



# Symbotic Inc. Analysis

EQUITY RESEARCH 2025 – RIDDLE CAPITAL RESEARCH

# Foreword

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## Extraordinary

At Riddle Capital Research, we are pleased to present our second equity research publication, this time with a deep dive into Symbolic. Building on our previous work, this report continues our commitment to delivering data-driven, independent analysis of financial markets and key investment opportunities.

As a team of students, we see research not just as an academic pursuit but as a practical exercise in financial analysis and market understanding. Our work serves as both a learning experience and an opportunity to challenge conventional perspectives. By continuously refining our methodology, deepening our market insights, and applying our findings in real-world contexts, we aim to develop a professional standard of research while maintaining the fresh perspective that sets us apart.

We believe true insight comes from curiosity, independent thinking, and a willingness to question existing narratives. In this report, we take an objective approach to evaluating Symbolic, assessing its market positioning, financial performance, and potential risks to determine whether it presents a compelling investment opportunity.

This is just the beginning of our monthly research journey, and we look forward to evolving with each publication. If you have any questions or feedback, please feel free to reach out to us.

## Disclaimer

This analysis has been conducted by research analysts at Riddle Capital Research. While we strive for accuracy and objectivity, this report is for informational purposes only and should not be considered financial advice. Investors are encouraged to conduct their own due diligence before making any financial decisions. Riddle Capital Research and its contributors assume no liability for investment choices made based on this report.



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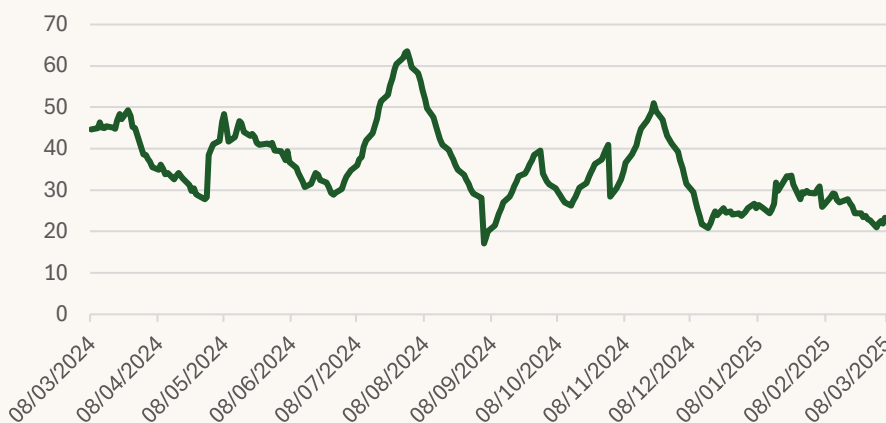
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## Company Overview

Symbolic is a U.S based warehouse automation company founded in 2007 by CEO Rick Cohen as CasePick Systems later rebranded in 2012. The company specializes in building and deploying AI-driven automated warehouse systems to transform traditional warehouses. Symbolic’s mission is to leverage its AI-powered platform, fully autonomous robots, and intelligent software to optimize

speed and efficiency in the supply chain while reducing labour dependency and operating costs. Their technology is particularly focused on industries like grocery, retail, and wholesale, with customers including C&S Wholesale Grocers, Albertsons, Giant Tiger, Target, and Walmart drive-thru ordering systems and customer service solutions.

1-Year Historical Price Trend



## Industry Overview

The warehouse automation industry is undergoing a transformational shift driven by labour shortages, rising operating costs, e-commerce expansion, and increasing SKU complexity. Traditional warehouse operations which rely on manual labour and semi-mechanized systems lack the speed, accuracy, and cost efficiency needed to meet modern supply chain demands. This has accelerated the adoption of AI-driven robotics, intelligent inventory management systems, and fully autonomous storage and retrieval solutions. The total addressable market (TAM) for warehouse automation is estimated at \$432 billion, growing at 15% to 20% CAGR is expected to reach 1 trillion by 2030 covering industries such as general merchandise, grocery distribution, consumer packaged goods (CPG), third-party logistics (3PL), pharmaceuticals, refrigerated & frozen logistics, and e-commerce fulfilment. The fastest-growing segments are e-commerce fulfilment and 3PL, as companies seek to reduce delivery times and operational costs. The decreasing cost of AI-driven automation and innovations in machine learning and vision technology has to potential to make warehouse automation cost-effective and scalable going forward.

## Product Description

Symbolic’s main product is an automation system that integrates hardware (robots, storage) and AI-driven software. Its robots (called Symbots) move at up to 25 mph with 99.99% accuracy in task execution, using vision technology and autonomous routing for efficiency and safety. The software optimizes inventory placement, continuously learns from real-time data, and adapts storage and retrieval processes to ensures quick order fulfilment. Its palletizing system processes about 1,800 cases per hour, optimizing storage, reducing labour costs while increasing distribution efficiency. The system also has built-in predictive maintenance capabilities that detect issues before they disrupt operations.

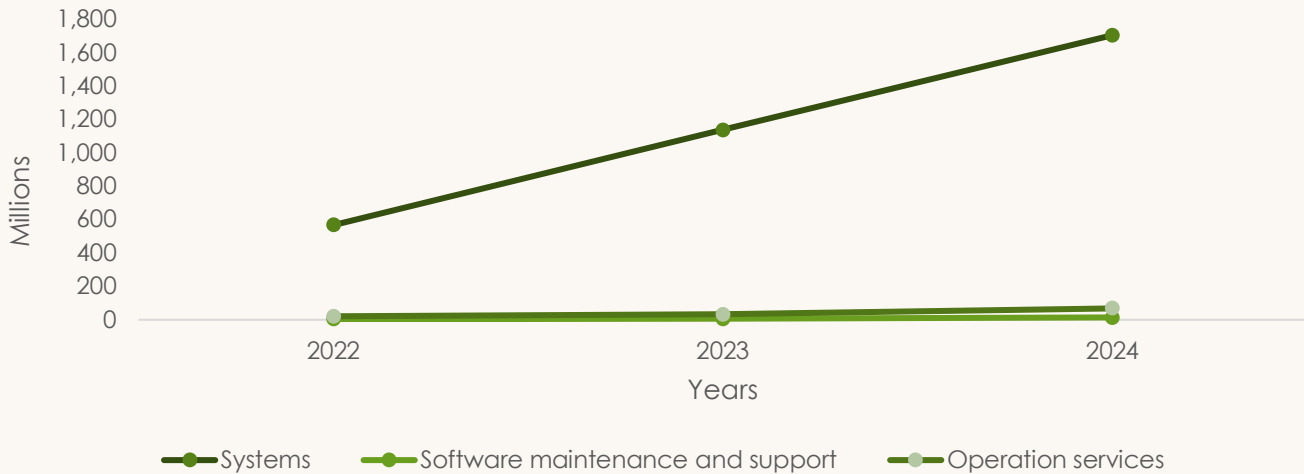
## The Business Model

Symbolic operates a hybrid revenue model. The company generates upfront revenue by selling its AI-powered automation systems during deployment. To ensure continued performance, Symbolic charges a recurring fee for software maintenance and support over the 25-30year lifespan of the system, covering system and software updates, and technical support. Additionally, the company provides operations services for a fee, covering spare parts, training and system management, before transitioning full control to customers.

## Revenue Analysis

Symbotic’s revenue grew by 50% from 2023 to 2024, driven primarily by system deployments, which increased from 25 in 2023 to 44 in 2024. The systems segment continues to dominate revenue, accounting for over 95% of total sales, though its growth rate has slowed from 101% to 50%. The software maintenance and support segment, while the smallest revenue contributor, is the fastest growing, reflecting an increase in long-term contracts for recurring revenue. Operations services revenue doubled by 112% in 2024, indicating stronger customer adoption and an increasing reliance on Symbotic’s ongoing support. As the company continues deploying new systems, the operations and software maintenance segments are expected to grow at an exponential rate.

### Revenue Segment Analysis

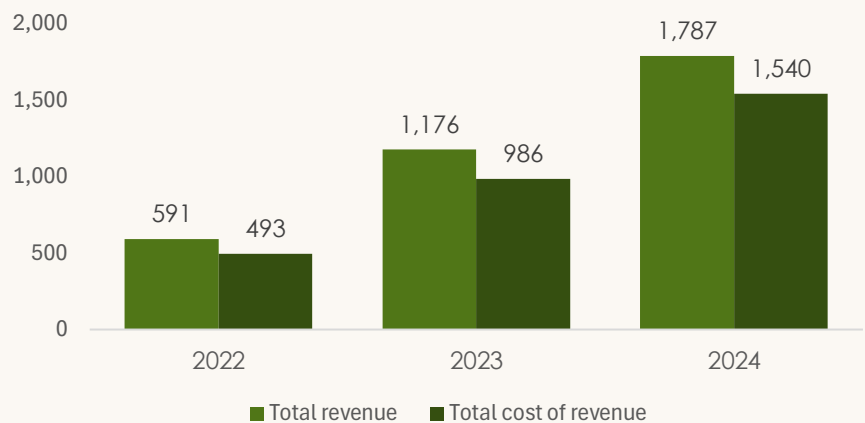


Source: 10K, Riddle Capital Research

## Cost of Revenue and Profitability Challenges

System costs remain the dominant expense, highlighting the capital-intensive nature of warehouse automation industry. The cost of systems more than doubled in 2023 before slowing to a 55.9% increase in 2024. This suggests that while deployment is scaling, costs continue rising at a high rate. Software costs saw a significant increase in 2023 but declined in 2024, potentially indicating improved efficiency in software maintenance or a pricing shift. Operations costs have continued to rise, reflecting the increasing number of installed systems requiring ongoing service and maintenance.

### Revenue And Cost Analysis

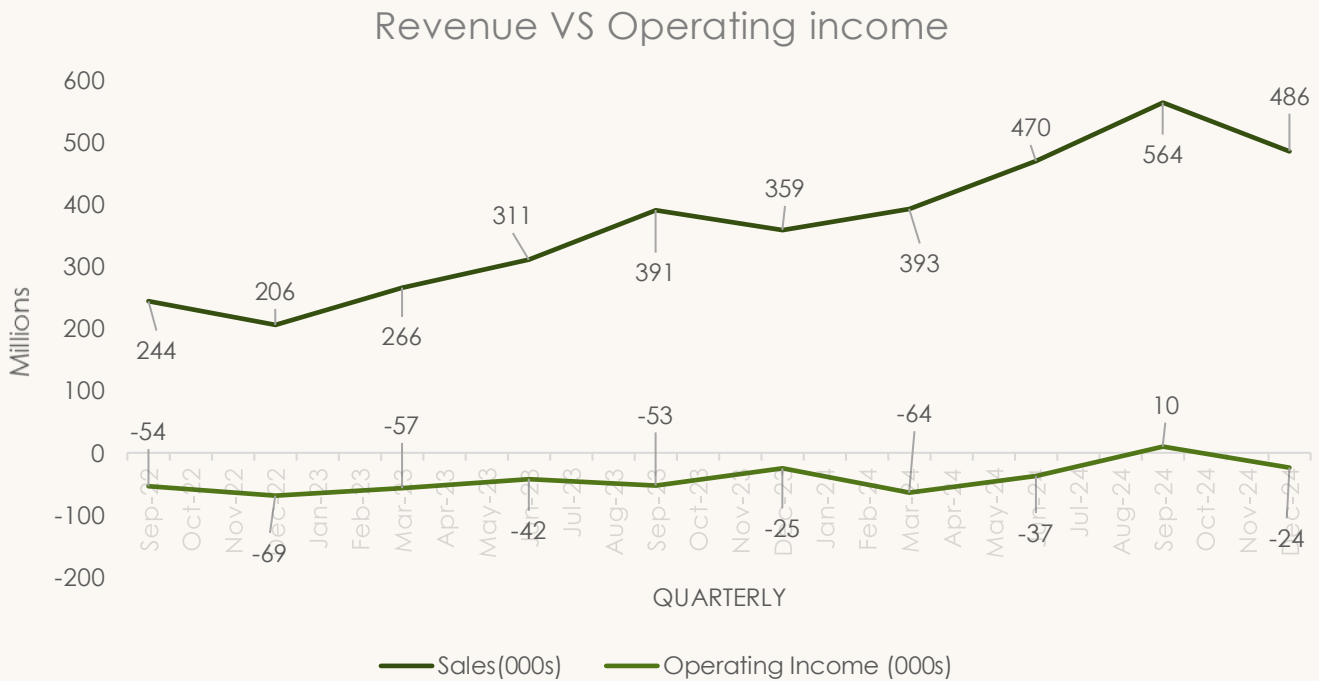


Source: 10K, Riddle Capital Research

While Symbotic is scaling revenue rapidly, its costs are increasing at a near proportional rate. In 2024, the cost of revenue grew by 56% compared to a 52% increase in revenue, posing challenges to future profitability. As a result, gross margins have remained below 17% over the past three years, which is problematic for a tech company considered to be in its growth phase. This low margin profile limits the company’s ability to generate strong free cash flow and potential problems scaling the business.

Selling, general, and administrative expenses have remained relatively stable from 2022 to 2024 but have begun rising again in the last twelve months, showing some cost discipline while still reflecting aggressive spending on sales and corporate functions.

Research and development peaked at \$195 million in 2022 and remains elevated at \$174.91 million in the last twelve months. While significant R&D spending is critical for long-term advancements in AI and automation, it must eventually translate into pricing power and operating leverage. Operating income has improved, decreasing from a loss of \$201 million in 2022 to a loss of \$82.8 million in the last twelve months, but the company is still far from achieving profitability.



Source: 10K, Riddle Capital Research

## Valuation

At \$13B market cap, with WACC 9% and terminal growth rate of 5%, the market implies a 52% annual FCF growth rate for 5 years. This reflects Symbolic’s aggressive revenue trajectory of 43.92% in the last twelve months, and a \$22B backlog, expected profitability with EPS of \$0.24 in 2025, coupled with a warehouse automation TAM of \$432B. However, this expectations analysis assumes rapid FCF scaling from -\$212M to \$1.137B by 2029. This scenario is ambitious as it implies that the company would execute flawlessly. With average gross margins of 17% and EBITDA well below 10%, the market is likely overestimating future profitability and, therefore, the company’s fair value.

On a relative basis, Symbolic trades at a 6.93x price-to-sales multiple, significantly above the industry median of 3~4x. More profitable and established competitors trade at lower valuations, including Rockwell Automation at 4.28x, Daifuku at 1.69x, and Honeywell at 4.11x. AutoStore trades at 5.5x, while Kardex is at 2.75x, both of which have profitable business models. If Symbolic were valued at the industry average of 3.8x, considering the last twelve months revenue of \$1915B, its valuation would be closer to \$7.2 billion instead of the current \$13 billion.

Using a DCF to project a bullish case for Symbolic, we assume revenue will grow at a CAGR of 40% for the next 5 years, FCF margin 5% of revenue and will rise as revenue increases, due to cost cutting and perfect execution, WACC of 9.5%, terminal growth rate of 6% reflecting AI-driven industry tailwinds that could push automation growth beyond GDP expansion, for capex and networking capital changes we assume industry averages. This results in a DCF valuation of \$23.98B, implying a \$40.78 price per share, considering approximately 588million shares outstanding.

## Bull Case

Symbotic’s \$22 billion backlog and Walmart partnership provide strong demand stability, with additional potential tailwinds from its GreenBox joint venture with SoftBank estimated to bring in an additional \$7.5B backlog. The warehouse automation market, currently valued at \$432 billion, is expected to reach \$1 trillion by 2030, offering room for expansion.

Significant number of annual transactions (over 1 billion) gives the firm a competitive advantage over competitors in training and refining its AI models, ensuring superior system performance.

Labor shortages, rising costs, increasing SKU complexity, and the constant demand for speed in order fulfilment are accelerating retailers' adoption of AI-powered warehouse automation. Symbotic’s end-to-end automation system positions it as a key leader in this industry transformation. As AI evolves, we anticipate further reductions in the leveraging the technology, training and refining models.

## Bear Case

Despite strong industry tailwinds, Symbotic faces execution risks, deployment delays remain an issue, and Walmart’s contract includes termination rights if benchmarks are not met. With Walmart accounting for 87% of revenue, any shift in its automation strategy could significantly impact Symbotic. Also, current contract limits Symbotic’s ability to freely roll out its services to Walmart competitors.

A class-action lawsuit following its 2024 financial restatement, along with insider selling, raises governance concerns. Stock dilution remains a risk as restricted stock unit issuances increase with upcoming vesting periods.

Gross margins remain below 17%, a challenge for a high-growth tech company. Combined with high capital expenditures, this weakens Symbotic’s ability to scale profitably. If these challenges persist, its value might even drop further.

## Conditions for Re-Evaluation

In order to re-evaluate our thesis, Symbotic must demonstrate financial and operational improvements. The company needs consistent reporting with no further restatements over the next two to three quarters. Gross margins should meet and exceed 25% or at least the industry average to justify current valuation.

while revenue diversification is necessary to reduce Walmart’s share to preferably less than 50%, Faster deployment speeds and profitable scaling of GreenBox would indicate improved execution and operating efficiency providing room for growth in EPS.

Reduced insider selling could also help boost investor confidence in management’s long-term commitment to the company.

## Conclusion and Final View

While AI-driven automation and macroeconomic tailwinds support long-term growth, the high capital intensity of the industry, customer concentration risk, and very low margin concerns make Symbotic a risky investment at current valuations. With a beta of 1.80, it remains highly volatile with the potential for greater swings in the share price relative to the market. Given these factors, our outlook remains short-term bearish. While the company has a strong growth potential, its valuation appears inflated, execution risks are high especially given additional contracts signed recently, and investor confidence is low. A reassessment is warranted if Symbotic improves margins, diversifies revenue, and begins to execute more efficiently.

Scenario	Price per share
Bear Case	\$12.24
Base Case	\$19
Bull Case	\$40.78

Despite our confidence in our analysis, we still recommend that Investors conduct thorough due diligence before making investment decisions.