

SoundHound AI Reports Second Quarter Revenue Increase of 42%, Adjusted EBITDA Improves 50%, Strong Increase in Cash Position, Investment in Generative AI Foundation Model

SANTA CLARA, Calif.--(BUSINESS WIRE)--Aug. 8, 2023-- SoundHound AI, Inc. (Nasdaq: SOUN), a global leader in voice artificial intelligence, today reported its financial results for the second quarter of 2023.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20230808072152/en/>



"We mark another quarter of strong growth, with our AI powering millions of devices and services and billions of successful interactions per year. We expect our unique Generative AI integration will result in faster adoption and even greater capabilities," said Keyvan Mohajer, CEO and Co-Founder of SoundHound. "And now, we are combining our vast amounts of experience and data to create the first of its kind, multimodal foundation model, supporting speech-to-meaning and enabling incredible new experiences."

Financial Highlights - Second Quarter

- Reported revenue was \$8.8 million, an increase of 42% year-over-year
- Gross margin was 79%, an improvement of approximately 1,900 basis points compared to 60% in the prior year

SoundHound AI Reports Second Quarter Revenue Increase of 42%, Adjusted EBITDA Improves 50%, Strong Increase in Cash Position, Investment in Generative AI Foundation Model (Graphic: Business Wire)

- Operating loss was \$16.4 million, an improvement of 43% year over year
- Net loss was \$21.9 million, an improvement of 28% year over year
- Earnings per share was a net loss of (\$0.10), compared to (\$0.19) in the previous year
- Adjusted EBITDA (non-GAAP) was a loss of (\$9.9) million, a year-over-year improvement of 50%
- Significantly strengthened balance sheet, the company has approximately \$130 million in total cash as of June 30, 2023

"In the second quarter we significantly improved our liquidity position and continued our strong growth trajectory, all while making the business more efficient," said Nitesh Sharan, CFO of SoundHound. "We are judiciously balancing between our profit objectives and the massive growth opportunities in front of us."

Business Highlights - Second Quarter and Recent Highlights

- Generative AI Foundation Model: training an innovative multi-modal foundation model supporting both audio and text, combining the power of Large Language Models with SoundHound's Speech-to-Meaning® technology using over a million hours of field data and billions of conversations in tens of languages
- Announced a significant expansion of [White Castle](#) partnership, including plans to rollout voice AI drive-thru service to over 100 lanes by the end of 2024
- Strong customer adoption of [Smart Ordering](#). Examples include: Beef O'Bradys, Kneaders bakeries, Hot Table, Naz's Halal, Slim & Husky's, Crust Pizza, Kumori Sushi, Noi Thai, Bozelli's Italian Deli and Dialog Cafe, among many others, adding to the hundreds of others already signed up
- [Dynamic Interaction](#): Rolling out Dynamic Interaction with a fast growing large privately held hospitality and foodservice franchiser that operates in 30 states and has over 200 restaurants
- Introduced [SoundHound Chat AI for Automotive](#), giving drivers and passengers seamless access to a vast array of information domains enabled by complex conversational capabilities, generative AI, and live content domains
- Multiple automotive brands began live pilots of SoundHound Chat AI for Automotive, with the goal of upgrading by the end of the year
- Announced that SoundHound's voice AI technology will be available on, and can be integrated with, [Oracle](#) MICROS Symphony Point-of-Sale for Restaurants
- Joined with [Meta](#) on its Llama 2 announcement, partnering to support an open and responsible approach to AI innovation
- Joined the [Russell](#) 2000 and 3000 Indexes
- Attended National Restaurant Association conference and named by [Nation's Restaurant News](#) as one of the most exciting companies on the show floor
- Ranked among [Technology Magazine's](#) top 10 companies advancing Natural Language Processing
- Named as a finalists at [Webby Awards](#): "Best Use of Voice Technology"

Financial Results in Detail

Second Quarter 2023 Financial Measures

Three Months Ended

(thousands, except per share data)

	June 30, 2023	June 30, 2022	Change in %
Cumulative bookings backlog¹	\$ 339,207	\$ 283,431	20%
Revenues	\$ 8,751	\$ 6,152	42%
Operating expenses:			
Cost of revenues	\$ 1,830	\$ 2,488	-26%
Sales and marketing	5,078	4,370	16%
Research and development	11,736	18,862	-38%
General and administrative	6,377	9,362	-32%
Restructuring	166	-	N/A
Total operating expenses	\$ 25,187	\$ 35,082	-28%
Operating loss	\$ (16,436)	\$ (28,930)	-43%
Net loss	\$ (21,932)	\$ (30,668)	-28%
Net loss per share	\$ (0.10)	\$ (0.19)	0.09
Adjusted EBITDA²	\$ (9,926)	\$ (20,015)	-50%

1. Cumulative bookings backlog is prior quarter end balance plus new bookings in the current quarter minus associated revenue recognized. Bookings are derived from committed customer contracts and reflect revenue expected to be realized over the life of such contracts.
2. Please see table below for a reconciliation from GAAP to non-GAAP.

Summary of Liquidity and Cash Flows

The company's total cash was approximately \$130 million at June 30, 2023. In April, SoundHound secured \$100 million of minimally dilutive debt financing. The company also raised \$43 million through its committed equity facility in the second quarter.

Condensed Cash Flow Statement

Six Months Ended

(thousands)

	June 30, 2023	June 30, 2022
Cash flows:		
Net cash used in operating activities	\$ (33,651)	\$ (46,767)
Net cash used in investing activities	(293)	(982)
Net cash provided by financing activities	154,008	90,167
Net change in cash and cash equivalents	\$ 120,064	\$ 42,418

Business Outlook 2023

SoundHound continues to expect 2023 revenue to be in a range of \$43 to \$50 million. The company also 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 second quarter 2023, by August 14, 2023. For more information please see the company's SEC filings which can be obtained on the company's website at investors.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.

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 our expected financial performance, our ability to implement our business strategy and anticipated business and operations, including our ability to improve our Generative AI Foundation Model, expand our White Castle partnership and roll out our AI drive thru service, roll out our Dynamic Interaction, Chat AI for Automotive, and expand the number of platforms on which our voice AI technology will be available, the potential utility of and market for our products and services, our ability to achieve revenue from our bookings backlog, guidance for financial results for 2023 and our ability to timely file our quarterly 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 may differ materially from those expressed or implied by these forward-looking statements as a result of risks and uncertainties impacting SoundHound’s business including, our ability to successfully launch and commercialize new products and services and derive significant revenue, our ability to develop the bespoke products and services required under the contracts included in our bookings backlog, including, but not limited to, our ability to convert customer adoption of Smart Ordering into realized revenue, our ability to predict or measure supply chain disruptions at our customers, our market opportunity and our ability to acquire new customers and retain existing customers, the timing and impact of our growth initiatives, level of product service failures that could lead our customers to use competitors’ services, the impact of our announced restructuring, our ability to predict direct and indirect customer demand for our existing and future products, 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 Annual Report on 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 the company’s 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 the company’s 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>June 30, 2023</u>	<u>June 30, 2022</u>
GAAP net loss	\$ (21,932)	\$ (30,668)
Adjustments:		
Interest and other expense, net ¹	\$ 5,079	\$ 1,349
Income taxes	417	389
Depreciation and amortization	703	1,052
Stock-based compensation	5,641	7,863
Restructuring	166	-
Adjusted EBITDA	\$ (9,926)	\$ (20,015)

1) Includes other income/(expense) of \$0.5 and \$0.2 million for the three months ended June 30, 2023 and 2022, respectively.

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 115,764	\$ 9,245
Accounts receivable, net	3,532	3,414
Prepaid expenses	2,573	2,514
Contract assets	3,701	1,671
Other current assets	1,371	859
Total current assets	<u>126,941</u>	<u>17,703</u>

Restricted cash equivalents, non-current	13,775	230
Right-of-use assets	6,502	8,119
Property and equipment, net	2,329	3,447
Deferred tax asset	55	55
Contract assets, non-current	7,091	7,041
Other non-current assets	885	1,656
Total assets	<u>\$ 157,578</u>	<u>\$ 38,251</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	\$ 1,895	\$ 2,798
Accrued liabilities	16,381	7,462
Operating lease liabilities	2,881	3,282
Finance lease liabilities	154	160
Income tax liability	1,080	1,314
Deferred revenue	4,612	5,812
Current portion of long-term debt	—	16,668
Total current liabilities	<u>27,003</u>	<u>37,496</u>
Operating lease liabilities, net of current portion	4,356	5,715
Finance lease liabilities, net of current portion	60	128
Deferred revenue, net of current portion	4,118	7,543
Long-term debt	66,428	18,299
Other non-current liabilities	16,824	4,295
Total liabilities	<u>118,789</u>	<u>73,476</u>
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 June 30, 2023 and December 31, 2022, respectively	24,942	—
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 194,336,749 and 160,297,664 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	20	16
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 38,035,408 and 39,735,408 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	4	4
Additional paid-in capital	564,197	466,857
Accumulated deficit	(550,403)	(502,102)
Accumulated other comprehensive income	29	—
Total stockholders' equity (deficit)	<u>38,789</u>	<u>(35,225)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 157,578</u>	<u>\$ 38,251</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 8,751	\$ 6,152	\$ 15,458	\$ 10,442
Operating expenses:				
Cost of revenues	1,830	2,488	3,806	4,261
Sales and marketing	5,078	4,370	9,953	6,951
Research and development	11,736	18,862	25,920	35,512
General and administrative	6,377	9,362	13,502	13,365
Restructuring	166	—	3,751	—
Total operating expenses	<u>25,187</u>	<u>35,082</u>	<u>56,932</u>	<u>60,089</u>
Loss from operations	<u>(16,436)</u>	<u>(28,930)</u>	<u>(41,474)</u>	<u>(49,647)</u>
Other expense, net:				
Interest expense	(5,572)	(1,572)	(6,668)	(4,549)

Other income (expense), net	493	223	587	(834)
Total other expense, net	(5,079)	(1,349)	(6,081)	(5,383)
Loss before provision for income taxes	(21,515)	(30,279)	(47,555)	(55,030)
Provision for income taxes	417	389	746	741
Net loss	(21,932)	(30,668)	(48,301)	(55,771)
Other comprehensive income:				
Unrealized gains on investments	29	—	29	—
Comprehensive loss	\$ (21,903)	\$ (30,668)	\$ (48,272)	\$ (55,771)
Net loss per share:				
Basic and diluted	\$ (0.10)	\$ (0.19)	\$ (0.23)	\$ (0.48)
Weighted-average common shares outstanding:				
Basic and diluted	220,772,111	162,004,172	212,970,561	116,059,520

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (48,301)	\$ (55,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,411	2,269
Stock-based compensation	13,947	10,327
Change in fair value of derivative and warrant liability	—	606
Non-cash interest expense	1,607	2,185
Non-cash lease expense	1,714	1,545
Loss on debt extinguishment	837	—
Other non-cash losses, net	82	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(118)	1,045
Prepaid expenses	(59)	(3,409)
Other current assets	(634)	(10)
Contract assets	(2,080)	—
Other non-current assets	628	110
Accounts payable	(903)	1,846
Accrued liabilities	5,045	108
Operating lease liabilities	(1,910)	(2,258)
Deferred revenue	(4,625)	(5,362)
Other non-current liabilities	(292)	2
Net cash used in operating activities	<u>(33,651)</u>	<u>(46,767)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(293)	(982)
Net cash used in investing activities	<u>(293)</u>	<u>(982)</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	70,905	—
Proceeds from the issuance of common stock	8,177	2,904
Proceeds from Business Combination and PIPE, net of transaction costs	—	91,695
Proceeds from the issuance of long-term debt, net of issuance costs	85,087	—
Payments on notes payable	(35,029)	(3,416)
Payments on finance leases	(74)	(1,016)
Net cash provided by financing activities	<u>154,008</u>	<u>90,167</u>

Net change in cash, cash equivalents, and restricted cash equivalents	120,064	42,418
Cash, cash equivalents, and restricted cash equivalents, beginning of period	9,475	22,822
Cash, cash equivalents, and restricted cash equivalents, end of period	<u>\$ 129,539</u>	<u>\$ 65,240</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 4,344</u>	<u>\$ 1,140</u>
Cash paid for income taxes	<u>\$ 1,098</u>	<u>\$ 33</u>
Noncash investing and financing activities:		
Accrued and unpaid debt issuance costs	<u>\$ 16,461</u>	<u>\$ —</u>
Non-cash debt discount	<u>\$ 4,315</u>	<u>\$ —</u>
Deferred offering costs reclassified to additional paid-in capital	<u>\$ 802</u>	<u>\$ —</u>
Conversion of convertible note into common stock pursuant to Business Combination	<u>\$ —</u>	<u>\$ 20,239</u>
Unpaid deferred offering costs associated with the Business Combination	<u>\$ —</u>	<u>\$ 1,006</u>
Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination	<u>\$ —</u>	<u>\$ 279,503</u>
Operating lease liabilities arising from obtaining right-of-use assets	<u>\$ —</u>	<u>\$ 650</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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