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PRESENTATION

Operator

Hello, and welcome to SoundHound fourth-quarter 2024 earnings conference call. (Operator Instructions)

I would now like to turn the conference over to Scott Smith. Sir, you may begin.

Scott Smith - *SoundHound AI Inc - Investor Relations*

Good afternoon, and thank you for joining our fourth-quarter 2024 conference call. With me today is our CEO, Keyvan Mohajer; and our CFO, Nitesh Sharan. We will begin with some short remarks before moving to Q&A.

We'd also like to remind everyone that we'll be making forward-looking statements on this call. Actual results could differ materially from those suggested by our forward-looking statements. Please refer to our filings with the SEC for a detailed discussion of the risks and uncertainties that could affect our business and for discussion and statements that are qualified as forward-looking statements.

In addition, we may discuss certain non-GAAP measures. Please refer to today's press release for more detailed financial results in further details on the definitions, limitations, and uses those measures and reconciliations from GAAP to non-GAAP.

Also note that the forward-looking statements on this call are based on information available to us as of today's date. We undertake no obligation to update any forward-looking statements except as required by law.

Finally, this call is being audio webcast in its entirety on our Investor Relations website. An audio replay will be available following today's call.

With that, I'd like to turn the call over to our CEO, Keyvan Mohajer. Please go ahead, Keyvan.

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Thank you, Scott, and thank you to everyone for joining the call today.

We had our strongest quarter on record with $35 million in revenue, representing an increase of over 100% year over year. With that, we reached the top end of our revenue guidance range for the full year, which we raised just last quarter. This speaks to the continued acceleration of our business. In fact, in the last five years, we have grown our top line at a compound annual growth rate of more than 50%.

And since going public less than three years ago, we have achieved significant growth in numerous key metrics. Revenue increased by 8 times, queries increased by 7 times, and bookings increased by 5 times. But the success you're achieving today didn't start three years ago. It began 20 years ago with a vision that is now becoming a reality.

We made bold predictions early on and stayed committed to the path we envisioned. We built an enterprise-grade platform that powers some of the world's largest organizations. This laid the foundation for us to capitalize on the fast-growing voice AI market. Our ability to innovate at a rapid pace and maintain the agility of a pure-play high-growth disruptor allows us to deliver cutting-edge solutions with speed, accuracy, and reliability.

We are incredibly excited that we recently unveiled the third pillar of our business, our voice commerce ecosystem. SoundHound has pioneered this vision for years, and the concept is simple yet powerful. The users of products powered by our voice assistant, our pillar one, can transact with businesses that are powered by our AI customer service offering, our pillar two. This forms the foundation of SoundHound's three-pillar business strategy and we expect it will increase our momentum further.

At CES, we demonstrated the complete end-to-end experience of a driver discovering food options and placing an order via their in-vehicle voice assistant using natural speech. This ecosystem creates value for all stakeholders. For the end user, it enhances convenience and safety. For merchants, it delivers new leads, and it creates a monetizable moment for SoundHound with revenue sharing opportunities for the OEMs.

The traction we received could not have been better. Within just a few weeks, two notable Japanese automakers are pursuing POCs. Two German automakers are pursuing POCs. Several other notable OEMs in the US and Korea are pursuing POCs. And multiple national chain restaurants are eager to be participating merchants, which will add to our existing portfolio of prominent brands. We expect this concept to create a flywheel effect for SoundHound, with more OEMs and device makers adopting our voice assistants and more businesses adopting our AI customer service.

Let me share more highlights and business wins. In automotive, our pipeline had never been this strong. We are in more and more RFPs and POCs with new logos, including some of the largest automotive brands in the world. We have won four EV brands, including Lucid and Togg. And our existing customers are upgrading to SoundHound Chat AI Automotive with generative AI for additional royalties per unit.

In healthcare, we had a very strong quarter, landing four notable wins, including Duke Health, Engelwood Health, and Wellstar Health System. We are especially excited, since we are seeing strong, repeatable business in this industry.

In restaurants, Burger King, one of the largest QSRs in the world, went on live in the UK. We also saw expansions and wins with Whataburger, Peet’s Coffee, Torchy’s Tacos, Church's Texas Chicken, among others.

We continue our expansion in four out of the top five pizza brands. We believe the pace of adoption of AI customer service in restaurants is increasing, with SoundHound already being the largest provider with dozens of prominent brands and well over 10,000 locations.

In government and military, we signed a contract with the City of Coral Springs and continue to roll out our conversational AI capabilities with federal government agencies such as a branch of the US military together with General Dynamics.

In retail, we are expanding our reach across multi-location retail brands including fitness, vehicle maintenance, home services, waste management, and more. Some of our customers include Torrid, multiple Planet Fitness franchise groups, and My Gym, among others.

Our largest deal in Q4 was in energy. We were happy to add a new industry to our portfolio this quarter and signed with one of the largest electric utilities in the United States. We also recently announced a partnership with Rekor, a leader in state-of-the-art roadway intelligence technology, to develop a first-of-its-kind audiovisual AI to bring hands-free voice control to emergency vehicle technology.

Moving to Agentic AI. SoundHound is a leader in enterprise conversational AI, and our scale as a pure play AI software company positions us at the forefront of the Agentic AI revolution. With our proven conversational AI platform, deep AI expertise, and AI-driven customer service solutions already embedded into hundreds of enterprise brands across industries, we are uniquely equipped to drive this next wave of innovation and capture this growing market opportunity.

Agentic AI is widely discussed, but many are still defining what it means and how it will be applied. At its core, Agentic AI is a network of autonomous agents working together to achieve complex goals and execute actions. Each agent operates independently. They make decisions, execute tasks, and collaborate to optimize performance.

When a user sets a goal, the system intelligently identifies the necessary steps, orchestrates them in sequence, and applies reasoning to deliver the best outcome. This shift allows businesses to focus on defining objectives, while AI handles the execution, unlocking new capabilities and efficiencies.

We believe the world is transforming from an ecosystem of APIs to an ecosystem of agents. Agentic AI introduces a new dimension to our platform, expanding capabilities and impact. It is an inevitable evolution in AI functionality for our customers. This evolution comes as AI adoption moves from experimentation to necessity. Businesses are rapidly embracing AI, and as they do, SoundHound is in a position of strength.

We have seen exciting results in the Agentic AI tools we've created and are building and testing agentic use cases in every major vertical. We will bring these to commercial deployment soon, and this will be a game changer for our customers and the industry. More to come in the near future.

I'm also pleased to share that SoundHound had a strong presence at CES, where we showcased groundbreaking technologies and AI solutions in our first-ever booth at the show. The buzz around our booth was electric, with non-stop traffic from industry leaders and innovators eager to come and demo our latest advancements.

In addition to unveiling the first-ever in-vehicle voice commerce ecosystem, our CES participation also featured collaborations with NVIDIA, Perplexity, Lucid Motors, LG, and a broad range of restaurant partners. These partnerships highlight our leadership in delivering innovative voice solutions that are transforming customer experiences across industries.

In addition, SoundHound was featured in NVIDIA's Partner Passport Program at CES. Across the event, select partners were chosen to present their innovative work with NVIDIA, and we were honored to demonstrate our voice AI work with them. This collaboration continues with our upcoming participation at NVIDIA GTC 2025, where we'll be showcasing demos of our voice assistant leveraging generative AI on the edge with NVIDIA Drive AGX as well as our voice commerce ecosystem. We look forward to bringing more exciting updates and demos to GTC this year.

Previously, I had talked about opportunities with Polaris, our multimodal multilingual foundation model. Let me share some of the impressive results of this groundbreaking technology. We compare ourselves against all the major players and prominent benchmarks, both public and private. We do this in different real-world settings, high-notice environments, and in settings where speed and low latency are critical.

We know that humans don't speak uniformly, so we consider accents and background disruptions. The results have been amazing. Against Google, for example, we outperformed by north of 20% better accuracy. We also beat them on speed with 4 times better latency.

Against OpenAI's Whisper model, we are 26% to 36% more accurate on various benchmarks. And we are able to do this on models 1/10 of its size of what OpenAI uses. This is because of our ability to balance the right portions of data science and machine learning. And we continue to innovate to keep extending our lead.

This is exciting technology, and as more customers begin to adopt it, the power of our AI only gains more interest in the market, positioning us as a leader in innovation and performance. Our ongoing advancements strengthen our competitive edge, driving further interest and accelerating our growth in the market.

In closing, it's becoming increasingly clear that the AR revolution we predicted is now here. You're seeing strong growth, our customers love our solutions, and our entire ecosystem is expanding rapidly. Within automotive and pillar one, we continue to add new logos, including with the EVs. Thanks to our innovations, such as SoundHound Chat AI Automotive and our newly unveiled voice commerce ecosystem, you're seeing massive interest.

In pillar two, across customer service, we are gaining momentum with drive-through and phone ordering rollouts for major QSR brands. We are excited to have just announced our breakthrough dynamic drive-through platform that extends the restaurant ordering experience into calling, texting, scanning, and directly into cars. Our AI agents are seeing strong adoption across SMBs, regional chains, and enterprise brands.

We've brought meaningful depth and breadth to conversational AI capabilities along with a diverse range of verticals. And with the acceleration of our Agentic AI capabilities, our customer service offering will continue to see accelerated growth.

We are proud to have introduced our third pillar, voice commerce, last month, fulfilling our vision of merging products and customer service into a powerful new product offering. We have a winning position in all pillars of our business.

As we bring another successful year to a close, I want to express my sincere gratitude to all SoundHound employees for their exceptional achievements and contributions in making this all possible.

With that, I'll now turn the call over to Nitesh to talk about our financial performance, key growth drivers, and business outlook.

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

Thank you, Keyvan, and good afternoon, everyone. Q4 revenue was $34.5 million, increasing more than 100% year over year. For the full year, we grew by 85%, reaching the high end of our guidance range with $85 million in revenue.

Before we dive into the financials for the quarter, I'd like to reflect on 2024 and what we accomplished. Within the most dynamic and fastest growing market in tech, we continue to execute our game plan, added to our portfolio solutions, and innovated with distinction in one of the most significant technological shifts in over a decade and quite possibly in our lifetime.

2024 was a breakthrough year for SoundHound as we diversified our business across products and industries, laying the foundation for scalable growth. The time for voice AI is now. Today, we work with 30% of the top quick-service restaurants and 70% of the top financial institutions in the world. We added new automotive customers, grew in healthcare, and this quarter, we entered a new high seven-figure deal with a large energy customer.

We have significantly reduced our customer concentration. Our largest customer represented slightly more than 14% of revenue in 2024 versus comprising nearly half in 2023. We have transformed our business towards more predictable, recurring revenue streams and have positioned ourselves for sustainable growth in 2025 and beyond. We continue to innovate with high velocity, further reinforcing our leadership in voice AI.

The balance sheet is strong. We have capital flexibility to do the right things and our vision is now being realized. We finished the year with cumulative subscriptions and bookings backlog of nearly $1.2 billion, up over 75% year over year. As mentioned before, this metric is a measure of customer activity and gives current value to our existing contracts. The measure is based on contract signed and gives a snapshot of the revenue we expect to realize over the coming several years.

In and of itself, though, it is an incomplete measure as we have been noting new deals each quarter, as well as significant cross-sell and up-sell opportunities we're seeing, having added new SKUs and use cases across verticals. We have a very diverse product portfolio with a massive addressable market that is growing rapidly. We see a number of near-term serviceable markets where we have great product market fit. And we are going after these with accelerating momentum.

Let me give you a few examples. In automotive, the 90 million-plus global light vehicles produced each year gives us billions of dollars of repeatable revenue opportunity. We continue to gain share in this space, and with GenAI and now voice commerce, we believe it will only further accelerate.

In restaurants, there are millions of global food establishments representing tens of billions of dollars of serviceable market, with over 75 billion transactions that can be automated for pickup, delivery, and drive-thru orders. Just looking at one small but attractive and rapidly growing slice, US-based drive-throughs, we see roughly $5 billion in annual revenue available. We are expanding partnerships and catalyzing scale, and we are leading the competition.

In healthcare, retail, and energy sectors, there are trillions of interactions occurring annually across customer service, scheduling, and operational workflows. With millions of businesses and consumers relying on these industries daily, this creates a massive pool of mission-critical recurring revenue streams to enhance efficiency, reduce costs, and drive engagement at scale. Agentic AI will play a key role here.

There are several other industries where we can point to billion-dollar-plus TAMs. And the fact that we have scalable products, strong reference customers, and direct and indirect sales motivated to win gives us great confidence in our ability to continue our hypergrowth for years to come.

To summarize, our product platform is in the sweet spot of a massive technological shift happening right now. We have a differentiated competitive position and the markets we are targeting are extremely large. And so we are executing with tenacity to capture as much of these opportunities as we can.

With that, let me now discuss the fourth-quarter financials in more detail.

Q4 revenue was $34.5 million, up 101% year over year. In automotive, we continue to see double-digit unit price expansion in the quarter, driven by our generative AI solutions and overall product expansion. The automotive unit growth was hampered in Q4 by some of the overall macro pressures facing the industry, but our projections in 2025 are for continued strong growth based on the positive signs we are seeing already this year.

And we are seeing strong double-digit year-over-year growth in active cloud users, which in effect is our most important measure as it represents our ongoing most committed user base. Within customer service, we continue to scale, signing meaningful new logos, such as Burger King in the UK and the aforementioned large energy company based in the US. The quarter also benefited from the previously discussed acquisitions.

As mentioned last quarter, our scale and increased SaaS-like revenue enables us to reduce our reliance on certain large point-in-time deals going forward, directly improving price stability, and which will benefit the diversity and predictability of our revenue in future periods.

Similar to what I noted last quarter, our customer concentration had significantly improved. In the prior year, we had well over 90% of our revenue from just five customers. Now that ratio is roughly one-third.

In Q4, our GAAP gross margin was 40%, down year over year, primarily due to the impact of the business and product mix of recent acquisitions. Adjusted for non-cash amortization of purchase and tangibles and employee stock compensation, our non-GAAP gross margin was 52%. Both GAAP and non-GAAP gross margins were down sequentially due to the inclusion of Amelia for a full quarter compared to only partial quarter in Q3.

We are executing on the synergies identified from our acquisitions and are already starting to realize some of these efficiencies. Additionally, as we automate more workflows, we expect our product mix to drive meaningful improvement in our gross margins, ultimately driving us back to the 70%-plus levels we have historically realized.

Last quarter, I mentioned we would review acquired customer contracts and move away from deals that didn't meet our long-term profit objectives, and we started to prune that portfolio in the quarter. The impacts will be seen over time, and we have more to do. There will be revenue impacts, but it will drive healthier margins and a better long-term profitable growth profile.

R&D expenses were $20.4 million in Q4, reflecting a 60% year-over-year increase, primarily driven by our acquisitions. We are committed to innovating our products to stay at the cutting edge of this fast-moving market. We have developed an architecture capable of arbitrating multiple LLMs, both our internally-trained models and knowledge domains, as well as third-party LLMs, to deliver the best possible customer experiences.

Investing in our key initiative, Polaris, is a priority, and you can see why based on the differentiation against peers that Keyvan talked about. The massive amount of data we have is another focus area where we continue to invest. We use this data to consistently train our models in various industries, which we see is a key differentiator versus our competition, further deepening our moat.

Sales and marketing expenses were $9.6 million in Q4, reflecting a 114% year-over-year increase, primarily driven by acquisitions. We are investing in growth with increased marketing campaigns and overall brand and demand gen efforts. This includes targeted investments in the go-to-market motion of Amelia to attack the tremendous enterprise opportunity we see across multiple verticals.

We are continuing to invest in direct and indirect sales capabilities and customer success to go after new customers, incubate existing relationships, and ensure we effectively cross-sell and up-sell across our full portfolio where we've seen some really promising early signals.

G&A expenses were $16.4 million in Q4, reflecting a 115% year-over-year increase, primarily driven by our acquisitions. On a sequential basis, we were up by 8%, mainly due to the Amelia's full-quarter impact. Over the long term, we expect leverage in our G&A line, although we will continue to invest in system and process improvement to enhance our control environment and modernize our capabilities, including the consolidation and integration of multiple ERPs and other systems that have stemmed from our different acquisitions in 2024.

Our financials also show a charge related to the change in fair value of contingent liabilities, significantly impacting our GAAP lost from operations in Q4 by approximately $220 million.

Let me give you some context here. While this is not a new line item, this stems from the acquisitions we have completed. To note, this is a non-operating and non-cash expense. The significant change is due to the required mark-to-market accounting and reflects the strong increase of our stock price at the end of 2024. This balance will fluctuate from quarter to quarter, sometimes as significantly as was in Q4, and as such is excluded in our non-GAAP results.

We also had non-cash employee stock compensation of $9.9 million and non-cash depreciation and amortization, including the amortization of intangible of $7.9 million in Q4, all of which are included in our GAAP results.

Please note that we expect stock-based compensation to increase in 2025 with the full impact of the acquired employees' equity awards. As a result, adjusted EBITDA was a loss of $16.8 million in Q4. The year-over-year change was driven primarily by strategic acquisitions, of which we are still early in our integration efforts and growth investments we have been making across the business.

OI&E was $1.2 million expense for the quarter. This includes interest expense of $1.3 million. GAAP net loss and EPS were impacted by the change in fair value of contingent liabilities mentioned before. Non-GAAP net loss was $19 million and non-GAAP net loss per share was $0.05 in the quarter. This also adjusts for non-cash depreciation and amortization, M&A transaction costs, stock-based comp, and other non-cash items.

Our cash and equivalents at year end was $198 million. We paid down the remaining outstanding debt from the acquisition in Q4, so we ended 2024 with no debt on the balance sheet.

Last month, we announced a new S-3, an at-the-market equity program, to opportunistically raise capital and to provide flexibility. We will be thoughtful about when we execute on the program, and as I've said before, our capital position is strong, and we do not need incremental capital to achieve the breakeven operating profile we expect to deliver this year.

With that, let me discuss our financial outlook. We are starting 2025 with momentum. We have a strong pipeline and are scaling across our product and business areas. We are adding new capabilities and delivering for our existing customer base. Our customer demand continues to grow and our pace in capturing that demand at scale is accelerating, and our visibility into the near-term opportunities is improving.

So even though it is early in the year, for 2025, we feel confident increasing our revenue outlook to $157 million to $177 million. There will be a ramp in revenue through the year given the nature of our customer base, underlying seasonality and expected large deal timing.

In prior years, we delivered roughly 30% of our annual revenue in the first half. We think we will deliver closer to 40% in the first half of this year. So the quarterly mix will continue to be back-end loaded, but less so than in prior years as our mix of recurring subscription business has increased. Overall, this outlook affirms our expectation of another year of very strong growth.

We also remain committed to our path to profitability. We will get there through continued scale and through surgical high ROI investments. We will also continue to drive the acquisition cost synergies and build on the positive early integration progress we have seen. Accordingly, we continue to expect to achieve adjusted EBITDA profitability by the end of 2025.

In closing, 2024 was a catalyzing year for us in many ways, and our business is much stronger as a result. We enter 2025 with tailwinds within a market that is right for our AI solutions. In this new GenAI LLM world, we believe natural language conversations are the next major transformation in how humans will interact with technology, and voice AI is the killer app.

Voice AI is what we do. We have pioneered and innovated in this space since our origins. As we look forward, we will continue to bring new groundbreaking offerings to our customers to help them excel in this new technology era.

Thank you, and now we will move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Gil Luria, DA Davidson.

Gil Luria - *DA Davidson - Analyst*

Keyvan, there's been some pretty big breakthroughs recently in the efficiency of AI models. And those models are open-source and getting a lot smaller. I know you develop your own models, you use other models as well.

Does the advances in this technology make it possible for you, especially in the restaurant drive-thru business, to put more of the intelligence on the device and therefore maybe reduce latency, make it more efficient, and improve the performance? Is this something where you can leverage the recent advances?

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Absolutely. In fact, we predicted this two years ago when we created our architecture to use LLMs to bring LLMs into our conversational AI. We predicted that the models would become better and cheaper, and there will be multiple models that will be good at different things. Some of them will be made by SoundHound, some of them made by third parties, some of them will be open-source.

So we created the architecture in a way that we can benefit from it as these advances are realized. So those are absolutely good for us.

The most immediate impact is that our platform becomes more accurate and the running cost goes down. But a lot of our reliance on third-party APIs, we bring those in-house, including our own models or the open-source ones that we fine tune. But as we said, also we can bring this to the edge. We had a great demo at CES showing the entire language model experience and generative AI without cloud connection.

Gil Luria - *DA Davidson - Analyst*

Yeah. Lucky was very impressed when he was there. I'm sorry I wasn't able to make it. Nitesh, for you, that backlog number has grown quite a bit. Can you give us a couple more parameters around it? What's the duration of that backlog number? Maybe by vertical or by pillar, what are the different pieces in that? I think you said $1.2 billion.

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

Sure. Duration is pretty consistent with prior quarters, about six years. I think it's slightly north of six years. By vertical, I'll say continue to have a good balance. If you go back 1.5 years ago, it was heavy on the automotive. Automotive continues to penetrate and grow. Very excited coming out of CES and what we announced with voice commerce that we're getting great traction with a lot of deals. Keyvan mentioned some of those in the prepared remarks.

Where we've seen the outpaced growth now for several quarters running has been in the restaurant space. And for us, the deals that we're signing continue to grow. It's really continues to be about pace and scale and how we can ramp with them. And now with Amelia in the mix, and I mentioned some new customers and new industries that we're really excited about, but across predominantly healthcare, financial services, there's real strength.

We had the new deal with the energy sector that we're excited about. We think there's a long runway that we can capitalize on there. So what's wonderful about that metric, call it this year, as compared to when maybe we were talking about it last year, is twofold.

Number one, the diversity point across industries. Voice AI is agnostic. It can influence and benefit many different types of customers. The strength of it and then just the shift I mentioned in the prepared remarks around more recurring revenue basis in that metric, that's definitely that composition has grown. You see that a bit with our mix towards more pillar two revenue.

So I think all of that pertains to just continued strength and possibilities. And I also mentioned on the call that that's just the starting point for us. We continue to aggressively go after new deals that are not reflected in that metric.

We are now having particularly post some of these acquisitions, cross-sell and up-sell opportunities. Really exciting early days on our restaurant customers really leaning into some of the solutions that we got in the conversation AI with the Amelia acquisition or some of the Amelia customer base now leveraging some of our smart answering capabilities that we built up on the SoundHound side. So really, we can incubate a lot more with that existing customer base and certainly are continuing to grow and add more.

Operator

(Operator Instructions) Thomas Blakey, Cantor.

Thomas Blakey - *Cantor Fitzgerald - Analyst*

It's great to hear about all those POCs off of CES and probably even work you've done prior to that. Could we maybe click there and just talk about what the typical time to revenue is for POC? Then I have a follow-up.

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

I'll start and Nitesh might add. So with automotive, we can run POCs very quickly, especially with the ones that we are live in the market. For example, last year we ran several POCs with Stellantis bringing generative AI and ChatGPT into the cars. And the result was incredible, and they decided to actually go live with all their units with the SoundHound Chat AI that brings alternative AI into it.

So this time, we actually have a lot of new OEMs, as I mentioned, two Japanese OEMs and two German OEMs. Several OEMs from US and Korea are going to run POCs. So the timing of the POCs is going to happen in the first half of this year for most of those. Sometimes we charge for the POCs, but the vision is still big in this case that we want to prove it as quickly as possible.

And you asked about revenue impact. We actually don't have -- the third pillar monetization revenue is an upside this year. But the impact of the three-pillar vision is already being realized because our pillar one and pillar two customers are more eager to adopt our platform because they see that path to monetizable moments from the third pillar.

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

Yeah, maybe Tom, I'll just add, I'm not sure if your question was specific to the POCs we were talking about coming out of CES, but maybe if it's okay, I'll just expand your question more broadly how we see ramping of customer base.

They're slightly different depending on the industry and product vertical. So within the automotive sector, traditionally, it's we get into a deal and we try to roll out and we get royalties on cars as their shift, we get the royalties, so we get more units out in market. That's where we generate revenue. That's historically been the model.

With restaurants, I think I've mentioned in prior calls how really depends on the customer. One, where there's drive-through, sometimes you have hardware requirements and we have to go through the process of making sure the drive-throughs have the proper microphones, headsets, display boards.

And we've done a lot of innovation to really help our restaurant customers scale there. For example, we've innovated with like smaller footprint post with the display board. That doesn't have the same permitting requirements and that allows us to go faster. So there's a lot of experimentation and trial and working with great partners on the hardware side to provide that scale.

On the phone ordering for restaurants, it's a little bit more of you can go much faster. We integrate with the point of sales and we can scale it technologically very quickly. Sometimes the gate in restaurants could be the corporate, sort of do they have franchisees that we need to have multiple conversations with? Does corporate own all the locations? Or does corporate have greater influence? So those are some of the gating factors.

And then when we get into the enterprise business where we're selling interactions and we can deploy the product pretty quickly. We have a professional services organization that specializes in getting the product ramped up. And then really, again, kind of depends on the scale and interactions and as we can get more and more use cases we can move from customer facing to internal employee facing, that's where we scale the interaction based upon which we generate recurring revenue.

So that's trying to expand your question to something more broad, but there's different dimensions to all of the verticals.

Thomas Blakey - *Cantor Fitzgerald - Analyst*

Yeah. No, that was a great review, and I appreciate that more than you know. And yeah, I was asking Keyvan a lot about the POCs from the pillar three, and it's great to see the flywheel in motion already impacting pillar one. It'd be exciting to see what that unit ramp looks like in pillar one in the coming year.

Maybe in the follow-up, the seven-figure deal in the energy vertical sounds like really exciting in terms of expanding into new verticals like this. First of all, from an administrative perspective, Nitesh, maybe any kind of like what's the economic impact in the current quarter or early '25, that'd be helpful. And what does this kind of portend came on for, Keyvan, for what SoundHound's bringing to outside the core, auto restaurant and finserv and healthcare verticals, that'd be helpful. Thank you very much.

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

Sure, I'll hit the first part. So it's a multi-year deal. What is great is the scale is really much larger than our traditional deal. So in terms of interactions and the capabilities that we're bringing, it is the type of customer that pays early. So that's great. We've got actually, from an economics and a cash perspective, there's accelerated cash collection. So that's a strength for us.

But generally speaking, yeah, to the bigger point of the enterprise business has given us great penetration into financial services where we talked about being in 7 of the top 10 financial institutions. And then in healthcare, we've really got a large runway we're investing because we see a lot of opportunity.

And you can just imagine in people's personal interactions, you've got to set an appointment. Sometimes you've got to get some results. You need to have a conversation with a nurse or a doctor. Like all these interactions are very complicated through the traditional models, and that's what we're modernizing, making it easier for people. And now in energy, whether you need to check is your power up or all these types of things, the use cases are tremendous and our platform scales very well.

So we're excited. And again, multi-year deal, so we can benefit from that relationship over the long term and hope to expand even further.

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Yeah, and it's a very repeatable offering so we can go to other similar companies and offer them more efficient way. And we are very proud and excited that we are expanding beyond restaurants. When we started our AI customer service initiatives a number of years ago, we started with restaurants first and we said restaurants to us are like books first on Amazon. They started with books first, now they sell everything. Let's start with restaurants, do it really well, and then expand to other verticals. And now we are well beyond restaurants.

We are, as Nitesh said, in healthcare, financial services, government, military, and retail. And we just added energy, and again, all of those are repeatable and getting faster. Adoption is getting faster.

Operator

Mike Latimore, Northland Capital Markets.

Michael Latimore - *Northland Securities - Analyst*

On Amelia, they have both kind of customer engagement and then more internal IT support use cases. Are either one of those sort of more pronounced in the pipeline?

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

The customer services is more pronounced and that also is more aligned with Sound Hound's core technology and history. But the IT automation is also very strategic because a lot of those customers can be customers of both, and we can package and upsell and give them incentives to adopt both of them.

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

And there's probably -- just to give a couple dimensions. So one is they have a customer-facing. They also have employee facing internal to enterprises that's an opportunity that's also there. And then certainly the ITSM part. So all of those are there.

They also have mentioned previously the mix. Obviously, we're investing and we value the SaaS-like software growth profile that they had, but they also have professional services that for us, allows us to scale into enterprises and customize, implement.

And then they also have escalation support, which for us is the area I mentioned in the preparative remarks where we're looking at making sure where all those contracts make sense in a long-term profitability standpoint. But what is wonderful with that and what we value tremendously is the data, and we get real-time production data that we can leverage, improve our models, and then automate and scale that over time.

Michael Latimore - *Northland Securities - Analyst*

Got it. And then just on the pricing or contracting model, is it most kind of your -- under that SaaS model where you get a annual subscription or is there an element that's kind of used to do best?

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Yeah, it's been a mix, but definitely interactions. And there's different -- depending on the vertical and depending on the customer, there's either interaction-based, sometimes it's containment-based and success-based. Generally speaking, obviously we're creating AI outcomes to try to help deliver value for the customer. And a lot of times the customer is looking for, hey, I'll pay more for something that successfully contains a query.

So it is generally moving towards that SaaS-like subscription model, but they're sort of up until a certain volume. There's a certain number of interactions that are included, and then above that, there's increased pricing.

Operator

Scott Buck, H.C. Wainwright & Company.

Scott Buck - *H.C. Wainwright & Co., LLC - Analyst*

Thanks for taking my questions. I guess the first one, when I think about these secondary verticals, whether it's financial services, retail, telecom, healthcare, how are you prioritizing those? And do you have the capacity to go after all at once?

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

So I will start -- build up. We are from the origins of OICI company. And so Keyvan in particular, but the founding team and all the engineers that grew with the company have built an amazing engine and a platform that we're now able to scale across multiple verticals. So we're a platform technology company.

And then, ultimately, it comes down to where do we want to practice. Where's the biggest use case and benefit to a customer. So we knew early on, automotive, there's real benefits to being able to communicate with your car while driving for safety reasons and so forth and there was investment from the OEMs to try to scale into that.

As Keyvan mentioned, we went into customer service. We started with restaurants. And that one made a ton of sense because our technology differentiates based on how good it is, how accurate it is. And when you order food you don't want just any old pizza, you want the pepperoni and sausage specifically, and that's what our technology and product does really well at. So it made a lot of sense to focus on that.

As we expanded into enterprise verticals and brought some of these new capabilities with these acquisitions, we see a lot of runway. And I mentioned this, I think, after the acquisition, it's not like we were -- we had a lot of runway with restaurants. I think I mentioned the scale of opportunity in the prepared remarks. We weren't maybe necessarily rushing to jump into the other verticals, but the opportunity with a really unique asset and a great time made sense for us.

And I think really where the investment point is then, discussing your question, is from a platform standpoint, I think the product is a really good place. Now we can continue to invest in integration capabilities and we're doing that all the time. And as I mentioned in response to Mike's question, is we can take real production data and automate. We can improve the software capability.

So there's a bit of investment in product enhancement feature set that we'll continue to do. The real investment then becomes a go-to-market. And a go-to-market, when there's revenue opportunity and a market opportunity, you want to go after it.

Obviously, you need to make sure the metrics make a lot of sense in a high ROI manner. We look at a lot of metrics, LTV to CAC, or just generally, what is our ability to scale? How do we want to go to market?

And we look at that through multiple dimensions also. Where do we want to do it in terms of hiring direct sales reps versus where can we use channel partners to grow. And one of the ways, especially in the enterprise side that we're seeing benefit is using indirect channel and channel partners who -- there's aligned incentives, there's aligned motivation, and that will allow us in sort of an investment lighter standpoint to go and capture the market.

So we believe there's a lot of opportunity to go after these markets. There's real demand. I think there's demand for our solutions. When we were looking into Amelia, one of the big questions for us was the cross-synergy opportunity across product sets. And we heard pretty resoundingly from the enterprise customers that the capability on voice was a really interesting one where there was a lot of strategic interest.

And what we've done, we did this with sync three acquisition, we're doing it with the Amelia acquisition, is how do we sort of displace third-party voice engines with our own? First of all, we know that product very well, and we know it's differentiated and better than the competition. So we want to put that out in front for the customer to benefit from. But there's also a cost benefit. And then as I mentioned, the long-term just benefit to product development as we built it on our own solution.

So I guess the long-winded way of saying, the priorities are just what is going to drive the highest outsized returns for us. And we look at it from penetrating voice more deeply into the ecosystem bringing together in this three-pillar architecture.

And use cases like driving, grabbing coffee on your way to work or watching football on a Sunday and getting a pizza. These things are interactions that fit very well with our strategy, and that's what we're trying to drive in terms of conversational intelligence out in the market.

Scott Buck - *H.C. Wainwright & Co., LLC - Analyst*

Great, I appreciate all that. And then I want to follow up on the earlier question about cross-selling and up-selling. It sounds like you're already starting to see some momentum there. I'm curious, where is the sweet spot? Is that 9 months out? 18 months out? What does that look like, I guess the ramp or the cadence of how that's executed?

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

It really depends. I wish I could give you a precise answer, but we're already in a -- I know of a few really, really interesting ones that can be very meaningful to us. And it's just not far enough along for me to give you a sharp timeline, but there are people who are with some other players out there in a renewal period that's coming up this year, and we want to pounce on that opportunity and say we can take -- get a competitive win.

So there are deals in motion as we speak with, either we got to wait for sort of a renewal timeline, or in some cases is there a way to kind of break through. I see near-term opportunities, but certainly as you get into the six, nine months and into next year, we think there's a lot of opportunities.

Part of the upsell is also integrating product stacks. We have a smart answering solution. We're really excited about it, and it's an advanced answering capability that's rolling out. We mentioned it in like fitness centers around the US, and it's a solution that helps with upselling membership and so forth. Then Amelia had a similar product and now bringing those kind of together and integrating and allowing us to scale across enterprise and into some of the retail that we were already going after.

There's a lot of things to go after. And so I hesitate to put a timeline on it. I could just tell you we're aggressively going after it. And maybe one last point is architecturally things just -- we're still pretty early in the integration plan. Things have been going well. But just to make things work on the ground, sometimes you're really getting aligned comp plans and making sure that people are incented properly.

I will tell you, generically, we really want to move fast on capturing customer opportunities. So if we marginally err on the side of double paying here or there between two groups, like that's okay in the near term, we obviously need to normalize that over the medium term. But really for us, it's about capturing scale. That's what we've been focused on for -- just in recent past and will continue to going forward.

Operator

Glenn Mattson, Ladenburg.

Glenn Mattson - *Ladenburg Thalmann - Analyst*

Keyvan, I'm curious, you mentioned military a couple of times. Maybe wondering if you could expand if you're able to on what you're doing there. And just between the military and the large energy deal, just curious how that kind of these new verticals fall into the sales funnel? Or do you have guys out there looking at new verticals that are -- haven't historically been in the sweet spot?

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Yeah. So it's all similar at the core conversational AI and voice enabling the world. And there are a lot of opportunities for making things safer and more efficient. And so the one we announced was we have a partner that helps us bring our solution to the government and military.

Along the same lines, we announced a partnership with a company called Rekor that will bring voice AI to police cars and fire trucks and so on. And I said this recently also that we benefit when the economy is good. People want to invest in AI and innovation, and that brings them to us. And then when the economy is challenging, people want to invest in automation and cost savings that also brings them to us.

So you will see both types of deals. I mean there are transactional deals. So in restaurants, we generate new leads, increased revenue, we upsell and there's some cost saving also. But there are -- when we automate calls and interactions that are very routine that has the cost saving elements.

Glenn Mattson - *Ladenburg Thalmann - Analyst*

Right. Thanks, Keyvan. And Nitesh, curious on just with the guidance and the -- just curious, I know it's a lot more SaaS than it used to be. There used to be some lumpiness a couple of years back when you get a large kind of on-prem auto deal. Has that gone away?

Is that still something we should think about? And just kind of overall, now that the business has shifted quite dramatically with the addition of 1 million and these other things, just your ability to -- how confident you feel about the general ability to forecast and all that?

Nitesh Sharan - *SoundHound AI Inc - Chief Financial Officer*

Yes. With the greater mix of SaaS, it certainly helps with predictability. And with respect to sort of historical deals, they're still out there, I should say, like we can -- sometimes in customer conversations when we're deploying particularly our edge product, if a customer wants -- we want commitments because we're going to invest in a product, like we want to make sure that the volume is there to provide a sufficient return. And then for a commitment, sometimes a customer wants to negotiate clearly on price. Like those are discussions that are ongoing all the time.

So the benefit of having a more diversified revenue base is we have a lot more leverage in the discussions and we can kind of go, well, here's sort of our clearing price. And if it doesn't sort of meet the threshold, then we're willing to either pause or just say, let's move on to some other type of discussion.

But I do think general mix is certainly much more SaaS and recurring. I mentioned with the acquisition, there are different pieces of what we got with the Amelia business. There's a professional services business that is really important for us in terms of activating implementation and customization.

Depending on the customer environment, the scale and complexity on those deals can be different, so that can create a little bit of noise quarter-to-quarter. What we'd love to do is obviously take a standard implementation package or customization package and then make it much more efficient going forward, so we can be faster to scale. And there's also escalation support, which generally can be recurring, but we're looking at those contracts in great detail and going exactly which one makes sense for us over the long term.

So that's the other sort of element to the integration that we're actively looking at. And then quite openly, with a lot of our businesses and the new customers we're going after, there are certain customers who actually prefer larger capital-intensive customers sometimes want licensing deals, and that can create a bit of lumpiness in our results, but that's an okay thing.

I mean we're really -- if I were to compared to where we were a year ago, I think, first, the diversity of our revenue base allows us to be much more judicious with choices we make on deals and not compromising on price, for example, and delivering our solution, making sure we're getting full value for those. At the same time, we want to go capture new markets and where there's a specific threshold or type of revenue contract that a customer wants.

If there's real value to us, we don't want to fall on principal and say, well, we only do SaaS deals. So sometimes those licensing contracts make sense as well. So the licensing contract element, I guess I'm going to your point on like lumpiness.

Those things can be lumpy, lumpier than SaaS certainly. So there's a lot of different pieces to that puzzle. Net-net, I think to your question, Glenn, is we do have a great line of sight. We have a strong backlog, and we have a strong pipeline. And we still think there's a lot more runway certainly going into the future years that we want to go capture in terms of the massive TAMs that we're going after.

So hopefully, that gives you a little bit of flavor of what we're facing.

Operator

Leo Carpio, Joseph Gunnar.

Leo Carpio *- Joseph Gunnar - Analyst*

I've got two questions. The first question is regarding your platform. When you look at the platform, are there any missing technologies or systems that you think you still need that you need to go and acquire? And then secondly, on the auto POC contracts, how quickly can those POCs move from testing to full contracts and revenue? Could it be like a 12- to 18-month horizon?

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

Yeah. So on your first question, we try to be a complete like one-stop shop for our customers and provide them everything that they need. In the majority of those cases, those technologies are built in-house over the last 20 years, and we are very proud to outperform a lot of our competitors. For example, I mentioned our latest Polaris speech recognition model beats Google by more than 20% and others.

But we are also not shy about partnerships. For example, if a partner has a better text to speech that sounds better and some of our customers prefer that, we give them that choice. So SoundHound has its own text to speech, but it also -- we have partnerships that allows us to offer third-party text to speech to our customers. And that, I think, is a source of strength for SoundHound to not be shy about partnerships in addition to building in-house.

So ultimately, for our customers, they work with us. Sometimes we source the technologies from third parties, but ultimately, they get it all from us. And then what was your second question, I'm sorry?

Leo Carpio - *Joseph Gunnar - Analyst*

The second question was --

Keyvan Mohajer - *SoundHound AI Inc - Chief Executive Officer, Director*

On the outcome, yes, the POCs. If they are already live with us in production, it's -- in most cases, it's just a flip of a switch. So we take a number of units based on their unique IDs, and we enable the new feature in those. And we can do that very quickly. We can run the pilots and do the audit and get the results.

And then to go live with more units, it's a flip of a switch. So that's how it works when we brought generative AI and large language models into Stellantis vehicle in Europe last year. If it's a new OEM that is not using our voice assistant by default, it would have to be -- it's a longer process. But that's also the incredible power of our third pillar. It is bringing a lot more OEMs to us to choose us for their default assistance going forward because of the monetization opportunity.

Operator

Ladies and gentlemen, I'm showing no further questions in the queue. That concludes today's conference call. Thank you for your participation. You may now disconnect.
