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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the First Quarter 2022 Sarcos Technology and Robotics Corporation Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, Ben Mimmack, Head of Investor Relations.

Ben Mimmack - Sarcos Technology and Robotics Corporation - Head of IR

Thanks, Andrea. Good afternoon, everyone, and welcome to the Sarcos first quarter earnings call. Joining us on the call this morning are Sarcos’ President and Chief Executive Officer, Kiva Allgood; and Chief Financial Officer, Steven Hansen. Kiva will start the call with an overview of the first quarter and recent events, and Steve will then talk in more detail about our financial results before we take questions from analysts.

Before we begin, we must state that today's call will contain forward-looking statements, including statements concerning future commercial availability of our products, market trends, revenues, costs and liquidity. In addition, any statements about future performance related to our acquisition of RE2, including our expectations regarding the benefits to be achieved, the financial performance of the combined company, future market or revenue opportunities, integration plans and other statements regarding the combination of the 2 companies are forward-looking statements.

These statements represent management's beliefs and expectations as to future events as of today, but there are many risks and uncertainties that could cause the actual results to differ from what we have projected. Among those risks and uncertainties are those described in our quarterly report on Form 10-Q filed today with the SEC and those mentioned in today's earnings press release and our press release announcing the closure of our acquisition of RE2.

We encourage you to review the risks and uncertainties described in these press releases and in our filings with the SEC for further information regarding these actual and potential risks and uncertainties. We also encourage you to review the special note regarding forward-looking statements included in our earnings release and 10-Q for the first quarter of 2022 in each case filed with the SEC this afternoon and which will be posted in the Investors section of our website at sarcos.com and on the SEC's website.

In addition, we will be discussing certain non-GAAP financial measures on our call today. Throughout this call, all financial measures will be GAAP, unless otherwise noted. A reconciliation of any non-GAAP measures to their most directly comparable GAAP measures as well as the description, limitations and rationale for such measures are included in the earnings release filed with the SEC this afternoon and which is available on our website and on the SEC's website.
A recording of this call will also be archived on our website. The information that we're giving you on the call is as of today's date, and we undertake no obligation to update the information subsequently.

So thanks again for joining us. At this point, I'd like to turn the call over to our President and CEO, Kiva Allgood.

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Thanks, Ben. We appreciate everyone joining us today. This afternoon, I will update you on the first quarter of the year and our expectations for the rest of 2022. After that, I will hand the call over to Steve Hansen, our CFO, who will give you a financial update on the company. And then we will open it up for calls and questions.

Due to the filing calendar, this call comes only 6 weeks after our last earnings call. But despite the brief time between calls, the team has managed to achieve a great deal since our last update. As many of you are aware, we closed the acquisition of RE2 on April 25. The RE2 team is now part of Sarcos. RE2's Founder and CEO, Jorgen Pedersen, is now the Chief Operating Officer of Sarcos, and we have started the process of integrating 2 teams into 1 combined team. We are executing an aggressive but people-first integration plan that started with joint onboarding and training sessions in both locations and the cross-pollinization of teams at both sites. Jorgen and I remain confident that the combined Sarcos team has a strong commercial and cultural fit. And I believe the combination will have a positive impact on our employees, stakeholders and customers.

The combination of the products, people and performance metrics are where I'll focus next. We now have a broader product portfolio. Both Sarcos and RE2 are leaders in the development of teleoperated robotics. And we believe our complementary products will allow us to realize significant value from the acquisition. RE2's safety and product line of robotic arms work in markets that Sarcos' products are not currently designed to address. Therefore, widening the potential TAM of our combined product road map and allowing us to offer a broader range of solutions to both commercial and government customers.

RE2's Sapien product offers different dexterity, manipulation, lifting capacity and price points than the Guardian products. All the new capabilities allow us to deliver on our unified mission to increase worker productivity, longevity and prevent injuries through robots. RE2’s acquisition enables us to combine 2 teams of engineers, technicians and developers which we believe includes some of the world's leading experts in human augmented robotics and supervised autonomy. There is a war for technical talent, especially in specialized skills like robotics. And we are delighted to be able to combine RE2's more than 100 team members with the Sarcos' 160 team members. These team members collectively have over 50 years of designing, building and perfecting robotic systems. And I have already witnessed the power of bringing these 2 teams together with our first technical deep dive.

We now have 2 locations, Pittsburgh and Salt Lake City, which will allow us to offer employees and new hires a choice of locations and capitalize on the robotics ecosystem and the U.S.'s robotics capital, Pittsburgh. To deliver on our mission, we need to execute to our product deliverables and key performance metrics. And I'll provide an update on our combined road map later in the call. But first, I would like to be helpful to set out our product line stand for the RE2 acquisition. I'll start with the Guardian product line.

Our Guardian XO industrial exoskeleton is capable of lifting up to 200 pounds with little to no human effort. And depending on the use case, we can improve worker productivity by a multiple of 2, 3 or even more while simultaneously making employees safer. The second core product, the teleoperated Guardian XT, a 1- or 2-arm upper-body robot, which can be mounted on a variety of lift platforms and mobile basis, making it ideal for a wide scope of industrial applications, including at height, overhead, ground-level configurations. Like the Sapien robots, the Guardian XT allows operators to perform work in dangerous environments at heights while the operator remains out of harm's way.

The Sapien product family of robotic arms developed by RE2 has several models which range from 4 to 7 degrees of freedom of movement and have different weights ranging from under 30 pounds to over 400 pounds, depending on the environment and the application. The Sapien arm can be used in a single or dual mode, combined with the RE2's vision autonomy software is able to undertake work in the medical, construction, aviation industries, amongst others, keeping workers safe, also keeping workers safe and improving productivity.
In addition, the Sapien Sea Class variant can be teleoperated in both shallow and deepwater environments to complete a number of inspection and maintenance tasks across multiple industries. Sarcos expects to benefit from revenues associated with RE2’s partnership with the government and commercial customers who are funding the development of a number of RE2’s advanced robotics systems. During the first quarter, RE2’s announced a development partnership with JLG Industries to focus on integrating its Sapien arm technology into JLG access equipment.

Also in Q1, the Sapien Sea Class successfully achieved an unprecedented depth milestone of 1 kilometer during an open-wire demonstration with its Maritime Mine Neutralization System known as M2NS, for the U.S. Navy’s Office of Naval Research, who is sponsoring the project. We look forward to sharing more exciting news about the Sapien portfolio very soon.

Finally, the transaction will enable us to combine the potential of Sarcos CYTAR machine learning program, with RE2’s Detect computer vision and Intellect AI software solutions. These software solutions enable supervised autonomy on the Sapien products today. In February, RE2’s announced a strategic partnership with PickNik to work together on the development of autonomous robotic systems. We believe that bringing autonomy to unstructured environments has significant potential for our combined company, and we look forward to accelerating our software platforms together to lead the industry in bringing artificial intelligence to the edge.

Turning to the commercialization efforts of our Guardian and Sapien products. We continue to hear from our partners, current customers and potential customers that hiring sufficient people to perform physical tasks is a challenge, one that is unlikely to change or go away. I mentioned the stat on our last call, but I think it bears repeating. Recent research suggests almost 55 million job openings are expected this decade in the U.S. alone. Most of them related to skilled workers leaving the workforce. Filling these open positions will be a challenge for every industrial company. Therefore, we believe the conversations with our industrial partners support that there is a strong and growing market for technology that can solve the shortage of workers to undertake manual tasks, particularly in those unstructured environments where traditional automation is impractical today and likely to be so for the long term.

In addition, companies across the industrial space are in the market for solutions to keep their employees safe, whether by reducing work at height or endangered situations or incorporating technology to reduce fatigue or repetitive stress injuries. We believe Sarcos technologies will play a critical role in alleviating these pain points for our customers. Our full range of robots that combine the intelligence and skill of human workers with the strength and endurance of machines has the potential to become the workforce of the future.

We intend to keep you updated on our progress toward our primary goal of commencing initial production of our commercial Guardian XO and Guardian XT units and milestones that we need to achieve as we progress towards that goal, as well as the continued production of the Sapien product line. As of today, we continue to expect to commence commercial initial production of commercial units of our Guardian XT and Guardian XO products by the end of 2022 for delivery to customers in early 2023.

As I mentioned in our last call, we executed beta testing of our Guardian XT teleoperated robot in the first quarter for both government and commercial clients. To date this year, we have completed several successful well-received demonstrations of Guardian XT, working with off-the-shelf tools, including grinders, buffers and drills. Partners and potential customers who have witnessed these demonstrations have been impressed by the improved dexterity, range of motion, strength and ease of use that the beta unit demonstrates over the predecessor.

As a result of these successful tests, we have been able to secure expanded engagements with 2 partners, and we hope to be able to update you on details of these new contracts very soon. We are also making progress in the development of our Guardian XO full-body powered exoskeleton. As I mentioned in our last call, we have assembled and are in the process of internally testing key parts of the Guardian XO beta unit. Our focus for the exoskeleton is weight reduction to ensure the commercial units meet our customer needs. Over the past few weeks, we have achieved a number of positive developments in reducing the weight and complexity of the suit, which will help to minimize the supply chain risk and simplify commercial production.

On previous calls we have talked about challenges with hiring qualified candidates and sourcing required components and materials. The inclusion of new team members from RE2 has added much needed expertise to the company, but we are still in need of qualified new hires in several technical roles. We have welcomed a number of excellent team members since our last call, but the labor market for companies like Sarcos, seeking highly qualified individuals continues to be very, very competitive, and we still have open positions.
In addition, constraints on the supply chain have been intensified by the war in Ukraine and continue to cause difficulties. In order to future-proof the manufacture of our commercial units, we have made the decision to prepurchase components and materials in a number of key areas to ensure we have critical components for manufacturing. These purchases will have a minor impact on our 2022 cash position, and Steve will update you on this in his remarks, but we think it is important action to safeguard our stated timeline.

As we finalize our commercial manufacturing plan, I want to outline the current projected capacity through 2023. At this stage, we expect to be able to produce between 300 and 500 units in Salt Lake City, depending upon the mix of Guardian S, Guardian HLS, Guardian XT and Guardian XO products. We continue to believe Sarcos’ future success is dependent on 3 factors. First of these 3 factors is having sufficient funding to bring our products to market. Even following the acquisition of RE2, Sarcos continues to have a substantial cash position, and we continue to believe we have more than sufficient funding to begin initial production of our commercial units of both our Guardian XO and Guardian XT as well as accelerate production of the Sapien products.

The second factor is whether we can develop the technology to meet customer requirements. As I said earlier in my remarks, customer feedback on the demonstrations of the capabilities and performance of the Guardian XT and the Sapien unit suite has been excellent. And we believe we can achieve the same result with the Guardian XO beta is ready for customer trials as we have integrated alpha trial and customer advisory feedback throughout all design phases. We already have Sapien robots with customers for testing. And once we have the Guardian XT and Guardian XO beta units in field, we are confident that our products will provide positive ROA for our customers, the third critical factor for commercial success.

Above all, we are very happy with the progress made in the quarter. The acquisition of RE2, the successful testing and demonstration of our Guardian XO and XT units and RE2’s technological achievements and new development partnerships all point to a very bright future for Sarcos. I would like to conclude by thanking all the members of the Sarcos team who have worked hard to close the combination of RE2 and develop our technology during the first half of 2022.

With that, I’ll turn it over to Steve to go through the financials.

Steven Q. Hansen - Sarcos Technology and Robotics Corporation - Executive VP & CFO

Thanks, Kiva, and good afternoon to everyone listening today. Firstly, I’d like to join Kiva in welcoming the RE2 team member to Sarcos. On a personal note, I’ve enjoyed getting to know Jorgen and the rest of the team at RE2, and I firmly believe that this is a start of great things for our combined company.

Firstly and most importantly, Sarcos continues to have a healthy liquidity position. At the end of March, our unrestricted cash and cash equivalents stood at approximately $199 million. Importantly, we continue to believe that the cash we have on hand today will be easily sufficient to enable us to begin initial commercial production of both our Guardian XO full-body exoskeleton robot and Guardian XT teleoperated robot.

Now turning to the details of the acquisition. Total consideration for the transaction was $100 million. It consisted of $30 million in cash and other cash acquired and approximately 10.8 million shares of newly issued common stock. The company also assumes certain outstanding options to acquire RE2 common stock, which represent the right to acquire 3.9 million shares of common stock. The stock component represents dilution to Sarcos stockholders of approximately 6% based on the fully diluted share count of approximately 231 million shares.

We believe this acquisition represents excellent value for Sarcos’ stockholders given the potential benefits, and we are excited to start work on unlocking the potential of the transaction. Now that the transaction is closed, we can start to benefit from RE2’s commercial contracts and relationships. But since the transaction only closed in late April, we are still in the process of developing forecast for the combined company. As a result, any financial information for the first quarter of 2022 and any guidance I give for future periods in my prepared remarks will be for Sarcos without the impact of the business of RE2, unless it is specifically stated to include RE2. On our next earnings call, I anticipate providing guidance on a combined company basis.

This afternoon, we released our first quarter earnings and 10-Q filing, in which we reported quarterly revenue of $0.7 million compared to $1.8 million in the first quarter of 2021. This change in revenue was primarily due to change in work efforts for various projects during the quarter and...
the decision to focus only on projects that fully align with our product commercialization efforts. As a result of this change in work efforts, revenue for research and development services was $0.7 million in the first quarter of 2022, down from $1.6 million in the same quarter of 2021.

As I’ve mentioned previously, with our focus on meeting our commercialization time line, we will continue to accept only development contracts that are fully aligned with our commercialization efforts and anticipate that quarterly development revenues for Sarcos as it existed in Q1 of this year, may continue to be lower on a year-over-year basis in the near term. We had minimal product sales of Guardian S, Guardian HLS and parts and accessories during the first quarter. As a result, a product revenue for the quarter of $10,000 compared to product sales of $0.2 million in the first quarter of 2021. As I mentioned on our last call, sales of these products are not expected to form a material part of our revenue in the future as we focus on the commercial launch of our core Guardian XO and Guardian XT products and the Sapien product line.

Total operating expenses increased from $7 million in the first quarter of 2021 to $26.4 million in the March quarter end of this year. $10.7 million of this increase was due to higher stock-based compensation expense, primarily from stock grants (inaudible) closing of the business combination in September last year and approximately $1.5 million of expenses related to the acquisition of RE2. Other general and administrative expenses, including business insurance and legal expenses were also higher to ensure compliance with listing rules and security laws and other requirements operating as a public company.

Sales and marketing expense were $2.2 million, also higher on a year-over-year basis and up from $0.7 million in the first quarter of 2021. Much of this increase was due to the engagement of professional services from a third-party vendor to assist with data management of our products and services and higher stock-based compensation expense. Research and development expense increased from $2.8 million in the first quarter of 2021 to $5.9 million in the first quarter of this year. We incurred additional expenses from the increase in engineering, production and supply chain head count and other expenditures to prepare for the commercial production of our products.

We continue to expect R&D expenses as well as general and administrative and sales and marketing expenses to be higher year-over-year for the remainder of 2022 as we work on our commercialization pathway and adjust to life as a public company. As a result of these increased operating expenses, our net loss in the first quarter of 2022 was $19.2 million or $0.14 per diluted share, an increase from a net loss of $5.2 million or $0.05 per diluted share in the March quarter end of 2021. As I’ve mentioned on previous calls, some of our warrants are accounted for as liabilities and we are required to report the change in value of this warrant liability on our statement of operations and comprehensive loss. Since changes in the value of this liability are driven by changes in our stock price, this obligation will introduce unpredictable volatility into our earnings each quarter until the warrants are fully exercised or expire and will make it difficult for us to forecast the effect of warrant accounting on our statement of operations and comprehensive loss.

Excluding stock-based compensation expense, warrant liability and certain other items related to the closing of the business combination with Rotor during 2021 and expenses associated with the acquisition of RE2 during quarter 1 of 2022, our non-GAAP net loss per share for the first quarter was $0.10. Please see our earnings press release filed today for a full reconciliation of the non-GAAP net loss calculation.

The fully diluted weighted average number of shares for the first quarter of 2022 was 137.9 million. As of April 29, our outstanding share count was 153.8 million, including certain stock option exercises and settlements of RSU as well as stock issued in connection with the acquisition of RE2. Given the widely discussed macroeconomic supply chain and hiring challenges that affect the market, there are -- continues to be a focus on the liquidity position of our newly public companies that are commercializing innovative technology.

Our cash used in operating activities for the first quarter was $12.5 million or an average cash burn of $4.2 million a month. We also spent $5.3 million to repurchase shares for the payment of tax withholdings. Capital expenditures during the first quarter were $0.5 million, incurred primarily due to construction work to complete outstanding work on our new headquarters, including the purchase of fixtures and other tenant improvements. We believe it will be helpful to forecast our cash burn for the rest of 2022. As we scale up in anticipation of the commercial production of our core products, we continue to anticipate that the average monthly cash burn from operations and capital expenditures for Sarcos, excluding the impact of RE2 will be approximately $5.5 million for 2022. This number is likely to be more heavily weighted towards the latter months of the year as we ramp up investments focused on the commercial release of our products.
In addition, as I mentioned on a previous call, we continue to estimate a cash impact averaging approximately $1 million a month from the purchase of stock to satisfy certain tax obligations on the vesting of employee stock awards through the end of 2022. As Kiva mentioned in her remarks, in order to address some of the supply chain challenges we are seeing in the market, we have taken the decision to prepurchase materials and components for the manufacturing of our commercial units. Most, if not all, of this expense will not hit the P&L until 2023. But we currently expect the purchases could increase cash burn during 2022 by a total of up to $3 million depending on the delivery date.

As a reminder, all these projections are for Sarcos without taking into account any expected impact of RE2 business. We are still working through the impact of RE2 transaction and our monthly cash burn for 2022. But in the short term, we do not believe it will have a material impact. And longer term, we continue to believe the acquisition will accelerate our path to positive free cash flow by a quarter.

That concludes my remarks. Again, I would like to join Kiva in thanking the entire Sarcos team for their hard work in the first quarter of this year. The acquisition of RE2 and the forthcoming commercialization of our products makes this a very exciting time to be at Sarcos.

We will now open the line for questions. Operator, will you please repeat the instructions to ask a question.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) Our first question comes from Stephen Volkmann from Jefferies.

**Stephen Edward Volkmann** - Jefferies LLC, Research Division - Equity Analyst

Maybe we can just start. I'm curious, it sounds like the XO and the XT are kind of on schedule and as we have discussed, so no surprises there. But what types of things are you still needing to work on and prove out on those units as you kind of get closer to year-end in that target?

**Kiva A. Allgood** - Sarcos Technology and Robotics Corporation - President, CEO & Director

Yes. Great question, Steve. So as we mentioned, very, very focused on weight, weight reduction. As we also mentioned, a lot of work on -- in a milestone last December with regard to being able to stabilize itself when the human is outside of the unit. So very focused on, I'd say, the feedback from the Alpha units around weight design, increased functionality and stability.

**Stephen Edward Volkmann** - Jefferies LLC, Research Division - Equity Analyst

Okay. Great. And then on the Sapien stuff, I know you're not ready to provide any guidance yet, but is there revenue from that already? Or is this also a pre-revenue situation?

**Kiva A. Allgood** - Sarcos Technology and Robotics Corporation - President, CEO & Director

So the Sapien products, they've got over 650 products, they've shipped over 650 products. They do have commercial product today. And at the next call, we'll be able to outline exactly what impact that has for us and really what we are forecasting from there.

**Stephen Edward Volkmann** - Jefferies LLC, Research Division - Equity Analyst

Okay. So presumably, there is some level of cash burn that they have, and we'll hear about that later. But it is -- it will add to the cash burn in the medium term, I suppose.
Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Yes. Our focus right now is really to maintain. And as Steve had mentioned, we don't feel like it will have a material impact. So again, they've been that last 20 years, very, very focused on keeping enough revenue coming in and enough projects coming in to cover their costs.

Stephen Edward Volkmann - Jefferies LLC, Research Division - Equity Analyst

Okay. That's good color. I appreciate that. And then are we still sort of planning kind of, I don't know, a road show, for lack of a better word, as we kind of go over the summer and into the fall to get out and show these units to potential customers? Is that still on the plan?

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Yes, 100%. We're really excited about that. The team is working very, very hard to retro the road show to include, we've got 4 new products we really want to include in that, and we're targeting the fall still.

Operator

Our next question comes from John Walsh with Crédit Suisse.

John Fred Walsh - Crédit Suisse AG, Research Division - Director

Just wanted to come back to this point you're making on liquidity. Really, first of all, I appreciate the detail that you're providing around the cash burn and obviously your balance outstanding as of March that you referenced earlier. But I just want to make sure I understand some of this math correct. So I believe there's $30 million that would be cash out for RE2 that probably wouldn't show up in the March financials because it closed in April. And then I guess, the $6.5 million, is that just kind of times 12 to think about what the operating cash burn is without RE2. And then, I don't know, are there any other moving pieces there? Just trying to make sure we really hone in on that point, please.

Steven Q. Hansen - Sarcos Technology and Robotics Corporation - Executive VP & CFO

John, that's a good question. Yes. So let me just clarify, yes. As of the quarter end, the cash for the acquisition was not enclosed in that number, the $199 million balance. So since the close of the quarter, we paid $30 million of cash for the acquisition. We've incurred a little bit of expense associated with that as well. But as a kind of broken out, our normal operating burn, we expect to be on average about $5.5 million between the -- for the full year. Again, we ended the first quarter at $4.2 million burn, but we'll expect some increase toward the latter end of the year. And then on top of that, we have the expense associated with some capital investments we'll do with regarding our building of our beta units and so forth. And then thirdly, just to kind of isolate out, on average, we expect about $1 million to purchase back shares that are associated with covering taxes for certain equity positions that have been taken by the -- or given to the respective employees involved in the company.

John Fred Walsh - Crédit Suisse AG, Research Division - Director

Okay. Great. So it sounds like we pretty much identified all the buckets there. There's nothing that we're missing, right?

Steven Q. Hansen - Sarcos Technology and Robotics Corporation - Executive VP & CFO

No, no.
John Fred Walsh - Crédit Suisse AG, Research Division - Director
Okay. Great. And then I guess -- go ahead.

Steven Q. Hansen - Sarcos Technology and Robotics Corporation - Executive VP & CFO
Let me clarify one point. We did mention that the longer-term material needs we need, I have included this time around to note that as we get to that point of production, we’re looking for some items that we have to buy now because of the long lead times. So I expect that maybe up to $3 million will hit on my balance sheet between now and the end of the year for some purchases that they come in for that 2023 production. So just no doubt, that’s an additional amount I mentioned this time around.

John Fred Walsh - Crédit Suisse AG, Research Division - Director
Got you. Okay. Yes, not unusual. We’re hearing that from everyone given supply chains. All right. And then…

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director
Yes, we’re excited to make sure we’ve got everything to build.

John Fred Walsh - Crédit Suisse AG, Research Division - Director
Yes. No. That’s very important. I’m sure your customers are also very happy to hear that as well. And then, as we think about the delivery of units into 2023, can you just remind us, are those still -- are those slots still kind of like letters of intent? Or do you have kind of firm orders there yet? And when -- if not, when might we kind of get announcements around customers?

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director
Yes. I mean we’re not updating guidance at this point with regard to the orders, but we hope in short order we’ll be able to provide additional clarity on who those lighthouse customers are going to be.

Operator
Our next question comes from Rob Mason with Baird.

Robert W. Mason - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst
Kiva, you had mentioned in your dialogue the expanded engagement with, I thought, 2 customers or potential customers. I wanted to see if you could just elaborate there and what the implications were for Sarcos.

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director
Yes, definitely. We’re definitely seeing good momentum and traction. And as I just said to John, we’ll be hopefully able to share a little bit more detail with you and soon on who those lighthouse customers are, but we’re not sharing additional information at this time.
Robert W. Mason - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Okay. So that was a reference to additional lighthouse customers essentially is what…

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

I’m sorry?

Robert W. Mason - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

The expanded engagements with 2, are those new -- incremental to our existing or just expanded engagements? Just so I’m clear.

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

It’s a combination of both, yes. And we’ll be able to share. So again, I think the nice piece is, we’ve increased -- because we’re in a new space, we’ve been able to do over 50 different demos in the first quarter alone. And as people start to see the product, it’s -- they always aha moment, seeing is believing for sure. So with the new facility and our ability to demonstrate and get product into the customers’ hands, we’ve definitely seen some really good traction.

Robert W. Mason - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Yes, yes. And then with respect to RE2, I understand you’re not providing any guidance here in the immediate term. But last year, I believe they had about $15 million in revenue. And I’m just curious how much of that was commercial activity versus development-related activity and how that relative pipeline between those 2 buckets might look as you bought the business.

Steven Q. Hansen - Sarcos Technology and Robotics Corporation - Executive VP & CFO

That’s a good question. Right now, it’s -- for the $15 million, it was a combination of product and services, although we’re not disclosing yet. We’ll give that guidance the next time around. But that is kind of what I’ll say is a stepping stool to where we’re heading with combined business of our product shift and growth opportunities for rest of this year as well as going into the out-year. So that was the very benefit we’ve gotten from RE2, is that kind of commercialization in place.

Robert W. Mason - Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

Okay. Just a last question, and I’ll stick to RE2. Can you give us any feel for what the range of price points are on the Sapien product?

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Yes. Not at this time. What I will say though is, at the next call we’ll be able to really showcase that combined portfolio. The beauty of it is we’re now going down both from a price point and capability perspective at the very entry level, which is the operating room and all the way to subsea. So we’ll be able to provide a lot more color at the next call.

Operator

Our next question comes from Stephen Volkmann with Jefferies.
Stephen Edward Volkmann - Jefferies LLC, Research Division - Equity Analyst

Steve, I think you mentioned in your comments that you had capacity for between 300 and 500 units in Salt Lake City. And obviously, we have a lot more in the model as we go forward. So what’s the plan? Is it still sort of an outsourced beyond that type of plan? Or are you doing something else to be able to raise your own internal capacity?

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Yes. So RE2 also has capacity within their facility in Pittsburgh. So that is part of the current evaluation that we’re going through. But we did issue an RFP for contract manufacturing. And we still hope to close and identify that this year and then have that up and running by the end of 2023.

Operator

I’m showing no further questions at this time. I would now like to turn the conference back to Kiva Allgood, Chief Executive Officer.

Kiva A. Allgood - Sarcos Technology and Robotics Corporation - President, CEO & Director

Thank you, Andrea. We’re extremely excited about all the questions today. So thank you, guys, for the engagement and interest. The combination with RE2 being Sarcos is an even stronger position to develop products to enable the most safe, productive and cost-effective workforce in the world. We’re excited by our mission, and we look forward to keeping you up-to-date on our progress. Thanks for the interest. If you have any questions, let Ben know. Thank you.

Operator

This concludes -- my apologies. This concludes today’s conference call. Thank you for participating. You may now disconnect.