UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from________to________

Commission File No. 001-40193

SOUNDHOUND AI, INC.

(Exact name of registrant as specified in its charter)

Delaware	**86-1286799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5400 Betsy Ross Drive, Santa Clara, CA 95054

(Address of principal executive offices) (Zip Code)

(408) 441-3200

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, par value $0.0001 per share	SOUN	The Nasdaq Stock Market LLC
Redeemable Warrants	SOUNW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

☒ Large accelerated filer	☐ Accelerated filer
☐ Non-accelerated filer	☐ Smaller reporting company
	☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of August 7, 2025, there were 375,150,890 shares of the Company’s Class A Common Stock, $0.0001 par value per share, issued and outstanding, and 32,535,408 shares of the Company’s Class B Common Stock, $0.0001 par value per share, issued and outstanding.

SOUNDHOUND AI, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION		1
Item 1.	Condensed Consolidated Financial Statements	1
	Condensed Consolidated Balance Sheets as of June 30, 2025 (unaudited) and December 31, 2024	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and six months ended June 30, 2025 and 2024 (unaudited)	2
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the three and six months ended June 30, 2025 and 2024 (unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2025 and 2024 (unaudited)	5
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	40
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 4.	Controls and Procedures	57
PART II. OTHER INFORMATION		60
Item 1.	Legal Proceedings	60
Item 1A.	Risk Factors	60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	60
Item 3.	Defaults Upon Senior Securities	60
Item 4.	Mine Safety Disclosures	60
Item 5.	Other Information	60
Item 6.	Exhibits	61
SIGNATURES		62

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "report") of SoundHound AI, Inc. ("we," "us," "our," "SoundHound," or the "Company") contains "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." You can identify some of these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are likely to," "potential," "continue" or other 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 integrate the business and operations of our recent acquisitions and improve our Generative AI Foundation Model, expand our customer partnerships 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, including our newly acquired products and services, and our ability to achieve revenue from our bookings backlog. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results of operations or the results of other matters that we anticipate herein could be materially different from our expectations. Accordingly, readers are cautioned that significant known and unknown risks, uncertainties and other important factors may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Some factors that could cause actual results to differ include:

- our ability to execute our business strategy, including launching new product offerings and expanding information and technology capabilities;
- our market opportunity and our ability to acquire new customers and retain existing customers;
- the timing and impact of our growth initiatives on our future financial performance;
- our ability to integrate the businesses and operations from our recent acquisitions with our current operations to realize the expected benefits of those acquisitions;
- our ability to protect intellectual property and trade secrets;
- our ability to obtain additional capital, as necessary, including equity or debt financing, on terms that are acceptable to us, if at all;
- changes in applicable laws or regulations and extensive and evolving government regulations that impact our operations and business;
- our ability to attract or maintain a qualified workforce;
- level of product service failures that could lead our customers to use competitors' services;
- investigations, claims, disputes, enforcement actions, litigation patent infringements and/or other regulatory or legal proceedings, including with respect to our AI technology;
- risks relating to uncertainty of our estimates of market opportunity and forecasts of market growth;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described under the section titled "Risk Factors" herein and in our Annual Report on Form 10-K which was filed with the Securities and Exchange Commission on March 11, 2025.

You should thoroughly read this report and the documents that we refer to with the understanding that our actual future results may be materially different from, and worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this report relate only to events or information as of the date of this report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

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

	June 30, 2025 (Unaudited)	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 230,340	$ 198,240
Accounts receivable, net of allowances of $2,458 and $726 as of June 30, 2025 and December 31, 2024, respectively	19,661	23,159
Contract assets and unbilled receivable, net	21,928	26,645
Other current assets	10,093	7,476
Total current assets	282,022	255,520
Restricted cash equivalents, non-current	936	676
Right-of-use assets	4,420	4,692
Property and equipment, net	1,070	1,239
Goodwill	101,210	101,704
Intangible assets, net	159,880	174,943
Deferred tax asset	4	4
Contract assets and unbilled receivable, non-current, net	23,631	12,879
Other non-current assets	6,321	2,296
Total assets	$ 579,494	$ 553,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,151	$ 5,559
Accrued liabilities	18,993	26,291
Operating lease liabilities	2,076	1,898
Finance lease liabilities	38	49
Income tax liability	2,966	2,750
Deferred revenue	23,715	23,876
Other current liabilities	351	7,319
Total current liabilities	58,290	67,742
Operating lease liabilities, net of current portion	2,274	2,403
Deferred revenue, net of current portion	6,132	6,862
Contingent acquisition liabilities (Note 16)	142,113	286,898
Income tax liability, net of current portion	3,082	3,075
Other non-current liabilities	7,844	4,320
Total liabilities	219,735	371,300
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 0 and 0 shares issued and outstanding, aggregate liquidation preference of $0 and $0 as of June 30, 2025 and December 31, 2024, respectively	—	—
Class A Common Stock, $0.0001 par value; 755,000,000 and 455,000,000 shares authorized as of June 30, 2025 and December 31, 2024, respectively; 373,055,866 and 361,096,457 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	36	35
Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 32,535,408 and 32,535,408 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively	3	3
Additional paid-in capital	1,247,394	1,125,470
Accumulated deficit	(887,852)	(943,060)
Accumulated other comprehensive income	178	205
Total stockholders' equity	359,759	182,653
Total liabilities and stockholders' equity	$ 579,494	$ 553,953

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

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

	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Revenues	$ 42,683	$ 13,462	$ 71,812	$ 25,056
Operating expenses:				
Cost of revenues	26,021	4,980	44,532	9,649
Sales and marketing	15,837	5,655	27,844	11,197
Research and development	25,805	15,738	50,561	30,616
General and administrative	18,230	9,535	36,637	19,802
Change in fair value of contingent acquisition liabilities	31,359	(1,082)	(144,741)	3,080
Amortization of intangible assets	3,482	621	6,933	1,226
Total operating expenses	120,734	35,447	21,766	75,570
Income (loss) from operations	(78,051)	(21,985)	50,046	(50,514)
Other expense, net:				
Loss on early extinguishment of debt	—	(15,587)	—	(15,587)
Interest expense	(169)	(4,086)	(404)	(9,750)
Other income, net	4,752	4,974	7,641	6,453
Total other income (expense), net	4,583	(14,699)	7,237	(18,884)
Income (loss) before provision for income taxes	(73,468)	(36,684)	57,283	(69,398)
Provision for income taxes	1,256	638	2,075	933
Net income (loss)	$ (74,724)	$ (37,322)	$ 55,208	$ (70,331)
Earnings attributable to participating Class A Common Shares	—	—	(297)	—
Cumulative dividends attributable to Series A Preferred Stock	—	(73)	—	(416)
Net income (loss) attributable to SoundHound common shareholders	$ (74,724)	$ (37,395)	$ 54,911	$ (70,747)
Other comprehensive income (loss):				
Unrealized gains (losses) on investments	(33)	(30)	(27)	6
Comprehensive income (loss)	$ (74,757)	$ (37,425)	$ 54,884	$ (70,741)
Net income (loss) per share:				
Basic	$ (0.19)	$ (0.11)	$ 0.14	$ (0.23)
Diluted	$ (0.19)	$ (0.11)	$ 0.13	$ (0.23)
Weighted-average common shares outstanding:				
Basic	400,124,499	331,830,608	397,026,119	309,213,583
Diluted	402,043,468	331,830,608	414,145,877	309,213,583

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

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

Three Months Ended June 30, 2025

	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of March 31, 2025	—	$ —	368,869,290	$ 36	32,535,408	$ 3	$ 1,209,871	$ (813,128)	$ 211	$ 396,993
Issuance of Class A common stock under the Second Equity Distribution Agreement, net of issuance costs	—	—	646,000	—	—	—	7,691	—	—	7,691
Issuance of Class A common stock for equity incentive awards	—	—	3,068,075	—	—	—	2,100	—	—	2,100
Issuance of Class A common stock due to settlement of contingent holdback consideration in connection with SYNQ3 Acquisition	—	—	472,501	—	—	—	3,922	—	—	3,922
Stock-based compensation	—	—	—	—	—	—	23,810	—	—	23,810
Net income	—	—	—	—	—	—	—	(74,724)	—	(74,724)
Other comprehensive income	—	—	—	—	—	—	—	—	(33)	(33)
Balances as of June 30, 2025	—	$ —	373,055,866	$ 36	32,535,408	$ 3	$ 1,247,394	$ (887,852)	$ 178	$ 359,759

Three Months Ended June 30, 2024

	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance of March 31, 2024	70,241	$ 2,097	288,822,818	$ 29	32,735,408	$ 3	$ 778,503	$ (625,388)	$ 235	$ 155,479
Issuance of Class A common stock under the Equity Distribution Agreement	—	—	21,228,617	2	—	—	97,710	—	—	97,712
Issuance of Class A common stock for equity incentive awards	—	—	2,548,809	—	—	—	1,457	—	—	1,457
Issuance of Class A common stock upon conversion of Series A Preferred Stock	(70,241)	(2,097)	2,553,361	—	—	—	2,097	—	—	—
Measurement period adjustments related to the acquisition of SYNQ3	—	—	—	—	—	—	(608)	—	—	(608)
Stock-based compensation	—	—	—	—	—	—	7,253	—	—	7,253
Net loss	—	—	—	—	—	—	—	(37,322)	—	(37,322)
Other comprehensive income	—	—	—	—	—	—	—	—	(30)	(30)
Balances as of June 30, 2024	—	$ —	315,153,605	$ 31	32,735,408	$ 3	$ 886,412	$ (662,710)	$ 205	$ 223,941

Six Months Ended June 30, 2025										
	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2024	—	$ —	361,096,457	$ 35	32,535,408	$ 3	$ 1,125,470	$ (943,060)	$ 205	$ 182,653
Issuance of Class A common stock under the Second Equity Distribution Agreement, net of issuance costs	—	—	4,894,900	1	—	—	73,973	—	—	73,974
Issuance of Class A common stock for equity incentive awards	—	—	6,590,898	—	—	—	2,766	—	—	2,766
Issuance of Class A common stock in connection with the exercise of warrants	—	—	1,110	—	—	—	13	—	—	13
Issuance of Class A common stock due to settlement of contingent holdback consideration in connection with SYNQ3 Acquisition	—	—	472,501	—	—	—	3,922	—	—	3,922
Stock-based compensation	—	—	—	—	—	—	41,250	—	—	41,250
Net income	—	—	—	—	—	—	—	55,208	—	55,208
Other comprehensive income	—	—	—	—	—	—	—	—	(27)	(27)
Balances as of June 30, 2025	—	$ —	373,055,866	$ 36	32,535,408	$ 3	$ 1,247,394	$ (887,852)	$ 178	$ 359,759

Six Months Ended June 30, 2024										
	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2023	475,005	$ 14,187	216,943,349	$ 22	37,485,408	$ 4	$ 606,135	$ (592,379)	$ 199	$ 28,168
Issuance of Class A common stock under the Sales Agreement and Equity Distribution Agreement	—	—	59,135,836	6	—	—	231,545	—	—	231,551
Issuance of Class A common stock upon acquisition of SYNQ3	—	—	5,755,910	1	—	—	9,686	—	—	9,687
Issuance of restricted shares of Class A common stock, subject to repurchase in connection with acquisition of SYNQ3	—	—	2,033,156	—	—	—	—	—	—	—
Issuance of Class A common stock for equity incentive awards	—	—	7,641,157	—	—	—	10,628	—	—	10,628
Issuance of Class A common stock upon conversion of Class B common shares	—	—	4,750,000	1	(4,750,000)	(1)	—	—	—	—
Issuance of Class A common stock upon conversion of Series A Preferred Stock	(475,005)	(14,187)	16,624,215	1	—	—	14,186	—	—	—
Issuance of Class A common stock in connection with the cashless exercise of warrants	—	—	2,269,982	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	14,232	—	—	14,232
Net loss	—	—	—	—	—	—	—	(70,331)	—	(70,331)
Other comprehensive income	—	—	—	—	—	—	—	—	6	6
Balances as of June 30, 2024	—	$ —	315,153,605	$ 31	32,735,408	$ 3	$ 886,412	$ (662,710)	$ 205	$ 223,941

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,	
	2025	2024
Cash flows used in operating activities:		
Net income (loss)	$ 55,208	$ (70,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,529	2,750
Stock-based compensation	41,250	14,232
Amortization of debt issuance cost	—	1,524
Loss on disposal of property and equipment	42	—
Non-cash lease amortization	1,388	1,445
Foreign currency gain/loss from remeasurement	(871)	(70)
Change in fair value of contingent acquisition liabilities	(144,741)	3,080
Change in fair value of derivative	(2,179)	—
Loss on early extinguishment of debt	—	15,587
Deferred income taxes	—	(368)
Other, net	1,997	(891)
Changes in operating assets and liabilities:		
Accounts receivable, net	2,383	211
Other current assets	(2,696)	(1,426)
Contract assets	(6,314)	(2,267)
Other non-current assets	(1,846)	(842)
Accounts payable	4,567	1,941
Accrued liabilities	(6,210)	(625)
Other current liabilities	(2,481)	—
Operating lease liabilities	(1,359)	(1,720)
Deferred revenue	(891)	(2,523)
Other non-current liabilities	3,542	(147)
Net cash used in operating activities	(43,682)	(40,440)
Cash flows used in investing activities:		
Purchases of property and equipment	(354)	(335)
Payment related to acquisition, net of cash acquired	—	(4,453)
Net cash used in investing activities	(354)	(4,788)
Cash flows provided by financing activities:		
Proceeds from sales of Class A common stock under the Sales Agreement, Equity Distribution Agreement, and Second Equity Distribution Agreement	75,565	237,639
Proceeds from exercise of stock options and employee stock purchase plan	2,766	10,628
Proceeds from warrants exercised	13	—
Payment of financing costs associated with the Sales Agreement, Equity Distribution Agreement, and Second Equity Distribution Agreement	(1,511)	(5,639)
Payment to settle contingent holdback liabilities from SYNQ3 acquisition	(198)	—
Payments on notes payable	—	(105,540)
Payments on finance leases	(29)	(58)
Net cash provided by financing activities	76,606	137,030
Effects of exchange rate changes on cash	(210)	130
Net change in cash, cash equivalents, and restricted cash equivalents	32,360	91,932
Cash, cash equivalents, and restricted cash equivalents, beginning of period	198,916	109,035
Cash, cash equivalents, and restricted cash equivalents, end of period	$ 231,276	$ 200,967

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

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

Reconciliation to amounts on the condensed consolidated balance sheets:				
Cash and cash equivalents	$	230,340	$	200,156
Non-current portion of restricted cash equivalents		936		811
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	$	231,276	$	200,967
Supplemental disclosures of cash flow information:				
Cash paid for interest	$	2	$	3,541
Cash paid for income taxes	$	1,905	$	1,274
Noncash investing and financing activities:				
Conversion of Series A Preferred Stock to Class A common stock	$	—	$	14,187
Issuance of Class A Common Stock to settle contingent holdback consideration of SYNQ3 acquisition	$	3,922	$	—
Deferred offering costs reclassified to additional paid-in capital	$	79	$	147
Unpaid financing costs in connection with the Equity Distribution Agreement	$	—	$	522
Property and equipment acquired under accrued liabilities	$	—	$	92
Fair value of Class A common stock and deferred equity consideration issued to acquire SYNQ3	$	—	$	9,687
Fair value of contingent earnout consideration to acquire SYNQ3	$	—	$	1,676
Fair value of contingent holdback consideration to acquire SYNQ3	$	—	$	427
Fair value of deferred cash consideration under other acquisition	$	—	$	195

NOTE 1. ORGANIZATION

Nature of Operations

SoundHound AI, Inc. (“we," "us," "our," "SoundHound” or the “Company”) turns sound into understanding and actionable meaning. SoundHound’s technology applications enable humans to interact with the things around them in the same way they interact with each other: by speaking naturally to mobile phones, cars, televisions, music speakers, coffee machines, and every other part of the emerging “connected” world. SoundHound's voice AI platform enables product creators to develop their own voice interfaces with their customers. The SoundHound Chat AI voice assistant allows businesses and brands to provide a next-generation voice experience for their users, seamlessly integrating Generative AI and a mix of real-time information domains. Houndify is an open-access platform that allows developers to leverage SoundHound’s Voice AI technology. The Company has developed a range of proprietary technologies on our voice AI platform, including Speech-to-Meaning, Deep Meaning Understanding, Collective AI, Dynamic Interaction and SoundHound Chat AI. The SoundHound music app allows customers to identify and play songs by singing or humming into the smartphone’s microphone, or by identifying the sound playing in the background from external sources. SoundHound also provides edge, cloud and hybrid (Edge+Cloud) connectivity solutions that allow brands to optimize their voice-enabled products and devices with options ranging from fully-embedded to exclusively cloud-connected.

On January 3, 2024, the Company completed the acquisition of Synq3, Inc. ("SYNQ3") in a cash and stock transaction. On June 14, 2024, the Company completed an immaterial acquisition in a cash transaction. On August 6, 2024, the Company completed the acquisition of Amelia Holdings, Inc. ("Amelia") in a cash and stock transaction. Refer to Note 3 for additional information.

Going Concern

Since inception, the Company has generated recurring losses as well as negative operating cash flows, except for a net income of $129.9 million reported for the three months ended March 31, 2025 and $55.2 million reported for the six months ended June 30, 2025, primarily due to the change in fair value of acquisition related liabilities. As of June 30, 2025, the Company had an accumulated deficit of $887.9 million. Management expects to continue to incur additional substantial losses in the foreseeable future. The Company has historically funded its operations primarily through equity or debt financings.

Total unrestricted cash and cash equivalents on hand as of June 30, 2025 was $230.3 million. Although the Company has incurred recurring losses each year since its inception, the Company expects it will be able to fund its operations for at least the next twelve months from the date these condensed consolidated financial statements are issued. The Company may seek funding through additional debt or equity financing arrangements to continue financing its operations. Refer to Note 11 for information regarding the Company's equity financing activity. The Company's condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The (a) condensed consolidated balance sheet as of December 31, 2024, which has been derived from audited financial statements as filed in the Company’s Form 10-K, which was originally filed with the Securities and Exchange Commission ("SEC") on March 11, 2025 and (b) the unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the SEC regarding interim financial reporting. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification (“ASC”), and Accounting Standards Update (“ASU”) issued by the Financial Accounting Standards Board (“FASB”). The unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with the audited annual consolidated financial statements and in the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of its financial position as of June 30, 2025, and its results of operations for the three and six months ended June 30, 2025, and 2024, and cash flows for the six months ended June 30, 2025 and 2024 have been included. The results of operations for the three and six months ended June 30, 2025 are not necessarily indicative of the results for the fiscal year ending December 31, 2025 or any future interim period.

Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

Significant Accounting Policies

There have been no material changes to our significant accounting policies disclosed in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported and disclosures in the consolidated financial statements and accompanying notes. Such estimates include revenue recognition, allowance for credit losses, accrued liabilities, derivative and warrant liabilities, calculation of the incremental borrowing rate, financial instruments recorded at fair value on a recurring basis, the accounting for business combinations and allocating purchase price, valuation and estimating the useful life of identifiable intangible assets, probability of achievement of revenue estimates related to contingent earnout consideration and performance-based equity awards, valuation of deferred tax assets and uncertain tax positions and the fair value of common stock and other assumptions used to measure stock-based compensation expense. In connection with the measurement period for the acquisition of Amelia, no significant estimates were changed by management during the three and six months ended June 30, 2025 and 2024. The Company bases its estimates on historical experience, the current economic environment, and on assumptions it believes are reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from changes in the economic environment will be reflected in the financial statements in future periods. Actual results could differ materially from those estimates.

Segment Information

The Company has determined that the Chief Executive Officer is its chief operating decision maker. The Company’s Chief Executive Officer reviews discrete financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it operates as a single reportable segment.

Concentrations of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, the balances of which frequently exceed federally insured limits. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

As of June 30, 2025, Customer A accounted for 13% of the Company’s accounts receivable balance. As of December 31, 2024, accounts receivable balances due from Customer B accounted for 23% of the Company’s accounts receivable balance.

As of June 30, 2025, unbilled receivables from Customer C, D and E accounted for 39%, 22% and 18% of the Company’s unbilled receivables balance, respectively. As of December 31, 2024, unbilled receivables from Customer D and E accounted for 50% and 24% of the Company’s unbilled receivables balance, respectively.

For the three months ended June 30, 2025, Customer C, F and G accounted for 16%, 13% and 13% of the Company's revenue, respectively. For the six months ended June 30, 2025, there was no customer that accounted for more than 10% of total revenue.

For the three months ended June 30, 2024, Customer D and E accounted for 27% and 35% of total revenue, respectively. For the six months ended June 30, 2024, Customer D and E accounted for 27% and 29% of total revenue, respectively.

Business Combinations and Contingent Consideration

Business combinations are accounted for using the acquisition method. The Company allocates the fair value of the purchase price of an acquisition to the assets acquired and liabilities assumed, based on their estimated fair values as of the date of acquisition. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Fair value of the acquired intangible assets was determined using an income approach, specifically the multi-period excess earnings method, relief-from-royalty method, or the with-and-without method, depending on the nature of the respective assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but the estimates and assumptions are inherently uncertain and subject to refinement. The significant judgments and assumptions used in valuing the developed technology include revenue growth rates, prospective financial information for cost of sales, research and development expenses and, other operating expenses, the discount rate, the technological obsolescence rate, and contributory asset charges. For customer relationships, the significant judgments and assumptions include revenue growth rates, customer attrition rate, prospective financial information for cost of sales and fixed and variable operating expenses and the discount rate. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, the Company may make adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the measurement period's conclusion or final determination of the fair value of the purchase price of an acquisition, whichever comes first, any subsequent adjustments are recorded to our condensed consolidated statements of operations in the period they are identified. Acquisition-related expenses are recognized separately from the business combination and expensed as incurred.

Certain business combinations include contingent consideration arrangements, which are generally based on achievement of future financial performance or future events. If it is determined the contingent consideration arrangement is not compensatory, the Company estimates fair value of contingent consideration payments as part of the initial purchase price and records the estimated fair value of contingent consideration as a liability in the condensed consolidated balance sheet. The Company reviews and assesses the estimated fair value of contingent consideration each reporting period, and the updated fair value could differ materially from the initial estimates. Adjustments to estimated fair value related to changes in fair value are reported as change in fair value of contingent acquisition liabilities in our condensed consolidated statements of operations.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net assets acquired. Goodwill is not amortized but tested annually for impairment or when indicators of impairment are present. The test for goodwill impairment involves a qualitative assessment of impairment indicators. If indicators are present, a quantitative test of impairment is performed. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. The Company's policy is to review goodwill for impairment annually on October 1st unless a triggering event requires an analysis sooner. There was no goodwill impairment for the three and six months ended June 30, 2025 and June 30, 2024.

Intangible Assets with Definite Lives

The Company's intangible assets consist principally of developed technology, customer relationships, tradename, and conversation data. The Company assesses the appropriate method of amortization of the intangible assets that reflects the pattern in which the economic benefits of the intangible assets are consumed. The Company determined that a straight-line method of amortization was appropriate for its intangible assets. The remaining useful lives of long-lived assets are re-assessed periodically at the asset group level for any events and circumstances that may change the future cash flows expected to be generated from the long-lived asset or asset group.

Intangible assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of intangible assets with definite lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. There were no intangible asset impairments in any of the periods presented.

Recent Accounting Pronouncements — Adopted

The Company continually assesses any ASUs or other new accounting pronouncements issued by the FASB to determine their applicability and impact. Where it is determined that a new accounting pronouncement will result in a change to the Company's financial reporting, the Company takes the appropriate steps to ensure that such changes are properly reflected in the consolidated financial statements or notes thereto.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," ("ASU 2023-07") which expands disclosures about a public business entity's reportable segments and provides for more detailed information about a reportable segment's expenses. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. The Company adopted the standard during the year ended December 31, 2024. See Note 17 to our consolidated financial statements included within this report for more information on the increased disclosure for the Company's single reportable segment.

Recent Accounting Pronouncements — Not Yet Adopted

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-09, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the updated standard will have on the financial statement disclosures.

In November 2024, the Financial Accounting Standards Board issued Accounting Standards Update No. 2024-03. The standard is intended to require more detailed disclosures about specified categories of expenses (including employee compensation, depreciation, and amortization) included in certain expense captions presented on the face of the income statement. This ASU is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact that the updated standard will have on the financial statement disclosures.

In July, 2025, the Financial Accounting Standards Board issued Accounting Standards Update No. 2025-05. The standard is intended to provide a practical expedient for all entities and an accounting policy election available to all entities other than public business entities related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under ASC 606. This ASU is effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years. Early adoption is permitted. The amendments should be applied prospectively to financial statements issued for reporting periods after the effective date of this ASU. The Company is currently evaluating the impact that the updated standard will have on the financial statement disclosures.

NOTE 3. BUSINESS COMBINATIONS

SYNQ3 Acquisition

On January 3, 2024 (the "SYNQ3 Acquisition Date"), the Company acquired all of the issued and outstanding equity of SYNQ3, a provider of voice AI and other technology solutions to the restaurant industry, for total purchase consideration of $15.8 million (the “SYNQ3 Acquisition”). The Company’s acquisition of SYNQ3 is expected to expand its AI customer service solutions and create a Voice AI provider for restaurants. The acquisition is expected to significantly extend the Company's market reach and accelerate the deployment of generative AI capabilities to the industry.

The total purchase consideration includes $3.9 million in cash paid and 5,755,910 in shares of the Company’s Class A Common Stock. The Company has also withheld purchase consideration of $0.5 million in cash and 1,179,514 shares of the Company’s Class A Common Stock, subject to customary net working capital adjustments, to partially secure the indemnification obligations of SYNQ3's former stockholders under the merger agreement and agreed to pay up to $0.8 million in cash and 1,434,936 in shares of the Company’s Class A Common Stock to certain former stockholders of SYNQ3 based upon the achievement of specified future milestones. On the SYNQ3 Acquisition Date, the Company also issued 2,033,156 restricted shares of the Company’s Class A Common Stock subject to time and performance-based vesting conditions. The fair value of the purchase consideration was $15.8 million.

Holdback

The $0.5 million in cash and 1,179,514 shares of the Company's Class A Common Stock were withheld for a period of 15 months (the "Holdback Amount"). The Company determined that there are two components to the Holdback Amount related to deferred consideration and contingent consideration, each comprised of cash and shares.

The deferred cash holdback consideration of $0.1 million and the deferred share holdback consideration of 361,145 shares of the Company's Class A Common Stock (collectively the "Deferred Consideration") were not recognized as of the SYNQ3 Acquisition Date as such amounts were offset by the indemnification obligations of SYNQ3's former stockholders.

The contingent cash and share holdback consideration to be issued is variable ("Contingent Holdback Consideration"). Final amounts to be issued will be reduced based upon future actions and settlements with third parties to resolve assumed contingent sales tax liabilities and certain other assumed contingent liabilities of SYNQ3 in connection with the SYNQ3 Acquisition. The Company accounted for the Contingent Holdback Consideration as a liability on the condensed consolidated balance sheet. As of the SYNQ3 Acquisition Date, the Contingent Holdback Consideration was estimated to be $0.6 million in aggregate and to be settled in $0.1 million cash and the remainder in shares of the Company’s Class A Common Stock. During the year ended December 31, 2024, the Company issued 38,277 shares of the Company’s Class A Common Stock and paid an immaterial amount in cash from the Contingent Holdback Consideration to SYNQ3's former stockholders as a result of the net working capital adjustments settled during the year. The Contingent Holdback Consideration will be subsequently remeasured at each reporting date with changes in fair value recognized as a component of operating expense on the Company’s condensed consolidated statement of operations and comprehensive income (loss).

In April 2025, the Contingent Holdback Consideration was settled by issuing 472,501 shares of the Company’s Class A Common Stock and paying $0.2 million in cash. After the holdback settlement, any remaining indemnifications by the sellers to cover unsettled claims was offset against the Contingent SYNQ3 Earnout Consideration to the extent of its fair value as of June 30, 2025. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of shares associated with the holdback.

Contingent SYNQ3 Earnout Consideration

The Company also agreed to pay in aggregate up to $0.8 million in cash and 1,434,936 in shares of Class A Common Stock to certain stockholders of SYNQ3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026 (the “Contingent SYNQ3 Earnout Consideration”). The Company accounted for the Contingent SYNQ3 Earnout Consideration as a liability within contingent acquisition liabilities on the Company's condensed consolidated balance sheets and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in the Company’s condensed consolidated statement of operations and comprehensive income (loss). As of the SYNQ3 Acquisition Date, the Contingent SYNQ3 Earnout Consideration was estimated to be $1.7 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of the Company’s Class A Common Stock. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of Contingent SYNQ3 Earnout Consideration. As of June 30, 2025, the 2024 revenue target was not met. The Company assessed the 2025 revenue target was not probable of being met but the 2026 revenue target was probable of being met. No earnout consideration was issued as of June 30, 2025.

Restricted stock awards

The 2,033,156 restricted shares of the Company's Class A Common Stock issued at the SYNQ3 Acquisition Date to certain continuing employees of SYNQ3 subject to time and performance-based vesting conditions was determined to be a separate transaction from the SYNQ3 Acquisition and therefore is excluded from purchase consideration. See Note 12 to our unaudited condensed consolidated financial statements included within this report for more information on stock-based awards issued in connection with the SYNQ3 Acquisition.

Purchase price allocation

The purchase price allocation was performed as of January 3, 2024 and allocated to the assets acquired and liabilities assumed based on their respective fair values, as follows (in thousands):

	January 3, 2024
Cash paid	$ 3,910
Equity consideration	9,687
Contingent earnout consideration	1,676
Contingent holdback consideration	570
Purchase price	15,843
Assets acquired:	
Cash	221
Accounts receivable	1,500
Prepaid expenses	72
Intangible assets	12,705
Total identified assets acquired	14,498
Liabilities assumed:	
Accounts payable	440
Accrued liabilities	3,427
Other non-current liabilities	750
Deferred tax liability	38
Total liabilities assumed	4,655
Fair value of identifiable net assets acquired	$ 9,843
Goodwill acquired on acquisition	$ 6,000

Goodwill recognized includes synergies expected to be achieved from the operations of the combined company and intangible assets that do not qualify for separate recognition. Expected synergies include both increased revenue opportunities and the cost savings from the planned integration of platform infrastructure, facilities, personnel, and systems. The transaction is considered a non-taxable business combination, and goodwill is not deductible for tax purposes.

The purchase price allocation has been finalized as of December 31, 2024.

The following table summarizes the fair values of the identifiable intangible assets acquired (in thousands):

Intangible Assets:	Useful life (in years)	Preliminary fair value January 3, 2024
Developed technology	3.0	$ 5,210
Customer relationships	4.0	4,800
Tradename	2.0	1,410
Conversation data	2.5	1,285
		$ 12,705

The Company incurred $2.2 million in acquisition related expenses, of which less than $0.1 million and $0.1 million were incurred during the three and six months ended June 30, 2025, respectively. The Company incurred $0.5 million and $0.8 million acquisition related expenses during the three and six months ended June 30, 2024, respectively. These acquisition related expenses were recorded as general and administration expenses in its condensed consolidated statements of operations and comprehensive income (loss).

Amelia Acquisition

On August 6, 2024 (the "Amelia Acquisition Date"), the Company acquired all of the issued and outstanding equity of Amelia Holdings, Inc. (the "Amelia Acquisition"), a privately-held conversational AI software company involved in the development and delivery of AI and automation solutions and related services to improve customer experience and optimize business outcomes. The Company's acquisition of Amelia is expected to strengthen SoundHound's position in voice and conversational AI and allow the Company to enter new industries such as healthcare, insurance, financial services, energy and retail, expanding its market reach.

The total preliminary purchase consideration includes 3,809,520 shares of the Company's Class A Common Stock issued to the selling shareholders. The Company also issued and deposited 2,149,530 shares of Class A Common Stock otherwise owed to the selling shareholders into an escrow account in order to partially secure the indemnification obligations of the selling shareholders to the Company under the purchase agreement (the "Escrow Consideration"). The fair value of equity issued as part of the consideration paid was determined on the basis of the closing market price of the Company's shares on the Amelia Acquisition Date, which also incorporated a discount for lack of marketability rates caused by the trading restrictions due to the fact that the shares were not registered at issuance and consequently there is a six-month holding period. The Company also paid $8.4 million of cash for seller transaction expenses in connection with the closing of the Amelia Acquisition. The Company agreed to issue up to 16,822,429 shares to the selling shareholders based on achievement of certain revenue targets in fiscal years 2025 and 2026 (the "Amelia Contingent Earnout Consideration). The fair value of the preliminary purchase consideration was $98.6 million.

In connection with the Amelia Acquisition, the Company assumed the amended senior secured term loan facility from Amelia in an aggregate principal amount of $121.5 million ("Amelia Debt"). On December 3, 2024, the Company entered into a letter agreement (the "Amelia Debt Payoff Letter") to prepay in full all indebtedness and other amounts outstanding and owing under the Amelia Debt Credit Agreement and the Amelia Debt was repaid in full.

Escrow Consideration

The Company accounted for the Escrow Consideration as equity-classified shares issued as part of the consideration transferred. The Company recorded an indemnification asset of $1.4 million under other non-current assets related to assumed sales tax and litigation contingent liabilities that existed prior to the Amelia Acquisition Date and are covered by the Company's indemnification rights provided by the sellers. Upon the settlement of any valid indemnification claims against the selling shareholders, the escrow agent will return a number of shares to the Company equal to the dollar value of the indemnified loss divided by the reference price of $5.35 as stipulated in the purchase agreement. The Company concluded that this variability in settlement value is a derivative that is required to be remeasured to fair value due to changes in stock price. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of the derivative related to indemnification rights. Upon the expiration of the escrow period, any remaining shares within the escrow account will be released to the selling shareholders.

Contingent Amelia Earnout Consideration

The Company also agreed to pay up to 16,822,429 in shares of Class A Common Stock to the selling shareholders based on achievement of certain annual revenue targets in fiscal years 2025 and 2026. The Company accounted for the Contingent Amelia Earnout Consideration as a liability within contingent acquisition liabilities on the Company's condensed consolidated balance sheets and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in the Company’s condensed consolidated statement of operations and comprehensive income (loss). As of the Amelia Acquisition Date, the Contingent Amelia Earnout Consideration had an estimated fair value of $66.3 million. For the three and six months ended June 30, 2025, the Company recognized a loss of $32.6 million and a gain of $136.1 million, respectively, related to the Contingent Amelia Earnout Consideration, reflected in the change in fair value of contingent acquisition liabilities in the condensed consolidated statement of operations and comprehensive income (loss). As of June 30, 2025, the Company assessed the 2025 and 2026 revenue targets were probable of being met.

Preliminary purchase price allocation

The preliminary purchase price allocation was performed as of August 6, 2024 and allocated to the assets acquired and liabilities assumed based on their respective fair values, as follows (in thousands):

	Preliminary: Aug 6, 2024
Cash paid	$ 8,420
Equity consideration	15,291
Equity consideration in escrow	8,628
Contingent earnout consideration	66,269
Purchase price	98,608
Assets acquired:	
Cash and cash equivalents	1,128
Accounts receivable	8,075
Other current assets	1,822
Contract asset - current	4,090
Property and equipment	348
Right-of-use assets	227
Other assets	1,741
Intangible assets	174,500
Total identified assets acquired	191,931
Liabilities assumed:	
Accounts payable	11,112
Accrued liabilities	10,965
Income tax liabilities	582
Short-term portion of Amelia Debt	70,000
Operating lease liability, current	211
Financing lease liability, current	37
Other current liabilities	3,474
Deferred revenue	23,408
Deferred revenue, non-current	4,295
Long-term portion of Amelia Debt	51,511
Deferred tax liabilities	11,820
Operating lease liability, non-current	16
Other liabilities, non-current	34
Income tax liability, net of current portion	1,068
Total liabilities assumed	188,533
Fair value of identifiable net liabilities assumed	$ 3,398
Goodwill acquired on acquisition	$ 95,210

Goodwill recognized includes synergies expected to be achieved from the operations of the combined company and intangible assets that do not qualify for separate recognition. Expected synergies include both increased revenue opportunities and the cost savings from the planned integration of platform infrastructure, facilities, personnel, and systems. The transaction is considered a non-taxable business combination, and goodwill is not deductible for tax purposes.

During the six months ended June 30, 2025, the Company recorded measurement period adjustments to decrease the accrued liabilities by $0.1 million and other current liabilities by $0.4 million due to true-up of the accrued payroll taxes and sales taxes subsequent to the acquisition. As a result of the adjusted acquisition-date fair value of liabilities assumed, the Company recorded a decrease of $0.5 million to the goodwill recognized. The measurement period adjustments were recorded in the condensed consolidated financial statements as of and for the six months ended June 30, 2025 and were made to reflect facts and circumstances that existed as of the Amelia Acquisition Date.

The preliminary purchase price allocation has not been finalized as of June 30, 2025 primarily due to the final assessment of the contingent tax liability assumed. The fair value estimates of assets acquired and liabilities assumed is pending the completion of various items, including obtaining further information regarding the identification and valuation of all assets acquired and liabilities assumed. Any adjustments to the estimates of purchase price allocation will be made in the periods in which the adjustments are determined, and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. The Company expects to finalize the purchase price allocation within 12 months from the Amelia Acquisition Date.

The following table summarizes the preliminary fair values of the identifiable intangible assets acquired (in thousands):

Intangible Assets:	**Useful life (in years)**		**Preliminary fair value at acquisition**
Developed technology	7.0	$	98,900
Customer relationships	7.0		68,600
Trade names	5.0		7,000
		$	174,500

The Company incurred $6.7 million in acquisition related expenses, of which $0.3 million and $0.9 million was incurred during the three and six months ended June 30, 2025, respectively, and recorded as general and administration expenses in its condensed consolidated statements of operations and comprehensive income (loss).

Unaudited pro forma financial information

The financial results of SYNQ3 and Amelia are included in these unaudited condensed consolidated financial statements from the date of the acquisition. SYNQ3 contributed revenue of $3.1 million and $6.1 million, and net loss of $1.7 million and $3.3 million to the Company for the three and six months ended June 30, 2024, respectively.

The following table includes unaudited pro forma financial information that presents combined results of the Company as if the SYNQ3 and Amelia acquisitions were completed on January 1, 2023, the beginning of the comparable prior annual reporting period.

	Unaudited			
	Three Months Ended		**Six Months Ended**	
	June 30, 2024		**June 30, 2024**	
Revenue	$	35,433	$	71,451
Net loss attributable to SoundHound AI, Inc.	$	(48,179)	$	(90,673)

The unaudited pro forma financial information includes the combined historical operating results of the Company, SYNQ3 and Amelia prior to the acquisition, with adjustments to give effect for the acquisitions and related events. Pro forma adjustments have been made to reflect the incremental intangible asset amortization to be incurred based on the fair values and useful lives of each identifiable intangible asset, incremental stock-based compensation related to inducement equity awards, incremental transaction costs related to the acquisitions, adjustments to interest expense related to previously outstanding debt held by Amelia, and the related tax effects of pro forma adjustments for the period. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations. Given the paydown of Amelia Debt occurred in December 2024, which was shortly after the Amelia Acquisition Date, the interest expenses from Amelia Debt were excluded from the unaudited pro forma financial information. The unaudited pro forma results are based on the preliminary purchase price allocation and will be updated to reflect the final amounts as the allocation is finalized during the measurement period.

The Company did not have any material nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings.

Other Acquisition

On June 14, 2024, the Company completed an immaterial acquisition for total preliminary purchase consideration of $1.0 million. As part of the acquisition, the Company acquired net assets of $2.2 million, including intangible assets of $2.6 million, and recognized a preliminary gain on bargain purchase of $1.2 million within other income, net in the condensed consolidated statements of operations and comprehensive income (loss) during the quarter of the acquisition, resulting from a favorable fair value of identifiable net assets acquired at the date of acquisition as compared with the Company’s purchase price. The Company was able to negotiate a bargain purchase price as a result of the recurring losses and pre-filing bankruptcy status of the selling entity.

The preliminary purchase price allocation has been finalized as of March 31, 2025.

The following table summarizes the preliminary fair values of the identifiable intangible assets acquired (in thousands):

Intangible Assets:	**Useful life (in years)**	**Fair value at acquisition**
Developed technology	3.0	$ 1,530
Customer relationships	3.0	960
Tradename	3.0	60
		$ 2,550

The financial results of the acquired entity are included in these unaudited condensed consolidated financial statements from the date of the acquisition, and are immaterial. The Company has not separately presented unaudited pro forma results of operations reflecting the acquisition as the impacts were not material to the condensed consolidated financial statements.

NOTE 4. REVENUE RECOGNITION

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are generally recognized upon the transfer of control of promised products or services provided to customers, reflecting the amount of consideration the Company expects to receive for those products or services.

The Company’s arrangements with customers may contain multiple obligations. Individual services are accounted for separately if they are distinct — that is, if a customer can benefit from it on its own or with other resources that are readily available to the customer and if the service is separately identifiable from other items in the contract.

The Company derives its revenue primarily from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization, and (4) licensing. Revenues are reported net of applicable sales and use taxes that are passed through to customers. The Company applies significant judgement in identifying and evaluating any terms and conditions in contracts which impact revenue recognition.

The Company has the following performance obligations in contracts with customers:

Hosted Services

Hosted services, along with non-distinct customization, integration, maintenance and support professional services, allow customers to access the Houndify and Amelia Software Platform over the contract period without taking possession of the software.

The Company has determined that the hosted services arrangements are a single performance obligation comprised of a series of distinct services, since each day of providing access to hosted services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided. These services are provided either on a usage basis (i.e., variable consideration) or on a fixed fee subscription basis. The Company recognizes revenue as each distinct service period is performed.

Hosted services may include up-front services to develop and/or customize the applications to each customer's specification. Judgement is required to determine whether these professional services are distinct from the hosted services. In making this determination, factors such as the degree of integration, the customers' ability to start using the software prior to customization, and the availability of these services from other independent vendors are considered.

In instances where the Company concluded that the up-front services are not distinct performance obligations, revenues for these activities are recognized over the period which the hosted services are provided and is included within hosted services revenue.

All revenues derived as a result of the SYNQ3 Acquisition, and substantial revenues derived as a result of the Amelia Acquisition are categorized as hosted services revenue.

Professional Services

Revenues from distinct professional services, such as non-integrated development services and other professional services, are either recognized over time based upon the progress towards completion of the project or at a point in time at project completion. The Company assesses distinct professional services to determine whether the transfer of control is over-time or at a point in time. The Company considers three criteria in making their assessment including (1) the customer simultaneously receives and consumes the benefits; (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. If none of the criteria are met, revenues are determined to be recognized at a point in time.

For distinct professional services determined to be recognized over-time, measuring the stage of completion of a project requires significant judgement and estimates and is based on either input or output measures. During the three and six months ended June 30, 2025, $3.2 million and $6.3 million, respectively, of professional service revenue was recognized over time, with the remaining $0.1 million and $0.3 million, respectively, recognized at a point in time when the performance obligation was fulfilled, and control of the service was transferred to the customer. During the three and six months ended June 30, 2024, $1.4 million and $2.9 million, respectively, of professional service revenue was recognized over time, and there was immaterial professional service revenue recognized at a point in time when the performance obligation was fulfilled, and control of the service was transferred to the customer.

Monetization

Monetization revenues are primarily derived from advertising payments associated with ad impressions placed on the SoundHound music identification application. The amount of revenue is based on actual monetization generated or usage, which represent a variable consideration with constrained estimates. Therefore, the Company recognizes the related revenues at a point in time when advertisements are placed, when commissions are paid or when the SoundHound application is downloaded. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as a principal or an agent in the transaction. The Company has determined that it does not act as the principal in monetization arrangements because it does not control the transfer of the service and it does not set the price. Based on these factors, the Company reports revenue on a net basis.

Licensing

The Company licenses voice and Amelia's software solutions that are embedded in customer's products or services. Licensing revenues are a distinct performance obligation that is recognized when control is transferred to the customer, which is at a point in time for non-customized solutions. For licenses with non-distinct customized solutions, revenues are recognized over time based on the progress towards completion of the customized solution. Revenues generated from licensing are on royalty arrangements with a per unit pricing or on fixed considerations. The Company records licensing revenue relating to usage-based royalty arrangements in the same period in which the underlying usage occurs. Licensing revenue on fixed considerations including fixed fee and a minimum guarantee from royalty arrangements are recognized when the Company grants the customer the right to use and benefit from the license at the start of the licensing period. Licenses may include post-contract support, which is a distinct performance obligation and revenue from post-contract support is recognized ratably over the licensing period.

When a contract has multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative estimated standalone selling price ("SSP"). Judgments are required to determine the SSP for each distinct performance obligation. SSP is determined by maximizing observable inputs from pricing of standalone sales, when possible. Since prices vary from customer to customer based on customer relationship, volume discount and contract type, in instances where the SSP is not directly observable, the Company estimates SSP by considering the following factors:

- Costs of developing and supplying each performance obligation;
- Industry standards;
- Major product groupings; and
- Gross margin objectives and pricing practices, such as contractually stated prices, discounts offered, and applicable price lists.

These factors may vary over time, depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company's best estimate of SSP may also change. When such observable data is not available because there is a limited number of transactions or prices are highly variable, the Company will estimate the standalone selling price using the residual approach.

The Company's long-term contracts generally do not have significant financing components, as there is normally payment and performance in each year of the contract. The Company has elected the practical expedient to not adjust promised amounts of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If there is a period of one year or longer between the transfer of promised services and payment, it is generally for reasons other than financing, thus, the Company does not adjust the transaction price for financing components. In the limited cases where a significant financing component is present, the Company adjusts the promised consideration for the effects of a significant financing component and to recognize revenue to approximate an amount that reflects the cash selling price that a customer would have paid for the promised goods or services.

For the three and six months ended June 30, 2025 and 2024, revenue under each performance obligation was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Hosted services	$ 20,918	$ 8,524	$ 42,872	$ 17,431
Licensing	18,327	3,413	22,140	4,506
Professional services	3,320	1,424	6,573	2,896
Monetization	118	101	227	223
Total	$ 42,683	$ 13,462	$ 71,812	$ 25,056

For the three and six months ended June 30, 2025 and 2024, the disaggregated revenue by geographic location* was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
United States	$ 22,729	$ 3,844	$ 41,347	$ 7,578
China	6,979	10	7,519	20
Ireland	5,469	—	5,597	—
Korea	2,464	3,559	5,299	6,957
France	992	4,688	1,942	7,254
Other	4,050	1,361	10,108	3,247
Total	$ 42,683	$ 13,462	$ 71,812	$ 25,056

*Revenue by geographic region is allocated to individual countries based on the billing location of the customer. The end customer location may be different than the customer's billing location. The ‘Other’ category is composed of geographic regions with sales less than 10% of the consolidated revenue.

For the three and six months ended June 30, 2025 and 2024, the disaggregated revenue by recognition pattern was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Over time revenue	$ 24,781	$ 9,903	$ 50,486	$ 20,283
Point-in-time	17,902	3,559	21,326	4,773
Total	$ 42,683	$ 13,462	$ 71,812	$ 25,056

The Company also disaggregates revenue by service type. This disaggregation consists of Product Royalties, Service Subscriptions and Monetization. Product Royalties revenues are derived from Houndified Products, which are voice-enabled tangible products across the automotive and consumer electronics industries. Revenues from Product Royalties are based on volume, usage or life of the products, which are driven by number of devices, users or unit of time. Service Subscription revenues are generated through Houndified Services and Amelia services, which include customer services, food ordering, content, appointments and voice commerce, autonomous business workflows, and IT systems analysis. Subscription revenues are derived from monthly fees based on fixed fees, usage-based revenue, revenue per query or revenue per user. Houndified Products, Houndified Services, and Amelia services may include professional services that develop and customize the Houndify platform and Amelia Software Platform to fit customers' specific needs, and any post-contract support for on-premise solutions. Revenues from Monetization are generated from the SoundHound music identification app and are primarily attributable to user ad impression revenue.

For the three and six months ended June 30, 2025 and 2024, the disaggregated revenue by service type was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Service subscriptions	$ 32,057	$ 3,638	$ 56,630	$ 7,221
Product royalties	10,508	9,723	14,955	17,612
Monetization	118	101	227	223
Total	$ 42,683	$ 13,462	$ 71,812	$ 25,056

Contract Balances

The Company performs its obligations under a contract with a customer by providing access to software, licensing right to use software, or providing services in exchange for consideration from the customer. The timing of the Company's performance often differs from the timing of the customer's payment, which results in the recognition of a receivable, a contract asset or deferred revenue.

As of January 1, 2024, accounts receivable, net of allowances, was $4.1 million, contract assets were $28.3 million and deferred revenue was $9.2 million.

The contract asset and unbilled accounts receivable, net as of June 30, 2025 and December 31, 2024 consists of the following (in thousands):

	Balance Sheet Presentation	June 30, 2025	December 31, 2024
Unbilled account receivables - current	Contract assets and unbilled receivables, net of allowance for credit losses	$ 11,268	$ 13,441
Contract assets - current	Contract assets and unbilled receivables, net of allowance for credit losses	10,660	13,204
Unbilled account receivables - non-current	Contract assets and unbilled receivables, non-current, net of allowance for credit losses	6,332	922
Contract assets - non-current	Contract assets and unbilled receivables, non-current, net of allowance for credit losses	17,299	11,957

The change in the Company's unbilled accounts receivable and contract assets during the current period was primarily the result of customer invoicing and the performance of the Company's contracts, respectively. The Company has not recorded any asset impairment charges related to contract assets during the periods presented in the condensed consolidated financial statements.

Revenues recognized included in the balances of the deferred revenue at the beginning of the reporting period were $10.9 million and $16.7 million, respectively, for the three and six months ended June 30, 2025 as compared to $1.3 million and $3.0 million for the three and six months ended June 30, 2024.

As of June 30, 2025, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that were unsatisfied or partially unsatisfied was $69.2 million. Given the applicable contract terms, $40.8 million is expected to be recognized as revenue within one year, $26.5 million is expected to be recognized between 2 to 5 years and the remainder of $1.9 million is expected to be recognized after 5 years. This amount does not include contracts to which the customer is not committed, contracts for which the Company recognizes revenue equal to the amount the Company has the right to invoice for services performed or future sales-based or usage-based royalty payments in exchange for access to the Company's hosted services. This amount is subject to change due to future revaluations of variable consideration, terminations, other contract modifications or currency adjustments. The estimated timing of the recognition of remaining unsatisfied performance obligations is subject to change and is affected by changes to scope, changes in timing of delivery of products and services or contract modifications.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in the carrying value of goodwill including the effect of measurement period adjustments for the six months ended June 30, 2025, was as follows (in thousands):

Balance as of December 31, 2024	$	101,704
Measurement period adjustment	$	(494)
Balance as of June 30, 2025	$	101,210

The Company has applied the acquisition method of accounting in accordance with ASC 805 and recognized assets acquired and liabilities assumed of SYNQ3 and Amelia at their fair value as of the date of acquisition, with the excess purchase consideration recorded to goodwill. As the Company finalizes the estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments to the amount of goodwill may be necessary. Refer to Note 3 for further information on the measurement period adjustments of Amelia Acquisition.

Intangible Assets

The gross carrying value, accumulated amortization and net carrying value of intangible assets consisted of the following (in thousands):

	June 30, 2025						
	Useful life (in years)		Gross Carrying Value		Accumulated Amortization		Net Carrying Value
Developed technology	3.0 - 7.0	$	105,640	$	15,825	$	89,815
Customer relationships	3.0 - 7.0		74,360		10,942		63,418
Tradename	2.0 - 5.0		8,470		2,337		6,133
Conversation data	2.5		1,285		771		514
Total		$	189,755	$	29,875	$	159,880

	December 31, 2024						
	Useful life (in years)		Gross Carrying Value		Accumulated Amortization		Net Carrying Value
Developed technology	3.0 - 7.0	$	105,640	$	7,696	$	97,944
Customer relationships	3.0 - 7.0		74,360		5,322		69,038
Tradename	2.0 - 5.0		8,470		1,280		7,190
Conversation data	2.5		1,285		514		771
Total		$	189,755	$	14,812	$	174,943

Amortization expense of intangible assets was $7.6 million and $15.1 million for the three and six months ended June 30, 2025, respectively. These expenses were recorded as $4.1 million and $8.1 million, respectively, within cost of revenues for the three and six months ended June 30, 2025. Amortization expense of intangible assets was $1.0 million and $2.1 million for the three and six months ended June 30, 2024, respectively. These expenses were recorded as $0.4 million and $0.9 million, respectively, within cost of revenues for the three and six months ended June 30, 2024.

Future amortization expense of intangible assets held as of June 30, 2025, is as follows (in thousands):

Year ending December 31,		
2025	$	15,271
2026		29,372
2027		26,923
2028		25,398
2029		24,761
Thereafter	$	38,155
Total	$	159,880

NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Accrued compensation expenses	$ 12,125	$ 15,850
Accrued vendor payables	5,974	8,141
Accrued litigation liabilities	360	1,750
Other accrued liabilities	534	550
	$ 18,993	$ 26,291

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contracts

In August 2021, the Company entered into an exclusive agreement with a cloud service provider to host its voice artificial intelligence platform pursuant to which the Company committed to pay a minimum of $98.0 million in cloud costs over a seven-year period subject to variable increases based on usage.

Aggregate non-cancelable future minimum payments were as follows as of June 30, 2025 (in thousands):

Remainder of 2025	$	7,000
2026		16,000
2027		24,000
2028		24,000
Total	$	71,000

Legal Proceedings

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues contingent liabilities when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. The Company's assessment may change over time as individual proceedings or claims progress.

SYNQ3 v. TEBO

Prior to the SYNQ3 Acquisition, SYNQ3 filed a litigation against its landlord, TEBO in the United States District Court of Colorado, and TEBO counterclaimed in May 2022. On June 2, 2022, the District Court entered a judgment that was in favor of SYNQ3. TEBO filed the notice of appeal in July, 2023. On June 27, 2024, the Colorado Court of Appeals reversed the judgment and remanded the case to the District Court to enter judgment in favor of TEBO on both SYNQ3's claim and TEBO's counterclaim and to conduct further proceedings as are necessary to determine the damages, attorney fees and costs, if any, to be awarded to TEBO. On January 15, 2025, the Company entered a Settlement Agreement with TEBO. The Settlement Agreement requires SYNQ3 to pay $1.8 million to TEBO in January 2025 to resolve all matters related to the litigation and dispute. Therefore, the Company paid $1.8 million to TEBO under the Settlement Agreement during the first quarter of 2025, which was offset by the Deferred Consideration and Contingent Holdback Consideration under the SYNQ3 Acquisition and was withheld from the sellers when the Holdback Amount was settled in April 2025.

VB Assets, LLC v. SoundHound

On November 21, 2024, VB Assets, LLC, a non-practicing entity, filed a complaint against the Company in the United States District Court for the District of Delaware alleging patent infringement under 35 U.S.C. § 271. The case is captioned as VB Assets, LLC v. SoundHound AI, Inc., Case No. 1:24-cv-1279-MN. In its complaint, VB Assets, LLC alleges the Company is infringing U.S. Patent Nos. 8,073,681, 11,222,626, 8,886,536, 9,269,097, 9,502,025, and 11,087,385. VB Assets, LLC subsequently amended its complaint adding allegations that the Company is also infringing U.S. Patent Nos. 10,755,699, 10,297,249, and 7,818,176. At the appropriate time, the Company will deny all infringement allegations and allege that VB Assets, LLC patents asserted against the Company are invalid and/or unenforceable. The Company intends to vigorously defend itself in all respects. As of June 30, 2025, no determination can be made as to the likelihood of a favorable or unfavorable outcome. In accordance with ASC 450, Contingencies, no reasonably possible loss or range of loss can be estimated and accrued as of June 30, 2025.

Securities Litigation

On March 28, 2025, a class action complaint was filed in the United States District Court for the Northern District of California, captioned Liles v. SoundHound AI, Inc., Case No. 3:25-cv-02915-RFL. The complaint names as defendants the Company, its CEO Keyvan Mohajer, and its CFO Nitesh Sharan. The complaint asserts, among other things, claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. Plaintiff seeks to represent a putative class of shareholders who purchased or otherwise acquired SoundHound securities between May 10, 2024 and March 3, 2025, both dates inclusive. The Company intends to vigorously defend the claims and believes the complaint lacks merit. As of June 30, 2025, no determination can be made as to the likelihood of a favorable or unfavorable outcome. In accordance with ASC 450, Contingencies, no reasonably possible loss or range of loss can be estimated and accrued as of June 30, 2025.

Derivative Actions

On April 8, 2025, a purported shareholder derivative complaint was filed in the United States District Court for the Northern District of California, captioned Bishop v. Mohajer, Case No. 3:25-cv-03172-JD. The complaint purports to assert claims on behalf of the Company against its directors, CEO, and CFO for breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, waste of corporate assets, and for contribution against Mr. Mohajer and Mr. Sharan under Sections 10(b) and 21D of the Securities Exchange Act of 1934. On April 16, 2025, a similar purported shareholder derivative complaint was filed against the same defendants in the same forum, captioned Roy v. Mohajer, Case No. 5:25-cv-03363-NC. That complaint purports to assert claims on behalf of the Company against its directors, CEO, and CFO for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and for contribution against Mr. Mohajer and Mr. Sharan under Sections 10(b) and 21D of the Securities Exchange Act of 1934. As of June 30, 2025, no determination can be made as to the likelihood of a favorable or unfavorable outcome. In accordance with ASC 450, Contingencies, no reasonably possible loss or range of loss can be estimated and accrued as of June 30, 2025.

Corporate Opportunity Action

On February 6, 2025, a stockholder of the Company filed a putative class action (the “Corporate Opportunity Action”), alleging inter alia that Article XII, Section 12.1 of the Company’s Certificate of Incorporation violates Delaware law. The Company and its directors denied any and all wrongdoing alleged in the Corporate Opportunity Action but, to avoid the cost and distraction of litigation, the Board determined that it was advisable and in the best interests of the Company and its stockholders to revise Article XII of the Certificate of Incorporation (the “Opportunity Waiver Limitation Amendment”) and to submit the Opportunity Waiver Limitation Amendment to Company’s stockholders for approval.

The Corporate Opportunity Action plaintiff agreed that the proposed language mooted his claims. The Company's stockholders approved the Opportunity Waiver Limitation Amendment on May 23, 2025. The Company reached an agreement whereby, without admitting any fault or wrongdoing, the Company agreed to pay $85.0 thousand in attorneys’ fees and expenses to the plaintiff’s counsel (including a $0.5 thousand service award to the plaintiff) as the mootness fee to resolve this matter. On July 24, 2025, the Court entered an order closing the case, subject to the Company filing an affidavit with the Court confirming compliance with the order. In entering the order, the Court did not review, and did not pass judgment on, the payment of the mootness fee.

Other Matters

The Company continues to analyze potential sales tax exposure using a state-by-state assessment. In accordance with ASC 450, Contingencies, the Company estimated and recorded a liability of $2.6 million as of June 30, 2025 and $3.1 million as of December 31, 2024.

NOTE 8. WARRANTS

Term Loan Warrants

In connection with the Credit Agreement (as defined in Note 9), the Company issued warrants to purchase up to 3,301,536 shares of the Company’s Class A Common Stock to the lenders (the “Term Loan Warrants”). The Term Loan Warrants have a per share exercise price of $2.59 and may be exercised, including on a cashless basis, by the holder at any time prior to the 10-year anniversary of the issue date. The Term Loan Warrants will be automatically cashless exercised immediately prior to a change in control of the Company. The Term Loan Warrants are indexed to the Company's stock and were classified as an equity instrument. On the Term Loan Closing Date, this resulted in the Company allocating the gross proceeds and issuance costs between the Term Loan and the Term Loan Warrants based on their relative fair values, resulting in the initial recognition of the Term Loan Warrant at $4.1 million as additional paid-in-capital on the condensed consolidated balance sheets.

In March 2024, the Company issued 2,269,982 shares of the Company's Class A Common Stock resulting from the cashless exercise in full of the Term Loan Warrants that were outstanding. As of December 31, 2024, all of the Term Loan Warrants had been exercised and no Term Loan Warrants are outstanding.

Warrants Related to the Business Combination

Public Warrants

On April 26, 2022 (the "Closing"), pursuant to a merger agreement dated as of November 15, 2021 by and among Archimedes Tech SPAC Partners Co. (“ATSP”), ATSPC Merger Sub, Inc. and SoundHound, Inc. (“Legacy SoundHound”), the parties consummated the merger of ATSPC Merger Sub, Inc. with and into Legacy SoundHound, with Legacy SoundHound continuing as the surviving corporation, as well as the other transactions contemplated by the Merger Agreement (the merger and such other transactions collectively referred to the “ATSP Merger”).

Prior to the ATSP Merger, ATSP issued public warrants ("Public Warrants"). Each Public Warrant entitles the holder to the right to purchase one share of common stock at an exercise price of $11.50 per share. No fractional shares were issued upon exercise of the Public Warrants. The Company may redeem the outstanding warrants, for $0.01 per warrant, upon not less than 30 days’ prior written notice of redemption, if the reported last sale price of the common stock equals or exceeds $18.00 per share (as adjusted for stock dividends, sub-divisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and ending on the third trading day before the Company sends the notice of redemption to the warrant holders. Upon issuance of a redemption notice by the Company, the warrant holders may, at any time after the redemption notice, exercise the Public Warrants for cash, or on a cashless basis.

Subsequent to the closing of the ATSP Merger, the Company's Public Warrants continue to be classified as equity instruments, as they are indexed to the Company's stock.

Private Warrants

Prior to the ATSP Merger, ATSP issued private warrants ("Private Warrants"). The Private Warrants were initially issued in the same form as the Public Warrants with the exception that the Private Warrants: (i) would not be redeemable by the Company and (ii) may be exercised for cash or on a cashless basis, so long as they are held by the initial purchasers or any of their permitted transferees. If the Private Warrants are held by holders other than the initial purchasers or any of their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by the holders on the same basis as the Public Warrants.

The Private Warrants were initially classified as derivative liability instruments as they met the definition of a derivative and were not considered indexed in the Company's own stock as the settlement value could be dependent on who held the Private Warrants at the time of exercise. Upon the Closing of the ATSP Merger, the Company modified its Private Warrants to be identical to its Public Warrants. Therefore, the Private Warrants met requirements for classification as equity instruments, as they are indexed to the Company's stock.

As of June 30, 2025 and December 31, 2024, there were 3,662,845 and 3,663,955 Public Warrants and Private Warrants issued and outstanding, respectively. During the three and six months ended June 30, 2025, the Company issued zero and 1,110 shares, respectively, of the Company's Class A Common Stock resulting from the exercise of Public Warrants and Private Warrants that were outstanding and raised zero and less than $0.1 million, respectively, in cash proceeds. There was no common stock warrant exercises during the three and six months ended June 30, 2024.

NOTE 9. NOTE PAYABLE

Term Loan

On April 14, 2023 (the "Term Loan Closing Date"), the Company entered into a Senior Secured Term Loan Credit Agreement (the "Credit Agreement"). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to $100.0 million (the "Term Loan"). The Credit Agreement also permits the Company to request additional commitments of up to $25.0 million in the aggregate, with funding of such commitments in the sole discretion of the lenders under certain circumstances, which will be subject to the same terms as the Term Loan if funded. On the Term Loan closing date, the Company also entered into Guarantee and Collateral Agreement. In addition, the Company is obligated to pay incremental lender fees (the "Lender Fees"), beginning on the Term Loan closing date, initially at the rate of 3.50% of the principal amount of the Term Loans for the first 18 months paid semi-annually to provide a collateral protection insurance policy on behalf of the lenders. Such rate for the Lender Fees will decrease to 2.50% after the 18-month anniversary of the Term Loan Closing Date. As the lenders are the sole beneficiary of the insurance policy, the Lender Fees are deemed to be additional fees payable to the Lenders and is therefore being recognized as interest expense over the term of the Term Loan based on effective interest method.

The Company used the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately $30.0 million under the Company's existing loan facilities, (ii) fund an escrow account on the Term Loan Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Lender Fees, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company's election, either (i) the Term SOFR published by CME Group Benchmark Administration Limited for a one-month interest period plus 0.15% or (ii) the alternate base rate ("ABR"), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Term SOFR plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans. As of June 30, 2024, the contractual interest rate was approximately 14.0%. The Company was amortizing the discounts on an effective interest basis over the period from issuance through April 14, 2027 (the "Maturity Date"). The effective interest rate was 25.18% for the quarter ended June 30, 2024. The Company incurred $2.6 million and $6.0 million, respectively, in stated interest in the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2024, and paid zero and $3.5 million for the respective periods. During the three and six months ended June 30, 2024, the Company recorded $0.3 million and $1.5 million, respectively, in interest expense related to the debt discount.

On June 7, 2024, the Company entered into a letter agreement (the "Payoff Letter") to prepay in full all indebtedness and other amounts outstanding and owing under the Credit Agreement. In connection with the Term Loan prepayment, the Company paid a total of $105.6 million on June 7, 2024, which consisted of (i) the remaining principal amount outstanding of $100.0 million, (ii) a prepayment premium of $5.0 million, (iii) transaction expenses of $0.6 million, resulting in a loss on debt extinguishment of $15.6 million. Accordingly, the accrued and unpaid interest of $2.6 million was waived under the Payoff Letter.

NOTE 10. PREFERRED STOCK

Series A Preferred Stock

Between January 18, 2023 and January 20, 2023, the Company entered into Preferred Stock Purchase Agreements (the "Purchase Agreements") with certain investors (the "Investors"), pursuant to which the Company issued and sold to the Investors an aggregate of 835,011 shares of its newly designated Series A Convertible Preferred Stock for issuance price of $30.00 per share, raising an aggregate of approximately $25.0 million in cash proceeds. As of June 30, 2025 and December 31, 2024, all the Series A Preferred Stock have been converted to Class A Common Stock.

Liquidation Preference

The Liquidation Preference per share of Preferred Stock was initially equal to $30.00, the original issue price per share. On January 1, 2024, the Company's Series A Preferred Stock holders received their latest dividends paid-in-kind as an increase in Liquidation Preference, thereby increasing the Liquidation Preference per share to approximately $34.13.

Redemption

The Series A Preferred Stock is not mandatorily redeemable.

Conversion

Each share of Series A Preferred Stock is convertible, at the option of the holder, into such number of shares of Class A Common Stock equal to the Liquidation Preference per share at the time of conversion divided by $1.00 (the "Conversion Price"). In addition, each share of Series A Preferred Stock will automatically convert into shares of Class A Common Stock at the Conversion Price on or after January 20, 2024 if and when the daily volume-weighted average closing price per share of Class A Common Stock is at least 2.5 times the Conversion Price for each of any 90 trading days during any 120 consecutive trading day period, which 120-trading day period may commence (but may not end) prior to January 20, 2024. As of December 31, 2024, the condition of automatic conversion was met and all the remaining Series A Preferred Stock were automatically converted.

During the three and six months ended June 30, 2024, 70,241 and 475,005 shares, respectively, of preferred stock were converted into 2,553,361 and 16,624,215 shares, respectively, of Class A Common Stock. The conversion was pursuant to the original terms of the agreement and therefore the carrying value of Series A Preferred Stock was converted into Class A

Common Stock with no gain or loss upon conversion. There were no conversions during the three and six months ended June 30, 2025.

Voting Rights

The Investors do not have voting rights, except with respect to certain protective provisions and as required by the Delaware General Corporation Law. However, as long as the Series A Preferred Stock are outstanding, the Company may not take certain actions that may materially and adversely impact the powers, preferences, or rights of the Investors without the consent of at least a majority of the Investors.

NOTE 11. COMMON STOCK

At the 2025 Annual Meeting of Stockholders held on May 23, 2025, the Company's stockholders approved to increase the number of authorized shares of Class A Common Stock from 455,000,000 to 755,000,000. As of June 30, 2025, the Company is authorized to issue 800,000,000 shares of capital stock, consisting of (a) 755,000,000 shares of Class A Common Stock with a par value of $0.0001 per share, (b) 44,000,000 shares of Class B Common Stock with a par value of $0.0001 per share, and (c) 1,000,000 shares of preferred stock with a par value of $0.0001 per share. The outstanding shares of the Company's common stock are fully paid and non-assessable.

On all matters to be voted upon, subject to the rights of any holders of any series of preferred stock, holders of shares of Class A Common Stock and Class B Common Stock will vote together as a single class on all matters submitted to the stockholders for their vote or approval. Holders of Class A and B Common Stock are entitled to one vote and ten votes per share respectively on all matters submitted to the stockholders for their vote or approval.

Each share of Class B Common Stock shall convert into one fully paid and nonassessable share of Class A Common Stock upon mandatory or optional conversion. Shares of Class B Common Stock will be automatically converted into shares of Class A Common Stock upon the occurrence of certain future events, generally including transfers, subject to limited exceptions set forth in the amended charter. The conversion of Class B Common Stock to Class A Common Stock will have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B Common Stock could gain significant voting control as other holders of Class B Common Stock sell or otherwise convert their shares into Class A Common Stock.

The rights, including the liquidation and dividend rights, of the holders of the Company's Class A and Class B common stock are identical, except with respect to voting.

During the three and six months ended June 30, 2024, certain holders of Class B Common Stock optionally converted zero and 4,750,000 shares, respectively, of Class B Common Stock into the same number of shares of Class A Common Stock. There was no conversion of Class B Common Stock during the three and six months ended June 30, 2025.

Sales Agreement

On July 28, 2023, the Company entered into a Controlled Equity Offering Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., H.C. Wainwright & Co., LLC, and D.A. Davidson & Co. (each a "Sales Agent" and collectively, the "Sales Agents"), pursuant to which the Company may offer and sell up to $150,000,000 of shares of our Class A Common Stock from time to time through or to the Sales Agents acting as agent or principal. Sales of our Class A Common Stock under the Sales Agreement were made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The Sales Agents were entitled to aggregate compensation at a fixed commission rate of 2.5% of the gross sales price per share sold under the Sales Agreement. We also agreed to reimburse the Sales Agents for certain specified expenses, including the reasonable and documented fees and disbursements of its legal counsel in an amount of $75,000 in the aggregate in connection with the execution of the Sales Agreement.

During the three and six months ended June 30, 2024, the Company sold a total of zero and 37,907,219 shares of our Class A common stock under the Sales Agreement, at a weighted-average price of $3.62 per share and raised $137.3 million of gross proceeds, which resulted in complete utilization of the Sales Agreement as of March 31, 2024. After deducting approximately $3.4 million of commissions and offering costs incurred by the Company, the net proceeds from sales of Class A common stock was $133.8 million.

Equity Distribution Agreement

On April 9, 2024, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Citigroup Global Markets Inc., Barclays Capital Inc., Wedbush Securities Inc., Northland Securities, Inc. and Ladenburg Thalmann & Co. Inc. (the "Managers") with respect to an at-the-market equity program. Under this program, the Company was able to offer and sell up to $150.0 million of shares of its Class A Common Stock from time to time through the Managers. Sales of Class A Common Stock under the Equity Distribution Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The Managers were entitled to commission at a fixed rate of 2.5% of the gross sales price per share for their services in acting as agent in the sale of the Company's Class A Common Stock. As of December 31, 2024, the Company had no remaining capacity to sell the Company's Class A common stock under the Equity Distribution Agreement.

Execute Equity Distribution Agreement

On November 12, 2024, the Company entered into an Execute Equity Distribution Agreement (the "Execute Equity Distribution Agreement") with Barclays Capital Inc., Piper Sandler & Co., D.A. Davidson & Co., H.C. Wainwright & Co., LLC, and Joseph Gunnar & Co., LLC, (each, an "Agent," and, collectively, the "Agents") with respect to an at-the-market equity program. Under this program, the Company was able to offer and sell up to $120.0 million of shares of its Class A Common Stock from time to time through the Agents. Sales of Class A Common Stock under the Execute Equity Distribution Agreement were made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The Agents were entitled to commission at a fixed rate of 2.5% of the gross sales price per share for their services in acting as agent in the sale of the Company's Class A Common Stock. As of December 31, 2024, the Company had no remaining capacity to sell the Company's Class A common stock under the Execute Equity Distribution Agreement.

Second Equity Distribution Agreement

On January 24, 2025, the Company entered into an Equity Distribution Agreement (the "Second Equity Distribution Agreement") with Cantor Fitzgerald & Co., Guggenheim Securities, LLC, Oppenheimer & Co. Inc., Wedbush Securities Inc., Ladenburg Thalmann & Co. Inc. and Northland Securities, Inc. (each, an "Sales Manager," and, collectively, the "Sales Managers") with respect to an at-the-market equity program. Under this program, the Company may offer and sell up to $250.0 million of shares of its Class A Common Stock from time to time through the Sales Managers. Sales of our Class A Common Stock, if any, under the Second Equity Distribution Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The Sales Managers will be entitled to commission at a fixed rate of 2.0% of the gross sales price per share for their services in acting as agent in the sale of the Company's Class A Common Stock. During the three and six months ended June 30, 2025, the Company sold 646,000 shares and 4,894,900 shares, respectively, of its common stock under the Second Equity Distribution Agreement, at an average price of $12.16 and $15.44 per share, respectively, and raised $7.9 million and $75.6 million of gross proceeds, respectively. The commissions and offering costs borne by us were approximately $0.2 million and $1.5 million, respectively. As of June 30, 2025, the Company had a remaining capacity to sell up to an additional $174.4 million of its common stock under the Second Equity Distribution Agreement.

NOTE 12. STOCK INCENTIVE PLANS

2016 Equity Incentive Plan

In April 2016, we adopted the 2016 Equity Incentive Plan (the "2016 Plan") as a successor and continuation of the 2006 Plan. Under the 2016 Plan, the Company was permitted to grant awards of stock options and Restricted Stock Units

("RSUs"), as well as stock appreciation rights and other stock awards. The Company no longer has shares available for issuance under the 2016 Plan.

2022 Incentive Award Plan

The Company adopted the 2022 Incentive Award Plan (the "2022 Incentive Plan", collectively, with the 2006 Plan and the 2016 Plan, the "Plans") effective April 26, 2022. The Company reserved 19,650,371 shares of Class A Common Stock for the issuance of awards under the 2022 Incentive Plan ("the Initial Limit"). The Initial Limit represents 10% of the aggregate number of shares of the Company's common stock outstanding immediately after the Closing and is subject to increase each year over a ten-year period. As of June 30, 2025, the Company had 17,288,175 shares remaining for issuance under the 2022 Incentive Plan.

2022 Employee Stock Purchase Plan

The Company adopted the 2022 Employee Stock Purchase Plan (the "ESPP") effective April 26, 2022. An aggregate of 3,930,074 shares of the Company's Class A Common Stock has been reserved for issuance or transfer pursuant to rights granted under the ESPP ("Aggregate Number"). The Aggregate Number represents 2% of the aggregate number of shares of the Company's common stock outstanding immediately after the Closing and is subject to increase each year over a ten-year period. The ESPP provides eligible employees with an opportunity to purchase common stock from the Company at a discount through accumulated payroll deductions. The ESPP is being implemented through a series of offerings of purchase rights to eligible employees. Under the ESPP, the Company's Board of Directors may specify offerings but generally provides for a duration of 27 months. The purchase price will be specified pursuant to the offering, but cannot, under the terms of the ESPP, be less than 85% of the lower of the fair market value per share of the Company's common stock on either the offering date or on the purchase date. The ESPP also includes a six-month look-back provision for the purchase price if the stock price on the purchase date is less than the stock price on the offering date. The first offering period under the ESPP began on November 1, 2022. As of June 30, 2025, 1,074,224 shares of Class A Common Stock were issued under the ESPP.

2024 Employment Inducement Incentive Award Plan

The Company adopted 2024 Employment Inducement Incentive Award Plan (the "2024 Inducement Plan", collectively, with the 2016 Plan and the 2022 Incentive Plan, the "Plans") effective August 6, 2024. The Company reserved 6,000,000 shares of Class A Common Stock for the issuance of awards under the 2024 Inducement Plan. As of June 30, 2025, the Company had 2,493,542 shares remaining for issuance under the 2024 Inducement Plan.

Stock Options

Options granted generally have a maximum term of 10 years from grant date, are exercisable upon vesting unless otherwise designated for early exercise by the Board of Directors at the time of grant, and generally vest over a four-year period, with a 25% cliff vesting after one year and then ratably on a monthly basis for the remaining three years.

As of June 30, 2025, the total unrecognized stock-based compensation expense related to the unvested stock options was approximately $0.4 million, which we expect to recognize over a weighted-average period of 0.32 years. There were no options granted during the three and six months ended June 30, 2025.

Restricted Stock Units ("RSUs")

RSUs granted generally vest over a four-year period, with 25% cliff vesting after one year and then ratably on a monthly basis for the remaining three years. Besides RSUs with vesting condition tied to requisite service period, the Company also issues RSUs with vesting conditions tied to certain market conditions ("Market-Based RSUs") and RSUs with vesting conditions tied to certain performance criteria ("Performance-Based RSUs").

In connection with the SYNQ3 Acquisition, the Company granted 1,434,978 RSUs (the "Retention Pool"), 25% of which is subject to service conditions that vest at the end of each of the upcoming three fiscal years and 75% of which is subject to both service and performance-based vesting conditions at the end of each of the upcoming three fiscal years, respectively.

The performance level for each of the fiscal years 2024, 2025 and 2026 is based on tiered annual revenue targets, subject to a floor of $9.0 million, $21.0 million and $30.0 million, respectively, with vesting ranging from 50% to 100% of the RSUs granted depending on the level of achievement of the specified revenue target in each year.

The Company assesses the probability of vesting of the above performance-based awards from the Retention Pool every reporting period. As of June 30, 2025, performance level of 2024 revenue amount was not met. The Company assessed the performance level of 2025 was not probable of being met but the performance level of 2026 was probable of being met.

The Company also granted zero and 3,533,500 RSUs that vest over a four-year requisite service period to Amelia employees under 2024 Inducement Plan during the three and six months ended June 30, 2025, respectively. Additionally, the Company granted 587,697 and 1,967,609 RSUs to other employees of the Company during the three and six months ended June 30, 2025, respectively.

As of June 30, 2025, the total unrecognized stock-based compensation expense related to the unvested RSUs with service conditions was approximately $113.6 million.

As of June 30, 2025, there was no unrecognized stock-based compensation expense related to the unvested Market-Based RSUs. There were no Market-Based RSUs granted during the three and six months ended June 30, 2025.

As of June 30, 2025, the total unrecognized stock-based compensation expense related to the unvested Performance-based RSUs was approximately $6.0 million. There were zero and 50,000 Performance-Based RSUs granted under 2024 Inducement Plan during the three and six months ended June 30, 2025, respectively.

The total unrecognized stock-based compensation related to unvested RSUs is $119.6 million as of June 30, 2025 and this will vest over a weighted average period of 2.65 years.

Restricted Stock Awards

In connection with the SYNQ3 Acquisition, a total of 2,033,156 unvested restricted Class A Common Stock shares *("RSAs")* were issued, 25% of which are subject to service conditions that vest at the end of each of the upcoming three fiscal years in three tranches, and 75% of which is subject to both service and performance-based vesting conditions in three tranches.

The performance level for each of the fiscal years 2024, 2025 and 2026 is based on tiered annual revenue targets, subject to a floor of $9.0 million, $21.0 million and $30.0 million, respectively, with vesting ranging from 50% to 100% of the RSAs granted depending on the level of achievement of the specified revenue target in each year.

The Company assesses the probability of vesting of the above performance-based awards every reporting period. As of June 30, 2025, the performance level of the 2024 revenue amount was not met. The Company assessed the performance level of 2025 was not probable of being met but the performance level 2026 was probable of being met.

As of June 30, 2025, the total unrecognized stock-based compensation expense related to the unvested RSAs subject to service-based vesting condition and unvested RSAs subject to performance-based vesting condition was approximately $0.1 million and $0.7 million, respectively, over a weighted average period of 1.21 years. Refer to Note 3 for further information on the SYNQ3 Acquisition.

Stock-Based Compensation

Stock-based compensation is classified in the following expense accounts on the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2025, and 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Cost of revenues	$ 4,175	$ 107	$ 4,318	$ 259
Sales and marketing	4,267	1,209	7,176	2,184
Research and development	10,256	3,618	18,519	7,166
General and administrative	5,112	2,319	11,237	4,623
Total	$ 23,810	$ 7,253	$ 41,250	$ 14,232

NOTE 13. OTHER INCOME, NET

Other income, net on the condensed consolidated statements of operations is comprised of the following for the three and six months ended June 30, 2025 and 2024 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Other income, net				
Interest income	2,428	2,820	4,635	4,635
Change in fair value of derivative	890	—	2,179	—
Gain on bargain purchase	—	1,223	—	1,223
Other income (expense), net	1,434	931	827	595
Total other income, net	$ 4,752	$ 4,974	$ 7,641	$ 6,453

NOTE 14. NET INCOME (LOSS) PER SHARE

The following table presents the calculation of basic and diluted net income (loss) per share attributable to common stockholders for the three and six months ended June 30, 2025 and 2024:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator:				
Net income (loss)	$ (74,724)	$ (37,322)	$ 55,208	$ (70,331)
Earnings attributable to participating Class A Common Shares held in escrow in connection with Amelia acquisition	—	—	(297)	—
Cumulative dividends attributable to Series A Preferred Stock	—	(73)	—	(416)
Net income (loss) attributable to common shareholders - basic	$ (74,724)	$ (37,395)	$ 54,911	$ (70,747)
Net income (loss)	(74,724)	(37,322)	55,208	(70,331)
Change in fair value of dilutive instruments classified as derivatives	(602)	—	(1,503)	—
Cumulative dividends attributable to Series A Preferred Stock	$ —	$ (73)	$ —	$ (416)
Net income (loss) attributable to common shareholders - diluted	$ (75,326)	$ (37,395)	$ 53,705	$ (70,747)
Denominator:				
Weighted average shares outstanding – basic	400,124,499	331,830,608	397,026,119	309,213,583
Effect of potentially dilutive equivalent shares	1,918,969	0	17,119,758	0
Weighted average shares outstanding – diluted	402,043,468	331,830,608	414,145,877	309,213,583
Basic net income (loss) per share	$ (0.19)	$ (0.11)	$ 0.14	$ (0.23)
Diluted net income (loss) per share	$ (0.19)	$ (0.11)	$ 0.13	$ (0.23)

For the three months ended June 30, 2025 and three and six months ended June 30, 2024, the diluted net loss per share is equal to the basic net loss per share as the effect of potentially dilutive securities would have been antidilutive.

The following table summarizes the outstanding shares of potentially dilutive securities that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive The following table summarizes the outstanding shares of potentially dilutive securities that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive for the three months ended June 30, 2025 and three and six months ended June 30, 2024:

	As of June 30,	
	2025	2024
Stock-based awards	12,477,419	28,919,026
Series A Preferred Stock	—	—
Common stock warrants	—	3,665,996
Unvested restricted stock awards	280,953	2,033,156
Contingently issuable shares	10,385	1,906,746
Total	12,768,757	36,524,924

The table above does not include: (i) 1,871,293 and zero shares of unvested stock-based awards and restricted stock awards, respectively, and (ii) 17,992,461 and zero shares of contingently issuable earnout shares, respectively; outstanding as of June 30, 2025 and 2024, as these awards are subject to performance conditions that were not met as of those dates.

The shares issued and held in escrow for the Amelia Acquisition are participating securities that contractually entitle the holders of such shares to participate in the combined entity's earnings but do not contractually require the holders of such shares to participate in the combined entity's losses. The weighted average shares outstanding used to calculate basic and diluted net income per share attributable to common stockholders for the three and six months ended June 30, 2025 excludes the 2,149,530 shares and 230,561 shares, respectively, of the Company's Class A Common Stock held in escrow as they are considered contingently returnable shares until the indemnifications subject to escrow have been resolved.

NOTE 15. INCOME TAXES

The tax expense (benefit) and the effective tax rate were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Income (loss) before income taxes	(73,468)	(36,684)	57,283	(69,398)
Income tax (benefit) expense	1,256	638	2,075	933
Effective tax rate	(1.71)%	(1.74)%	3.62 %	(1.34)%

The Company's recorded effective tax rate differs from the U.S. statutory rate primarily due to an increase in the domestic valuation allowance caused by tax losses, foreign withholding taxes, and foreign tax rate differentials from the U.S. domestic statutory tax rate and tax benefit resulting from an acquisition in 2024.

NOTE 16. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Company's financial instruments that are measured or disclosed at fair value on a recurring basis (in thousands):

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	June 30, 2025		
	Level 1	Level 2	Level 3
Assets:			
Cash equivalents			
Treasury bills	$ 39,057	$ —	$ —
Money market funds	100,692	—	—
Other non-current assets			
Derivative	$ —	$ —	$ 2,289
Total assets	$ 139,749	$ —	$ 2,289
Liabilities:			
Contingent acquisition liabilities			
Contingent earnout consideration	—	—	142,113
Total liabilities	$ —	$ —	$ 142,113

	December 31, 2024		
	Level 1	Level 2	Level 3
Assets:			
Cash equivalents			
Treasury bills	$ 38,070	$ —	$ —
Money market funds	131,767	—	—
Other non-current assets			
Derivative	$ —	$ —	$ 110
Total assets	$ 169,837	$ —	$ 110
Liabilities:			
Other current liabilities			
Contingent holdback consideration	$ —	$ —	$ 4,076
Contingent acquisition liabilities			
Contingent earnout consideration	—	—	286,898
Total liabilities	$ —	$ —	$ 290,974

Escrow Consideration

Derivative

The reconciliation of the Company's derivative measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Balance as of December 31, 2024	$ 110
Change in the fair value of derivative	$ 1,289
Balance as of March 31, 2025	$ 1,399
Change in the fair value of derivative	$ 890
Balance as of June 30, 2025	$ 2,289

The Company accounted for the Escrow Consideration under Amelia acquisition as equity-classified shares issued as part of the consideration transferred. Upon the settlement of any valid indemnification claims against the selling shareholders, the escrow agent will return a number of shares to the Company equal to the dollar value of the indemnified loss divided by the reference price of $5.35 as stipulated in the purchase agreement. The Company concluded that this variability in settlement value is a derivative that is required to be remeasured to fair value due to changes in stock price. During the three and six months ended June 30, 2025, the Company recognized $0.9 million and $2.2 million gains, respectively, related to the change in fair value of derivative under other income in the condensed consolidated statement of operations and comprehensive income (loss).

Contingent Acquisition Liabilities

Contingent Holdback Consideration

The reconciliation of the Company's Contingent Holdback Consideration measured at fair value, including the effect of measurement period adjustments, on a recurring basis using unobservable inputs (Level 3) is as follows:

Balance as of December 31, 2024	$	4,076
Change in the fair value of liability		(2,349)
Balance as of March 31, 2025	$	1,727
Change in the fair value of liability		2,393
Settlement		(4,120)
Balance as of June 30, 2025	$	—

Balance as of December 31, 2023	$	—
Acquisition of SYNQ3		981
Change in the fair value of liability		1,570
Balance as of March 31, 2024	$	2,551
Measurement period adjustments		(554)
Change in the fair value of liability		(1,224)
Balance as of June 30, 2024	$	773

The fair value of the cash portion of the Contingent Holdback Consideration was estimated based upon the holdback period of 15 months, and discounted using the risk-free interest rate based on the U.S. Treasury zero-coupon yield curve on the valuation date for a maturity similar to the 15-month holdback period. The fair value of the equity portion of the Contingent Holdback Consideration was estimated based upon the value of the Company’s Class A Common Stock price. The fair value of the Contingent Holdback Consideration was initially measured on January 3, 2024, the date on which the Company completed the acquisition of SYNQ3. For the three and six months ended June 30, 2025, the Company recognized a loss of $2.4 million and a gain of less than $0.1 million, respectively, related to the Contingent Holdback Consideration. For the three and six months ended June 30, 2024, the Company recognized a gain of $1.2 million and a loss of $0.3 million, respectively, related to the Contingent Holdback Consideration.

The fair value of the Contingent Holdback Consideration has been estimated as of the Closing Date, June 30, 2024 and June 30, 2025, under the following assumptions:

	January 3, 2024	June 30, 2024
Risk-free interest rate	4.6 %	4.9 %
Holdback period	1.25 years	0.75 years

Contingent Earnout Consideration

The reconciliation of the Company's contingent earnout consideration measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Balance as of December 31, 2024	$	286,898
Change in the fair value of liability		(173,751)
Balance as of March 31, 2025	$	113,147
Change in the fair value of liability		28,966
Balance as of June 30, 2025	$	142,113

Balance as of December 31, 2023	$	—
Acquisition of SYNQ3		1,676
Change in the fair value of liability		2,592
Balance as of March 31, 2024	$	4,268
Change in the fair value of liability	$	142
Balance as of June 30, 2024	$	4,410

For the three and six months ended June 30, 2025, the Company recognized a loss of $29.0 million and a gain of $144.8 million, respectively, related to the Contingent Earnout Consideration. For the three and six months ended June 30, 2024, the Company recognized a loss of $0.1 million and $2.7 million, respectively, related to the Contingent Earnout Consideration. These gains and losses are reflected in the change in fair value of contingent acquisition liabilities in the condensed consolidated statement of operations and comprehensive income (loss).

The Company utilizes a Monte Carlo simulation to value the contingent earnout consideration. The Company selected this model as it believes it is reflective of all significant assumptions that market participants would likely consider in negotiating the transfer of the contingent earnout consideration. Such assumptions include, among other inputs, expected stock price volatility, risk-free rates, and change in control assumptions. The Company estimates the expected volatility of its common stock based on historical volatility of a peer group, considering the remaining term of the contingent earnout consideration. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the valuation date for a maturity similar to the expected remaining life of the contingent earnout consideration. The expected life of the contingent earnout consideration is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

The fair value of the Contingent SYNQ3 Earnout Consideration acquired from SYNQ3 Acquisition has been estimated as of the Closing Date, June 30, 2024 and June 30, 2025, with the following assumptions for the unobservable inputs:

	January 3, 2024	June 30, 2024	June 30, 2025
Discount rate	12.6 %	13.0 %	12.8 %
Expected stock price volatility	115.3 %	130.0 %	120.0 %
Risk-free interest rate	4.2 %	4.6 %	3.8 %
Expected dividend yield	0.0 %	0.0 %	0.0 %
Expected life	0.5 - 2.5 years	0.25 - 2 years	0.25 - 1 years

The fair value of the Contingent Amelia Earnout Consideration acquired from Amelia Acquisition has been estimated as of the Closing Date and June 30, 2025, with the following assumptions for the unobservable inputs:

	August 6, 2024	June 30, 2025
Metric specific discount rate	8.0 %	7.5 %
Earnout payment discount rate	3.8 %	3.7 %
Expected stock price volatility	73.0 %	123.0 %
Expected metric volatility	11.0 %	13.0 %
Risk-free interest rate for target revenue	4.0 %	3.9 %
Risk-free interest rate for stock price	3.8 %	3.8 %
Expected dividend yield	0.0 %	0.0 %
Expected life	1.4 - 2.4 years	0.5 - 1.5 years

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the three and six months ended June 30, 2025 and 2024.

NOTE 17. SEGMENT INFORMATION

The Company organized its operations into a single reportable segment, managed on a consolidated basis. The Company has determined that the Chief Executive Officer is its chief operating decision maker ("CODM"). The CODM assesses performance for the segment and decides how to allocate resources based on net loss that also is reported on the income statement as consolidated net loss. The CODM compares net loss from budget to actual result to assess segment performance and adjust resource allocations as necessary.

In accordance with the adoption of ASU 2023-07 in 2024, the Company determined to disclose personnel costs which requires retrospective application to all prior periods presented in the financial statements. The personnel-related costs are the significant segment expenses included in the net loss that are regularly provided to the CODM. Personnel-related costs were $52.8 million and $97.8 million, respectively, and represented 64.5% and 64.6%, respectively, of total operating expenses during the three and six months ended June 30, 2025. Personnel-related costs were $22.3 million and $44.9 million, respectively, and represented 62.7% and 63.8%, respectively, of total operating expenses during the three and six months ended June 30, 2024.

NOTE 18. RELATED PARTY TRANSACTIONS

On January 24, 2025, the Company entered into an Equity Distribution Agreement with Guggenheim Securities, LLC and other Sales Managers with respect to an at-the-market equity program. Under this program, the Company may offer and sell up to $250.0 million of shares of its Class A Common Stock from time to time through the Sales Managers. Refer to Note 11 to the unaudited condensed consolidated financial statements for more information.

The brother of one of our Board of Directors is a Senior Advisor to Guggenheim Securities, LLC and a member of the Guggenheim Securities investment banking team. Our board member did not participate in the Company's decision to engage Guggenheim Securities, LLC to sell the Company's Class A Common Stock under at-the-market equity program and disclosed the fact that his brother would be involved in the services to be provided by Guggenheim Securities, LLC to the Company in advance of the determination by the Company to engage Guggenheim Securities, LLC. During the three and six months ended June 30, 2025, the Company paid commissions of $35.4 thousand and $0.3 million, respectively, to Guggenheim Securities, LLC for the Class A Common Stock sold through it as a Sales Manager.

NOTE 19. SUBSEQUENT EVENTS

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. Included in this legislation are provisions that allow for the immediate expensing of domestic United States research and development expenses and acceleration of tax deductions for qualified capital expenditures acquired and placed into service after January 19, 2025, and other changes to the U.S. taxation of profits derived from foreign operations. The legislation has multiple effective dates, with certain provisions effective in 2025 and others implemented through 2027. We are currently evaluating the impact of the new legislation but do not anticipate a significant impact to our consolidated financial statements.

During July and August 2025, the Company sold 6,109,714 shares of our common stock under the Second Equity Distribution Agreement at an average price of $13.45 per share for $82.2 million of gross proceeds. The commissions and offering costs borne by the Company were approximately $1.6 million. Following this issuance, the Company has a remaining capacity to sell up to an additional $92.3 million of the Company's common stock under the Second Equity Distribution Agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of SoundHound should be read together with our unaudited interim condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operation as of and for the year ended December 31, 2024 included in our Annual Report on Form 10-K for 2024 filed with the SEC on March 11, 2025 ("Form 10-K" or the "Annual Report). Some of the information contained in this discussion and analysis or set forth elsewhere in this report and in our Form 10-K, including information with respect to SoundHound's plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" and "Cautionary Statement Regarding Forward Looking Statements" section of this report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Unless otherwise indicated or the context otherwise requires, references in this section to "SoundHound," "we," "us," "our" and other similar terms refer to SoundHound AI, Inc.

Company Overview

We are a global leader in conversational intelligence, offering independent Voice AI solutions that enable businesses to deliver high-quality 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.

We believe voice-enabled conversational user interface is a more natural interface for nearly all use cases, and product creators should have the ability to design, customize, differentiate, innovate and monetize the interface to their own product, as opposed to outsourcing it to a third-party assistant. For example, using SoundHound, businesses can voice-enable their products so consumers can say things like, "Turn off the air conditioning and lower the windows," while in their cars, "Find romantic comedies released in the last year," while streaming on their TV and even place food orders before arriving at a restaurant by talking to their cars, TVs or other IoT devices. Additionally, SoundHound's technology can address complex user queries such as, "Show me all restaurants within half a mile of the Space Needle that are open past 9pm on Wednesdays and have outdoor seating," and follow-on qualifications such as "Okay, don't show me anything with less than 3 stars or fast food."

The SoundHound developer platform, Houndify, is an open-access platform that allows developers to leverage SoundHound's Voice AI technology and a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more. SoundHound's Collective AI is an architecture for connecting domain knowledge that encourages collaboration and contribution among developers. The architecture is based on proprietary software engineering technology, CaiLAN (Conversational AI Language), and machine learning technology, CaiNET (Conversational AI Network) to ensure fast, accurate and appropriate responses.

Our market position is strengthened by the technical barriers to entry in the Voice AI space, which tend to discourage new market participants. Furthermore, our technology is backed by significant investments in intellectual property, with over 205 patents granted and over 112 patents pending, spanning multiple fields including speech recognition, natural language understanding, machine learning, monetization and more. We have achieved this critical momentum in part thanks to a long-tenured leadership team with deep expertise and proven ability to attract and retain talent. We believe that SoundHound has extensive technical expertise and a proven track record of innovation and value creation for us to continue to attract customers in the growing market for Voice AI transactions.

We believe that SoundHound is well-positioned to fill the growing void and demand for an independent Voice AI platform. The Voice AI offerings from big tech companies are primarily an extension of their more core services and offerings. Rather than strengthening a customer's product, it can take over the entire experience, thus disintermediating our brand, users and data. As a result, brands relying on big tech may lose their ability to innovate, differentiate and customize. In some cases, these providers even compete with the products they support, making them increasingly less attractive as a choice for a voice interface.

The alternative options are generally legacy vendors tending to use what we consider to be dated technologies at a high price. Furthermore, many of these technologies still require significant effort by the product creators to turn them into solutions that can compete with the quality of the big tech offering, which in many cases is not practical. Due to the high barrier to entry in Voice AI, there are not many independent players.

This creates a great opportunity for SoundHound: we believe that we provide disruptive technologies that are superior to the alternatives, with better terms, allowing customers to maintain their brand, control the user experience, get access to the data and define their own privacy policies, while being able to customize, differentiate, innovate and monetize.

When it comes to criteria for adoption, our goal is to win on every dimension. We believe to be the first two criteria customers typically consider are technology and brand control. We strive to provide our customers with the best technology, and we provide a white label solution giving our customers control of their brands. In some industries you may have to choose between technology and brand control. In our case, we offer our customers the best of both, enabling them to offer disruptive technologies to their users while maintaining control of their brand and user experience.

We also expect to provide an additional path to monetization for our customer base. By choosing our platform, product creators can generate additional revenue while making their product better by using Voice AI, providing further incentive to choose our platform.

We believe that we offer a superior ecosystem, benefiting from our Collective AI product architecture along with offering customers definable privacy controls, which are becoming increasingly important in the industry of Voice AI. Additionally, there is no conflict of interest between us and our partners and customers as we do not compete with them (as some other Voice AI vendors do). We also offer edge and hybrid solutions. This means our technology can optionally run without a cloud connection for increased flexibility and privacy. We aim to deliver the most advanced Voice AI in the world and thus allowing our partners to differentiate and innovate their overall experiences for their brands.

We strongly believe that product creators know their product and users best. The idea of a single third-party assistant taking over their product is not reflective of our anticipated future. We envision that every product will have its own identity, and will have Voice AI customized in different ways. Product creators can each tap into a single Collective AI to access the ever-growing set of domains, but the product creators can innovate on top of Collective AI and create value for the end users in their own way. This is the future that we are focusing on enabling.

When a product is voice enabled, we see three stages of integration and value propositions. The first stage is to enable the core use case of the product. For example, the product could be a TV, a coffee machine, a car, a wearable device, a robot, a smart speaker, or an appliance, and with your voice you can control the functionality of the device and the product. With a TV, you can ask it to change the channel, increase the volume, rewind by 30 seconds, search for movies and even add personalization by adding a TV show to your favorites. Note that this is different from adding a third-party voice assistant to the product. Our view is that every product needs to have an interface, and voice-AI is a natural and compelling interface that unlocks new use cases and potential. Consider just the simple example of rewinding or fast forwarding by a specific duration. That is a command that can be done with voice in only a few seconds, but it can take many steps to use alternative interfaces such as a remote control or a companion app.

Once the core features of a product are voice-enabled, it can be further enhanced in the second stage of integration: the addition of third-party content and domains. SoundHound has extensive partnerships with content providers and, through these partnerships, can fulfill many needs of our customers. For example, your TV, car or even a coffee machine can answer questions about weather, sports scores, stock prices or flight status, and even search for a local business. The addition of these public domains further enhances the value proposition of the product.

Finally, as the third step, you enter the world of monetization where you can add features that deliver value to the end user, and also generate revenues that we share with the product creators. To summarize with an example, imagine walking up to your coffee machine and asking for a triple shot extra hot latte. While you are waiting for your drink, you can ask for weather and sports scores, and if you desire, you can even order bagels from your favorite nearby bakery.

There are three pillars to our revenue model. The first pillar is Product Royalties, where we voice enable a product and the product creator pays us a royalty based on volume, usage or duration. SoundHound collects royalty revenue when our technology is placed in a car, smart speaker or an appliance, for example.

The second pillar is Service Subscription. This is when, for example, SoundHound enables customer service or food ordering for restaurants or content management, appointments and voice commerce. And, for that, we generate subscription revenue from the service providers. Pillars one and two can grow independently and they are proven, established business models.

The third pillar seeks to create a monetization ecosystem that brings the services from pillar two to the products in pillar one. When the users of a voice-enabled product in pillar one access the voice-enabled services of pillar two, these services generate new leads and transactions. SoundHound will generate monetization revenue from the services for generating these leads and transactions, and we will share the revenue with the product creators of pillar one.

For example, when the driver of a voice-enabled car places an order to a restaurant that is also voice enabled, we will have unlocked a seamless transaction. Accordingly, the restaurant will pay us for that order, and we will share that revenue with the product creator or the car manufacturer. In this example, each party receives value in the ecosystem. The restaurant is happy because they generated a new lead and booked a sale. The user is happy because they have received value through a natural ordering process, simply by speaking to their car. And the car manufacturer is happy because they delivered value to the end user and generated additional revenue from the usage of their product.

During the periods presented in the condensed consolidated financial statements, we have not generated revenue from leads and transactions on voice-enabled products from voice-enabled services other than from the SoundHound music identification app. Going forward, SoundHound expects monetization revenue to be generated through a combination of advertising revenue from the music identification app and, over time, from leads and transactions on voice-enabled products from voice-enabled services, which we expect will provide much more seamless opportunities for consumers to access goods and services that they covet as we further build out and scale the voice-enabled ecosystem.

We expect this disruptive, three-pillar business model will create a monetization flywheel; as more products integrate into our platform, more users will use it and more services will choose to integrate as well. This creates even more usage, and results in a flow of revenue share to product creators, which further encourages even greater adoption and integration with our platform and the cycle will perpetually continue and expand. This ecosystem increases adoption and increases our addressable market. While all three pillars contribute to our revenues today, the majority of the contribution is currently from our first and second pillar with only a small contribution from pillar three from our music identification app. Over time, we expect our revenues from the monetization pillar to increase meaningfully in the future.

Recent Developments

Amelia Acquisition

On August 6, 2024, we completed the acquisition of Amelia, a privately-held conversational AI software company involved in the development and delivery of AI and automation solutions and related services to improve customer experience and optimize business outcomes. We expect Amelia will bring together decades of experience in conversational AI, and highly complementary product portfolios, to offer best-in-class, scalable customer service support to a vast spectrum of businesses. These include some of the very largest multinational enterprise brands, top 15 global banks, and Fortune 500 organizations, with the combined company spanning nearly 200 marquee customers. We believe the acquisition of Amelia is expected to strengthen SoundHound's position in voice and conversational AI and allow us to enter new industries such as healthcare, insurance, financial services, energy and retail, expanding our market reach. Refer to the "Liquidity and Capital Resources" section for discussion on the purchase price and the Acquisition's impact on SoundHound's liquidity.

Known Trends, Demands, Commitments, Events or Uncertainties Impacting Our Business

We believe that our performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including the following:

- ***Investments in Technology.*** Our business model since inception has been to invest in our technology in the form of dedicated research and development. We will continue to invest in the development of our software platform to deliver consumers with continually improving value and delight. Our investments include continuous enhancements to our technology we've developed over the last two decades or acquired from acquisitions, investments in data to help refine and improve our underlying algorithms and other costs to attract and retain a world-class technical workforce.

- ***Revenue Growth.*** Our commercial success, including acceptance and use of our applications, will depend on a number of factors, some of which are beyond our control, such as size of the market opportunity, successful integration with original equipment manufacturers (“OEM”), competition and demand from the public and members of the conversational AI community. Our product offerings, including those offerings that we have acquired, have disruptive effects in the ways human interact with computers and we are developing new, innovative economic models and acquiring companies such as SYNQ3 and Amelia which have synergistic businesses to ours that we believe will enhance value to customers, partners and shareholders. For our revenue growth to continue, we will need to invest in sales and marketing to ensure our messaging, capabilities and offerings are well understood and valued by customers. With our primary focus on enterprise customers, we also need to align with enterprise sales cycles, which can be longer than consumer cycles. As we build new customer relationships, we continually focus on maintaining and growing our existing relationships through long-term partnerships through significant upfront investment in customer specific engineering projects. Additionally, in addition to our acquisitions of SYNQ3 and Amelia, we may look to acquire other companies in the industry to develop synergies with our existing business.

- ***Cost of Revenues.*** The results of our business will depend in part on our ability to establish and increase our gross margins by scaling our business model and effectively managing our costs to produce our applications. Our revenue will be directly supported by data center investments in technology, both on premise and in the cloud. The associated workloads, along with supporting labor costs, will need to be managed effectively as we scale to improve our margins over time. Our Houndify platform is also powered by a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more.

- ***Seasonality.*** Our ability to accurately forecast demand for our technology could be negatively affected by many factors, including seasonal demand. We anticipate that we will experience fluctuations in customer and user demand based on seasonality. For example, in the past, we have seen approximately one third of our revenue in the first half of the year with the remaining two thirds in the second half. Additionally, given that we address markets across several different industry verticals, the associated overall seasonality impact to us may not be consistent year-to-year.

- ***Development of International Markets.*** We have rapidly expanded our capabilities and global reach. For example, we have globalized our solution to include 25 languages. We view opportunities for conversational Voice AI to be global in reach, and we expect our growth to be fueled across multiple geographies.

Components of Our Results of Operations

Revenues

SoundHound generates revenues through: (1) “Product Royalties,” meaning royalties from voice-enabled products which are driven by volume, usage or life of applicable products and are affected by number of devices, users and units of usage, (2) “Service Subscriptions,” meaning subscription revenues, derived from fixed monthly fees or fees based on usage-based revenue, revenue per query or revenue per user, and (3) “Monetization,” meaning revenues generated from focused ad targeting to users of products and services that employ our technologies. Currently, our monetization revenue is derived only from our music identification application primarily in the form of ad impression revenue — revenue generated when an ad is shown in our music identification app — and, to a lesser extent, affiliate revenue for referrals to music stores for content sales and downloads of our premium music application.

“Houndified Products,” meaning products of our customers that employ SoundHound technology, and “Houndified Services,” meaning services provided to customers related to SoundHound technology, provide our customers with access to our Houndify platform over a contractual period without taking possession of the software. This generally includes revenues derived from up-front services (“professional services”) that develop and customize the Houndify platform to fit customers’ specific needs. These professional services are included in both our Product Royalties and Service Subscriptions revenues. Non-distinct professional services are recognized over the contractual life of the contract, whereas revenues from distinct professional services are recognized as the services are performed or when the services are complete depending on the arrangement.

“Amelia Software Platform” meaning our AI-based digital resource solution that enables AI in our customers’ services, ranging across multiple industries. This generally includes revenue from hosted services if the customer elects our SaaS offering, or from licensing revenue if the customer requires an on-premise solution. Professional services are also offered and included within professional services revenue. The revenues from Amelia Software Platform are included within Service Subscriptions, and are recognized point in time or over time depending on the arrangement.

We have and may continue to experience volatility for our remaining performance obligations and deferred revenue as a result of the timing for completing our performance obligations. We had remaining performance obligations in the amount of $69.2 million as of June 30, 2025. Given the applicable contract terms, $40.8 million is expected to be recognized as revenue within one year, $26.5 million is expected to be recognized between 2 to 5 years and the remainder of $1.9 million is expected to be recognized after 5 years. Deferred revenue consists of billings or payments received in advance of revenue being recognized and can fluctuate with changes in billing frequency and other factors. As a result of these factors, as well as our mix of revenue streams and billing frequencies, we do not believe that changes in our remaining performance obligations and deferred revenue in a given period are directly correlated with our revenue growth in that period.

We anticipate that we will experience fluctuations in our revenues from quarter-to-quarter due to a variety of factors, including the supply and demand of end user products such as automobiles, the size and success of our sales force and the number of users who are aware of and use our applications. See Note 4 to our unaudited condensed consolidated financial statements included within this report for more information.

Operating Expenses

We classify our operating expenses into the following seven categories, which are cost of revenues, sales and marketing, research and development, general and administrative, change in fair value of contingent acquisition liabilities, amortization of intangible assets and restructuring. With respect to sales and marketing, research and development, and general and administrative, each expense category includes overhead, including rent and related occupancy costs, which is allocated based on headcount. We plan to continue investing to support our go-to-market strategies and customer engagement, develop our current and future applications and support our operations as a public company. While our gross margin may continue to fluctuate in the near-term due to revenue contributions from varying product mixes, as well as acquisitions, we expect it will stabilize as we continue to scale our business.

Cost of Revenues

SoundHound's cost of revenues are comprised of direct costs associated directly with SoundHound's revenue streams as described above. This primarily includes costs and depreciation related to hosting for cloud-based services, such as data centers, electricity charges, content fees and certain personnel-related expenses including personnel costs under call centers that are directly related to these revenue streams. Additionally, our cost of revenues also includes the amortization of developed technology acquired from SYNQ3, Amelia and other acquisition as intangible assets.

Sales and Marketing

Sales and marketing expenses consist of personnel-related costs of the sales and marketing team, promotional campaigns, advertising fees and other marketing related costs. Advertising costs are expensed to sales and marketing when incurred.

Research and Development

Our research and development expenses are our largest operating expense as we continue to develop our software platforms and produce new technological capabilities.

The costs of these activities consist primarily of personnel-related expenses, third-party consultants and costs associated with technological supplies and materials, along with other direct and allocated expenses such as facility costs, depreciation and other shared expenses. We expense research and development costs associated with the design and development of new products in the periods in which they are incurred.

General and Administrative

General and administrative expenses consist of personnel-related costs, accounting and legal expenses, third-party consulting costs, insurance and allocated overhead including rent, depreciation and utilities.

Change in Fair Value of Contingent Acquisition Liabilities

The change in fair value of contingent acquisition liabilities is related to contingent consideration from the SYNQ3 and Amelia acquisitions. The contingent consideration was determined to be liability classified and is remeasured as of each reporting period with a corresponding change in fair value recorded.

Amortization of Intangible Assets

Amortization of acquired customer relationships, tradename and conversation data is included within operating expenses and arises from the amortization of assets acquired through the acquisitions. We review intangible assets for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation of recoverability is required, the estimated undiscounted future cash flows directly associated with the asset are compared with the asset's carrying amount. If the estimated future cash flows from the use of the asset are less than the carrying value, an impairment charge would be recorded to write down the asset to its estimated fair value.

Interest Expense

Interest expense consists of stated interest incurred on our formerly outstanding convertible notes and term debt during the relevant periods, as well as the amortization of debt discounts and issuance costs over the life of the instruments or a shorter period if a lender can demand payment in the event certain events occur that are outside of our control.

The issuance of debt instruments with direct transaction costs, embedded derivatives and warrant instruments has resulted in debt discounts. Direct transaction costs consist of various transaction fees and third-party costs, such as bank and legal fees, that are incurred upon issuance. No interest expense was incurred during the three and six months ended June 30, 2025 due to the repayment of Amelia Debt in December 2024 and the repayment of Term Loan in June 2024.

Other Income, Net

Other income, net consists of the change in fair value related to our derivative liability, interest income and other income (expense).

Provision for Income Taxes

Income tax expense includes federal, state and foreign taxes and is based on reported income before income taxes. We are in a cumulative loss position for tax purposes based on historical earnings. As of December 31, 2024, we had $548.4 million of U.S. federal and $208.1 million of state net operating loss carryforwards available to reduce future taxable income. The federal and state net operating loss carryforwards will start to expire in 2025 and 2028, respectively, with the exception of $403.3 million federal net operating loss carryforwards and $11.0 million state net operating loss carryforwards, which can be carried forward indefinitely.

We had federal and state research and development credit carryforwards of $21.4 million and $13.3 million, respectively, as of December 31, 2024. The federal credits will expire starting in 2029 if not utilized. The state credits can be carried forward indefinitely. We also had Canadian SR&ED tax credits of $1.6 million, which expire starting in 2038 if not utilized.

Under Sections 382 and 383 of the Internal Revenue Code of 1986 and similar state tax laws, utilization of net operating loss carryforwards and tax credits may be subject to annual limitations due to certain ownership changes. Our net operating loss carryforwards and tax credits could expire before utilization if subject to annual limitations.

Results of Operations

The following tables set forth the significant components of our results of operations for the three and six months ended June 30, 2025 and 2024 ($ in thousands):

	Three Months Ended June 30,		Change	
	2025	2024	$	%
Revenues	$ 42,683	$ 13,462	$ 29,221	217 %
Operating expenses:				
Cost of revenues	26,021	4,980	21,041	423 %
Sales and marketing	15,837	5,655	10,182	180 %
Research and development	25,805	15,738	10,067	64 %
General and administrative	18,230	9,535	8,695	91 %
Change in fair value of contingent acquisition liabilities	31,359	(1,082)	32,441	(2998)%
Amortization of intangible assets	3,482	621	2,861	461 %
Total operating expenses	120,734	35,447	85,287	241 %
Income (loss) from operations	(78,051)	(21,985)	(56,066)	255 %
Other expense, net:				
Loss on early extinguishment of debt	—	(15,587)	15,587	(100)%
Interest expense	(169)	(4,086)	3,917	(96)%
Other income, net	4,752	4,974	(222)	(4)%
Total other income (expense), net	4,583	(14,699)	19,282	(131)%
Income (loss) before provision for income taxes	(73,468)	(36,684)	(36,784)	100 %
Provision for income taxes	1,256	638	618	97 %
Net income (loss)	$ (74,724)	$ (37,322)	$ (37,402)	100 %

	Six Months Ended June 30,		Change	
	2025	2024	$	%
Revenues	$ 71,812	$ 25,056	$ 46,756	187 %
Operating expenses:				
Cost of revenues	44,532	9,649	34,883	362 %
Sales and marketing	27,844	11,197	16,647	149 %
Research and development	50,561	30,616	19,945	65 %
General and administrative	36,637	19,802	16,835	85 %
Change in fair value of contingent acquisition liabilities	(144,741)	3,080	(147,821)	(4799)%
Amortization of intangible assets	6,933	1,226	5,707	465 %
Total operating expenses	21,766	75,570	(53,804)	(71)%
Income (loss) from operations	50,046	(50,514)	100,560	(199)%
Other expense, net:				
Loss on early extinguishment of debt	—	(15,587)	15,587	(100)%
Interest expense	(404)	(9,750)	9,346	(96)%
Other income, net	7,641	6,453	1,188	18 %
Total other income (expense), net	7,237	(18,884)	26,121	(138)%
Income (loss) before provision for income taxes	57,283	(69,398)	126,681	(183)%
Provision for income taxes	2,075	933	1,142	122 %
Net income (loss)	$ 55,208	$ (70,331)	$ 125,539	(178)%

*The change in fair value of acquisition related liabilities is mainly driven by the movements in our stock price during the reporting period and changes in the assessed probability of achieving certain future revenue targets defined as part of the acquisition agreements. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information.

The following table summarizes our gross profit and gross margin ($ in thousands):

	Three Months Ended June 30,		Change
	2025	2024	%
Revenues	$ 42,683	$ 13,462	217 %
Cost of revenues	26,021	4,980	423 %
Gross profit	$ 16,662	$ 8,482	96 %
Gross margin	39 %	63 %	(24)%

	Six Months Ended June 30,		Change
	2025	2024	%
Revenues	$ 71,812	$ 25,056	187 %
Cost of revenues	44,532	9,649	362 %
Gross profit	$ 27,280	$ 15,407	77 %
Gross margin	38 %	61 %	(24)%

Revenues

The following tables summarize our revenues by type and geographic regions for the three and six months ended June 30, 2025 and 2024 ($ in thousands):

	Three Months Ended June 30,		Change	
	2025	2024	$	%
Service subscriptions	$ 32,057	$ 3,638	$ 28,419	781 %
Product royalties	10,508	9,723	785	8 %
Monetization	118	101	17	17 %
Total	$ 42,683	$ 13,462	$ 29,221	217 %

	Six Months Ended June 30,		Change	
	2025	2024	$	%
Service subscriptions	$ 56,630	$ 7,221	$ 49,409	684 %
Product royalties	14,955	17,612	(2,657)	(15)%
Monetization	227	223	4	2 %
Total	$ 71,812	$ 25,056	$ 46,756	187 %

	Three Months Ended June 30,		Change	
	2025	2024	$	%
Americas	$ 24,319	$ 3,844	$ 20,475	533 %
Asia	9,839	4,726	5,113	108 %
EMEA	8,525	4,892	3,633	74 %
Total	$ 42,683	$ 13,462	$ 29,221	217 %

	Six Months Ended June 30,		Change	
	2025	2024	$	%
Americas	$ 46,025	$ 7,578	$ 38,447	507 %
Asia	13,673	9,181	4,492	49 %
EMEA	12,114	8,297	3,817	46 %
Total	$ 71,812	$ 25,056	$ 46,756	187 %

Total revenues increased by $29.2 million, or 217%, in the three months ended June 30, 2025 compared to the same period in 2024. Service subscription increased by $28.4 million, with all regions contributing, and was driven by the contribution of revenue from acquisitions. Product royalties increased by $0.8 million, primarily due to the increase of revenue in Asia.

Total revenues increased by $46.8 million, or 187%, in the six months ended June 30, 2025 compared to the same period in 2024. Service subscription increased by $49.4 million, primarily from the Americas region, and was driven by the contribution of revenue from acquisitions. This was offset by a decrease in product royalty licensing revenue in the EMEA region.

Cost of Revenues

Cost of revenues increased by $21.0 million and $34.9 million, or 423% and 362% in the three and six months ended June 30, 2025, respectively, compared to the same period in 2024. Gross margin decreased to 39% and 38% during the three and six months ended June 30, 2025, respectively, compared to 63% and 61%, respectively, during the same period in 2024 primarily due to the acquisition of Amelia in 2024, which included a amortization of acquired intangible assets in the amount of $3.5 million and $7.0 million for the three and six months ended June 30, 2025, respectively. In the past, our gross margin has fluctuated and may continue to fluctuate from quarter to quarter due to revenue contributions from varying product mixes. However, we expect to gradually improve gross margins in the mid-term, especially as it relates the integration of Amelia and SYNQ3.

Sales and Marketing

Sales and marketing expenses increased by $10.2 million, or 180%, in the three months ended June 30, 2025 compared to the same period in 2024, primarily due to increases in 2025 of $8.4 million in personnel-related costs caused by Amelia acquisition, $0.8 million in office expense, $0.4 million in advertising expenses, $0.3 million in consulting fees, $0.3 million in travel expenses, $0.2 million in legal and professional fees, and $0.1 million in meals and entertainment, which were partially offset by a decrease of $0.4 million incurred for information technology and facility allocations.

Sales and marketing expenses increased by $16.6 million, or 149%, in the six months ended June 30, 2025 compared to the same period in 2024, primarily due to increases in 2025 of $14.0 million in personnel-related costs caused by Amelia acquisition, $1.3 million in office expense, $0.7 million in advertising expenses, $0.6 million in consulting fees, $0.4 million in travel expenses and $0.3 million in legal and professional fees, which were partially offset by a decrease of $0.8 million incurred for information technology and facility allocations.

We expect our sales and marketing expenses to remain stable in the short term. However, in the long term, we expect sales and marketing expenses to grow at a rate below that of our revenue, aligning with our strategic emphasis on cost effectiveness and sustainable financial performance.

Research and Development

Research and development expenses increased by $10.1 million, or 64%, in the three months ended June 30, 2025 compared to the same period in 2024. The increase in research and development expenses was primarily due to increases in 2025 of $10.1 million in personnel-related costs caused by Amelia acquisition, $0.4 million in legal and professional fees, $0.3 million in consulting fees, $0.2 million in cloud computing services, and $0.1 million in office expense, which were partially offset by a decrease of $1.1 million incurred for information technology and facility allocations.

Research and development expenses increased by $19.9 million, or 65%, in the six months ended June 30, 2025 compared to the same period in 2024. The increase in research and development expenses was primarily due to increases in 2025 of $19.1 million in personnel-related costs caused by Amelia acquisition, $1.8 million in cloud computing services, $0.7 million in consulting fees, $0.5 million in legal and professional fees, $0.3 million in office expense, and $0.1 million in travel expense, which were partially offset by a decrease of $2.4 million incurred for information technology and facility allocations and $0.2 million in rent expense.

We expect our research and development expenses to remain stable in the short term. However, in the long term, we expect research and development expenses to grow at a rate below that of our revenue, aligning with our strategic emphasis on cost effectiveness and sustainable financial performance.

General and Administrative

General and administrative expenses increased by $8.7 million, or 91%, in the three months ended June 30, 2025 compared to the same period in 2024. The increase in general and administrative expenses was primarily due to increases in 2025 of $4.5 million in personnel-related costs caused by Amelia acquisition, $1.5 million in information technology and facility allocations, $1.0 million in legal and professional fees, $0.7 million in bad debt expense, $0.6 million in office expense, $0.2 million in insurance expense and $0.1 million in utilities.

General and administrative expenses increased by $16.8 million, or 85%, in the six months ended June 30, 2025 compared to the same period in 2024. The increase in general and administrative expenses was primarily due to increases in 2025 of $9.1 million in personnel-related costs caused by Amelia acquisition, $3.2 million in information technology and facility allocations, $1.5 million in bad debt expense, $1.2 million in office expense, $1.2 million in legal and professional fees, $0.3 million in insurance expense, $0.3 million in cloud computing services, $0.2 million in consulting fees, $0.1 million in taxes and licenses, $0.1 million in tax filing fees, $0.1 million in utilities, and $0.1 million in hardware cost, which were partially offset by a decrease of $0.5 million in rent expense.

We expect our general and administrative expenses to increase in the short term as we invest in our control environment. However, in the long term, we expect general and administrative expenses to grow at a rate below that of our revenue, aligning with our strategic emphasis on cost effectiveness and sustainable financial performance.

Change in Fair Value of Contingent Acquisition Liabilities

The change in fair value of acquisition related liabilities, which is marked-to-market based on the movements in our stock price and changes in the assessed probability of achieving certain future revenue targets, was a loss of $31.4 million and a gain of $144.7 million for the three and six months ended June 30, 2025. The increase of the Company's stock price as of June 30, 2025 compared to the stock price as of March 31, 2025, which was partially offset by the decreased probability of achieving the 2025 revenue target under the Contingent SYNQ3 Earnout Consideration, resulted in an increase in its fair value of contingent acquisition liabilities during the three months ended June 30, 2025. The fluctuation is non-operating and non-cash in nature. We will continue to review our estimates on the quarterly basis over the remaining earnout period until 2026. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information.

Amortization of Intangibles

Amortization of acquired developed technology is included within cost of revenues, while the amortization of other intangible assets, including acquired customer relationships, tradename and conversation data, are included within operating expenses. All intangible assets are amortized on a straight-line basis over their estimated useful lives.

The following table summarizes the amortization of intangible assets by operating expense category ($ in thousands):

	Three Months Ended June 30,		Change	
	2025	**2024**	**$**	**%**
Cost of revenues	$ 4,084	$ 361	$ 3,723	1031 %
Operating expenses	3,482	621	2,861	461 %
Total amortization	$ 7,566	$ 982	$ 6,584	670 %

	Six Months Ended June 30,		Change	
	2025	**2024**	**$**	**%**
Cost of revenues	$ 8,130	$ 882	$ 7,248	822 %
Operating expenses	6,933	1,226	5,707	465 %
Total amortization	$ 15,063	$ 2,108	$ 12,955	615 %

Amortization of intangibles increased by $6.6 million and $13.0 million, or 670% and 615% in the three and six months ended June 30, 2025 compared to the same period in 2024. The increase in amortization of intangibles was primarily attributable to the Amelia Acquisition that was closed during the third quarter of 2024.

Interest Expense

Interest expense decreased by $3.9 million and $9.3 million, or 96% and 96% in the three and six months ended June 30, 2025 compared to the same period in 2024. The decrease in interest expense was primarily attributable to the early repayment of Term Loan in June, 2024, resulting in the decrease in interest expense.

Other Income, Net

The following tables summarize our other income, net, by type ($ in thousands):

	Three Months Ended June 30,		Change	
	2025	**2024**	**$**	**%**
Interest income	$ 2,428	$ 2,820	$ (392)	(14)%
Change in fair value of derivative	890	—	890	100 %
Gain on bargain purchase	—	1,223	(1,223)	100 %
Other income (expense), net	1,434	931	503	54 %
Other income, net	$ 4,752	$ 4,974	$ (222)	(4)%

	Six Months Ended June 30,		Change	
	2025	2024	$	%
Interest income	$ 4,635	$ 4,635	$ —	— %
Change in fair value of derivative	2,179	—	2,179	100 %
Gain on bargain purchase	—	1,223	(1,223)	100 %
Other income (expense), net	827	595	232	39 %
Other income, net	$ 7,641	$ 6,453	$ 1,188	18 %

Interest Income

Interest income decreased by $0.4 million or 14% and remained consistent in the three and six months ended June 30, 2025, respectively, compared to the same period in 2024. The decrease was primarily attributable to interest earned on greater money market and treasury bond balances during the three months ended June 30, 2024, as we engaged in significant transactions that increased our liquidity. Refer to "Liquidity and Capital Resources" for a discussion of the changes in our business that led to an increase in cash for the period ended June 30, 2025.

Loss on Extinguishment of Debt

The loss on extinguishment of debt of $15.6 million recorded in the three and six months ended 2024 was attributable to a loss on repayment of Term Loan in June 2024. See Note 9 to our unaudited condensed consolidated financial statements included within this report for more information.

Gain on Bargain Purchase

The gain on bargain purchase of $1.2 million was recorded within other income (expense), net in the condensed consolidated statements of operations and comprehensive loss in the three and six months ended June 30, 2024 as a result of a favorable fair value of identifiable net assets acquired from an immaterial acquisition at the date of acquisition as compared with the purchase price. See Note 3 to our unaudited condensed consolidated financial statements included within this report for more information.

Change in fair value of derivative

Change in fair value of derivative increased by $0.9 million and $2.2 million, or 100% in the three and six months ended June 30, 2025 compared to the same period in 2024. The increase was primarily attributable to the remeasurement gain from the change in fair value of a derivative assumed from Amelia acquisition. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information.

Provision for Income Taxes

The following table summarizes the provision for income taxes ($ in thousands):

	Three Months Ended June 30,		Change	
	2025	2024	$	%
Provision for income taxes	$ 1,256	$ 638	$ 618	97 %

	Six Months Ended June 30,		Change	
	2025	2024	$	%
Provision for income taxes	$ 2,075	$ 933	$ 1,142	122 %

Provision for income taxes increased by $0.6 million and $1.1 million, or 97% and 122% in the three and six months ended June 30, 2025, respectively, compared to the same period in 2024. This increase was primarily attributable to increased withholding tax from foreign customers, increased foreign taxes and decreased tax benefit from acquisitions.

Liquidity and Capital Resources

Total unrestricted cash and cash equivalents on hand as of June 30, 2025 was $230.3 million. Although we have incurred recurring losses each year since our inception, we expect we will be able to fund our operations for at least the next twelve months. We believe we will meet longer-term expected future cash requirements and obligations through a combination of cash flows from operating activities and, available cash balances and expected cash proceeds from the on-going at-the-market equity program. Our condensed consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Sources of Cash and Material Cash Requirements

Our principal sources of liquidity are our cash and cash equivalents, which are sourced primarily from the sale of marketable securities. The primary uses of cash include the funding of operating expenses. There were no material changes to our material cash requirements as disclosed in our audited consolidated financial statements for the fiscal year ended December 31, 2024 in our Form 10-K.

Second Equity Distribution Agreement

On January 24, 2025, we entered into an Equity Distribution Agreement (the "Second Equity Distribution Agreement") with Cantor Fitzgerald & Co., Guggenheim Securities, LLC, Oppenheimer & Co. Inc., Wedbush Securities Inc., Ladenburg Thalmann & Co. Inc. and Northland Securities, Inc. with respect to an at-the-market equity program. Under this program, we may offer and sell up to $250.0 million of shares of its Class A Common Stock from time to time through the sales managers. Sales of our Class A Common Stock, if any, under the Second Equity Distribution Agreement will be made at market prices by any method that is deemed to be an “at the market offering” as defined in Rule 415 under the Securities Act. The sales managers will be entitled to commission at a fixed rate of 2.0% of the gross sales price per share for their services in acting as agent in the sale of our Class A Common Stock. During the three and six months ended June 30, 2025, we sold 646,000 shares and 4,894,900 shares, respectively, of our common stock under the Second Equity Distribution Agreement, at an average price of $12.16 and $15.44 per share, respectively, and raised $7.9 million and $75.6 million of gross proceeds, respectively. The commissions and offering costs borne by us were approximately $0.2 million and $1.5 million, respectively. As of June 30, 2025, the Company had a remaining capacity to sell up to an additional $174.4 million of our common stock under the Second Equity Distribution Agreement.

During July and August 2025, we sold 6,109,714 shares of our common stock under the Second Equity Distribution Agreement at an average price of $13.45 per share for $82.2 million of gross proceeds. The commissions and offering costs borne by the Company were approximately $1.6 million. Following this issuance, the Company has a remaining capacity to sell up to an additional $92.3 million of the Company's common stock under the Second Equity Distribution Agreement.

SYNQ3 Acquisition

On January 3, 2024 (the "SYNQ3 Acquisition Date"), we acquired all of the issued and outstanding equity of SYNQ3, a leading provider of voice AI and other technology solutions to the restaurant industry, for total purchase consideration of $15.8 million (the “SYNQ3 Acquisition”).

The total purchase consideration includes $3.9 million in cash paid and 5,755,910 in shares of our Class A Common Stock issued as of the SYNQ3 Acquisition Date. We also withheld purchase consideration of $0.5 million in cash and 1,179,514 shares of our Class A Common Stock, subject to customary net working capital adjustments, to partially secure the indemnification obligations of SYNQ3's former stockholders under the merger agreement and agreed to pay up to $0.8 million in cash and 1,434,936 in shares of our Class A Common Stock to certain former stockholders of SYNQ3 based upon the achievement of specified future milestones. On the SYNQ3 Acquisition Date, we also issued 2,033,156 restricted shares of our Class A Common Stock subject to time and performance-based vesting conditions. The fair value of the purchase consideration was $15.8 million.

We incurred $2.2 million in acquisition related expenses, of which $44.3 thousand and $0.1 million were incurred during the three and six months ended June 30, 2025, respectively. We incurred $0.5 million and $0.8 million acquisition related expenses during the three and six months ended June 30, 2024, respectively. These acquisition related expenses were recorded as general and administration expenses in our condensed consolidated statements of operations and comprehensive income (loss).

Holdback

The $0.5 million in cash and 1,179,514 shares of our Class A Common Stock were withheld for a period of 15 months (the “Holdback Amount”). We determined that there are two components to the Holdback Amount related to deferred consideration and contingent consideration, each comprised of cash and shares.

The deferred cash holdback consideration of $0.1 million and the deferred share holdback consideration of 361,145 shares of our Class A Common Stock (collectively, the “Deferred Consideration”) were not recognized as of the SYNQ3 Acquisition Date as such amounts were offset by the indemnification obligations of SYNQ3's former stockholders.

The contingent cash and share holdback consideration to be issued is variable (“Contingent Holdback Consideration”). Final amounts to be issued will be reduced based upon future actions and settlements with third parties to resolve assumed contingent sales tax liabilities and certain other assumed contingent liabilities of SYNQ3 in connection with the SYNQ3 Acquisition. We accounted for the Contingent Holdback Consideration as a liability on the condensed consolidated balance sheet. As of the SYNQ3 Acquisition Date, the Contingent Holdback Consideration was estimated to be $0.6 million in aggregate and to be settled in $0.1 million cash and the remainder in shares of our Class A Common Stock. During the year ended December 31, 2024, we issued 38,277 shares of our Class A Common Stock and paid an immaterial amount in cash from the Contingent Holdback Consideration to SYNQ3's former stockholders as a result of the net working capital adjustments settled during the year. The Contingent Holdback Consideration will be subsequently remeasured at each reporting date with changes in fair value recognized as a component of operating expense on our condensed consolidated statement of operations and comprehensive income (loss).

In April 2025, the Contingent Holdback Consideration was settled by issuing 472,501 shares of the Company’s Class A Common Stock and paying $0.2 million in cash. After the holdback settlement, any remaining indemnifications by the sellers to cover unsettled claims was offset against the Contingent SYNQ3 Earnout Consideration to the extent of its fair value as of June 30, 2025. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of Contingent Holdback Consideration.

Contingent SYNQ3 Earnout Consideration

We also agreed to pay in aggregate up to $0.8 million in cash and 1,434,936 in shares of Class A Common Stock, to certain stockholders of SYNQ3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026 (the “Contingent SYNQ3 Earnout Consideration”). We accounted for the Contingent SYNQ3 Earnout Consideration as a liability within contingent acquisition liabilities on our condensed consolidated balance sheets and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in our condensed consolidated statement of operations and comprehensive income (loss). As of the SYNQ3 Acquisition Date, the Contingent SYNQ3 Earnout Consideration was estimated to be $1.7 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of our Class A Common Stock. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of Contingent SYNQ3 Earnout Consideration. As of June 30, 2025, the 2024 revenue target was not met. The Company assessed the 2025 revenue target was not probable of being met but the 2026 revenue target was probable of being met. No earnout consideration was issued as of June 30, 2025.

Restricted stock awards

The 2,033,156 restricted shares of our Class A Common Stock issued at the SYNQ3 Acquisition Date to certain continuing employees of SYNQ3 subject to time and performance-based vesting conditions was determined to be a separate transaction from the SYNQ3 Acquisition and therefore is excluded from purchase consideration.

Restricted stock units

As a condition of the SYNQ3 Acquisition, we additionally granted certain employees awards with future vesting conditions. As a result, we determined that these awards should be accounted for separately from the SYNQ3 Acquisition and therefore are excluded from purchase consideration.

The purchase price allocation has been finalized as of December 31, 2024.

Amelia Acquisition

On August 6, 2024 (the “Amelia Acquisition Date”), we completed the acquisition of Amelia Holdings, Inc. (the “Amelia Acquisition”), a privately-held conversational AI software company involved in the development and delivery of AI and automation solutions and related services to improve customer experience and optimize business outcomes.

On the Amelia Acquisition Date, we issued a total of 3,809,520 shares of the SoundHound Class A common stock to the sellers. Pursuant to the terms of the purchase agreement, we also issued and deposited 2,149,530 shares of the SoundHound Class A common stock into an escrow account in order to partially secure the indemnification obligations of the selling shareholders under the purchase agreement. We also paid $8.4 million of cash for seller transaction expenses in connection with the closing of the Amelia Acquisition. We agreed to issue up to 16,822,429 shares to the selling shareholders based on achievement of certain revenue targets in fiscal years 2025 and 2026. The fair value of the preliminary purchase consideration was $98.6 million.

In connection with the Amelia Acquisition, we assumed the amended senior secured term loan facility from Amelia in an aggregate principal amount of $121.5 million (“Amelia Debt”). On December 3, 2024, we entered into a letter agreement (the “Amelia Debt Payoff Letter”) to prepay in full all indebtedness and other amounts outstanding and owing under the Amelia Debt Credit Agreement and the Amelia Debt was subsequently paid in full.

Escrow Consideration

On the Amelia Acquisition Date, we issued and deposited 2,149,530 shares of our Class A Common Stock into and escrow account in order to partially secure the indemnification obligations of the selling shareholders under the purchase agreement. We accounted for the escrow consideration as equity issued as part of consideration transferred. Upon the settlement of any valid indemnification claims against the sellers, the escrow agent will return a number of shares to us equal to the dollar value of the indemnified loss divided by the reference price of $5.35 as stipulated in the purchase agreement. We concluded that this variability in settlement value is a derivative that is requirement to be remeasured to fair value due to changes in stock price. This derivative did not have a material impact to the financial statements for the three and six months ended June 30, 2025. Upon the expiration of the escrow period, any remaining shares in the escrow account will be released to the selling shareholders. See Note 16 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of the derivative related to indemnification rights. Upon the expiration of the escrow period, any remaining shares within the escrow account will be released to the selling shareholders.

Contingent Amelia Earnout Consideration

We agreed to pay up to 16,822,429 in shares of Class A Common Stock to the selling shareholders based on achievement of certain revenue targets in fiscal years 2025 and 2026 (the "Contingent Amelia Earnout Consideration"). We accounted for the Contingent Amelia Earnout Consideration as a liability within contingent acquisition liabilities on the our condensed consolidated balance sheet and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in our condensed consolidated statement of operations and comprehensive income (loss). As of the Amelia Acquisition Date, the Contingent Amelia Earnout Consideration had an estimated fair value of $66.3 million and will be settled in shares of our Class A Common Stock. For the three and six months ended June 30, 2025, we recognized a loss of $32.6 million and a gain of $136.1 million, respectively, related to the Contingent Amelia Earnout Consideration, reflected in the change in fair value of contingent acquisition liabilities in the condensed consolidated statement of operations and comprehensive income (loss). As of June 30, 2025, the Company assessed the 2025 and 2026 revenue targets were probable of being met.

During the six months ended June 30, 2025, we recorded measurement period adjustments to decrease the accrued liabilities by $0.1 million and other current liabilities by $0.4 million due to true-up of the accrued payroll taxes and sales taxes subsequent to the acquisition. As a result of the adjusted acquisition-date fair value of liabilities assumed, we recorded a decrease of $0.5 million to the goodwill recognized. The measurement period adjustments were recorded in the condensed consolidated financial statements as of and for the six months ended June 30, 2025 and were made to reflect facts and circumstances that existed as of the Amelia Acquisition Date.

The preliminary purchase price allocation has not been finalized as of June 30, 2025 primarily due to the final assessment of the contingent tax liability assumed. The fair value estimates of assets acquired and liabilities assumed is pending the completion of various items, including obtaining further information regarding the identification and valuation of all assets acquired and liabilities assumed. Any adjustments to the estimates of purchase price allocation will be made in the periods in which the adjustments are determined, and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. We expect to finalize the purchase price allocation within 12 months from the Amelia Acquisition Date.

We incurred $6.7 million in acquisition related expenses, of which $0.3 million and $0.9 million was incurred during the three and six months ended June 30, 2025 and recorded as general and administration expenses in its condensed consolidated statements of operations and comprehensive income (loss).

Other Acquisition

On June 14, 2024, we completed an immaterial acquisition for total preliminary purchase consideration of $1.0 million. As part of the acquisition, we acquired net assets of $2.2 million, including intangible assets of $2.6 million, and recognized a preliminary gain on bargain purchase of $1.2 million within other income, net in the condensed consolidated statements of operations and comprehensive income (loss) during the quarter of the acquisition, resulting from a favorable fair value of identifiable net assets acquired at the date of acquisition as compared with the purchase price. We were able to negotiate a bargain purchase price as a result of the recurring losses and pre-filing bankruptcy status of the selling entity.

The preliminary purchase price allocation has been finalized as of March 31, 2025.

Contractual and Other Obligations

Because we expect to continue investing in software application and development, we enter into various contracts and agreements to increase our availability of capital. Cash that is received through these obligations is used to meet both short and long-term liquidity requirements as discussed above. These requirements generally include funding for the research and development of software, the development of applications that enable voice interaction, marketing programs and personnel-related costs. The primary types of obligations into which we enter include contractual obligations, operating and finance lease obligations and a diversified spread of debt instruments. Refer to Note 7 and Note 9 to the unaudited condensed consolidated financial statements for more information.

Cash Flows

The following table summarizes our cash flows ($ in thousands):

	Six Months Ended June 30,	
	2025	2024
Net cash used in operating activities	$ (43,682)	$ (40,440)
Net cash used in investing activities	(354)	(4,788)
Net cash provided by financing activities	76,606	137,030
Effects of exchange rate changes on cash	(210)	130
Net change in cash, cash equivalents, and restricted cash equivalents	$ 32,360	$ 91,932

Cash Flows Used in Operating Activities

Net cash used in operating activities was $43.7 million during the six months ended June 30, 2025 compared to $40.4 million during the six months ended June 30, 2024. The $3.2 million increase in cash used in operating activities was primarily due to increases of $125.5 million in net income, $27.0 million in stock-based compensation, $12.8 million in depreciation and amortization, $2.9 million in other non-cash loss, and $0.4 million in deferred income taxes, which were partially offset by the movement of $147.8 million from change in the fair value of contingent acquisition liabilities, decrease of $15.6 million in loss on early extinguishment of debt, $3.9 million in changes in operating assets and liabilities, $2.2 million in change in fair value of derivative, $1.5 million in amortization of debt issuance cost, non-cash lease amortization of $0.1 million and increase of $0.8 million in foreign currency gain from remeasurement. Within the increase of $27.0 million in stock-based compensation, $3.8 million was related to accelerated vesting of RSAs during the three months ended June 30, 2025 as part of our integration plan of SYNQ3.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $0.4 million during the six months ended June 30, 2025 compared to $4.8 million during the six months ended June 30, 2024. The $4.4 million decrease in cash used in investing activities was primarily driven by the decrease of payments related to acquisitions of $4.5 million.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $76.6 million during the six months ended June 30, 2025 compared to $137.0 million during the six months ended June 30, 2024. The $60.4 million decrease in cash provided by financing activities was primarily due to decreases of $162.1 million in net proceeds from sales of Class A Common Stock under the Sales Agreement and Second Equity Distribution Agreement and $7.9 million in proceeds from exercise of stock options and employee stock purchase plan, and an increase of $0.2 million in the payment to settle contingent holdback liabilities from SYNQ3 acquisition, which were partially offset by a decreases of $105.5 million in the payment of notes payable, and $4.1 million in the payment of financing costs associated with the Sales Agreement and Second Equity Distribution Agreement.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Indemnification Agreements

We enter into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, we indemnify, hold harmless and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual any time after the execution of the agreement. The maximum potential amount of future payments we could be required to make under these arrangements is not determinable. Additionally, we have, and may in the future, indemnify third parties in connection with our issuance of securities (including pursuant to our at-the-market offering program) and in connection with acquisitions of other companies. Our liability is generally limited to the aggregate amount of consideration actually received in these instances. We have never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these agreements is minimal.

Critical Accounting Policies and Significant Management Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements included elsewhere in this report that have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported income (loss) generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgment about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

For a discussion of our critical accounting policies, see "Management's discussion and analysis of financial condition and results of operations" and the notes to the condensed consolidated financial statements included in our Form 10-K, which was filed with the SEC on March 11, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risks from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K, except as disclosed below.

Foreign Exchange Risk

Our condensed consolidated financial statements are presented in U.S. dollars, which is also the functional currency for our foreign operations. Where transactions may be denominated in foreign currencies, we are subject to market risk with respect to fluctuations in the relative value of currencies. We recorded exchange rate losses of approximately less than $0.1 million and $0.5 million during the three and six months ended June 30, 2025, respectively, and $0.2 million and $0.4 million during the three and six months ended June 30, 2024, respectively. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2025 due to the material weaknesses in the Company's internal control over financial reporting described below. However, after giving full consideration to the material weaknesses described below, and the additional analyses and other procedures management performed to ensure that its consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with U.S. GAAP, the Company's management has concluded that its consolidated financial statements present fairly, in all material respects, its financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements may not be prevented or detected on a timely basis. As of June 30, 2025, the material weakness were as follows:

The Company did not maintain an effective control environment as it lacked sufficient oversight of activities related to its internal control over financial reporting due to a lack of appropriate level of experience and training commensurate with its financial reporting requirements. Further, due to rapid business growth, changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting, which resulted in the Company, including the SYNQ3 and Amelia entities which were acquired during 2024, not designing and maintaining effective controls related to substantially all accounts and disclosures. These material weaknesses contributed to the following additional material weaknesses:

- The Company did not design and maintain effective controls related to the identification of and accounting for certain non-routine, unusual or complex transactions, including the accounting for complex financing transactions and acquisitions.

- The Company did not design and maintain effective controls to verify appropriate segregation of duties, including assessment of incompatible duties, identification of instances where incompatible duties were assigned to an individual, and addressing conflicts on a timely basis.

- The Company did not design and maintain effective controls over certain information technology (IT) general controls over information systems that are relevant to the preparation of the Company's financial statements. Specifically, the Company did not design and maintain: (i) user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel; (ii) program change management controls to ensure that program and data changes are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored.

The material weaknesses related to the control environment, risk assessment and the accounting for certain non-routine, unusual or complex transactions resulted in the revision of the consolidated financial statements as of and for the periods ended September 30, 2022, December 31, 2022, March 31, 2023, June 30, 2023, immaterial errors related to SYNQ3 and Amelia acquisitions during the year ended December 31, 2024 and immaterial errors in various accounts during the interim and annual periods during 2023, 2024, first quarter and second quarter of 2025. The material weaknesses related to segregation of duties and IT general controls did not result in a misstatement to our annual or interim consolidated financial statements. Additionally, the material weaknesses could result in misstatements to substantially all of our accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Management's Plan to Remediate the Material Weaknesses

Management continues to make significant progress towards completion of the remediation activities as disclosed in Item 9A of the 2024 Form 10-K. The following remediation actions were completed during the second quarter:

- Updated the SOX Scoping and Risk Assessment analysis to identify key business processes and IT control activities, including those related to Amelia and SYNQ3.

- Designed and implemented new control activities and enhanced the design of existing control activities related to the following business processes: Equity, Fixed Assets & Leases, Income Taxes and Procure to Pay.

- Enhanced the design of existing controls over user access reviews, program change management controls, computer operations controls.

- Enhanced the design and implementation of existing controls related to the review of Service Organization Control reports, which cover program change management and computer operations for significant in-scope SOX applications that we rely on for financial reporting.

- Completed the implementation of technological enhancements including the consolidation of disparate ERP systems into one ERP system.

While progress was made during the second quarter, management continues to execute the activities needed to implement its remediation plan. The material weaknesses will not be considered remediated until management completes the design and implementation of the necessary controls, the controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

Changes in Internal Control over Financial Reporting

As noted above, there were changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarterly period ended June 30, 2025 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The material set forth in the section titled “Legal Proceedings” in Note 7 of our Notes to condensed consolidated Financial Statements is incorporated herein by reference.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including those described below and those described in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, as updated in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our stock. Other than as described below, there have been no material changes from these risk factors during the quarter ended June 30, 2025.

Changes to U.S. tax laws could adversely impact our results of operations and cash flow.

We are subject to U.S. tax laws and regulations, which are complex and often changing. Changes in tax rules and regulations, or a failure to comply with any new tax laws and regulations, may adversely affect our results of operations and cash flow. On July 4, 2025, the United States enacted tax reform legislation through the One Big Beautiful Bill Act. Included in this legislation are provisions that allow for the immediate expensing of domestic United States research and development expenses, immediate expensing of certain capital expenditures, and other changes to the U.S. taxation of profits derived from foreign operations. We do not expect that the enactment of the legislation will lead to a significant change of our tax expense during the third and fourth quarters of 2025, primarily due to our taxable loss position and the full valuation allowance on deferred tax assets in the US jurisdiction. The Company continues to evaluate the impact the new legislation will have on our annual or interim consolidated financial statements.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

During the fiscal quarter ended June 30, 2025, the following Section 16 officers and directors adopted, modified or terminated a “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K of the Exchange Act):

- Dr. Keyvan Mohajer, Chief Executive Officer and Director, adopted a new trading plan on May 16, 2025 (with the first trade under the new plan not to be made prior to August 15, 2025). The trading plan will be effective until November 30, 2025 and provides for the sale of up to 2,400,000 shares of Dr. Mohajer's 14,139,064 shares of Class B common stock and up to 728,124 shares of Class A common stock issuable upon vesting and settlement of certain RSUs and PSUs, provided that certain conditions are met.

There were no “non-Rule 10b5-1 trading arrangements” (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified or terminated during the fiscal quarter ended June 30, 2025 by our directors and Section 16 officers. Each of the Rule 10b5-1 trading arrangements is in accordance with our Insider Trading Policy and actual sale transactions made pursuant to such trading arrangements will be disclosed publicly in Section 16 filings with the SEC in accordance with applicable securities laws, rules and regulations.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this report.

No.	Description of Exhibit
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from SoundHound AI, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2025 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the condensed consolidated balance sheets, (ii) the condensed consolidated statements of operations and comprehensive income (loss), (iii) the condensed consolidated statements of stockholders' equity, (iv) the condensed consolidated statements of cash flows, and (vi) the notes to condensed consolidated financial statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished or filed in other filing.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUNDHOUND AI, INC.

Date: August 11, 2025	By:	/s/ Dr. Keyvan Mohajer
	Name:	Dr. Keyvan Mohajer
	Title:	Chief Executive Officer (Principal Executive Officer)
Date: August 11, 2025	By:	/s/ Nitesh Sharan
	Name:	Nitesh Sharan
	Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Dr. Keyvan Mohajer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2025

/s/ Dr. Keyvan Mohajer

Name: Dr. Keyvan Mohajer
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Nitesh Sharan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2025

	/s/ Nitesh Sharan
Name:	Nitesh Sharan
Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SoundHound AI, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dr. Keyvan Mohajer, as Chief Executive Officer and principal executive officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Dr. Keyvan Mohajer

Dr. Keyvan Mohajer
Chief Executive Officer and Principal Executive Officer

Dated: August 11, 2025

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SoundHound AI, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nitesh Sharan, as Chief Financial Officer and principal financial officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Nitesh Sharan

Nitesh Sharan
Chief Financial Officer and Principal Financial Officer

Dated: August 11, 2025

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.