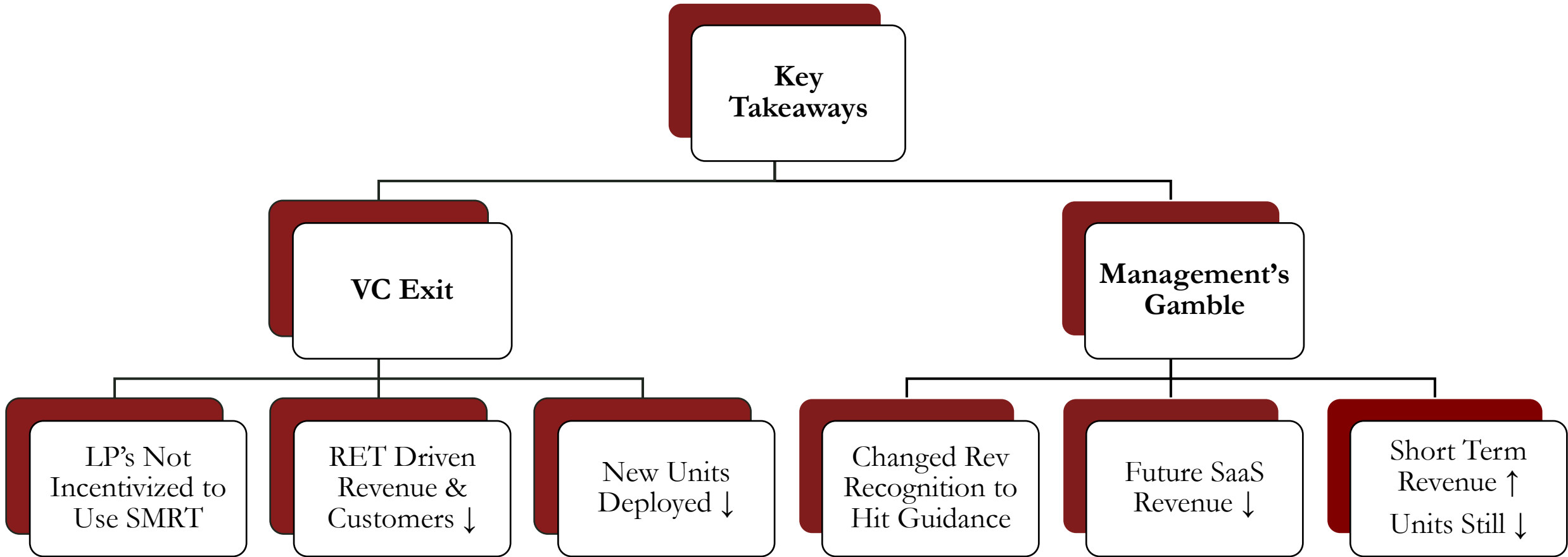


Effect on Business Lines

- Hardware 1Q23 gross margin improved to 13% from 1% Y/Y
- Expanding ARPU → Distinct SmartHubs more expensive
- Hardware Revenue increases 111% Q/Q

Takeaways

- Accounting change leads to a significant spike in Hardware revenue
- SMRT is trying to show that revenues can grow without units increasing
- SMRT is **sacrificing future revenues** to hit current guidance



Zenith Highpoint Acquisition



Croatian Supplier

Hack

Acquisition

Cover-Up

SmartRent used Zipato, a Croatian lock and hub equipment supplier

In 2019 there was a hack of Zipato

Acquired Zipato and parent company Zenith Highpoint

Got rid of Zipato from website and rebranded it to Alloy



Risks

Risks

Stronger Demand

Profitability

Buyout

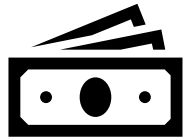
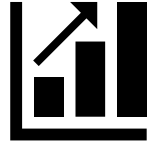


Mitigants

RET's Exit
Product reliability

Artificially boosting reported revenue
growth

SaaS relatively commoditized



FCF & DCF



All number displayed in thousands

Assumptions:	
Tax Rate	0.00%
Discount Rate	14.40%
Perpetual Growth Rate	2.50%
EV/EBITDA Multiple	14.00x
Transaction Date	12/12/2023
Fiscal Year End	12/31/2023
Current Price	\$ 3.18
Diluted Shares Outstanding	203,154.00
Debt & Other LT Liabilities	\$4,600.00
Cash & Investments	\$ 211,247.00
Preferred Equity	\$ -

Intrinsic Value	
Enterprise Value	\$ 257,055.63
Plus: Cash	\$ 211,247.00
Less: Debt	\$4,600.00
Less: Preferred Equity	\$ -
Equity Value	\$ 463,702.63
Equity Value per Share	\$ 2.28

Market Value	
Plus: Debt	\$ 4,600.00
Plus: Preferred Equity	\$ -
Less: Cash	\$ 211,247.00
Enterprise Value	\$ 439,382.72
Equity Value per Share	\$ 3.18

Terminal Value	
Perpetual Growth	\$ 583,235.46
EV/EBITDA	\$ 174,206.94
Average	\$ 378,721.20

Upside (Downside)	
Current Share Price	\$ 3.18
Intrinsic Value	\$ 2.28
Upside (Downside) %	-28.22%

Discounted Cash Flows	Entry	2024	2025	2026	2027	2028	
Date	12/12/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2028
Year Fraction	0.052777778						
EBIT	\$ (52,202.45)	\$ (57,814.24)	\$ (57,865.84)	\$ (55,976.90)	\$ (51,351.46)	\$ (42,939.17)	
Plus: Share-Based Comp	\$ 16,612.30	\$ 19,046.74	\$ 22,990.03	\$ 27,795.14	\$ 33,655.42	\$ 40,808.17	
Plus: D&A	\$ 5,932.96	\$ 6,802.41	\$ 8,210.73	\$ 9,926.84	\$ 12,019.79	\$ 14,574.35	
Less: Cash Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Adjusted EBITDA	\$ (29,657.18)	\$ (31,965.09)	\$ (26,665.08)	\$ (18,254.92)	\$ (5,676.24)	\$ 12,443.35	
Less: CapEx	\$ 1,573.91	\$ 1,804.56	\$ 2,178.16	\$ 2,633.42	\$ 3,188.64	\$ 3,866.32	
Less: NWC Investment	\$ (25,967.21)	\$ (23,937.26)	\$ (26,158.72)	\$ (44,655.58)	\$ (53,833.51)	\$ (59,135.18)	
Free Cash Flow	\$ (5,263.89)	\$ (9,832.39)	\$ (2,684.52)	\$ 23,767.24	\$ 44,968.62	\$ 67,712.21	\$ 378,721.20
Transaction Cash Flow	\$ (277.82)	\$ (9,832.39)	\$ (2,684.52)	\$ 23,767.24	\$ 44,968.62	\$ 67,712.21	\$ 378,721.20

WACC	EV/EBITDA Multiple					
	13.50x	13.75x	14.00x	14.25x	14.50x	
14.60%	\$ 2.25	\$ 2.26	\$ 2.26	\$ 2.26	\$ 2.27	
14.50%	\$ 2.26	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.28	
14.40%	\$ 2.27	\$ 2.28	\$ 2.28	\$ 2.29	\$ 2.29	
14.30%	\$ 2.29	\$ 2.29	\$ 2.29	\$ 2.30	\$ 2.30	
14.20%	\$ 2.30	\$ 2.30	\$ 2.31	\$ 2.31	\$ 2.31	

WACC	EV/EBITDA Multiple					
	13.00x	13.50x	14.00x	14.50x	15.00x	
14.60%	-29.4%	-29.2%	-28.9%	-28.7%	-28.5%	
14.50%	-29.1%	-28.8%	-28.6%	-28.3%	-28.1%	
14.40%	-28.7%	-28.5%	-28.2%	-28.0%	-27.7%	
14.30%	-28.3%	-28.1%	-27.9%	-27.6%	-27.4%	
14.20%	-28.0%	-27.7%	-27.5%	-27.2%	-27.0%	

Questions?

Appendix



Lucas Haldeman
Chief Executive Officer

- Finance and Econ degree from Cornell College
- Majority experience in managing single family homes and property mgmt



Robyn Young
Chief Marketing Officer

- Finance BS from ASU
- Originally Western Alliance Bancorp (NYSE: WAL)
- Experience with retail REIT



Daryl Stemm
Chief Financial Officer

- UCSB Business Econ
- Appointed after departure of prev CFO Okamoto, reasons unclear