

SoundHound AI Reports First Quarter Revenue Increase of 56%

Significantly Improves Cash Position and Operating Expenses; Reaffirms Full Year Guidance

SANTA CLARA, Calif.--(BUSINESS WIRE)--May 11, 2023-- SoundHound AI, Inc. (Nasdaq: SOUN), a global leader in voice artificial intelligence, today reported its financial results for the first quarter of 2023.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20230511005364/en/>



SoundHound AI Reports First Quarter Revenue Increase of 56% (Graphic: Business Wire)

"The incredible surge in demand for conversational AI is giving SoundHound a unique advantage. As an established innovator with years of experience providing AI solutions to world class

brands, we're fast becoming an obvious partner for businesses looking to harness emerging capabilities," said Keyvan Mohajer, CEO and Co-Founder of SoundHound. "Our SoundHound Chat AI platform now offers the most powerful voice assistant available today, and it's one of many ways we're helping new and existing customers build game-changing consumer experiences."

Financial Highlights

- First quarter reported revenue was \$6.7 million, an increase of 56% year-over-year
- First quarter gross margin was 71%, an improvement of approximately 1,200 basis points compared to 59% in the prior year
- First quarter earnings per share was a net loss of (\$0.13), improving both year over year and sequentially
- First quarter adjusted EBITDA (non-GAAP) was a loss of (\$14.8) million, an improvement of 21% from the prior quarter and a year-over-year improvement of 13%
- Significantly strengthened balance sheet through multiple financings, cumulatively raising over \$150 million year-to-date through April
- Drove meaningful operating efficiencies through corporate restructuring, resulting in 40% reduction to ongoing operating expense run-rate

"In the first quarter we significantly strengthened our liquidity position while streamlining our costs. At the same time, our new innovations have driven positive customer reception that has meaningfully increased demand for our products and solutions," said Nitesh Sharan, CFO of SoundHound. "Our top-line grew by 56% and every cost category improved sequentially, fueling steady progress towards profitability."

Business Highlights

- Announced that SoundHound's voice AI technology will be available on, and can be integrated with, [Oracle](#) MICROS Symphony Point-of-Sale for Restaurants.
- Launched [SoundHound Chat AI](#), a powerful new voice assistant that delivers best-in-class voice AI by combining SoundHound and third-party Generative AI models, like ChatGPT.
- Introduced [SoundHound Chat AI for Automotive](#), which gives drivers and passengers seamless access to a vast array of information domains enabled by complex conversational capabilities, and can be integrated with the company's publicly announced 20 automotive brands.
- Debuted [Dynamic Interaction with Generative AI](#), an extension of the company's groundbreaking multimodal Dynamic Interaction interface, able to be integrated with any vehicle or smart device.
- Joined the [Toast](#) ecosystem to provide best-in-class voice-ordering technology to restaurants using Toast's Point-of-Sale system.
- Qualcomm demonstrated SoundHound's voice technology [at NRF 2023](#).
- Strong representation at CES with [Qualcomm](#), [Yobe](#), and [LG](#).
- Nominated for a [2023 Webby Award](#) in the Best Use of Voice Technology category for Dynamic Interaction.

Financial Results in Detail

First Quarter 2023 Financial Measures

Three Months Ended

(thousands, except per share data)

	March 31, 2023	March 31, 2022	Change in %
Cumulative bookings backlog¹	\$ 335,967	\$ 229,827	46%
Revenues	\$ 6,707	\$ 4,290	56%
Operating expenses:			
Cost of revenues	\$ 1,976	\$ 1,773	11%
Sales and marketing	4,875	2,581	89%
Research and development	14,184	16,650	-15%

General and administrative	7,125	4,003	78%
Restructuring	3,585	-	N/A
Total operating expenses	\$ 31,745	\$ 25,007	27%
Operating loss	\$ (25,038)	\$ (20,717)	21%
Net loss	\$ (26,369)	\$ (25,103)	5%
Net loss per share	\$ (0.13)	\$ (0.36)	0.23
Adjusted EBITDA²	\$ (14,775)	\$ (16,961)	-13%

1. Cumulative bookings backlog is prior quarter end balance plus new bookings in the current quarter minus associated revenue recognized.
2. Please see table below for a reconciliation from GAAP to non-GAAP.

Summary of Liquidity and Cash Flows

The company's cash and cash equivalents was \$46.3 million at March 31, 2023. In January 2023, the company successfully raised \$25 million in net proceeds from preferred equity financing. In February, the company's ELOC became effective and it has leveraged this facility for additional proceeds. Additionally, in April, SoundHound secured \$100 million of minimally dilutive debt financing.

Through these financings, cumulatively the company raised over \$150 million year-to-date through April, the proceeds of which were partly used to retire the company's existing debt.

Condensed Cash Flow Statement

Three Months Ended

(thousands)	March 31, 2023	March 31, 2022
Cash flows:		
Net cash used in operating activities	\$ (14,467)	\$ (14,989)
Net cash used in investing activities	(15)	(611)
Net cash provided by financing activities	51,568	1,955
Net change in cash and cash equivalents	\$ 37,086	\$ (13,645)

Business Outlook 2023

SoundHound continues to expect 2023 revenue to be in a range of \$43 to \$50 million. The company continues to expect to be adjusted EBITDA positive in the fourth quarter of 2023.

Additional Information

SoundHound expects to file its Form 10-Q for first quarter 2023, by May 15, 2023. For more information please see the company's SEC filings which can be obtained on our website at investors.soundhound.com.

If you wish to receive company email notifications, please register at investor.soundhound.com.

Conference Call and Webcast

Keyvan Mohajer, Co-Founder and CEO, and Nitesh Sharan, CFO will host a live audio conference call and webcast today at 2:30 p.m. Pacific Time/5:30 p.m. Eastern Time. A live webcast will also be accessible at investors.soundhound.com and a replay of the webcast will be available for 90 days following the session.

About SoundHound AI

SoundHound (Nasdaq: SOUN), a global leader in conversational intelligence, offers voice AI solutions that let businesses offer incredible conversational experiences to their customers. Built on proprietary technology, SoundHound's voice AI delivers best-in-class speed and accuracy in numerous languages to product creators across automotive, TV, and IoT, and to customer service industries via groundbreaking AI-driven products like Smart Answering, Smart Ordering, and Dynamic Interaction™, a real-time, multimodal customer service interface. Along with SoundHound Chat AI, a powerful voice assistant with integrated Generative AI, SoundHound powers millions of products and services, and processes billions of interactions each year for world class businesses. www.soundhound.com

Forward Looking Statements

This press release contains forward-looking statements, which are not historical facts, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the expected financial performance of the company, the company's ability to implement its business strategy and anticipated business and operations, including the launch of its chat AI service, the potential utility of and market for the company's products and services, guidance for financial results for 2023 and our ability to timely file our annual report on Form 10-Q. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. Our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of risks and uncertainties impacting SoundHound's business including, current uncertainties associated with the COVID-19 pandemic, our inability to predict or measure supply chain disruptions at our customers resulting from the COVID-19 pandemic and other causes, the potential future revenue associated with our AI platform products and services; our projected rate

of revenue growth; the impact of our announced restructuring; our ability to predict direct and indirect customer demand for our existing and future products and to secure adequate manufacturing capacity; our ability to hire, retain and motivate employees; the effects of competition, including price competition within our industry segment; technological, regulatory and legal developments that uniquely or disproportionately impact our industry segment; developments in the economy and financial markets and those other factors described in our risk factors set forth in our filings with the Securities and Exchange Commission from time to time, including our Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We do not intend to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Non-GAAP Measures of Financial Performance

To supplement our financial statements, which are presented on the basis of U.S. generally accepted accounting principles (GAAP), the following non-GAAP measure of financial performance is included in this release: adjusted EBITDA. We define Adjusted EBITDA as our GAAP net loss excluding (i) interest and other expense, net, (ii) depreciation and amortization expense, (iii) income taxes, (iv) stock-based compensation, and (v) restructuring expense. A reconciliation of GAAP to this adjusted non-GAAP financial measure is included below. When analyzing the company's operating results, investors should not consider non-GAAP measures as substitutes for the comparable financial measures prepared in accordance with GAAP.

Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA

Three Months Ended

(thousands)

	<u>March 31, 2023</u>	<u>March 31, 2022</u>
GAAP net loss	\$ (26,369)	\$ (25,103)
Adjustments:		
Interest and other expense, net ¹	\$ 1,002	\$ 4,034
Income taxes	329	352
Depreciation and amortization	708	1,292
Stock-based compensation	5,970	2,464
Restructuring	3,585	-
Adjusted EBITDA	\$ (14,775)	\$ (16,961)

1. Includes other (income)/expense of (\$0.1) and \$1.1 million for the three months ended March 31, 2023 and 2022, respectively.

SOUNDHOUND AI, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except share and per share data)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,331	\$ 9,245
Accounts receivable, net	2,660	3,414
Prepaid expenses	1,651	2,514
Contract assets	1,546	1,671
Other current assets	1,069	859
Total current assets	<u>53,257</u>	<u>17,703</u>
Restricted cash equivalents, non-current	230	230
Right-of-use assets	7,393	8,119
Property and equipment, net	2,754	3,447
Deferred tax asset	55	55
Contract assets, non-current	7,040	7,041
Other non-current assets	2,074	1,656
Total assets	<u>\$ 72,803</u>	<u>\$ 38,251</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	\$ 2,542	\$ 2,798
Accrued liabilities	12,306	7,462
Operating lease liabilities	3,157	3,282
Finance lease liabilities	147	160
Income tax liability	1,213	1,314

Deferred revenue	5,319	5,812
Notes payable	16,828	16,668
Total current liabilities	41,512	37,496
Operating lease liabilities, net of current portion	5,045	5,715
Finance lease liabilities, net of current portion	102	128
Deferred revenue, net of current portion	5,433	7,543
Notes payable, net of current portion	14,035	18,299
Other non-current liabilities	4,294	4,295
Total liabilities	70,421	73,476
Commitments and contingencies (Note 6)		
Stockholders' equity (deficit):		
Series A Preferred Stock, \$0.0001 par value; 1,000,000 shares authorized; 835,011 and 0 shares issued and outstanding, aggregate liquidation preference of \$25,050 and \$0 as of March 31, 2023 and December 31, 2022, respectively	24,942	—
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 174,714,741 and 160,297,664 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	18	16
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 39,735,408 shares issued and outstanding as of March 31, 2023 and December 31, 2022	4	4
Additional paid-in capital	505,889	466,857
Accumulated deficit	(528,471)	(502,102)
Total stockholders' equity (deficit)	2,382	(35,225)
Total liabilities and stockholders' equity (deficit)	\$ 72,803	\$ 38,251

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
Revenues	\$ 6,707	\$ 4,290
Operating expenses:		
Cost of revenues	1,976	1,773
Sales and marketing	4,875	2,581
Research and development	14,184	16,650
General and administrative	7,125	4,003
Restructuring	3,585	—
Total operating expenses	31,745	25,007
Loss from operations	(25,038)	(20,717)
Other expense, net:		
Interest expense	(1,096)	(2,977)
Other income (expense), net	94	(1,057)
Total other expense, net	(1,002)	(4,034)
Loss before provision for income taxes	(26,040)	(24,751)
Provision for income taxes	329	352
Net loss	(26,369)	(25,103)
Net loss per share:		
Basic and diluted	\$ (0.13)	\$ (0.36)
Weighted-average common shares outstanding:		
Basic and diluted	205,082,328	69,604,188

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (26,369)	\$ (25,103)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	708	1,292
Stock-based compensation	8,249	2,464
Change in fair value of derivative and warrant liability	—	592
Amortization of debt issuance cost	16	1,742
Non-cash lease amortization	894	846
Changes in operating assets and liabilities:		
Accounts receivable, net	754	728
Prepaid expenses	863	(543)
Other current assets	(210)	60
Contract assets	126	—
Other non-current assets	19	(1,942)
Accounts payable	(256)	3,178
Accrued liabilities	4,306	4,398
Operating lease liabilities	(963)	(1,080)
Deferred revenue	(2,603)	(1,623)
Other non-current liabilities	(1)	2
Net cash used in operating activities	<u>(14,467)</u>	<u>(14,989)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(15)</u>	<u>(611)</u>
Net cash used in investing activities	<u>(15)</u>	<u>(611)</u>
Cash flows from financing activities:		
Proceeds from the issuance of Series A Preferred Stock, net of issuance costs	24,942	—
Proceeds from sales of common stock under the ELOC program, net of issuance costs	28,360	—
Proceeds from the issuance of common stock upon exercise of options	2,425	2,474
Payments on notes payable	(4,120)	—
Payments on finance leases	(39)	(519)
Net cash provided by financing activities	<u>51,568</u>	<u>1,955</u>
Net change in cash, cash equivalents, and restricted cash equivalents	37,086	(13,645)
Cash, cash equivalents, and restricted cash equivalents, beginning of period	<u>9,475</u>	<u>22,822</u>
Cash, cash equivalents, and restricted cash equivalents, end of period	<u>\$ 46,561</u>	<u>\$ 9,177</u>
Reconciliation to amounts on the condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 46,331	\$ 8,211
Current portion of restricted cash equivalents	—	230
Non-current portion of restricted cash equivalents	230	736
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	<u>\$ 46,561</u>	<u>\$ 9,177</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 1,074</u>	<u>\$ 1,013</u>
Cash paid for income taxes	<u>\$ 550</u>	<u>\$ 32</u>
Noncash investing and financing activities:		
Unpaid issuance costs in connection with the ELOC program	<u>\$ 437</u>	<u>\$ —</u>
Deferred offering costs reclassified to additional paid-in capital	<u>\$ 323</u>	<u>\$ —</u>
Operating lease liabilities arising from obtaining right-of-use assets	<u>\$ —</u>	<u>\$ 650</u>

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