UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 12, 2026**

SOUNDHOUND AI, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-40193**	**85-1286799**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

5400 Betsy Ross Drive **Santa Clara, CA**	**95054**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (408) 441-3200

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.0001 par value per share	SOUN	The Nasdaq Stock Market LLC
Warrants, each exercisable for one share of Class A Common Stock at an exercise price of $11.50 per share, subject to adjustment	SOUNW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On September 4, 2026 SoundHound AI, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") to report on the completion of the merger with LivePerson, Inc. ("LivePerson"), a Delaware corporation, pursuant to that certain Amended and Restated Merger Agreement, dated as of July 2, 2026.

This Current Report on Form 8-K/A amends the Original Form 8-K to include the financial statements and pro forma information required by Item 9.01 of Form 8-K. Except for the filing of such financial statements and pro forma information, this Form 8-K/A does not modify or update other disclosures in, or exhibits to, the Original Form 8-K.

Item 9.01. Financial Statement and Exhibits.

(a) *Financial Statements of Businesses Acquired.*

LivePerson's unaudited condensed consolidated financial statements for the six month periods ended June 30, 2026 and 2025 are attached as Exhibits 99.1 to this Form 8-K/A and incorporated herein by reference. Such financial statements of LivePerson were prepared in accordance with U.S. generally accepted accounting principles as issued by the Financial Accounting Standards Board.

(b) *Unaudited Pro Forma Condensed Combined Financial Information.*

The unaudited pro forma condensed combined financial information as of and for the nine months ended September 30, 2026 and for the year ended December 31, 2025 related to the Company's acquisition of LivePerson, Inc. are attached as Exhibit 99.3 to this Form 8-K/A and incorporated herein by reference.

(c) *Exhibits*.

Exhibit Number	Description
23.1	Consent of BDO USA, P.C.
99.1	Audited Consolidated Financial Statements of LivePerson, Inc. as of and for the year ended December 31, 2025*
99.2	Unaudited condensed consolidated financial statements of LivePerson, Inc. as of June 30, 2026 and December 31, 2025, and the notes related thereto.
99.3	Unaudited pro forma condensed combined financial information of the Company and LivePerson, Inc., as of and for the nine months ended September 30, 2026 and for the year ended December 31, 2025.
104	Cover Page Interactive Data File (formatted as inline XBRL)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report on Form 8-K/A to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 12, 2026

SoundHound AI, Inc.

By: /s/ Keyvan Mohajer
Name: Keyvan Mohajer
Title: Chief Executive Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3ASR (No. 333-295779) and Form S-8 (Nos. 333-298757, 333-293947, 333-289498, 333-282992, 333-278547, 333-266239) of SoundHound AI, Inc. of our report dated March 13, 2026, relating to the consolidated financial statements of LivePerson, Inc., which appears in this Form 8-K/A.

/s/ BDO USA, P.C.
New York, New York

November 12, 2026

Exhibit 99.1

LIVEPERSON, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of December 31, 2025 and 2024	F-4
Consolidated Statements of Operations for the three years ended December 31, 2025, 2024, and 2023	F-5
Consolidated Statements of Comprehensive Loss for the three years ended December 31, 2025, 2024, and 2023	F_6
Consolidated Statements of Stockholders' Equity (Deficit) for the three years ended December 31, 2025, 2024, and 2023	F-7
Consolidated Statements of Cash Flows for the three years ended December 31, 2025, 2024, and 2023	F-8
Notes to Consolidated Financial Statements	F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
LivePerson, Inc.
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of LivePerson, Inc. (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of Embedded Features in Second Lien Notes

As described in Notes 1 and 8 to the consolidated financial statements, on the Exchange Closing Date, the Company issued $115.0 million in aggregate principal amount of Second Lien Notes as part of the September 2025 Debt Exchange transaction.

The Company evaluates convertible debt instruments and related transactions at inception to determine if those contracts include embedded features that should be bifurcated as an embedded derivative.

The terms of the Second Lien Notes provide for redemption at the option of the Company or the Holder in certain circumstances.

No embedded features were bifurcated from the Second Lien Notes as the September 2025 Debt Exchange was accounted for as a troubled debt restructuring and the Company recognized a gain in connection with the issuance of the Second Lien Notes.

We identified the evaluation of whether the embedded redemption features included in the Second Lien Notes should be bifurcated as embedded derivatives as a critical audit matter. Determining whether the embedded features included in the Second Lien Notes should be bifurcated and accounted for separately as derivatives involved the use of significant judgment in the application of highly complex accounting standards. Auditing these elements involved especially complex auditor judgment due to the nature and extent of audit effort required to evaluate management's application of complex accounting standards.

The primary procedures we performed to address this critical audit matter included:

- Reading and analyzing the relevant agreements to identify relevant terms and conditions that affect whether the embedded redemption features in the Second Lien Notes should be bifurcated.

- With the assistance of professionals in our firm having expertise in the relevant technical accounting, we evaluated the Company's conclusions regarding whether the embedded features should be bifurcated and accounted for as derivatives under accounting principles generally accepted in the United States of America.

Impairment Testing of Goodwill

As described in Note 5 to the consolidated financial statements, the Company's consolidated goodwill, net balance as of December 31, 2025 was $184.9 million. In connection with the annual impairment test completed as of October 1, 2025 and the interim impairment test performed at December 31, 2025, the Company determined the fair value of its reporting unit using both an income approach and a market approach. The fair value determination using an income approach requires management to make significant estimates and assumptions related to forecasts of future revenues, earnings before interest, taxes, depreciation, and amortization ("EBITDA") and the discount rate. The discount rate used in the income approach model in connection with the interim impairment testing included a risk premium. As a result of the annual impairment test, no impairment was identified, as the fair value of the Company's reporting unit exceeded its carrying value. As a result of the interim impairment test, the Company recorded a non-cash impairment charge of $41.6 million in the consolidated statements of operations during the year ended December 31, 2025, to recognize the impairment of goodwill in the Company's one reporting unit.

We identified the annual impairment test and interim impairment test as critical audit matters. Determining the fair value of the reporting unit for the annual impairment test and interim impairment test using an income approach required significant judgment due to the subjectivity and uncertainty involved in making significant assumptions related to (i) forecasts of future revenues for certain years used in the annual impairment test and the (ii) discount rates used in both the annual and December 31, 2025 interim impairment tests. Auditing these elements involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

The primary procedures we performed to address these critical audit matters included:

- Evaluating the reasonableness of the assumptions regarding forecasts of future revenues for certain years used in the annual impairment test by evaluating the assumptions for consistency with: (i) historical results and recent experience, taking into account changes in conditions and events affecting the Company and (ii) the Company's objectives and strategies and by recomputing forecasted revenue.

- Testing the accuracy and completeness of expiring customer contracts on a sample basis by agreeing the information to the customer contracts used by management to determine the forecasts of future revenues for certain years used in the annual impairment test.

- Utilizing personnel with specialized knowledge and skills in valuation to evaluate the reasonableness of the discount rates utilized in the income approach in connection with the annual impairment testing and interim impairment testing by (i) using certain market information to develop an expectation of the discount rate for comparison to management's selected discount rate, and (ii) assessing the risk premium based on qualitative facts and circumstances.

/s/ BDO USA, P.C.

We served as the Company's auditor from 2005 to 2026.
New York, New York
March 13, 2026

LIVEPERSON, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 95,004	$ 183,237
Accounts receivable, net of allowances of $4,451 and $8,627 as of December 31, 2025 and 2024, respectively	27,014	28,737
Prepaid expenses and other current assets (Note 1)	15,100	19,250
Total current assets	137,118	231,224
Property and equipment, net (Note 6)	90,389	100,557
Contract acquisition costs, net (Note 2)	23,951	33,559
Intangible assets, net (Note 5)	13,409	15,070
Goodwill, net (Note 5)	184,902	222,554
Deferred tax assets, net (Note 14)	4,511	4,411
Other assets	387	403
Total assets	$ 454,667	$ 607,778
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 9,522	$ 15,378
Accrued expenses and other current liabilities (Note 7)	38,700	66,582
Deferred revenue (Note 2)	54,295	57,980
Current portion of long-term debt (Note 8)	20,052	—
Total current liabilities	122,569	139,940
Senior notes, net of current portion (Note 8)	371,732	527,070
Deferred tax liabilities (Note 14)	4,196	3,542
Other liabilities	665	4,542
Total liabilities	499,162	675,094
Commitments and contingencies (Notes 10 and 13)		
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value - 5,000,000 shares authorized; none issued and outstanding as of both December 31, 2025 and 2024	—	—
Common stock, $0.001 par value - 20,000,000 and 13,333,333 shares authorized; 12,223,729 and 6,263,782 shares issued, and 12,039,325 and 6,079,378 shares outstanding as of December 31, 2025 and 2024, respectively	173	94
Treasury stock, at cost; 184,404 shares as of December 31, 2025 and 2024	(3)	(3)
Additional paid-in capital	1,021,076	936,047
Accumulated deficit	(1,058,494)	(991,261)
Accumulated other comprehensive loss	(7,247)	(12,193)
Total stockholders' equity (deficit)	(44,495)	(67,316)
Total liabilities and stockholders' equity (deficit)	$ 454,667	$ 607,778

See accompanying notes to consolidated financial statements.

LIVEPERSON, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2025	**2024**	**2023**
Revenue	$ 243,742	$ 312,474	$ 401,983
Costs, expenses and other:			
Cost of revenue (exclusive of depreciation and amortization shown separately below)	69,392	77,395	116,060
Sales and marketing	75,800	97,337	122,574
General and administrative	44,441	79,761	91,166
Product development	54,706	79,784	103,863
Depreciation and amortization	22,732	42,272	54,753
Restructuring costs	11,667	11,139	22,664
Impairment of goodwill	41,595	60,551	11,895
Impairment of intangibles and other assets	2,108	46,872	7,974
Loss (gain) on divestiture	—	558	(17,591)
Total costs, expenses and other	322,441	495,669	513,358
Loss from operations	(78,699)	(183,195)	(111,375)
Other income, net:			
Interest expense	(31,530)	(14,486)	(4,882)
Interest income	4,751	5,860	9,551
Gain on troubled debt restructuring	27,720	—	—
Gain on debt extinguishment	—	73,083	7,200
Other income (expense), net	13,977	(12,800)	3,234
Total other income, net	14,918	51,657	15,103
Loss before provision for income taxes	(63,781)	(131,538)	(96,272)
Provision for income taxes	3,452	2,735	4,163
Net loss	$ (67,233)	$ (134,273)	$ (100,435)
Net loss per share of common stock:			
Basic	$ (8.57)	$ (22.70)	$ (19.17)
Diluted	$ (12.39)	$ (22.70)	$ (19.17)
Weighted-average shares used to compute net loss per share:			
Basic	7,843,700	5,914,344	5,239,552
Diluted	8,640,730	5,914,344	5,239,552

See accompanying notes to consolidated financial statements.

LIVEPERSON, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31,		
	2025	**2024**	**2023**
Net loss	$ (67,233)	$ (134,273)	$ (100,435)
Foreign currency translation adjustment	4,946	(3,709)	2,193
Total comprehensive loss	$ (62,287)	$ (137,982)	$ (98,242)

See accompanying notes to consolidated financial statements.

LIVEPERSON, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	5,223,399	$ 78	(184,404)	$ (3)	$ 771,052	$ (692,362)	$ (10,677)	$ 68,088
Common stock issued upon exercise of stock options	4,449	—	—	—	175	—	—	175
Common stock issued upon vesting of restricted stock units	102,214	2	—	—	(2)	—	—	—
Stock-based compensation	—	—	—	—	35,483	—	—	35,483
Issuance of common stock in connection with acquisitions	686,492	10	—	—	38,418	—	—	38,428
Common stock issued under Employee Stock Purchase Plan ("ESPP")	23,680	1	—	—	1,715	—	—	1,716
Activity related to divestiture	—	—	—	—	66,681	(64,191)	57	2,547
Net loss	—	—	—	—	—	(100,435)	—	(100,435)
Other comprehensive income	—	—	—	—	—	—	2,136	2,136
Balance at December 31, 2023	6,040,234	$ 91	(184,404)	$ (3)	$ 913,522	$ (856,988)	$ (8,484)	$ 48,138
Common stock issued upon exercise of stock options	1	—	—	—	—	—	—	—
Common stock issued upon vesting of restricted stock units	201,232	3	—	—	(3)	—	—	—
Stock-based compensation	—	—	—	—	21,989	—	—	21,989
Common stock issued under ESPP	22,315	—	—	—	419	—	—	419
Other	—	—	—	—	120	—	—	120
Net loss	—	—	—	—	—	(134,273)	—	(134,273)
Other comprehensive loss	—	—	—	—	—	—	(3,709)	(3,709)
Balance at December 31, 2024	6,263,782	$ 94	(184,404)	$ (3)	$ 936,047	$ (991,261)	$ (12,193)	$ (67,316)
Common stock issued in connection with debt transaction	3,698,788	56	—	—	49,325	—	—	49,381
Conversion of preferred stock to common stock	1,547,840	15	—	—	20,648	—	—	20,663
Common stock issued upon vesting of restricted stock units	592,507	7	—	—	(7)	—	—	—
Stock-based compensation	—	—	—	—	14,105	—	—	14,105
Common stock issued under ESPP	120,812	1	—	—	958	—	—	959
Net loss	—	—	—	—	—	(67,233)	—	(67,233)
Other comprehensive income	—	—	—	—	—	—	4,946	4,946
Balance at December 31, 2025	12,223,729	$ 173	(184,404)	$ (3)	$ 1,021,076	$ (1,058,494)	$ (7,247)	$ (44,495)

See accompanying notes to consolidated financial statements.

LIVEPERSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2025	**2024**	**2023**
OPERATING ACTIVITIES:			
Net loss	$ (67,233)	$ (134,273)	$ (100,435)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation expense	14,256	21,989	11,854
Depreciation and amortization	21,975	30,310	32,557
Reduction of operating lease right-of-use assets	17	4,059	—
Amortization of purchased intangible assets and finance leases	757	11,962	22,196
Amortization of debt issuance costs and accretion of debt discount	7,614	4,513	4,043
Impairment of goodwill	41,595	60,551	11,895
Impairment of intangibles and other assets	2,108	46,872	7,974
Change in fair value of Warrants	(13,202)	12,232	—
Change in fair value of contingent consideration	—	—	4,629
Gain on troubled debt restructuring	(42,429)	—	—
Gain on debt extinguishment	—	(73,083)	(7,200)
Non-cash interest expense	15,263	5,810	—
Allowance for credit losses	866	14,959	3,319
Loss (gain) on divestiture	—	558	(17,591)
Deferred income taxes	622	623	1,046
Equity loss in joint venture	—	—	2,264
Changes in operating assets and liabilities:			
Accounts receivable	1,160	37,548	1,457
Prepaid expenses and other current assets	3,591	7,300	(3,411)
Contract acquisition costs	10,383	3,331	4,992
Other assets	34	652	1,361
Accounts payable, accrued expenses and other current liabilities	(19,823)	(44,518)	10,773
Deferred revenue	(4,315)	(23,058)	(3,169)
Operating lease liabilities	(14)	(4,868)	(523)
Other liabilities	(3,660)	1,401	(7,796)
Net cash used in operating activities	(30,435)	(15,130)	(19,765)
INVESTING ACTIVITIES:			
Purchases of property and equipment, including capitalized internal-use software development costs	(12,088)	(25,142)	(28,657)
Proceeds from divestiture	—	—	13,819
Purchases of intangible assets	(1,639)	(3,074)	(4,004)
Net cash used in investing activities	(13,727)	(28,216)	(18,842)
FINANCING ACTIVITIES:			
Payment on settlement of warrants	(1,297)	—	—
Payment in connection with troubled debt restructuring	(45,000)	—	—
Proceeds from issuance of 2029 convertible senior notes	—	100,000	—
Payment for repurchase of 2024 convertible senior notes	—	(72,492)	(149,702)
Payment for repurchase of 2026 convertible senior notes	—	(4,901)	—
Payment of debt issuance costs	—	(7,584)	—
Principal payments for finance leases	(26)	(401)	(3,330)
Proceeds from issuance of common stock in connection with the exercise of options and ESPP	820	350	1,890
Net cash (used in) provided by financing activities	(45,503)	14,972	(151,142)
Effect of foreign exchange rate changes on cash and cash equivalents	1,432	(1,314)	465
Net decrease in cash, cash equivalents, and restricted cash	(88,233)	(29,688)	(189,284)
Cash classified within current assets held for sale	—	—	10,011
Cash, cash equivalents, and restricted cash - beginning of year	183,237	212,925	392,198
Cash, cash equivalents, and restricted cash - end of year	$ 95,004	$ 183,237	$ 212,925
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets:			
Cash and cash equivalents	$ 95,004	$ 183,237	$ 210,782
Restricted cash	—	—	2,143
Total cash, cash equivalents, and restricted cash	$ 95,004	$ 183,237	$ 212,925
Supplemental disclosure of other cash flow information:			
Cash paid for income taxes, net	$ 1,207	$ 1,886	$ 1,858
Cash paid for interest	9,220	3,710	1,235
Supplemental disclosure of non-cash investing and financing activities:			
Issuance of Second Lien Notes due 2029 in connection with troubled debt restructuring	$ 115,000	$ —	$ —
Issuance of preferred stock in connection with troubled debt restructuring	20,664	—	—

Issuance of common stock in connection with troubled debt restructuring	49,380	—	—
Purchase of property and equipment and intangible assets in accounts payable	264	1,093	2,088
Right-of-use assets obtained in exchange for operating lease liabilities	—	100	5,198
Right-of-use assets obtained in exchange for finance lease liabilities	—	—	3,693

See accompanying notes to consolidated financial statements.

Note 1. Description of Business and Summary of Significant Accounting Policies

LivePerson, Inc. (the "Company") is a leader in digital customer conversation. Since 1998, LivePerson has enabled meaningful connections between consumers and its customers through digital and artificial intelligence ("AI")-powered conversations. Our customers' existing investments in Generative AI and Large Language Models ("LLMs") are fully compatible with LivePerson's enterprise-class digital customer conversation platform (the "LivePerson Platform").

The LivePerson Platform powers conversations across each of a brand's primary digital channels, including mobile apps, mobile and desktop web browsers, short messaging service, social media and third-party consumer messaging platforms. Brands can also use the LivePerson Platform to connect conversations across voice and digital channels to give customers additional options and ensure their interactions with brands are integrated no matter where they choose to reach out.

The LivePerson Platform enables what the Company calls "the tango" of humans, LivePerson bots, third-party bots and LLMs, in which humans oversee and are assisted by AI and can seamlessly step into conversations as needed. Agents become highly efficient, as they are able to leverage the AI engine (including generative AI capabilities) to surface relevant content, define next-best actions and take over repetitive transactional work so that the agent can focus on relationship building. By integrating customer engagement channels, LivePerson's proprietary AI, and third-party bots and AI, the LivePerson Platform offers brands a comprehensive approach to scaling automations across customer conversations.

Basis of Presentation

In October 2025, the Company effected a 1-for-15 reverse stock split (the "Reverse Stock Split") of its issued common stock. As a result, every 15 shares of its issued common stock were combined into one share of common stock. No fractional shares of the Company's common stock were issued as a result of the Reverse Stock Split. Each stockholder who would otherwise have been entitled to receive a fractional share as a result of the Reverse Stock Split received a cash payment equal to the product obtained by multiplying the number of shares of common stock held by such stockholder before the Reverse Stock Split that would otherwise have been exchanged for such fractional share interest by the closing price per share of the common stock as reported on the Nasdaq Global Select Market on October 10, 2025. As a result of the Reverse Stock Split, proportionate adjustments were made to the per share exercise price and the number of shares issuable upon the exercise of, or notional shares underlying, all outstanding warrants to purchase shares of the Company's common stock. In addition, the number of authorized shares of common stock was proportionately reduced. Proportionate adjustments were also made to (i) the number of shares of common stock available for issuance under the Company's equity plans, (ii) the number of shares underlying, and the exercise prices of, outstanding equity awards, as applicable, that have been previously granted under such equity plans or other arrangements, (iii) the number of shares or notional shares underlying, and the exercise prices of, the Company's outstanding warrants, (iv) the number of shares or notional shares underlying, and the conversion prices of, the Company's outstanding convertible notes and (v) the number of rights outstanding pursuant to the Company's Tax Benefits Preservation Plan, in each case in accordance with their respective terms. The Reverse Stock Split did not affect the par value of the common stock or the number of shares of preferred stock that the Company is authorized to issue under its certificate of incorporation. These notes to the consolidated financial statements and the accompanying consolidated financial statements give retroactive effect to the Reverse Stock Split for all periods presented.

Principles of Consolidation

The consolidated financial statements reflect the operations of LivePerson and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications had no effect on previously reported net loss or equity.

Related Parties

Related parties include entities related to the Company's directors or main stockholders as well as, in the past, equity method affiliates. During the year ended December 31, 2023, the Company provided services to Claire Holdings, Inc. ("Claire"), an equity method affiliate, in exchange for fees through certain commercial arrangements. These arrangements facilitated Claire's build out and operations.

In connection with the joint venture agreement relating to the formation of Claire, the Company entered into commercial agreements with Claire, under which the Company agreed to provide custom software development and managed services in exchange for fees governed by the terms and conditions set forth therein. In accordance with guidance under ASC 606, Claire was considered a customer of the Company. No services were provided to Claire for the years ended December 31, 2025 or 2024, compared to revenues of $3.8 million for the year ended December 31, 2023.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the consolidated financial statements. On a regular basis, management evaluates these estimates and assumptions.

Items subject to such estimates and assumptions include, but are not limited to:

- stock-based compensation expense;
- allowance for credit losses;
- the period of benefit for deferred contract acquisition costs;
- valuation of goodwill;
- valuation and useful lives of long-lived assets;
- valuation of the cash-settled and share-settled warrants (together, "Warrants");
- valuation of features embedded in the 2029 Notes (as defined below);
- income taxes; and
- recognition, measurement, and disclosure of contingent liabilities.

As of the date of issuance of the financial statements, the Company is not aware of any material specific events or circumstances that would require it to update its estimates, judgments, or to revise the carrying values of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's consolidated financial statements.

Foreign Currency Translation

The Company's operations are conducted in various countries around the world and the financial statements of its foreign subsidiaries are reported in the applicable foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the United States of America ("U.S.") dollar (the reporting currency) for inclusion in the Company's consolidated financial statements. Income, expenses, and cash flows are translated at weighted average exchange rates prevailing during the fiscal period, and assets and liabilities are translated at fiscal period-end exchange rates. Resulting translation adjustments are included as a component of accumulated other comprehensive loss in stockholders' equity (deficit). Foreign exchange transaction gains or losses are included in Other income (expense), net in the accompanying consolidated statements of operations, and were not material for the years ended December 31, 2025, 2024 and 2023.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. Cash equivalents, which primarily consist of money market funds, are recorded at cost, which approximates fair value. Restricted cash primarily related to funds held in connection with the divestiture of Kasamba. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts.

Prepaid Expenses and Other Current Assets

The following table presents the detail of prepaid expenses and other current assets as of the dates presented:

	December 31,	
	2025	2024
	(In thousands)	
Prepaid software maintenance	$ 8,788	$ 9,868
VAT receivable	3,279	2,452
Other prepaid expenses	1,550	2,910
Other current assets	1,483	4,020
Total prepaid expenses and other current assets	$ 15,100	$ 19,250

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. The Company evaluates goodwill for impairment on an annual basis on October 1, and more frequently whenever events or substantive changes in circumstances indicate that it is more likely than not that the carrying value of a reporting unit exceeds its fair value in accordance with ASC 820, *Fair Value Measurement*. In performing the goodwill impairment test, the Company first assesses qualitative factors to determine the existence of impairment. If the qualitative factors indicate that the carrying value of a reporting unit more likely than not exceeds its fair value, the Company proceeds to a quantitative test to measure the existence and amount, if any, of goodwill impairment. The Company may also choose to bypass the qualitative assessment and proceed directly to the quantitative test. In performing the quantitative test, impairment loss is recorded to the extent that the carrying value of the reporting unit exceeds its assessed fair value.

In connection with the annual impairment test performed as of October 1, 2025 and the interim test performed as of December 31, 2025 using the quantitative "Step 1" assessment, the Company determined the fair value of its reporting unit, using both an income approach and a market approach. The income approach uses a discounted cash flow model that reflects our assumptions regarding revenue growth rates, operating margins, risk-adjusted discount rate, economic and market trends and other expectations about the anticipated operating results of the reporting unit. Under the market approach, we estimate the fair value based on market multiples of revenues derived from comparable publicly traded companies with operating characteristics similar to the reporting unit. See Note 5 – *Goodwill and Intangible Assets, Net* for additional information.

Long-lived Assets

Intangible assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC 360-10-35, *Accounting for Impairment or Disposal of Long-Lived Assets*. The Company's capitalized patents are stated at cost, which approximates fair value at inception, and are amortized on a straight-line basis over their estimated economic lives, which is approximately 11 years on a weighted average basis. See Note 5 – *Goodwill and Intangible Assets, Net* for additional information.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. The Company reviews the estimated useful lives of its property and equipment on an annual basis.

Internal-Use Software Development Costs

The Company capitalizes its costs to develop its internal-use software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. These costs are included in Property and equipment in the Company's consolidated balance sheets and are amortized on a straight-line basis over the estimated useful life of the related asset, which approximates five years. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred. Management evaluates the useful lives of these assets and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. See Note 6 – *Property and Equipment, Net* for additional information.

Long-lived assets, such as property and equipment including internal-use software development costs, right of use assets and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

Senior Notes and Warrants

Second Lien Senior Subordinated Secured Notes due 2029

The Company issued Second Lien Notes as part of the troubled debt restructuring in 2025. They are accounted for as a liability and a troubled debt restructuring gain was recorded in other income (expense), net. The Company paid third party fees in connection with the transaction, which reduced the gain recorded.

Convertible Notes

The Company accounts for convertible debt and related transactions in accordance with ASC 470, *Debt*, ASC 815, *Derivatives and Hedging*, and ASC 480, *Distinguishing Liabilities from Equity*. The Company evaluates convertible debt instruments and related transactions at inception to determine if those contracts include embedded features that should be bifurcated as an embedded derivative.

The First Lien Convertible Senior Notes due 2029 (the "2029 Notes") issued during 2024 were accounted for as a liability. The transaction was accounted for as a debt extinguishment and a gain on extinguishment was recorded. The Company paid third party fees in connection with the transaction, which were capitalized as debt issuance costs. Unamortized debt issuance costs incurred in connection with securing the Company's financing arrangements are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the outstanding borrowings, consistent with debt discounts. All deferred financing costs are amortized to interest expense. The 2029 Notes include certain embedded features requiring bifurcation. The Company estimates the fair value of these features on a quarterly basis by assessing the likelihood of triggering events. The features do not have material values as of December 31, 2025 and 2024, but they may have value in the future, should the estimates change, with any change in fair value recorded in the Company's consolidated statements of operations.

Warrants

The Company accounts for warrants as either stock-settled or cash-settled instruments based on an assessment of the specific terms of the warrants and applicable authoritative guidance in Financial Accounting Standards Board ASC 480, Distinguishing Liabilities from Equity and ASC 815-40, Contracts in Entity's Own Equity. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and meet all of the requirements for equity classification under ASC 815-40, including whether the warrants are indexed to the Company's own stock and whether the events where holders of the warrants could potentially require net cash settlement are within the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance. Warrants that meet all of the criteria for equity classification are recorded as a component of additional paid-in capital at the time of issuance and are not remeasured. Warrants that do not meet the required criteria for equity classification are classified as liabilities. The Company adjusts such warrants to fair value at each reporting period until the warrants are exercised or expire.

The Warrants issued by the Company are classified as current liabilities in the consolidated balance sheets and recorded at their fair value. Changes in fair value are recorded in the Company's consolidated statements of operations.

See Note 8 – *Senior Notes, Capped Call Transactions, Warrants and Preferred Stock* and Note 9 – *Fair Value Measurements* for additional information.

Divestitures

The Company classifies long-lived assets and liabilities to be disposed of as held for sale in the period in which they are available for immediate sale in their present condition and the sale is probable and expected to be completed within one year. The Company initially measures assets and liabilities held for sale at the lower of their carrying value or fair value less costs to sell. When the divestiture represents a strategic shift that has (or will have) a major effect on the Company's operations and financial results, the disposal is presented as a discontinued operation.

Fiscal 2024 Divestiture

In the second quarter of 2024, the Company completed the sale to a third party of 100% of the equity in its WildHealth reporting unit ("WildHealth"), which was created by the acquisition of WildHealth, Inc. in 2022. Pursuant to ASC Subtopic 205-20*, Presentation of Financial Statements - Discontinued Operations*, the divestiture did not meet the criteria for presentation as a discontinued operation. WildHealth was part of the Business segment and was a separate reporting unit. The transaction resulted in a loss of $0.6 million which was recognized and presented separately in Loss (gain) on divestiture on the Company's consolidated statements of operations for the year ended December 31, 2024. Subsequent to the closing, the Company does not have ongoing involvement or arrangements with WildHealth.

Fiscal 2023 Divestiture

In the first quarter of 2023, the Company completed the sale of Kasamba, Inc. and Kasamba LTD (together, "Kasamba") to Ingenio, LLC, for $16.9 million which was received in cash upon closing; and $2.6 million deferred payment to be received within a year of the close transaction date. Cash of $2.0 million was classified as Cash and cash equivalents on the consolidated balance sheet as of December 31, 2024 and was released in June 2024. The transaction resulted in a gain of $17.6 million, which was presented separately in Loss (gain) on divestiture on the Company's consolidated statements of operations during the year ended December 31, 2023. During the year ended December 31, 2024, the Company recognized $1.8 million of post-closing adjustments pertaining to the final agreement amount which is recorded in General and administrative expenses in the consolidated statements of operations.

Advertising

The Company expenses the cost of advertising and promoting its services as incurred in Sales and marketing expense on the consolidated statements of operations. Such costs totaled $1.8 million, $5.1 million, and $10.9 million for the years ended December 31, 2025, 2024, and 2023, respectively.

Research and Development

Research and development ("R&D") costs are expensed when incurred, except for certain internal-use software development costs, which may be capitalized as noted above. R&D expenses consist primarily of personnel and related headcount costs, costs of professional services associated with the ongoing development of the Company's technology, and allocated overhead, and are included in Product development in the consolidated statements of operations.

Stock-Based Compensation

Compensation related to stock-based awards to employees and directors is measured and recognized in the Company's consolidated statements of operations based on the fair value of the awards granted. The Company estimates the fair value of its stock options using the Black Scholes option pricing model. The stock-based compensation expense relating to stock options is recognized on a straight-line basis over the period during which the employee or director is required to provide service in exchange for the award, usually the vesting period, which is generally one to four years.

Restricted stock units ("RSUs") are generally subject to a service-based vesting condition over one to four years. The valuation of these RSUs is based solely on the Company's stock price on the date of grant, and the corresponding compensation expense is amortized on a straight-line basis.

Performance-Vesting Restricted Stock Units ("PRSUs") granted are generally subject to both a service-based vesting condition and a performance-based vesting condition. PRSUs will vest upon the achievement of specified performance targets and subject to continued service through the applicable vesting dates. The associated compensation cost is recognized over the requisite service period when it is probable that the performance condition will be satisfied.

In accordance with ASC 718-10, *Compensation - Stock Compensation*, the Company measures stock-based awards at fair value and recognizes compensation expense for all stock-based payment awards made to its employees and directors, including employee stock options. See Note 11 – *Stockholders' Equity* for additional information.

Leases

The Company has non-cancelable operating and finance leases for its corporate offices and other service agreements. Its leases have remaining lease terms of approximately 1 year, some of which include options to extend. The Company uses the non-cancelable lease term when recognizing the right-of-use ("ROU") assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised.

Lease costs were $9.4 million, $10.6 million and $15.3 million for the years ended December 31, 2025, 2024 and 2023, respectively. Weighted average remaining lease terms for operating leases were 1.1 years and 0.3 years as of December 31, 2025 and 2024, respectively, and for finance leases were 0.0 years and 0.8 years as of December 31, 2025 and 2024, respectively. The weighted average discount rates were 7% for operating and finance leases as of both December 31, 2025 and 2024.

Operating and finance ROU assets, and operating and finance lease liabilities were not material as of December 31, 2025 and 2024, and future minimum lease payments under non-cancelable operating and finance leases are not material.

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in results of operations in the period that the tax change occurs. In evaluating the Company's ability to recover its deferred tax assets in the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. The Company includes interest accrued on the underpayment of income taxes and certain interest expense and penalties, if any, related to unrecognized tax benefits as a component of the income tax provision. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Comprehensive Loss

In accordance with ASC 220, *Comprehensive Income*, the Company reports by major components and as a single total, the change in its net assets during the period from non-owner sources. Comprehensive loss consists of net loss and accumulated other comprehensive loss, which includes certain changes in equity that are excluded from net loss. The Company's comprehensive loss for all periods presented is related to the effect of foreign currency translation.

Recently Adopted Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2024. The Company adopted this guidance in the fourth quarter of 2025 on a prospective basis, with disclosures related to the current year presented in accordance with the new standard. Adoption of the guidance did not have a material impact on the Company's consolidated financial statements; however the disclosures in Note 14 - *Income Taxes* have been expanded.

Recently Issued Accounting Pronouncements

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements,* which seeks to make incremental improvements to GAAP on a broad range of topics arising from technical corrections, unintended application of guidance, clarifications and other minor improvements. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2026, with early adoption permitted, and can be applied on an issue-by-issue basis, prospectively or retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270) - Narrow-Scope Improvements* which improves the navigability of the required interim disclosures and clarifies when that guidance is applicable. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted, and can be applied prospectively or retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software,* which removes all references to project stages related to internal-use software development. An entity is required to start capitalizing software costs when both of the following occur: (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. The guidance is effective for annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments - Credit Losses (Top 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides all entities with a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from certain transactions. In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset. The guidance is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which seeks to clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments in this update are effective for annual periods beginning after December 15, 2025, and early adoption is permitted. ASU 2024-04 can be applied prospectively or retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40),* which seeks to expand disclosures about a public entity's expenses, including more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, sales and marketing, general and administrative, and research and development). The amendments in this update are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. ASU 2024-03 should be applied retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

Note 2. Revenue Recognition

The Company's revenue is generated from hosted service revenues, including platform access, usage and related professional services. Revenues are recognized when control of these services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;

- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Total revenue of $243.7 million, $312.5 million, and $402.0 million was recognized during the years ended December 31, 2025, 2024, and 2023, respectively. No single customer accounted for 10% or more of total revenue for the years ended December 31, 2025, 2024 and 2023.

None of the Company's contracts contain a significant financing component.

Hosted Services Revenue

Hosted services revenue is reported at the amount that reflects the ultimate consideration expected to be received and primarily consists of fees that provide customers access to the LivePerson Platform, the Company's enterprise-class digital customer conversation platform. The Company has determined such access represents a stand-ready service provided continually throughout the contract term. As such, control and satisfaction of this stand-ready performance obligation is deemed to occur over time. The Company recognizes this revenue over time on a ratable basis over the contract term, beginning on the date that access to the LivePerson Platform is made available to the customer. The passage of time is deemed to be the most faithful depiction of the transfer of control of the services as the customer simultaneously receives and consumes the benefit provided by the Company's performance. Subscription contracts are generally one year or longer in length, billed monthly, quarterly or annually in advance.

Professional Services Revenue

Professional Services revenue is reported at the amount that reflects the ultimate consideration the Company expects to receive in exchange for such services. The Company's professional services revenue consists of fees that provide customers with product support and updates during the term of the arrangement, which is typically one year or longer in length, billed monthly, quarterly, or annually in advance. Revenue is generally recognized ratably over the contract term. Professional services revenue also includes custom support services, which differ from standard product support. The professional services revenues are recognized as the services are completed.

Disaggregated Revenue

The following table presents the Company's revenues disaggregated by revenue source:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Revenue:			
Hosted services [1]	$ 207,603	$ 261,682	$ 332,971
Professional services	36,139	50,792	69,012
Total revenue	$ 243,742	$ 312,474	$ 401,983

(1) On March 20, 2023, the Company completed the sale of Kasamba and therefore ceased recognizing revenue related to Kasamba effective on the transaction close date. This sale eliminated the entire Consumer segment, as a result of which revenue is presented within a single consolidated segment. Hosted services included $7.1 million for the year ended December 31, 2023 relating to Kasamba.

Remaining Performance Obligation

As of December 31, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was $175.6 million. Approximately 98% of the Company's remaining performance obligations are expected to be recognized during the next 24 months, with the balance recognized thereafter. The disclosed amount represents contracted revenue that has not yet been recognized and does not include contract amounts that are cancelable by the customer, amounts associated with optional renewal periods, and amounts related to performance obligations that are billed and recognized as performed.

Contracts with Multiple Performance Obligations

Most of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. Judgment is required to determine the SSP for each distinct performance obligation. The Company determines SSP based on observable prices at which the performance obligations are sold separately. When not directly observable, SSP is estimated using an adjusted market assessment approach, which considers market conditions and other entity-specific factors.

Revenue by Geographic Location

The Company is domiciled in the United States and has international operations around the globe. The following table presents the Company's revenues attributable to operations by region for the periods presented:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Americas [1]	$ 134,431	$ 219,288	$ 286,924
EMEA [2]	70,068	57,698	62,613
APAC [3]	39,243	35,488	52,446
Total revenue	$ 243,742	$ 312,474	$ 401,983

(1) United States, Canada, Latin America and South America ("Americas").
(2) Europe, the Middle East and Africa ("EMEA").
(3) Asia-Pacific ("APAC").

Information about Contract Balances

The Company defers all incremental commission costs incurred to obtain the contract. These contract acquisition costs, which are comprised of sales commissions, have balances at December 31, 2025 and 2024 of $24.0 million and $33.6 million, respectively. The Company amortizes these costs over the related period of benefit using the customer expected life that the Company determined to be four years, which is consistent with the transfer to the customer of the services to which the asset relates. Commissions earned for renewal contracts are amortized over the contractual term of the renewals. The Company classifies contract acquisition costs as long-term.

The deferred revenue balance consists of services, which have been invoiced upfront, and are recognized as revenue only when the revenue recognition criteria are met.

In some arrangements, the Company allows customers to pay for access to the LivePerson Platform over the term of the software subscription. Amounts recognized as revenue in excess of amounts billed are recorded as unbilled receivables. Unbilled receivables, anticipated to be invoiced in the next twelve months, are included in Accounts receivable, net of allowances for credit losses on the consolidated balance sheets.

The Company recognized revenue of $57.9 million, $81.4 million and $86.8 million for the fiscal years ended December 31, 2025, 2024 and 2023, respectively, which was included in the corresponding deferred revenue balance at the beginning of the year.

The Company's long-term deferred revenues are included in Other liabilities on the consolidated balance sheets. The opening and closing balances of the Company's contract acquisition costs, net, and deferred revenues are as follows:

	Contract Acquisition Costs (Non-current)	Deferred Revenue (Current)	Deferred Revenue (Non-current)
		(In thousands)	
Balance as of December 31, 2023	$ 37,354	$ 81,858	$ 183
(Decrease) increase, net	(3,795)	(23,878)	140
Balance as of December 31, 2024	$ 33,559	$ 57,980	$ 323
Decrease, net	(9,608)	(3,685)	(233)
Balance as of December 31, 2025	$ 23,951	$ 54,295	$ 90

The changes in deferred revenue during both periods presented were primarily driven by changes in customer renewal patterns and contract structures, including the timing of renewals and shifts in service commitments. Amortization expense in connection with contract acquisition cost was $17.3 million, $18.3 million and $27.6 million for the years ended December 31, 2025, 2024 and 2023, respectively, and was included in Sales and marketing expense in the consolidated statements of operations.

Accounts Receivable, Net

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for credit losses is the Company's best estimate of the amount of expected credit losses in the Company's existing accounts receivable, based on both specific and general reserves. The Company maintains general reserves on a collective basis by considering factors such as historical experience, creditworthiness, the age of the trade receivable balances, and current economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. The activity in the allowance for credit losses as of the dates presented is as follows:

	December 31,		
	2025	2024	2023
		(In thousands)	
Balance, beginning of year	$ 8,627	$ 9,290	$ 9,239
Additions charged to costs and expenses	866	14,959	3,319
Deductions/write-offs	(5,042)	(15,622)	(3,268)
Balance, end of year	$ 4,451	$ 8,627	$ 9,290

Note 3. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period.

Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents outstanding for the period. For diluted net loss per share, the numerator is decreased to reverse the gain on troubled debt restructuring associated with the exchange transaction of the 0% Convertible Senior Notes due 2026 (the "2026 Notes") and the denominator is increased to include the number of the shares issuable upon the conversion of the 2026 Notes. For purposes of this calculation, stock options, restricted stock units, 0.750% Convertible Senior Notes due 2024 (the "2024 Notes"), and 0% Convertible Senior Notes due 2026 (the "2026 Notes") are considered to be common stock equivalents but are excluded from the calculation of diluted net loss per share when including them has an anti-dilutive effect.

The share-settled warrants and cash-settled warrants are not participating securities. As the average market price of the Company's common stock over the year ended December 31, 2025 exceeds the warrants' exercise price, the share-settled warrants are included in diluted EPS. For diluted net loss per share, the numerator is adjusted for any changes in fair value and the denominator is increased to include the number of potential exercise of warrants. The cash-settled warrants are not included in the calculation of diluted EPS due to the cash-settlement requirement.

The Company uses the treasury stock method for stock options, restricted stock units, and share-settled warrants, and uses the if-converted method for convertible debt. As the average market price of the Company's common stock is below the conversion price of the Company's 2024 Notes, the impact of conversion is anti-dilutive. See Note 8 – *Senior Notes, Capped Call Transactions, Warrants and Preferred Stock* for additional information about the 2024 Notes, 2026 Notes, 2029 Notes, and Second Lien Senior Subordinated Secured Notes due 2029 (the "Second Lien Notes") and together with the 2024 Notes, the 2026 Notes, and the 2029 Notes, the "Notes").

Reconciliation of shares used in calculating basic and diluted net loss per share for the years ended December 31, 2025, 2024, and 2023, were as follows:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands, except number of shares and per share amounts)		
Numerator:			
Net loss	$ (67,233)	$ (134,273)	$ (100,435)
Gain on troubled debt restructuring, net of amortization	(26,670)	—	—
Gain on change in fair value of share-settled warrants	(13,184)	—	—
Net loss available to shareholders for diluted net loss per share	$ (107,087)	$ (134,273)	$ (100,435)
Denominator:			
Weighted average number of shares outstanding used to compute basic net loss per share	7,843,700	5,914,344	5,239,552
Conversion option of the 2026 Notes	228,932	—	—
Impact of potential exercise of warrants	568,098	—	—
Weighted average number of shares outstanding used to compute diluted net loss per share	8,640,730	5,914,344	5,239,552
Net loss per share, basic	$ (8.57)	$ (22.70)	$ (19.17)
Net loss per share, diluted	$ (12.39)	$ (22.70)	$ (19.17)

The securities listed below were excluded from the computation of diluted net loss per share for all periods presented, as their effect would have been anti-dilutive:

	Year Ended December 31,		
	2025	2024	2023
Shares subject to outstanding common stock options and ESPP	186,369	180,824	212,422
Restricted stock units	819,875	834,792	337,603
Convertible preferred stock	110,257	—	—
Conversion option of the 2024 Notes	—	20,245	125,257
Conversion option of the 2026 Notes	—	378,773	458,619
Share-settled warrants	—	705,412	—
Total	1,116,501	2,120,046	1,133,901

Note 4. Segment Information

The Company accounts for its segment information in accordance with the provisions of ASC 280-10, *Segment Reporting*. ASC 280-10 establishes annual and interim reporting standards for operating segments of a company. ASC 280-10 requires disclosures of selected segment-related financial information about products, major customers, and geographic areas based on the Company's internal accounting methods. The chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer, evaluates performance, makes operating decisions, and allocates resources based on the financial information presented on a consolidated basis using net loss. Expenses are reviewed by the nature of the cost (Cost of revenue, Sales and marketing, General and administrative and Product development), consistent with the Company's presentation on its consolidated statements of operations. There are no segment managers who are held accountable by the CODM, or anyone else, for operations, operating results and planning for levels or components below the consolidated unit level. Accordingly, management has determined that the Company operates as one operating and reportable segment. The Company identifies net loss as its required measure of segment operating profit or loss. Significant expenses within loss from operations, as well as within net loss are separately presented on the Company's consolidated statements of operations. Other segment items within net loss include Interest expense, Interest income, Gain on troubled debt restructuring, Gain on debt extinguishment, Other income (expense), net, and Provision for income taxes.

Geographic Information

The following table presents the Company's long-lived assets by geographic region as of the dates set forth below:

	December 31,	
	2025	2024
	(In thousands)	
United States	$ 266,695	$ 316,975
Germany	26,147	29,925
Australia	9,721	10,830
Netherlands	4,678	5,036
Other [(1)]	10,308	13,788
Total long-lived assets	$ 317,549	$ 376,554

(1) Israel, United Kingdom, Japan, France, Italy, Spain, Canada, and Singapore.

Note 5. Goodwill and Intangible Assets, Net

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. The Company evaluates goodwill for impairment on an annual basis, and more frequently whenever events or substantive changes in circumstances indicate that it is more likely than not that the carrying value of a reporting unit exceeds its fair value. Assumptions used in an impairment test require significant judgment, therefore, they are subject to change based on facts and circumstances present at each date goodwill is evaluated for impairment.

In connection with the annual impairment test completed as of October 1, 2025, using the quantitative "Step 1" assessment, the Company determined the fair value of its reporting unit using both an income approach and a market approach. The Company applied an equal weighting to the value conclusions resulting from the two employed approaches, because there was sufficient information to estimate the fair value of the reporting unit under both methods. The estimated fair value of the reporting unit is a Level 3 measure in the fair value hierarchy. The fair value determination using an income approach requires management to make significant estimates and assumptions related to forecasts of future revenues, earnings before interest, taxes, depreciation, and amortization (EBITDA) and the discount rate. The Company's projections were used as a key input into the annual goodwill impairment test performed. The discount rate used in the income approach model was 12.5%. The fair value determination using a market approach requires management to make significant assumptions related to marketplace multiples from within a peer public company group. As a result of the October 1, 2025 impairment test, no impairment was identified, as the fair value of the Company's reporting unit exceeded its carrying value.

During the fourth quarter of 2025, the Company performed its quarterly triggering event assessment and concluded that a triggering event was present due to the decrease in the stock price. As a result, the Company performed an interim impairment test as of December 31, 2025 using the quantitative "Step 1" assessment. The Company determined the fair value of its reporting unit using both an income approach and a market approach. The Company applied an equal weighting to the value conclusions resulting from the two employed approaches, because there was sufficient information to estimate the fair value of the reporting unit under both methods. The estimated fair value of the reporting unit is a Level 3 measure in the fair value hierarchy. The fair value determination using an income approach requires management to make significant estimates and assumptions related to forecasts of future revenues, EBITDA and the discount rate. The Company's projections were used as a key input into the goodwill impairment test performed. The discount rate used in the income approach model was 13.5%, which included a 1% risk premium. The fair value determination using a market approach requires management to make significant assumptions related to marketplace multiples from within a peer public company group. As a result of this impairment test, the Company recorded a non-cash impairment charge of $41.6 million in the consolidated statements of operations during the year ended December 31, 2025, to recognize the impairment of goodwill in the Company's one reporting unit.

If, in future periods, the financial performance of the reporting unit does not meet expectations, or a prolonged decline occurs in the market place of our common stock, it may cause a material change in the results of the impairment assessment and result in future impairment to goodwill.

The changes in the carrying amount of goodwill for the years ended December 31, 2025 and 2024 are as follows:

	Goodwill, net
	(In thousands)
Balance as of December 31, 2023 (1)	$ 285,631
Goodwill impairment	(60,551)
Foreign exchange adjustment	(2,526)
Balance as of December 31, 2024 (1)	222,554
Goodwill impairment	(41,595)
Foreign exchange adjustment	3,943
Balance as of December 31, 2025 (1)	$ 184,902

(1) The accumulated impairment balance was $11.9 million, $72.4 million and $114.0 million as of December 31, 2023, 2024 and 2025, respectively.

In connection with the annual impairment test completed on October 1, 2024, using the quantitative "Step 1" assessment, the Company determined the fair value of its reporting unit using both an income approach and a market approach. The Company applied an equal weighting to the value conclusions resulting from the two employed approaches, because there was sufficient information to estimate the fair value of the reporting unit under both methods. The estimated fair value of the reporting unit is a Level 3 measure in the fair value hierarchy. The fair value determination using an income approach requires management to make significant estimates and assumptions related to forecasts of future revenues, EBITDA and the discount rate. The discount rate used in the income approach model was 13%. The fair value determination using a market approach requires management to make significant assumptions related to marketplace multiples from within a peer public company group. In connection with the Company's annual budget process in the fourth quarter of 2024, management completed a comprehensive review of the Company's operations, which resulted in reduced estimated future cash flows. The revised projections were used as a key input into the annual goodwill impairment test performed in the fourth quarter of 2024. As a result, the Company recorded a non-cash impairment charge of $56.9 million in the consolidated statements of operations during the year ended December 31, 2024, to recognize the impairment of goodwill in the Company's one reporting unit.

In addition, during the first quarter of 2024, the Company recorded a non-cash impairment charge of $3.6 million in the consolidated statements of operations, to recognize a full impairment of goodwill associated with its WildHealth reporting unit, which was sold during the second quarter of fiscal 2024.

Intangible Assets, Net

Patents

Legal costs incurred to establish patents are capitalized. When patents are issued, capitalized costs are amortized on the straight-line method over the related patent term. We review our patent portfolio on a periodic basis to determine whether events and circumstances would indicate impairment. In the event a patent is abandoned, the net book value of the patent is written off.

In connection with the Company's review process in the fourth quarter of 2025, management completed a comprehensive review of the Company operations and decided to cease pursuit of a portion of its pending patents. As a result, the Company recorded a non-cash impairment charge of $2.1 million, which was classified as Impairment of intangibles and other assets in the consolidated statements of operations during the year ended December 31, 2025.

The changes in the carrying amount of intangible assets, net for the years ended December 31, 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
	(In thousands)	
Patents:		
Gross carrying amount	$ 16,639	$ 17,609
Accumulated amortization	(3,230)	(2,539)
Net carrying amount	$ 13,409	$ 15,070
Weighted average amortization period	11.0 years	12.7 years

Amortization expense is recognized over the estimated useful life of the asset. Aggregate amortization expense for intangible assets and finance leases, net was $0.7 million, $12.0 million, and $22.2 million for the years ended December 31, 2025, 2024, and 2023, respectively.

As a result of the impairment test in 2024, the Company recognized a non-cash impairment charge of $35.2 million included in Impairment of intangibles and other assets in the consolidated statements of operations. The fair value was determined using a combination of income and market approach. This non-cash charge resulted in a full impairment of the following intangible assets acquired in connection with historical business combination transactions: developed technology in the amount of $23.7 million, customer relationships in the amount of $11.0 million and trademarks in the amount of $0.5 million.

During the first quarter of 2024, the Company recognized a non-cash impairment charge related to WildHealth of $2.2 million included in Impairment of intangibles and other assets in the consolidated statements of operations.

During the year ended December 31, 2023, the Company recognized a non-cash impairment charge of $3.0 million included in Impairment of intangibles and other assets in the consolidated statements of operations related to developed technology associated with WildHealth.

As of December 31, 2025, estimated annual amortization expense for the next five years and thereafter is as follows:

	Estimated Amortization Expense
	(In thousands)
2026	$ 654
2027	618
2028	611
2029	595
2030	573
Thereafter	10,358
Total	$ 13,409

Note 6. Property and Equipment, Net

The following table presents the detail of property and equipment, net as of the dates presented:

	Useful Life (Years)	December 31, 2025	December 31, 2024
		(In thousands)	
Computer equipment and software	3 to 5	$ 133,858	$ 134,647
Internal-use software development costs	5	187,470	176,725
Finance lease right-of-use assets	2	—	62
Furniture, equipment and building improvements	The lesser of 5 or estimated useful life	333	234
Property and equipment, at cost		321,661	311,668
Less: accumulated depreciation and amortization		(231,272)	(211,111)
Total Property and equipment, net		$ 90,389	$ 100,557

There were no impairment charges related to property and equipment during the year ended December 31, 2025. The Company recorded non-cash impairment charges of $9.5 million and $5.0 million related to internal-use software development costs during the years ended December 31, 2024 and 2023, respectively. The impairment charges were included in Impairment of intangibles and other assets in the consolidated statements of operations for the years ended December 31, 2024 and 2023 and pertained to internal-use software that was discontinued and had no future economic benefit.

Expenditures for routine maintenance and repairs are charged to operating expense as incurred. Major renewals and improvements are capitalized and depreciated over their estimated useful lives. The following table presents total depreciation and amortization included in the consolidated statements of operations for the periods presented:

	Year ended December 31,		
	2025	2024	2023
	(In thousands)		
Cost of revenue	$ 5,377	$ 6,792	$ 8,072
Sales and marketing	2,423	3,138	3,103
General and administrative	235	247	453
Product development	13,940	20,133	20,929
Total depreciation and amortization	$ 21,975	$ 30,310	$ 32,557

Note 7. Accrued Expenses and Other Current Liabilities

The following table presents the detail of accrued expenses and other current liabilities as of the dates presented:

	December 31,	
	2025	2024
	(In thousands)	
Professional services and consulting and other vendor fees	$ 17,404	$ 30,302
Payroll and other employee-related costs	7,735	10,061
Warrants liability (Note 9)	2,999	17,498
Accrued interest	1,122	998
Restructuring (Note 12)	1,387	3,028
Sales commissions	1,787	2,207
Non-income tax	280	644
Other	5,986	1,844
Total accrued expenses and other current liabilities	$ 38,700	$ 66,582

Note 8. Senior Notes, Capped Call Transactions, Warrants and Preferred Stock

Convertible Senior Notes due 2024 and Capped Calls

In March 2019, the Company issued $230.0 million aggregate principal amount of its 0.750% Convertible Senior Notes due 2024 in a private placement. Interest on the 2024 Notes was payable semi-annually in arrears on March 1 and September 1 of each year.

On March 21, 2023, the Company entered into individual privately negotiated transactions (the "Note Repurchase Agreements") with certain holders of its 2024 Notes, pursuant to which the Company agreed to pay an aggregate of $149.7 million in cash for the repurchase of $157.5 million in aggregate principal amount of the 2024 Notes (the "Note Repurchases"). During the year ended December 31, 2023, the Company recognized a $7.2 million gain, net of transaction costs of $0.5 million on debt extinguishment, which represented the difference between the carrying value and the fair value of the 2024 Notes just prior to the Note Repurchases, which was recorded in Gain on debt extinguishment in the consolidated statements of operations.

Upon completion of the Note Repurchases, the aggregate principal amount of the 2024 Notes was reduced by $157.5 million to $72.5 million and the carrying amount of the 2024 Notes reduced by $228.3 million to $72.0 million. A corresponding portion of the 2024 capped calls were terminated in connection following the Note Repurchases as required by their terms for minimal consideration.

The remaining 2024 Notes matured on March 1, 2024, on which date the Company repaid in full the outstanding $72.5 million in aggregate principal amount and the associated 2024 capped calls expired unexercised.

Convertible Senior Notes due 2026 and Capped Calls

In December 2020, the Company issued $517.5 million aggregate principal amount of its 2026 Notes in a private placement, of which $20.1 million aggregate principal amount was outstanding as of December 31, 2025 and are senior unsecured obligations of the Company. The 2026 Notes will mature on December 15, 2026, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the offering of the 2026 Notes, after deducting debt issuance costs, was $505.3 million.

Each $1,000 in principal amount of the 2026 Notes is convertible into 0.8862 shares of the Company's common stock, which is equivalent to a conversion price of $1,128.39 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2026 Notes in connection with such a corporate event. The 2026 Notes are not redeemable prior to the maturity date of the 2026 Notes and no sinking fund is provided for the 2026 Notes. The indenture governing the 2026 Notes contains events of default customary for convertible notes issued in connection with similar transactions. If the Company undergoes a "Fundamental Change" (as defined in the indenture governing the 2026 Notes) which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase for cash all or any portion of their 2026 Notes in principal amounts of $1,000 or a multiple thereof at a Fundamental Change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest to, but excluding, the Fundamental Change repurchase date.

Holders of the 2026 Notes may convert their 2026 Notes at their option at any time prior to the close of business on the business day immediately preceding August 15, 2026, in multiples of $1,000 principal amount, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2026 Notes on each applicable trading day as determined by the Company; (2) during the five business day period after any five consecutive trading day period (the "2026 Notes measurement period") in which the "trading price" (as defined in the indenture governing the 2026 Notes) per $1,000 principal amount of 2026 Notes for each trading day of the 2026 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate for the 2026 Notes on each such trading day; (3) with respect to any 2026 Notes that the Company calls for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after August 15, 2026, holders may convert all or any portion of their 2026 Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election.

During the year ended December 31, 2025, the conditions allowing holders of the 2026 Notes to convert were not met.

In connection with the offering of the 2026 Notes, the Company entered into privately-negotiated capped call option transactions with certain counterparties (the "2026 capped calls"). The 2026 capped calls each have a strike price of $1,128.39 per share, subject to certain adjustments, which corresponds to the conversion price of the 2026 Notes. The 2026 capped calls have initial cap prices of $1,583.70 per share, subject to certain adjustment events. The 2026 capped calls cover, subject to anti-dilution adjustments, approximately 0.11 million shares of common stock. The 2026 capped calls are generally intended to reduce or offset the potential dilution to the common stock upon any conversion of the 2026 Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The 2026 capped calls expire on December 15, 2026, subject to earlier exercise. The 2026 capped calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the 2026 capped calls are subject to certain specified additional disruption events that may give rise to a termination of the 2026 capped calls, including changes in law, failure to deliver, and hedging disruptions. The 2026 capped calls are recorded in stockholders' equity and are not accounted for as derivatives. The net cost of $46.1 million incurred to purchase the 2026 capped calls was recorded as a reduction to additional paid-in capital in the accompanying consolidated balance sheets.

Pursuant to a privately negotiated exchange and purchase agreement (the "Exchange and Purchase Agreement"), on June 3, 2024, the Company exchanged $146.0 million principal amount of the 2026 Notes then held by an investor for $100.0 million principal amount of new 2029 Notes, and the same investor purchased an additional $50.0 million principal amount of the 2029 Notes for cash. In connection with the exchange and purchase, the Company also issued the Warrants to the investor, and the investor agreed to purchase up to $50.0 million of additional 2029 Notes upon the Company's request and subject to certain conditions (the "Delayed Draw Notes"). As a result of the exchange and purchase transactions, during the second quarter of 2024, the Company recognized a $68.1 million gain on debt extinguishment which represented the difference between the carrying value of the 2026 Notes so exchanged and the collective fair value of the 2029 Notes and the Warrants, net of the cash payment received from the investor. The extinguishment gain was recorded in Gain on debt extinguishment in the consolidated statements of operations in fiscal 2024, and a corresponding portion of capped calls were terminated following the exchange and purchase as required by their terms for minimal consideration.

On June 13, 2024, the Company repurchased $10.3 million principal amount of the 2026 Notes for $4.9 million in cash. As a result of the transaction, during the second quarter of 2024, the Company recognized a $5.0 million gain on debt extinguishment, which was recorded in Gain on debt extinguishment in the consolidated statements of operations. In addition, a corresponding portion of the 2026 capped calls were terminated following the repurchase as required by their terms for no consideration.

The 2026 Notes were classified as long-term liabilities in the consolidated balance sheets as of December 31, 2024. After the completion of the exchange and repurchase, the aggregate principal amount of the 2026 Notes was reduced to $361.2 million and the carrying amount of the 2026 Notes was reduced to $357.8 million. A corresponding portion of the 2026 capped calls were terminated in connection following the transactions as required by their terms for no consideration.

September 2025 Debt Exchange

On September 12, 2025 (the "Exchange Closing Date"), the Company consummated an exchange of the $341.1 million in aggregate principal amount of 2026 Notes held by certain former holders of the Company's outstanding 2026 Notes (the "Noteholders") for (i) an aggregate payment of $45.0 million in cash, (ii) $115.0 million in aggregate principal amount of the Company's 10.0% Second Lien Senior Subordinated Secured Notes due 2029 (the "Second Lien Notes"), (iii) 3,555,596 shares of common stock and (iv) 26,551 shares of Series B Fixed Rate Convertible Perpetual Preferred Stock, par value $0.001 (the "Series B Preferred Stock"). On September 25, 2025, the Company issued an additional 143,192 shares of common stock to certain of the Noteholders, which shares were issued on a deferred basis due to a beneficial ownership limitation preventing such Noteholders from owning in excess of 9.90% of the outstanding common stock of the Company. In addition, a corresponding portion of the 2026 capped calls were terminated following the exchange as required by their terms for no consideration. This September 2025 Debt Exchange was accounted for as a Troubled Debt Restructuring ("TDR") in accordance with ASC 470-60, *Troubled Debt Restructuring by Debtors*. The Company recognized a TDR gain of $27.7 million, which is presented as Gain on troubled debt restructuring in the consolidated statements of operations for the year ended December 31, 2025.

On the Exchange Closing Date, the principal amount of the exchanged 2026 Notes was $341.1 million with a discount of $1.7 million for a net carrying value of $339.4 million. The Company recognized the Second Lien Notes at a carrying value of $182.0 million. Under the TDR accounting treatment, the carrying value of the Second Lien Notes of $182.0 million was comprised of the total future undiscounted cash flows which included principal of $115.0 million, the maximum interest of $58.7 million as well as a redemption premium of $8.3 million. The redemption premium is related to the contingent redemption feature where the lenders can redeem the Second Lien Notes immediately prior to their maturity upon the occurrence of a Fundamental Change as defined in the indenture governing the Second Lien Notes at 105% of the principal plus accrued but unpaid interest as discussed further below. The Company assumes contingent future payments will have to be paid and those amounts shall be included in the total future cash payments. If, in future periods, the contingency is resolved so that a contingent payment does not have to be made, the Company will recognize a gain in the period when the contingency has been resolved. Subsequently, no interest expense on the Second Lien Notes will be recorded, as all future interest payments will reduce the carrying value of the restructured debt.

The unexchanged 2026 Notes, due December 15, 2026, are classified as Current portion of long-term debt in the consolidated balance sheets as of December 31, 2025. The aggregate principal amount of the unexchanged 2026 Notes was $20.1 million and the carrying amount of the unexchanged 2026 Notes was $20.0 million as of December 31, 2025. The remaining term over which the unexchanged 2026 Notes' debt issuance costs will be amortized is 0.92 years at an effective interest rate of 0.40%.

Second Lien Senior Subordinated Secured Notes due 2029

On the Exchange Closing Date, the Company issued $115.0 million in aggregate principal amount of Second Lien Notes as part of the September 2025 Debt Exchange transaction. The Second Lien Notes accrue interest at a rate of 10.0% per annum. Prior to March 15, 2027, all of the interest on the Second Lien Notes is payable in-kind ("PIK"). On and after March 15, 2027 and until June 15, 2028, interest will be payable, at the Company's option, in cash or in-kind or partially in cash and partially in-kind. On and after June 15, 2028, until the maturity of the Second Lien Notes, interest on the Second Lien Notes will be payable in cash, or at the Company's option, up to 6.0% per annum in-kind. Unless earlier repurchased or redeemed by the Company, the Second Lien Notes will mature on December 15, 2029.

The Company may, at its option, redeem the Second Lien Notes, in whole or in part, prior to September 12, 2026 at a price equal to the sum of (i) 105% of the accrued and unpaid interest (including cash and PIK components thereof), (ii) 105% of the aggregate principal amount of the Second Lien Notes (including, without duplication of any amounts described in item (i), all increases to the principal amount as the result of previous payments of PIK interest) and (iii) the present value of the remaining future interest payments (including cash and PIK components thereof) through September 12, 2026, computed using a discount rate of T + 50 (such amount, the "Make Whole Amount"). On or after September 12, 2026, and prior to September 12, 2027, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 105% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 105% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). On or after September 12, 2027, and prior to September 12, 2028, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 102.5% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 102.5% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). From September 12, 2028 until maturity, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 100% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 100% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). No sinking fund is provided for the Second Lien Notes.

The Second Lien Notes are guaranteed on a senior subordinated basis by certain of the Company's direct and indirect domestic and foreign subsidiaries and secured by second lien priority security interests in substantially all of the assets of the Company and such subsidiary guarantors, subject to customary exceptions. Pursuant to an intercreditor agreement, the Second Lien Notes are subordinated in right of payment and to collateral, in each case, to the 2029 Notes. The indenture governing the Second Lien Notes contains affirmative and negative covenants and events of default customary for senior secured notes issued in connection with similar transactions. The negative covenants include limitations on asset sales, the incurrence of debt, preferred stock and liens, fundamental changes, investments, dividends and other payment restrictions affecting subsidiaries, restricted payments and transactions with affiliates. Among other things, these covenants generally prohibit the payment of cash dividends on the Company's common stock. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of the Second Lien Notes. In the event the Second Lien Notes are accelerated prior to September 12, 2028, the applicable acceleration premium set forth in the indenture governing the Second Lien Notes will become due. The indenture governing the Second Lien Notes permits the Company and its subsidiaries to incur, subject to certain requirements, up to (i) $150.0 million of debt that is junior in lien priority and subordinated in right of payment to the Second Lien Notes, and (ii) up to $20.1 million as exchange consideration for, or the proceeds of which are used to repay, the remaining $20.1 million aggregate principal amount of 2026 Notes, which debt may be in the form of additional Second Lien Notes. No embedded derivatives were bifurcated from the Second Lien Notes as the September 2025 Debt Exchange was accounted for as a troubled debt restructuring and the Company recognized a gain in connection with the issuance of the Second Lien Notes.

If the Company undergoes a "Fundamental Change" as defined in the indenture governing the Second Lien Notes, which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase all or any portion of their Second Lien Notes at a repurchase price equal to (i) to the Make Whole Amount, if such Fundamental Change occurs prior to September 12, 2026, or (ii) the sum of (A) 105% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (B) 105% of all accrued and unpaid interest, if such Fundamental Change occurs on or after September 12, 2026.

Series B Preferred Stock

On the Exchange Closing Date, the Company filed a Certificate of Designation with respect to the Series B Preferred Stock (the "Series B Certificate of Designation") with the Secretary of State of the State of Delaware and issued to the Noteholders an aggregate 26,551 shares of Series B Preferred Stock. Each share of Series B Preferred Stock had an initial stated value ("Stated Value") of $1,000 per share, subject to adjustment for (i) any splits, combinations, or similar adjustment and (ii) accrued unpaid dividends. The Series B Preferred Stock did not have a stated maturity and were not subject to mandatory redemption or any sinking fund, and would have remained outstanding indefinitely unless earlier converted, repurchased or redeemed.

On October 2, 2025, the stockholders of the Company approved the Stock Increase Charter Amendment Proposal to increase the authorized common stock share capital of the Company from 13,333,333 shares to 20,000,000 shares. The Stock Increase Charter Amendment was filed with the Secretary of State of the State of Delaware on October 3, 2025. As a result, all of the outstanding shares of Series B Preferred Stock automatically converted pursuant to the terms of the Series B Certificate of Designation, and on October 7, 2025, an aggregate 1,547,840 shares of common stock were issued to holders of the Series B Preferred Stock.

First Lien Convertible Senior Notes due 2029

In June 2024, the Company issued $150.0 million aggregate principal amount of its 2029 Notes pursuant to the Exchange and Purchase Agreement including $100.0 million aggregate principal amount issued in exchange for $146.0 million aggregate principal amount of 2026 Notes and $50.0 million aggregate principal amount issued for cash. The Company paid third parties $7.6 million in connection with the transaction, which was capitalized as debt issuance costs. At the time of the exchange, the fair value of the 2029 Notes approximated $118.1 million, and the Company recognized a debt discount of $31.9 million.

In December 2024, the Company issued $50.0 million aggregate principal amount of its 2029 Notes, constituting the Delayed Draw Notes, for $50.0 million cash.

Unless earlier repurchased or redeemed by the Company or converted pursuant to their terms, the 2029 Notes will mature on the earlier of (a) June 15, 2029 and (b) 91 days before the maturity of the 2026 Notes, if greater than $60.0 million principal amount of 2026 Notes remains outstanding on such date. The amount payable by the Company if the 2029 Notes mature pursuant to clause (b) will be equal to 100% of the aggregate principal amount of the 2029 Notes, plus accrued and unpaid interest, plus the remaining future interest payments that would have been payable through June 15, 2029, discounted at a rate equal to the comparable treasury rate plus 50 basis points (the "Make-Whole Amount").

From June 3, 2024, until the date of issuance of the Delayed Draw Notes, interest on the 2029 Notes accrued at a rate of 10.83% (consisting of 4.17% cash and 6.66% PIK) per annum. From the date of issuance of the Delayed Draw Notes and prior to December 15, 2026, interest on the 2029 Notes has increased and accrues at a rate of 11.375% (consisting of 4.375% cash and 7.00% PIK) per annum. On and after December 15, 2026, interest on the 2029 Notes will further increase and accrue at a rate of 13% (consisting of 5% cash and 8% PIK) per annum.

The Company may, at its option, redeem the 2029 Notes, in whole or in part, prior to June 15, 2025 at a price equal to the Make-Whole Amount. On or after June 15, 2025, and prior to June 15, 2026, the Company may, at its option, redeem the 2029 Notes, in whole or in part for an amount of cash equal to the sum of (i) 106.50% of the aggregate principal amount of the 2029 Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 106.50% of all accrued and unpaid PIK interest plus (iii) all accrued and unpaid cash interest. On or after June 15, 2026, and prior to December 15, 2026, the Company may, at its option, redeem the 2029 Notes, in whole or in part for an amount of cash equal to the sum of (i) 103.25% of the aggregate principal amount of the 2029 Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 103.25% of all accrued and unpaid PIK interest plus (iii) all accrued and unpaid cash interest. From December 15, 2026 until maturity, the Company may, at its option, redeem the 2029 Notes, in whole or in part for an amount of cash equal to the sum of (i) 113% of the aggregate principal amount of the 2029 Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 113% of all accrued and unpaid PIK interest plus (iii) all accrued and unpaid cash interest. No sinking fund is provided for the 2029 Notes.

The 2029 Notes are guaranteed on a senior basis by certain of the Company's direct and indirect domestic and foreign subsidiaries and secured by first priority security interests in substantially all of the assets of the Company and such subsidiary guarantors, subject to customary exceptions. The indenture governing the 2029 Notes contains affirmative and negative covenants and events of default customary for senior secured notes issued in connection with similar transactions. The negative covenants include limitations on asset sales, the incurrence of debt, preferred stock and liens, fundamental changes, investments, dividends and other payment restrictions affecting subsidiaries, restricted payments and transactions with affiliates. Among other things, these covenants generally prohibit the payment of cash dividends on the Company's common stock. The Make-Whole Amount will be payable in the event of an acceleration of the 2029 Notes or repurchase triggered by certain asset sales. The indenture governing the 2029 Notes permits the Company and its subsidiaries to incur, subject to certain requirements, up to $150.0 million of debt that is junior in lien priority and subordinated in right of payment to the 2029 Notes. The indenture governing the 2029 Notes also includes a financial covenant that requires the Company at all times to maintain a minimum cash balance of $60.0 million (excluding proceeds of the 2029 Notes). Upon request of the investor, the indenture governing the 2029 Notes requires the Company to enter into a registration rights agreement with respect to the 2029 Notes containing customary terms including demand, shelf and piggyback registration rights. The Company was in compliance with its financial covenants as of December 31, 2025.

If the Company undergoes a "Fundamental Change" (as defined in the indenture governing the 2029 Notes), which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase all or any portion of their 2029 Notes at a repurchase price equal to 100% of the aggregate principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid interest, plus an amount equal to 66% of the remaining future interest payments (including PIK interest) that would have been payable through June 15, 2029, discounted at a rate equal to the comparable treasury rate plus 50 basis points.

Holders of the 2029 Notes may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding February 15, 2029 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2024 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2029 Notes on each applicable trading day as determined by the Company; (2) during the five business day period after any five consecutive trading day period (the "2029 Notes measurement period") in which the "trading price" (as defined in the indenture governing the 2029 Notes) per $1,000 principal amount of 2029 Notes for each trading day of the 2029 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the product of (x) the quotient of (i) the "conversion amount" (as defined in the Indenture) in respect of $1,000 principal amount of the 2029 Notes on such trading day divided by (ii) 1,000 times (y) the conversion rate for the 2029 Notes on each such trading day; (3) with respect to any 2029 Notes that the Company calls for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; (4) upon the occurrence of specified corporate events; or (5) during the period from August 17, 2026 through September 14, 2026, if the aggregate principal amount of 2026 Notes exceeds $60.0 million on August 16, 2026. On or after February 15, 2029, holders may convert all or any portion of their 2029 Notes at any time prior to the close of business on June 13, 2029, regardless of the foregoing circumstances. The 2029 Notes include certain embedded features requiring bifurcation, which did not have material values as of December 31, 2025 due to management's estimates of the likelihood of triggering events, but that may have value in the future should those estimates change, with any change in fair value recorded in the Company's consolidated statements of operations.

The 2029 Notes (including all accrued and unpaid interest) are convertible at the option of the holders at certain times into cash based on a daily conversion value calculated on a proportionate basis for each trading day in a 50 trading day observation period, corresponding to 0.8862 shares of the Company's common stock per $1,000 principal amount of 2029 Notes. The Company is not required to deliver its common stock upon conversion under any circumstances. The conversion rate for the 2029 Notes is subject to adjustment if certain events occur and contains customary anti-dilution protections. During the three months ended December 31, 2025, the conditions allowing holders of the 2029 Notes to convert were not met.

The 2029 Notes, including the Delayed Draw Notes, are accounted for as a single liability, and the combined carrying amount is $189.8 million as of December 31, 2025, consisting of principal of $221.9 million, net of unamortized issuance costs of $6.1 million and debt discount of $26.0 million. The 2029 Notes were classified as long-term liabilities in the consolidated balance sheets as of December 31, 2025. The remaining term over which the 2029 Notes' debt issuance costs will be amortized is 3.46 years at an effective interest rate of 19.13% for the 2029 Notes and 13.28% for the Delayed Draw Notes as of December 31, 2025. The 2029 Notes and the Delayed Draw Notes had an effective interest rate of 19.18% and 13.25%, respectively, as of December 31, 2024.

Unamortized debt issuance costs incurred in connection with securing the Company's financing arrangements are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the outstanding borrowings, consistent with debt discounts. All deferred financing costs are amortized to interest expense. The net carrying amount of the liability component of the Notes as of December 31, 2025 and 2024 was as follows:

	December 31, 2025				December 31, 2024		
	2026 Notes	2029 Notes	Second Lien Notes [1]	Total	2026 Notes	2029 Notes	Total
	(In thousands)				(In thousands)		
Principal	$ 20,125	$ 221,877	$ 181,952	$ 423,954	$ 361,204	207,125	$ 568,329
Unamortized debt discount	—	(25,955)	—	(25,955)	—	(31,137)	(31,137)
Unamortized issuance costs	(73)	(6,142)	—	(6,215)	(2,757)	(7,365)	(10,122)
Total net carrying value	20,052	189,780	181,952	391,784	358,447	168,623	527,070
Less: Current portion of long-term debt	(20,052)	—	—	(20,052)	—	—	—
Carrying value of long-term debt, net	$ —	$ 189,780	$ 181,952	$ 371,732	$ 358,447	$ 168,623	$ 527,070

(1) Represents $115.0 million of outstanding principal amount of Second Lien Notes, plus the maximum interest of $58.7 million as well as a redemption premium of $8.3 million.

The following table sets forth the interest expense recognized related to the Notes:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Contractual interest expense	$ 23,916	$ 9,973	$ 839
Amortization of debt issuance costs	2,285	2,106	4,043
Amortization of debt discount	5,329	2,407	—
Total interest expense related to the Notes	$ 31,530	$ 14,486	$ 4,882

Warrants

On June 3, 2024, pursuant to the Exchange and Purchase Agreement, the Company issued to the investor 10-year warrants with a strike price of $11.25 per share, exercisable for 649,782 shares of the Company's common stock and 10-year warrants with a strike price of $11.25 per share, exercisable with respect to a notional amount of 156,318 shares of the Company's common stock for cash payments equal to the excess of "fair market value" (as defined therein) per share over the strike price, fully diluted subject to certain adjustments. In August 2025, Warrants with a notional amount of 200,000 shares were settled and a gain of $1.3 million related to the fair value adjustment on settlement date was recognized in Other income (expense), net in the consolidated statements of operations for the year ended December 31, 2025.

The cash-settled warrants will permit the Company, subject to certain conditions (including to the extent that the Company, following payment, would have "available cash" (as defined therein) of less than $100.0 million), to defer payment of the settlement amount at an annualized interest rate of 6.0%, compounded monthly. Warrants outstanding at the 10-year expiration will be exercised automatically (and in the case of the share-settled warrants, will be exercised on a cashless basis) if, immediately prior to the expiration, the fair market value per share is greater than the strike price.

The Warrants contain customary anti-dilution protections. The triggers for the anti-dilution adjustments include (a) subdivision, combination or reclassification of the outstanding shares of common stock into a greater or smaller number of shares, (b) certain below market issuances of common stock, (c) certain issuances of common stock at a price that is less than the strike price of the Warrant, (d) certain issuances of a dividend or distribution to all holders of common stock, (e) an above market tender offer or exchange offer by the Company for common stock. Pursuant to the anti-dilution terms of the Warrants, and giving effect to the settlement of Warrants with respect to a notional amount of 200,000 shares, the aggregate notional amount of the Warrants increased to 1,025,935 shares and the strike price was $6.92 as of December 31, 2025.

In the event of a "Cash/Public Acquisition" (as defined therein), the Warrants may be automatically exercised, cash settled or expire, depending on the fair market value per share. The Warrants contain a beneficial ownership limitation on the investor's ownership of the Company's common stock, on a post-exercise basis (aggregating all securities convertible into or exercisable for the Company's common stock), of 4.99%, subject to increase upon 61 days' notice by the investor, but not to exceed 9.99%.

The Warrants were classified as current liabilities under ASC 480, *Distinguishing Liabilities from Equity*, in the Company's consolidated balance sheets and recorded at fair value of $5.3 million at the issuance date with subsequent changes in fair value recorded in the Company's consolidated statements of operations. As of December 31, 2025, the Warrants had a fair value of $3.0 million. A gain of $13.2 million and a loss of $12.2 million for the change in fair value were recorded in Other income (expense), net, in the Company's consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively.

Note 9. Fair Value Measurements

The Company measures its cash equivalents at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect: quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Financial Assets and Liabilities

The carrying amount of cash, accounts receivable, and accounts payable approximate their fair value due to their short-term nature. The Company's assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy as of December 31, 2025 and 2024, are summarized as follows:

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents - money market funds	$ 43,000	$ —	$ —	$ 43,000
Total assets	$ 43,000	$ —	$ —	$ 43,000
Liabilities:				
Warrants liability	$ —	$ —	$ 2,999	$ 2,999
Total liabilities	$ —	$ —	$ 2,999	$ 2,999

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents - money market funds	$ 105,772	$ —	$ —	$ 105,772
Total assets	$ 105,772	$ —	$ —	$ 105,772
Liabilities:				
Warrants liability	$ —	$ —	$ 17,498	$ 17,498
Total liabilities	$ —	$ —	$ 17,498	$ 17,498

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available.

The Company's money market funds are measured at fair value on a recurring basis based on quoted market prices in active markets and are classified as Level 1 within the fair value hierarchy. The Company's Warrants liability was measured at fair value on a recurring basis and was classified as Level 3 within the fair value hierarchy. Significant changes in unobservable inputs could result in significantly lower or higher fair value measurements.

On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Estimated fair values are Level 3 measures in the fair value hierarchy.

The estimated fair value of outstanding balances of the Notes as of the dates presented are as follows:

	Level of Hierarchy	Fair Value	Principal Balance	Unamortized Debt Discount	Unamortized Debt Issuance Costs	Net Carrying Value
				(In thousands)		
December 31, 2025						
2026 Notes	2	$ 8,175	$ 20,125	$ —	$ (73)	$ 20,052
2029 Notes	3	$ 200,601	$ 221,877	$ (25,955)	$ (6,142)	$ 189,780
Second Lien Notes	3	$ 61,497	$ 181,952	$ —	$ —	$ 181,952
December 31, 2024						
2026 Notes	2	$ 164,348	$ 361,204	$ —	$ (2,757)	$ 358,447
2029 Notes	3	$ 180,360	$ 207,125	$ (31,137)	$ (7,365)	$ 168,623

Management determined the fair value of 2026 Notes by using Level 2 inputs based on observable market prices for the instrument and similar instruments. Management determined the fair value of the 2029 Notes as of December 31, 2025 by using Level 3 inputs, including the volatility of 15%, yield of 16%, risk-free rate of 3.59% and credit spread of 12.81%. Management determined the fair value of the Second Lien Notes as of December 31, 2025 by using Level 3 inputs, including volatility of 15.00%, yield of 30.00%, risk-free rate of 3.64% and credit spread of 24.60%. A change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. Management determined the fair value of the 2029 Notes and Delayed Draw Notes as of December 31, 2024 by using Level 3 inputs, including the yield of 16%, risk-free rate of 4.35%, and credit spread of 11.42%.

Warrants

The Company recorded the fair value of the Warrants upon issuance using the Black-Scholes valuation model and is required to revalue these Warrants at each reporting date with any changes in fair value recorded on the Company's consolidated statements of operations. The valuation of the Warrants was classified as Level 3 within the fair value hierarchy and is influenced by the fair value of the underlying, or notional amount of, common stock of the Company. A summary of the Black-Scholes pricing model assumptions used to record the fair value of the Warrants as of December 31, 2025 and 2024 is as follows:

	December 31,	
	2025	2024
Stock price	$ 3.87	$ 1.52
Risk free rate	4.05%	4.56%
Expected life (in years)	8.43	9.43
Expected volatility	85.00%	76.00%

Any significant changes in the inputs may result in significantly higher or lower fair value measurements. Refer to Note 8 – *Senior Notes, Capped Call Transactions, Warrants and Preferred Stock* for additional information.

The changes in fair value of the Level 3 Warrants as of the dates presented are as follows:

	December 31,	
	2025	2024
	(In thousands)	
Balance, beginning of year	$ 17,498	$ —
Issuance of Warrants	—	5,266
Settlement of Warrants	(1,297)	—
Change in fair value of Warrants	(13,202)	12,232
Balance, end of year	$ 2,999	$ 17,498

Note 10. Commitments and Contingencies

Employee Benefit Plans

The Company has a 401(k) defined contribution plan covering all eligible employees. The Company's 401(k) policy is a Safe Harbor Plan, whereby the Company matches 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation. The match is immediately vested. Salaries and related expenses include $1.9 million, $2.8 million, and $3.8 million of employer matching contributions for the years ended December 31, 2025, 2024, and 2023, respectively.

Letters of Credit

As of December 31, 2025, the Company had letters of credit totaling $0.5 million outstanding as a security deposit for the due performance by the Company of the terms and conditions of a supply contract.

Contractual obligations

The Company's purchase obligations consist of agreements to purchase goods and services entered into in the ordinary course of business. The Company has purchase obligation agreements primarily relating to contracts with vendors in connection with Information Technology ("IT") infrastructure and cloud computing services. In September 2025, the Company entered into a new three-year contract for $74.4 million in purchase commitments over a three-year term. Total purchase commitments remaining as of December 31, 2025 including those under this new contract are as follows: $25.5 million for 2026, $24.5 million for 2027, and $24.4 million for 2028.

Indemnifications

The Company enters into service and license agreements in its ordinary course of business. Pursuant to some of these agreements, the Company agrees to indemnify certain customers from and against certain types of claims and losses suffered or incurred by them as a result of using the Company's products.

The Company also has agreements whereby its executive officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers insurance policy that reduces its exposure and enables the Company to recover a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of December 31, 2025 and 2024.

Note 11. Stockholders' Equity

Common Stock

On October 3, 2025, we amended our Restated Certificate of Incorporation to increase the number of outstanding shares of our common stock from 200 million to 300 million. Subsequently, on October 13, 2025, we effected a 1-for-15 Reverse Stock Split, which also resulted in a proportional reduction in the number of authorized shares of our common stock from 300,000,000 to 20,000,000.

As of December 31, 2025, there were 20,000,000 shares of common stock authorized, 12,223,729 shares issued, and 12,039,325 shares outstanding. As of December 31, 2024, there were 13,333,333 shares of common stock authorized, 6,263,782 shares issued, and 6,079,378 shares outstanding. The par value for the common stock is $0.001 per share.

Preferred Stock

As of December 31, 2025 and 2024, there were 5,000,000 shares of preferred stock authorized, and no shares were issued or outstanding. The par value for the preferred stock is $0.001 per share.

Stock-Based Compensation

The Company's stock-based compensation generally includes stock options, RSUs, PRSUs, and purchases under the Company's 2019 Employee Stock Purchase Plan (the "ESPP"). Stock-based compensation expense related to RSUs is based on the market value of the underlying stock on the date of grant and the related expense is recognized ratably over the requisite service period. The stock-based compensation expense related to PRSUs is estimated at the grant date based on the expectation that performance goals will be achieved at the stated target level. The amount of compensation cost recognized depends on the relative satisfaction of the performance condition based on performance to date.

Stock Incentive Plans

The Company's 2019 Stock Incentive Plan became effective on April 11, 2019. The 2019 Stock Incentive Plan, as amended and restated, allows the Company's employees and directors to participate in the Company's future performance through grants of stock-based awards of stock options and RSUs at the discretion of the board of directors. The number of shares authorized for issuance under the 2019 Stock Incentive Plan as of December 31, 2025 was 3,487,182 shares. Options to acquire common stock granted under the 2019 Stock Incentive Plan have four-year terms. As of December 31, 2025, 62,029 shares of common stock remained available for issuance (taking into account all stock option exercises and other equity award settlements through December 31, 2025).

Employee Stock Purchase Plan

The number of shares authorized for issuance under the ESPP as of December 31, 2025 was 300,000 shares. As of December 31, 2025, 92,972 shares of common stock remained available for issuance under the ESPP (taking into account all share purchases through December 31, 2025).

Inducement Plan

There are 1,027,489 shares of common stock authorized and reserved for issuance under the Inducement Plan. As of December 31, 2025, 85,615 shares of common stock remained available for issuance under the Inducement Plan (taking into account all option exercises and other equity award settlements through December 31, 2025).

Stock Option Activity

The following table is a summary of the Company's stock option activity and weighted average exercise prices for the years presented:

	Stock Option Activity		Weighted Average	
	Options (In thousands)	Weighted Average Exercise Price	Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Balance outstanding as of December 31, 2022	297	$ 363.75		
Granted	1	170.55		
Exercised	(4)	39.30		
Cancelled or expired	(85)	340.35		
Balance outstanding as of December 31, 2023	209	$ 340.20	4.84	$ 40
Options vested and expected to vest	25	$ 432.45	7.89	$ —
Options exercisable as of December 31, 2023	176	$ 325.05	4.20	$ 40
Balance outstanding as of December 31, 2023	209	$ 340.20		
Granted [1]	67	15.30		
Cancelled or expired	(98)	329.40		
Balance outstanding as of December 31, 2024	178	$ 343.95	3.95	$ 7
Options vested and expected to vest	45	$ 73.65	8.93	$ 290
Options exercisable as of December 31, 2024	106	$ 343.95	3.65	$ 7
Balance outstanding as of December 31, 2024	178	$ 343.95		
Granted	27	16.20		
Cancelled or expired	(27)	290.32		
Balance outstanding as of December 31, 2025	178	$ 184.30	5.92	$ —
Options vested and expected to vest	154	$ 210.00	5.47	$ —
Options exercisable as of December 31, 2025	84	$ 370.98	2.91	$ —

(1) Represents an option to purchase 66,666 shares granted to John Sabino, the Company's Chief Executive Officer, as a standalone grant, that will vest upon satisfaction of certain performance-based and time-based vesting conditions.

The total fair value of stock options exercised during the years ended December 31, 2025 and 2024 was immaterial. The total fair value of stock options exercised during the year ended December 31, 2023 was $3.4 million. As of December 31, 2025, there was $0.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 2.4 years.

The per share weighted average fair value of stock options granted during the years ended December 31, 2025, 2024 and 2023 was $12.00, $2.55, and $98.10, respectively. The fair value of each option grant is estimated on the date of grant, adjusted for estimated forfeitures, using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2025	2024	2023
Dividend yield	—%	—%	—%
Risk-free interest rate	3.74%	4.31%	3.60%
Expected life (in years)	4	10	5
Volatility	108.51%	67.10%	65.17%

A description of the methods used in the significant assumptions used to estimate the fair value of stock-based-based compensation awards follows:

- *Dividend yield* – The Company uses 0% as it has never issued dividends and does not anticipate issuing dividends in the near term.
- *Risk-free interest rate* – The Company uses the market yield on zero-coupon U.S. Treasury securities with maturities that approximate the expected life of stock options in years, with the exception of the 2024 grants, which had a 10-year life.
- *Expected life* – The Company uses historical data to estimate the expected life of a stock option.
- *Volatility* – The Company estimates expected volatility based on the historical volatility of its common stock over a period consistent with the expected life of the stock options.

Restricted Stock Unit and Performance-Vesting Restricted Stock Unit Activity

The following table is a summary of the Company's RSUs and PRSUs activity and weighted average grant date fair value, for the years presented:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Fair Value
	(In thousands)	(Per share)	(In thousands)
Balance outstanding as of December 31, 2022	349	$ 381.30	$ 53,080
Awarded	288	66.15	
Released	(180)	237.90	
Forfeited	(119)	378.15	
Non-vested and outstanding as of December 31, 2023	338	$ 187.95	$ 19,193
Balance outstanding as of December 31, 2023	338	$ 187.95	$ 19,193
Awarded	795	14.55	
Released	(201)	142.35	
Forfeited	(97)	217.35	
Non-vested and outstanding as of December 31, 2024	835	$ 30.45	$ 14,578
Balance outstanding as of December 31, 2024	835	$ 30.45	$ 14,578
Awarded	750	12.17	
Released	(592)	26.01	
Forfeited	(210)	29.24	
Non-vested and outstanding as of December 31, 2025	783	$ 15.45	$ 3,028
Expected to vest	617	$ 14.98	$ 2,387

RSUs granted to employees generally vest over a 1 to 4-year period, or upon achievement of certain performance conditions. As of December 31, 2025, total unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested RSUs was $7.8 million and the weighted-average remaining vesting period was 1.1 years.

PRSUs granted are generally subject to both a service-based vesting condition and a performance-based vesting condition. PRSUs will vest upon the achievement of specified performance targets and subject to continued service through the applicable vesting dates. The associated compensation cost is recognized over the requisite service period when it is probable that the performance condition will be satisfied. There were no PRSU grants in 2025 and 2024. PRSUs granted in 2023 were immaterial. During the year ended December 31, 2025, the outstanding PRSUs vested but the related shares have not been distributed as of December 31, 2025.

Total stock-based compensation costs included in the consolidated statements of operations for the periods presented are as follows:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Cost of revenue	$ 583	$ 1,080	$ 1,456
Sales and marketing	3,698	7,394	10,354
General and administrative	5,963	6,789	(5,706)
Product development	4,012	6,726	5,750
Total	$ 14,256	$ 21,989	$ 11,854

Note 12. Restructuring

LivePerson has undertaken several restructuring initiatives to realign the Company's cost structure with its current business model, a changing competitive environment and changes in the Company's commercial performance. In September 2025, the Company initiated a new restructuring plan (the "2025 Restructuring Plan") to reduce cash expenditures to align with the Company's current commercial performance, resulting in a charge of $11.7 million for the year ended December 31, 2025. The Company recognized restructuring costs of $11.1 million and $22.7 million during the years ended December 31, 2024 and 2023, respectively. Such costs primarily include severance and other compensation costs and are recorded in Restructuring costs in the consolidated statements of operations. The 2024 and 2025 restructuring activities were considered to be substantially completed in their respective years.

The following table presents the detail of the liability for the Company's restructuring costs, which is included in Accrued expenses and other current liabilities in the consolidated balance sheets as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
	(In thousands)	
Balance, beginning of year	$ 3,028	$ 2,076
Severance and other associated costs	11,667	12,356
IT contract termination reversals, net	—	(1,217)
Cash payments	(13,308)	(10,187)
Balance, end of year	$ 1,387	$ 3,028

The following table presents the detail of expenses for the Company's restructuring costs for the periods presented:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Severance and other associated costs	$ 11,667	$ 12,356	$ 16,920
IT contract termination (reversals) costs, net	—	(1,217)	5,744
Total restructuring costs	$ 11,667	$ 11,139	$ 22,664

Note 13. Legal Matters

Stockholder Litigation

In December 2023, a putative stockholder class action entitled Damri v. LivePerson, Inc., No. 1:23-cv-10517, was filed under the federal securities laws against the Company, its former Chief Executive Officer, and its Chief Financial Officer in the United States District Court for the Southern District of New York. The complaint alleges that the Company's Form 10-Q filings and forecasts for the first, second, and third quarters of fiscal year 2022 were false and misleading in violation of Section 10(b) of the Securities Exchange Act of 1934, based on the Company's later disclosures and report on Form 10-K on March 16, 2023. In May 2024, the plaintiff filed an amended complaint. The Company moved to dismiss the amended complaint in August 2024, and in March 2025, the court granted the Company's motion and dismissed the action with prejudice. In April 2025, the plaintiff appealed the decision to the United States Court of Appeals for the Second Circuit and in March 2026, the dismissal was affirmed but the case was remanded to the district court with leave for the plaintiff to try to replead his complaint. A parallel litigation on behalf of stockholders who purchased their shares on the Tel Aviv Stock Exchange, entitled Weissbrod v. LivePerson, Inc., is pending in the Tel Aviv District Court in Israel, but has been stayed pending further developments in the Damri case.

In January 2024, a purported derivative action entitled Marti v. LoCascio, No. 1:24-cv-00598, was filed in the United States District Court for the Southern District of New York by a purported stockholder of the Company against the Company's former Chief Executive Officer, its Chief Financial Officer, members of the current Board of Directors and several former Directors. The Marti litigation claims that the Company itself was harmed by the same acts and omissions underlying the Damri federal securities lawsuit and seeks to recover unspecified losses on behalf of the Company. Between June and September 2024, four other purported derivative actions were filed by purported stockholders of the Company against the Company's former Chief Executive Officer, its Chief Financial Officer, members of the current Board of Directors and several former Directors. These four purported derivative actions, similar to the Marti litigation, claim that the Company itself was harmed by the same acts and omissions underlying the Damri federal securities lawsuit, and seek to recover unspecified losses on behalf of the Company. The four actions are entitled: (i) Steffens v. Block, No. 1:24-cv-04481, filed in the United States District Court for the Southern District of New York; (ii) Ravi v. LoCascio, Index No. 653498/2024, filed in the Supreme Court of the State of New York, New York County; (iii) Morales v. LoCascio, No. 1:24-cv-05297, filed in the United States District Court for the Southern District of New York; and (iv) Perkins v. LoCascio, Index No. 654992/2024, filed in the Supreme Court of the State of New York, New York County. The Marti, Steffens and Morales cases are stayed, and the Perkins case is in abeyance, pending further developments in the Damri case.

In February 2024, Starboard Value LP and several of its related entities and investment funds filed a lawsuit against the Company, its former Chief Executive Officer, and its Chief Financial Officer entitled Starboard Value LP v. LivePerson, Inc., No. 2024-0103, in the Court of Chancery of the State of Delaware. The complaint alleged common law fraud, fraudulent inducement and negligent misrepresentation in connection with an alleged scheme to induce Starboard to settle its 2022 proxy contest against the Company and, as stated in the complaint, involved previous Starboard allegations of misrepresentations in the Company's public disclosures that the Company previously informed Starboard were found to be unsubstantiated following an independent investigation. Starboard sought damages for its trading losses and purported lost anticipated profits. The defendants filed an answer denying the substantive allegations of the complaint, the parties engaged in discovery, and in July 2025, the litigation was settled. The settlement did not have an impact on the Company's consolidated statements of operations, as the cost was covered by insurance.

COVID-Related Matters

As has been widely reported, there is heightened scrutiny by the federal government across many programs related to global novel coronavirus disease ("COVID-19") that were introduced during the COVID-19 pandemic. The Company previously provided products and services related to COVID-19 testing and accompanying software. Those products and services have been the subject of inquiry and review by Medicare, the Department of Justice and the U.S. Food and Drug Administration.

The Company has discontinued all products and services related to COVID-19, and has responded to and intends to continue to cooperate with governmental inquiries related to its previous engagement in COVID-19 related product and service offerings.

Other Legal, Administrative, Governmental and Regulatory Matters

From time to time, the Company is or may be subject to or involved in legal, administrative, governmental and/or regulatory proceedings, inquiries and investigations as well as actual or threatened litigation, claims and/or demands (each an "Action" and collectively "Actions"). These have included and may include (without limitation) Actions brought by or against the Company, its affiliates, subsidiaries, directors and/or officers with respect to intellectual property, contracts, financial, commercial, employment, legal, compliance, privacy, data security, regulatory and/or other matters related to the Company's business, as well as Actions brought against the Company's customers for which the Company has a contractual indemnification obligation.

Regardless of the outcome, Actions can have an adverse impact on the Company because of defense and/or settlement costs, diversion of management resources, reputational risks and other factors.

Accruals

The Company accrues for certain contingencies when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated and discloses certain contingencies for which no accrual has been made as appropriate and in compliance with ASC 450, *Contingencies*. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. The accruals or estimates, if any, resulting from the foregoing analysis, are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Note 14. Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The Company includes interest accrued on the underpayment of income taxes and certain interest expense and penalties, if any, related to unrecognized tax benefits as a component of the income tax provision. The Company recorded a valuation allowance against its U.S., e-bot7 Germany, and Bulgaria deferred tax assets as it considered its cumulative losses in recent years as a significant piece of negative evidence. Since valuation allowances are evaluated by jurisdiction, the Company believes that the deferred tax assets related to LivePerson Australia Pty. Ltd., Engage Pty. Ltd., LivePerson (UK) Ltd., LivePerson Japan, and LivePerson Ltd. (Israel) are more likely than not to be realized as these jurisdictions have positive cumulative pre-tax book income after adjusting for permanent and one-time items.

The One Big Beautiful Bill Act (“OBBBA”) was signed into law on July 4, 2025, and makes changes to the deductibility of certain business expenditures including interest expense, research and development expenditures, and property and equipment, and makes changes to elements of U.S. cross-border taxation. The Company implemented the changes enacted under OBBBA. OBBBA impacted the Company’s deferred tax assets as of July 4, 2025, the date of enactment, via the reversal of $32.0 million of deferred tax assets resulting from capitalized research expenses incurred through December 31, 2024. The reversal is reflected on the Company’s annual financial statements as of and for the year ended December 31, 2025.

The Company had a valuation allowance on certain deferred tax assets for the years ended December 31, 2025, 2024, and 2023 of $243.2 million, $234.6 million, and $211.2 million, respectively. For the years ended December 31, 2025 and 2024, increases in the valuation allowance of $8.6 million and $23.4 million, respectively, were recorded as an expense.

As of December 31, 2025, the Company had $646.0 million of federal NOL carryforwards available to offset future taxable income. Included in this amount is $49.4 million of federal NOL carryovers from the Company’s acquisition of Tenfold in 2021 and $64.9 million of federal NOL carryovers from the Company’s acquisition of VoiceBase in 2021. Of these federal NOL carryforwards, $67.7 million were generated in taxable years ending on or before December 31, 2017 and will expire in various years through 2037. Federal NOL carryforwards generated in taxable years ending after December 31, 2017, do not expire, but generally may only offset up to 80% of federal taxable income earned in a taxable year.

Section 382 of the Internal Revenue Code (“IRC Section 382”) limits a corporation’s ability to utilize NOL and tax credit carryforwards following an ownership change, as defined under IRC Section 382. The Company experienced an ownership change effective September 12, 2025. As a result, utilization of the Company’s federal NOL carryforwards is subject to an annual limitation of approximately $3.3 million.

On January 22, 2024, the Company entered into a Tax Benefits Preservation Plan designed to reduce the risk of substantial impairment to its NOLs that could result from an “ownership change” within the meaning of Section 382 of the Code. The Tax Benefits Preservation Plan creates a disincentive for any person or group of affiliated or associated persons to acquire 4.9% or more of the Company’s outstanding common stock (any such person or group, an “Acquiring Person”), or to further accumulate shares of the Company’s outstanding common stock if such person or group of person already owns 4.9% or more of the Company’s outstanding common stock, without the approval of the Company’s Board, unless and until the Board determines that the Tax Benefits Preservation Plan is no longer necessary or desirable for preservation of the Company’s NOLs.

In connection therewith, on January 22, 2024, the Board authorized a dividend of one right (a "Right") for each outstanding share of common stock of the Company. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.001 per share, at a price of $18.00, subject to certain adjustments. The Rights will separate from the common stock and become exercisable and separately transferable at the close of business on the date that is the tenth (10th) business day after the earlier of (i) the date on which on which a press release is issued or other public announcement is made indicating that a person or group of affiliated or associated persons has become an Acquiring Person and (ii) the date on which a tender offer or exchange offer is commenced that, upon consummation, would result in a person or group of affiliated or associated persons becoming an Acquiring Person. If issued and not redeemed by the Company, each holder of a Right (other than the Acquiring Person, the Rights of which shall become null and void) will, upon exercise, be entitled to purchase shares of the Company's common stock having a then-current market value equal to two times the exercise price of the Right. However, prior to exercise, a Right does not give its holder any rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The domestic and foreign components of loss before provision for income taxes consist of the following:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
United States	$ (59,467)	$ (125,764)	$ (95,773)
Israel	375	(42)	1,074
United Kingdom	1,099	1,681	1,481
Netherlands	641	725	2,030
Australia	446	662	(412)
Germany	(8,282)	(10,246)	(5,453)
Other [1]	1,407	1,446	781
Total	$ (63,781)	$ (131,538)	$ (96,272)

(1) Includes Bulgaria, Canada, France, India, Italy, Japan, , Mexico, Poland, Singapore and Spain.

No additional provision has been made for U.S. income taxes on the undistributed earnings of its wholly-owned Israeli subsidiary, LivePerson Ltd., as such earnings have been taxed in the U.S. A provision for the undistributed earnings of the Company's other foreign subsidiaries has not been provided because the Company intends to indefinitely reinvest such earnings outside of the U.S., though if these foreign earnings were to be repatriated in the future the related U.S. tax liability would be immaterial through December 31, 2025.

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Current income taxes:			
U.S. Federal	$ —	$ —	$ —
State and local	998	366	239
Foreign	1,832	1,746	2,878
Total current income taxes	2,830	2,112	3,117
Deferred income taxes:			
U.S. Federal	166	72	651
State and local	491	532	488
Foreign	(35)	19	(93)
Total deferred income taxes	622	623	1,046
Total provision for income taxes	$ 3,452	$ 2,735	$ 4,163

As further described in Note 1 - *Description of Business and Summary of Significant Accounting Policies*, the Company has elected to prospectively adopt the guidance in ASU 2023-09. The following table is a reconciliation of the U.S. federal statutory rate of 21% to the Company's effective rate for the year ended December 31, 2025 in accordance with the guidance in ASU 2023-09:

	Year ended December 31, 2025	
	Amount	Percent
	(In thousands)	
Loss before provision for income taxes	$ (63,781)	
Income tax benefit at U.S. federal statutory rate	(13,394)	21.00%
State and local income taxes (net of federal income tax effect) [1]	1,702	(2.67)%
Foreign tax effects:		
Germany		
Goodwill impairment	2,513	(3.94)%
Rate differential	(993)	1.56%
Other	218	(0.34)%
Other foreign countries	282	(0.44)%
Effect of cross-border taxes laws	79	(0.12)%
Changes in valuation allowances	5,905	(9.26)%
Nontaxable or nondeductible items:		
Goodwill impairment	7,053	(11.06)%
Stock-based compensation - excess tax benefit / (tax deficiency)	1,856	(2.91)%
Warrant revaluation	(3,045)	4.77%
Other nontaxable or nondeductible items	681	(1.07)%
Change in unrecognized tax benefits:	683	(1.07)%
Other adjustments		
Other items	(88)	0.14%
Total income tax expense and effective rate	$ 3,452	(5.41)%

(1) State taxes in California make up the majority (greater than 50%) of the tax effect in this category in 2025.

The difference between the total income taxes computed at the federal statutory rate and the provision for income taxes consists of the following:

	December 31,	
	2024	2023
Federal statutory rate	21.00%	21.00%
State taxes, net of federal benefit	3.16%	3.94%
Non-deductible expenses – stock-based compensation	(0.14)%	(0.55)%
Non-deductible expenses – earn-out	—%	5.50%
Non-deductible excess compensation	(0.14)%	(0.04)%
Foreign taxes	(0.53)%	(0.94)%
Valuation allowance	(18.19)%	(24.40)%
Stock based compensation – excess tax benefit / (tax deficiency)	(5.00)%	(7.00)%
Goodwill impairment	(7.96)%	(2.59)%
Sale of subsidiary	7.18%	1.69%
Debt restructuring	(1.83)%	—%
Other	0.37%	(0.93)%
Total provision	(2.08)%	(4.32)%

The amounts of income tax related taxes paid, net of refunds received, were as follows:

	Year ended December 31, 2025
	(In thousands)
State	$ 55
Foreign:	
United Kingdom	490
Germany	438
India	309
Poland	240
Israel	176
Netherlands	(637)
All other	95
Total foreign	1,111
Income taxes, net of amounts refunded	1,166
Other taxes	41
Total taxes paid, net of refunds	$ 1,207

The effects of temporary differences and federal NOL carryforwards that give rise to significant portions of federal deferred tax assets and deferred tax liabilities as of the dates presented:

	December 31,	
	2025	2024
	(In thousands)	
Deferred tax assets, net:		
Net operating loss carryforwards	$ 173,899	$ 172,923
R&D tax credit	1,757	1,757
Original issue discount	25,502	7,330
Interest	13,811	7,544
Operating lease liabilities	(12)	(1)
Accounts payable and accrued expenses	4,622	4,266
Non-cash compensation	6,952	7,617
Intangibles amortization	2,978	3,170
R&D capitalization	32,732	58,237
Allowance for credit loss	843	2,067
Total deferred tax assets	263,084	264,910
Less valuation allowance	(243,240)	(234,620)
Deferred tax assets, net	19,844	30,290
Deferred tax liabilities:		
Property and equipment	(9,929)	(12,337)
Goodwill amortization and contingent earn-out adjustments	(9,607)	(9,048)
Outside basis difference in subsidiary stock	—	(8,040)
Operating lease right-of-use assets	7	4
Total deferred tax liabilities	(19,529)	(29,421)
Net deferred tax assets	$ 315	$ 869

The Company has U.S. federal, Australian, and German NOLs of $646.0 million, $0.2 million, and $30.8 million, respectively. The Australian and German NOLs can be carried forward indefinitely. For the federal NOLs, $578.3 million can be carried forward indefinitely, $67.7 million will expire between 2030 and 2037. The Company has $522.9 million of state NOLs, of which $133.6 million can be carried forward indefinitely and $389.2 million will expire between 2026 and 2045.

ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate audit settlement. The Company had unrecognized tax benefits of $3.8 million and $3.5 million as of December 31, 2025 and 2024, respectively, that would affect the effective tax rate if recognized. Accrued interest and penalties included in the Company's liability related to unrecognized tax benefits and recorded in Accrued expenses and other current liabilities was $1.2 million and $0.7 million as of December 31, 2025 and 2024, respectively. There are no unrecognized tax benefits expected to reverse in the next twelve months and impact the effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2025	2024	2023
		(In thousands)	
Unrecognized tax benefits balance, beginning of year	$ 3,536	$ 3,061	$ 2,721
Gross increase for tax positions of prior years	—	204	—
Gross increase for tax positions of current year	286	271	340
Unrecognized tax benefits, end of year	$ 3,822	$ 3,536	$ 3,061

The tax years subject to examination by major tax jurisdictions include the years 2020 and forward for U.S. states and cities, the years 2021 and forward for U.S. Federal, and the years 2019 and forward for certain foreign jurisdictions.

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

LIVEPERSON, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

	June 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 96,671	$ 95,004
Accounts receivable, net of allowances of $6,030 and $4,451 as of June 30, 2026 and December 31, 2025, respectively	17,653	27,014
Prepaid expenses and other current assets (Note 1)	15,778	15,100
Total current assets	130,102	137,118
Property and equipment, net (Note 6)	85,371	90,389
Contract acquisition costs, net (Note 2)	18,159	23,951
Intangible assets, net (Note 5)	13,421	13,409
Goodwill, net (Note 5)	132,386	184,902
Deferred tax assets, net (Note 14)	4,529	4,511
Other assets	318	387
Total assets	$ 384,286	$ 454,667
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 9,542	$ 9,522
Accrued expenses and other current liabilities (Note 7)	47,127	38,700
Deferred revenue (Note 2)	46,209	54,295
Current portion of senior notes (Note 8)	14,946	20,052
Total current liabilities	117,824	122,569
Senior notes, net of current portion (Note 8)	383,619	371,732
Deferred tax liabilities	4,202	4,196
Other liabilities	597	665
Total liabilities	506,242	499,162
Commitments and contingencies (Notes 10 and 13)		
Stockholders' deficit:		
Common stock, $0.001 par value - 20,000,000 shares authorized, 12,520,490 and 12,223,729 shares issued, 12,336,086 and 12,039,325 shares outstanding as of June 30, 2026 and December 31, 2025, respectively.	173	173
Treasury stock - 184,404 shares at June 30, 2026 and December 31, 2025	(3)	(3)
Additional paid-in capital	1,025,853	1,021,076
Accumulated deficit	(1,139,878)	(1,058,494)
Accumulated other comprehensive loss	(8,101)	(7,247)
Total stockholders' deficit	(121,956)	(44,495)
Total liabilities and stockholders' deficit	$ 384,286	$ 454,667

See accompanying notes to condensed consolidated financial statements.

LIVEPERSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue	$ 52,496	$ 59,600	$ 109,452	$ 124,300
Costs, expenses and other:				
Cost of revenue (exclusive of depreciation and amortization expense shown separately below)	15,786	18,038	31,311	36,256
Sales and marketing	13,759	19,888	27,529	43,373
General and administrative	23,979	7,945	36,099	24,729
Product development	10,385	13,843	22,565	29,877
Depreciation and amortization expense	5,184	5,758	10,296	11,576
Impairment of goodwill	51,826	—	51,826	—
Restructuring (reversals) costs, net	(723)	561	(723)	1,866
Total costs, expenses and other	120,196	66,033	178,903	147,677
Loss from operations	(67,700)	(6,433)	(69,451)	(23,377)
Other expense, net:				
Interest expense	(8,490)	(7,866)	(16,742)	(15,344)
Interest income	381	1,493	884	2,950
Gain on troubled debt restructuring	2,191	—	2,191	—
Other income (expense), net	1,518	(2,520)	2,516	5,967
Total other expense, net	(4,400)	(8,893)	(11,151)	(6,427)
Loss before provision for income taxes	(72,100)	(15,326)	(80,602)	(29,804)
Provision for income taxes	457	384	782	39
Net loss	$ (72,557)	$ (15,710)	$ (81,384)	$ (29,843)
Net loss per share of common stock:				
Basic	$ (5.94)	$ (2.50)	$ (6.70)	$ (4.82)
Diluted	$ (6.11)	$ (2.50)	$ (6.87)	$ (5.61)
Weighted-average shares used to compute net loss per share:				
Basic	12,217,384	6,276,556	12,139,509	6,191,117
Diluted	12,230,954	6,276,556	12,155,211	6,354,437

See accompanying notes to condensed consolidated financial statements.

LIVEPERSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	**2025**	**2026**	**2025**
Net loss	$ (72,557)	$ (15,710)	$ (81,384)	$ (29,843)
Foreign currency translation adjustment	(418)	3,514	(854)	5,265
Total comprehensive loss	$ (72,975)	$ (12,196)	$ (82,238)	$ (24,578)

See accompanying notes to condensed consolidated financial statements.

LIVEPERSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands, except share amounts)
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2025	12,223,729	$ 173	(184,404)	$ (3)	$ 1,021,076	$ (1,058,494)	$ (7,247)	$ (44,495)
Common stock issued upon vesting of restricted stock units	61,825	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	2,262	—	—	2,262
Net loss	—	—	—	—	—	(8,827)	—	(8,827)
Other comprehensive loss	—	—	—	—	—	—	(436)	(436)
Balance at March 31, 2026	12,285,554	$ 173	(184,404)	$ (3)	$ 1,023,338	$ (1,067,321)	$ (7,683)	$ (51,496)
Common stock issued upon vesting of restricted stock units	234,936	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	2,337	—	—	2,337
Common stock issued under Employee Stock Purchase Plan	—	—	—	—	178	—	—	178
Net loss	—	—	—	—	—	(72,557)	—	(72,557)
Other comprehensive loss	—	—	—	—	—	—	(418)	(418)
Balance at June 30, 2026	12,520,490	$ 173	(184,404)	$ (3)	$ 1,025,853	$ (1,139,878)	$ (8,101)	$ (121,956)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2024	6,263,782	$ 94	(184,404)	$ (3)	$ 936,047	$ (991,261)	$ (12,193)	$ (67,316)
Common stock issued upon vesting of restricted stock units	148,077	2	—	—	(2)	—	—	—
Stock-based compensation	—	—	—	—	4,754	—	—	4,754
Net loss	—	—	—	—	—	(14,133)	—	(14,133)
Other comprehensive income	—	—	—	—	—	—	1,751	1,751
Balance at March 31, 2025	6,411,859	$ 96	(184,404)	$ (3)	$ 940,799	$ (1,005,394)	$ (10,442)	$ (74,944)
Common stock issued upon vesting of restricted stock units	162,046	2	—	—	(2)	—	—	—
Stock-based compensation	—	—	—	—	4,256	—	—	4,256
Common stock issued under Employee Stock Purchase Plan	51,125	1	—	—	471	—	—	472
Net loss	—	—	—	—	—	(15,710)	—	(15,710)
Other comprehensive income	—	—	—	—	—	—	3,514	3,514
Balance at June 30, 2025	6,625,030	$ 99	(184,404)	$ (3)	$ 945,524	$ (1,021,104)	$ (6,928)	$ (82,412)

See accompanying notes to condensed consolidated financial statements.

LIVEPERSON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2026	**2025**
OPERATING ACTIVITIES:		
Net loss	$ (81,384)	$ (29,843)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation expense	4,599	8,969
Depreciation and amortization expense	9,952	11,165
Change in operating lease right-of-use assets	39	(25)
Amortization of purchased intangible assets and finance leases	344	411
Amortization of debt issuance costs and accretion of debt discount	4,156	3,727
Impairment of goodwill	51,826	—
Gain on troubled debt restructuring	(2,191)	—
Change in fair value of warrants	(2,999)	(5,825)
Non-cash interest expense	8,165	7,653
Allowance for credit losses	2,121	(185)
Deferred income taxes	6	165
Changes in operating assets and liabilities:		
Accounts receivable	7,290	5,720
Prepaid expenses and other assets	(883)	(25,345)
Contract acquisition costs	5,803	4,175
Accounts payable, accrued expenses and other current liabilities	11,439	6,399
Deferred revenue	(7,485)	(2,136)
Other liabilities	(12)	203
Net cash provided by (used in) operating activities	10,786	(14,772)
INVESTING ACTIVITIES:		
Purchases of property and equipment, including capitalized internal-use software development costs	(5,152)	(6,895)
Purchases of intangible assets	(461)	(1,052)
Net cash used in investing activities	(5,613)	(7,947)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock in connection with the exercise of options and employee stock purchase plan	179	471
Principal payments for finance leases	—	(27)
Payments in connection with troubled debt restructuring	(2,963)	—
Net cash (used in) provided by financing activities	(2,784)	444
Effect of foreign exchange rate changes on cash and cash equivalents	(722)	1,001
Net increase (decrease) in cash and cash equivalents	1,667	(21,274)
Cash and cash equivalents - beginning of year	95,004	183,237
Cash and cash equivalents - end of period	$ 96,671	$ 161,963
Supplemental disclosure of other cash flow information:		
Cash paid for income taxes, net	$ 1,278	$ 197
Cash paid for interest	4,854	4,531
Supplemental disclosure of non-cash investing and financing activities:		
Purchase of property and equipment and intangible assets recorded in accounts payable	$ 316	$ 539

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Description of Business and Basis of Presentation

LivePerson, Inc. (the "Company") is a leader in digital customer conversation. Since 1998, LivePerson has enabled meaningful connections between consumers and its customers through digital and artificial intelligence ("AI")-powered conversations. Our customers' existing investments in Generative AI and Large Language Models ("LLMs") are fully compatible with LivePerson's enterprise-class digital customer conversation platform (the "Conversational Cloud").

The Conversational Cloud powers conversations across each of a brand's primary digital channels, including mobile apps, mobile and desktop web browsers, short messaging service, social media and third-party consumer messaging platforms. Brands can also use the Conversational Cloud to connect conversations across voice and digital channels to give customers additional options and ensure their interactions with brands are integrated no matter where they choose to reach out.

The Conversational Cloud enables what the Company calls "the tango" of humans, LivePerson bots, third-party bots and LLMs, in which humans oversee and are assisted by AI and can seamlessly step into conversations as needed. Agents utilize the AI engine (including generative AI capabilities) to surface relevant content, define next-best actions and automate repetitive transactional work so that the agent can focus on relationship building. By integrating customer engagement channels, LivePerson's proprietary AI, and third-party bots and AI, the Conversational Cloud offers brands a comprehensive approach to scaling automations across customer conversations.

In March 2026, the Company commercially launched Syntrix, a proprietary simulation and evaluation platform designed to provide predictability and safety in conversational AI. Utilizing the Company's conversational data sets, Syntrix allows enterprise brands to test, evaluate, and validate AI behavior in a controlled environment prior to deployment. A core capability of the platform is the Conversation Simulator, which identifies AI performance issues and validates human agent readiness at scale. Syntrix is designed with architectural flexibility to be sold as an integrated component of the Conversational Cloud or as a standalone evaluation and simulation solution for brands utilizing third-party AI ecosystems.

The Merger Agreement

On April 21, 2026, LivePerson entered into a Merger Agreement (the "Original Merger Agreement"), by and among LivePerson, SoundHound AI, Inc., a Delaware corporation, and Lightspeed Merger Sub Inc., a Delaware corporation and an indirect wholly owned subsidiary of SoundHound ("Merger Sub I"), pursuant to which, on the terms and subject to the conditions set forth in the Original Merger Agreement, Merger Sub I would merge with and into LivePerson, with LivePerson surviving the merger as an indirect wholly owned subsidiary of SoundHound.

Following the entry into the Original Merger Agreement, LivePerson and SoundHound determined that applicable Israeli securities laws, which are only applicable to shares of LivePerson's common stock, par value $0.001 ("LivePerson Common Stock") that are held through the Tel Aviv Stock Exchange Clearing House Ltd (such shares of LivePerson Common Stock, the "TASE Shares"), would have required SoundHound to prepare and file an Israeli securities law-compliant prospectus in connection with the proposed offering and issuance of shares of Class A common stock of SoundHound, par value $0.0001 ("SoundHound Common Stock") to holders of TASE Shares, unless an exception to such requirement was applicable or an exemption from such requirement could be obtained from the applicable legal authorities in Israel. Absent such exception or exemption, the LivePerson special meeting, and accordingly the proposed closing of the transactions contemplated by the Original Merger Agreement, could have been delayed by a number of months. The parties explored a number of potential options to avoid such a delay, and ultimately agreed to change the form of consideration to be received by holders of TASE Shares from SoundHound Common Stock to cash.

Consequently, on July 2, 2026, LivePerson, SoundHound, Merger Sub I, and Lightspeed Merger Sub II Inc., a Delaware corporation and an indirect wholly owned subsidiary of SoundHound ("Merger Sub II") entered into an Amended and Restated Merger Agreement (the "Amended and Restated Merger Agreement"), which amends and restates in its entirety the Original Merger Agreement. Pursuant to the Amended and Restated Merger Agreement, on the terms and subject to the conditions set forth in the Amended and Restated Merger Agreement, Merger Sub I will merge with and into LivePerson (the "First Merger"), with LivePerson surviving the First Merger as an indirect wholly owned subsidiary of SoundHound and, immediately following the First Merger, Merger Sub II will merge with and into LivePerson (the "Second Merger", and, together with the First Merger, the "Mergers"), with LivePerson surviving the Second Merger as an indirect wholly owned subsidiary of SoundHound.

All capitalized terms used in this summary of the Amended and Restated Merger Agreement that are not otherwise defined herein have the meanings ascribed to such terms in the Amended and Restated Merger Agreement.

Subject to the terms and conditions of the Amended and Restated Merger Agreement, at the date and time the First Merger becomes effective (the "First Effective Time"), each share of LivePerson Common Stock issued and outstanding immediately prior to the First Effective Time (other than certain excluded shares, including TASE Shares) will be automatically converted into the right to receive a number of shares of SoundHound common stock equal to (a) the Closing Merger Consideration (as defined below), divided by (b) the total number of shares of LivePerson Common Stock that are issued and outstanding, or that are issuable upon the conversion, exercise or settlement in full of any rights to acquire LivePerson Common Stock, as of immediately prior to the First Effective Time (such number of shares, the "Fully Diluted Common Number", and the result of the calculation set forth in the foregoing clauses (a) and (b), the "Per Share Merger Consideration"). It is intended that the Mergers be treated as transactions in which gain or loss is recognized for U.S. federal income tax purposes.

The aggregate amount of consideration payable by SoundHound to holders of LivePerson's common stock (other than certain excluded shares, including TASE Shares) in connection with the First Merger pursuant to the terms of the Amended and Restated Merger Agreement will be a number of shares of SoundHound Common Stock equal to the quotient of (a) the Aggregate Consideration Amount (as defined below), divided by (b) the SoundHound Closing Stock Price (the "Closing Merger Consideration").

Consistent with the Original Merger Agreement, the "Aggregate Consideration Amount" refers to an amount equal to (a) $42,784,532.64, minus (b) the LivePerson Shortfall Cash (as defined below), plus (c) the aggregate dollar amount of the exercise prices of each option to purchase shares of LivePerson Common Stock (a "LivePerson Option") with a per-share exercise price less than the product of the Per Share Merger Consideration multiplied by the SoundHound Closing Stock Price ((each such option, an "In-The-Money Option") (other than options assumed by SoundHound and converted into an option to acquire shares of SoundHound Common Stock (the "Assumed Options"), in accordance with the terms of the Amended and Restated Merger Agreement)). Consistent with the Original Merger Agreement, "LivePerson Shortfall Cash" refers to an amount equal to (x) $74,000,000, minus (y) the aggregate principal amount of the 0% Convertible Senior Notes due 2026 (the "2026 Notes") repurchased by LivePerson between April 1, 2026 and the closing of the Mergers (the "Closing") (the figure resulting from clause (x) minus clause (y), the "LivePerson Minimum Cash"), minus (z) the cash and cash equivalents on LivePerson's balance sheet as of 12:01 a.m. Pacific Time on the date on which the Closing occurs (the "Closing Date") (net of certain LivePerson transaction expenses as of the Closing) (the foregoing clause (z), the "LivePerson Cash Balance"); provided that, if a negative number results from such calculation, "LivePerson Shortfall Cash" will be $0. Consistent with the Original Merger Agreement, the "SoundHound Closing Stock Price" refers to the price per share of SoundHound Common Stock derived from the average of the daily volume weighted average prices of a share of SoundHound Common Stock on the Nasdaq on each of the ten (10) consecutive trading days ending on (and including) the trading day that is three (3) trading days prior to the Closing Date, rounded down to the nearest penny, as reported by Bloomberg (the "SoundHound Closing VWAP Stock Price"); provided that, in the event such price per share (I) exceeds $12.00 per share, "SoundHound Closing Stock Price" will be $12.00 per share or (II) falls below $7.00 per share, "SoundHound Closing Stock Price" will be $7.00 per share.

Subject to the terms and conditions of the Amended and Restated Merger Agreement, at the time that the Second Merger becomes effective (the "Second Effective Time"), each TASE Share and issued and outstanding immediately prior to the Second Effective Time (other than any Dissenting Shares (as defined below)) will be automatically converted into the right to receive an amount in cash equal to (a) the Closing TASE Cash Merger Consideration (as defined below), divided by (b) the total number of TASE Shares that are issued and outstanding as of immediately prior to the Second Effective Time (such number of shares, the "Fully Diluted TASE Common Number", and the result of the calculation set forth in the foregoing clauses (a) and (b), the "Per Share Cash Merger Consideration").

The aggregate amount of cash consideration payable by SoundHound to holders of TASE Shares (other than Dissenting Shares) in connection with the Second Merger pursuant to the terms of the Amended and Restated Merger Agreement will be an amount in cash equal to (a) the Closing Merger Consideration, multiplied by (b) the SoundHound Closing VWAP Stock Price, multiplied by (c) a fraction, the numerator of which is the Fully Diluted TASE Common Number, and the denominator of which is the Fully Diluted Common Number (the "Closing TASE Cash Merger Consideration"); provided that, in the event such amount exceeds $7,500,000, "Closing TASE Cash Merger Consideration" will be $7,500,000.

Any TASE Shares that are issued and outstanding immediately prior to the Second Effective Time and held by a holder or beneficial owner who did not vote in favor of the adoption of the Amended and Restated Merger Agreement and properly demanded appraisal of such TASE Shares ("Dissenting Shares") in accordance with Section 262 of the DGCL will not be converted into the right to receive the Per Share Cash Merger Consideration and will instead, at the Second Effective Time, be converted into the right to receive payment of the fair value of such Dissenting Shares in accordance with the terms of the Amended and Restated Merger Agreement.

Consistent with the Original Merger Agreement, under the terms of the Amended and Restated Merger Agreement, completion of the Mergers is subject to customary closing conditions, including, among others (a) the adoption of the Amended and Restated Merger Agreement by the stockholders of LivePerson; (b) the absence of any law, order or other legal impediment prohibiting the consummation of the Mergers; (c) the receipt of approvals under certain applicable foreign direct investment laws; (d) the approval for listing the shares of SoundHound Common Stock issuable to the stockholders of LivePerson pursuant to the Amended and Restated Merger Agreement on the Nasdaq; (e) the effectiveness of SoundHound's registration statement on Form S-4; (f) the accuracy of the parties' respective representations and warranties in the Amended and Restated Merger Agreement, subject to specified materiality qualifications; (g) the performance or compliance by SoundHound and LivePerson with the covenants in the Amended and Restated Merger Agreement in all material respects; (h) the absence of a material adverse effect on LivePerson (as defined in the Amended and Restated Merger Agreement); and (i) the consummation of the Notes Restructuring Transactions (as defined below).

Consistent with the Original Merger Agreement, the Amended and Restated Merger Agreement contains customary representations, warranties and covenants made by each of SoundHound, Merger Sub I, Merger Sub II and LivePerson, including, among others, covenants by LivePerson regarding the conduct of its business during the pendency of the transactions contemplated by the Amended and Restated Merger Agreement, public disclosures and other matters. LivePerson is required, among other things, not to solicit alternative business combination transactions and, subject to certain exceptions, not to engage in discussions or negotiations regarding an alternative business combination transaction.

Consistent with the Original Merger Agreement, both SoundHound and LivePerson may terminate the Amended and Restated Merger Agreement under specified circumstances, including (a) if the Mergers are not completed by October 21, 2026 (which date may be extended to December 5, 2026 if certain regulatory approvals have not been obtained); (b) if LivePerson fails to obtain stockholder approval; (c) if LivePerson's board of directors makes an adverse recommendation change with respect to the Mergers or commits a material breach of its non-solicitation obligations; (d) if LivePerson's board of directors terminates to accept a superior acquisition proposal; or (e) if the Notes Restructuring Transactions are terminated for any reason. Consistent with the Original Merger Agreement, the Amended and Restated Merger Agreement further provides that LivePerson is required to pay SoundHound a termination fee of $5,000,000, plus SoundHound's transaction expenses, if the Amended and Restated Merger Agreement is terminated under certain specified circumstances, including if LivePerson's board of directors changes or withdraws its recommendation of the Mergers, terminates the Amended and Restated Merger Agreement to enter into an agreement with respect to a superior acquisition proposal or if the Notes Restructuring Transactions terminate for any reason or otherwise fail to consummate by the Outside Date (as defined in the Amended and Restated Merger Agreement), except where such termination or failure to consummate primarily resulted from SoundHound's material breach of the Notes Restructuring Agreement; provided that where a termination fee is payable in connection with the failure to consummate, or termination of, the Notes Restructuring Transactions, the obligation to reimburse SoundHound's transaction expenses will be capped at $3,750,000.

The Amended and Restated Merger Agreement and the consummation of the transactions contemplated thereby, including the Mergers have been unanimously approved by LivePerson's board of directors, and LivePerson's board of directors has resolved to recommend to the stockholders of LivePerson to adopt the Amended and Restated Merger Agreement, subject to its terms and conditions.

The Notes Restructuring Agreement

On April 21, 2026, concurrently with the execution and delivery of the Original Merger Agreement, SoundHound entered into a Notes Restructuring Agreement (the "Notes Restructuring Agreement") with LivePerson and each of the holders of the First Lien Convertible Senior Notes due 2029 ("2029 Notes") and the Second Lien Senior Subordinated Secured Notes due 2029 (the "Second Lien Notes," and together with the 2029 Notes, the "Secured Notes," and together with the 2026 Notes and the 2029 Notes, the "Notes"), pursuant to which and on the terms and subject to the conditions thereof, among other things, the holders of the Secured Notes have agreed to release and deem satisfied the Secured Notes for the consideration contemplated thereby (the transactions contemplated by the Notes Restructuring Agreement, "Notes Restructuring Transactions").

Upon consummation of the Notes Restructuring Transactions, on the terms and subject to the conditions set forth in the Notes Restructuring Agreement, each holder of 2029 Notes has agreed to accept, in full and complete satisfaction of all obligations of LivePerson to such holder, (a) a number of shares of SoundHound Common Stock equal to the quotient of (i) $178,007,733.68 (the "First Lien Holder Aggregate Consideration Amount"), divided by (ii) the SoundHound Closing Stock Price and (b) an amount in cash paid by LivePerson concurrently with Closing in the amount of (i) accrued and unpaid interest on the 2029 Notes held by such holder, plus (ii) 65% of any LivePerson Excess Cash.

Upon consummation of the Notes Restructuring Transactions, on the terms and subject to the conditions set forth in the Notes Restructuring Agreement, each holder of Second Lien Notes has agreed to accept, in full and complete satisfaction of all obligations of LivePerson to such holder, such holder's pro rata portion of (a) a number of shares of SoundHound Common Stock equal to the quotient of (i) $83,207,733.68 (the "Second Lien Holder Aggregate Consideration Amount"), divided by (ii) the SoundHound Closing Stock Price and (b) an amount in cash equal to (i) the principal amount of any 2026 Notes repurchased and retired by LivePerson between April 1, 2026 and the Closing, minus (ii) the amount of cash paid to repurchase such 2026 Notes, plus (iii) 35% of LivePerson Excess Cash.

"LivePerson Excess Cash" refers to the difference of (a) the LivePerson Cash Balance, minus (b) the LivePerson Minimum Cash; provided that, if a negative number results from such calculation, "LivePerson Excess Cash" shall be $0.

The Notes Restructuring Agreement provides SoundHound the option to elect, at any time before the close of business two business days prior to the Closing Date, to substitute an amount of cash in lieu of all or a portion of the stock consideration paid to the holders of Secured Notes, provided that (a) each holder of Secured Notes receives the same proportion of its consideration in cash and shares of SoundHound Common Stock; (b) regardless of the SoundHound Closing Stock Price, the proportion of consideration satisfied in cash shall be calculated assuming the stock consideration is worth the First Lien Holder Aggregate Consideration Amount and the Second Lien Holder Aggregate Consideration Amount, respectively and (c) in the event SoundHound Closing Stock Price is greater than $12.00 per share, SoundHound shall not be entitled to substitute cash for more than 50% of the stock consideration.

Under the terms of the Notes Restructuring Agreement, completion of the Notes Restructuring Transactions is subject to customary closing conditions, including (a) the absence of any order or other legal impediment prohibiting the consummation of the Notes Restructuring Transactions; (b) the closing conditions under the Amended and Restated Merger Agreement being satisfied or waived (other than the consummation of the Notes Restructuring Transactions); (c) the requisite securities law filings having been made; (d) the approval for listing the shares of SoundHound Common Stock issuable to the holder of the Secured Notes pursuant to the Notes Restructuring Agreement on the Nasdaq; (e) the accuracy of the parties' respective representations and warranties in the Notes Restructuring Agreement, subject to specified materiality qualifications; (f) the performance or compliance by SoundHound, LivePerson and the holders of Secured Notes with the covenants in the Notes Restructuring Agreement in all material respects; (g) the delivery of all required payments under the Notes Restructuring Agreement; (h) the entry into a registration rights agreement in respect of the shares of SoundHound Common Stock issuable to the holders of the Secured Notes; and (i) the substantially contemporaneous consummation of the Notes Restructuring Transactions by the holders of the 2029 Notes and the holders of the Second Lien Notes.

The Notes Restructuring Agreement contains customary representations, warranties and covenants made by each of the parties, including, among others, that the shares of SoundHound Common Stock issued in connection with the Notes Restructuring Transactions will be eligible for resale pursuant to an effective registration statement filed by SoundHound with the SEC. The holders of Secured Notes are required, among other things, not to solicit alternative business combination or note restructuring transactions and not to engage in discussions or negotiations regarding an alternative business combination or note restructuring transaction.

The Notes Restructuring Agreement automatically terminates upon any termination of the Amended and Restated Merger Agreement in accordance with its terms. Additionally, each of the parties may terminate the Notes Restructuring Agreement under specified circumstances, including if the Notes Restructuring Transactions are not completed on or prior to the fifth business day following the Outside Date (as defined in the Amended and Restated Merger Agreement). The holders of the 2029 Notes are entitled to terminate the Notes Restructuring Agreement upon (a) any failure by LivePerson to pay amounts due under the indenture or other agreements governing the 2029 Notes or (b) a breach of certain provisions of the indenture governing the 2029 Notes, in each case, subject to cure rights of LivePerson and SoundHound.

Basis of Presentation

In October 2025, the Company effected a 1-for-15 reverse stock split (the "Reverse Stock Split") of its issued common stock. As a result, every 15 shares of its issued common stock were combined into one share of common stock. No fractional shares of the Company's common stock were issued as a result of the Reverse Stock Split. Each stockholder who would otherwise have been entitled to receive a fractional share as a result of the Reverse Stock Split received a cash payment equal to the product obtained by multiplying the number of shares of common stock held by such stockholder before the Reverse Stock Split that would otherwise have been exchanged for such fractional share interest by the closing price per share of the common stock as reported on The Nasdaq Global Select Market on October 10, 2025. As a result of the Reverse Stock Split, proportionate adjustments were made to the per share exercise price and the number of shares issuable upon the exercise of, or notional shares underlying, all outstanding warrants to purchase shares of the Company's common stock. In addition, the number of authorized shares of common stock was proportionately reduced. Proportionate adjustments were also made to (i) the number of shares of common stock available for issuance under the Company's equity plans, (ii) the number of shares underlying, and the exercise prices of, outstanding equity awards, as applicable, that have been previously granted under such equity plans or other arrangements, (iii) the number of shares or notional shares underlying, and the exercise prices of, the Company's outstanding warrants, (iv) the number of shares or notional shares underlying, and the conversion prices of, the Company's outstanding convertible notes and (v) the number of rights outstanding pursuant to the Company's Tax Benefits Preservation Plan, in each case in accordance with their respective terms. The Reverse Stock Split did not affect the par value of the common stock or the number of shares of preferred stock that the Company is authorized to issue under its certificate of incorporation. These notes to the condensed consolidated financial statements and the accompanying condensed consolidated financial statements give retroactive effect to the Reverse Stock Split for all periods presented.

The condensed consolidated financial statements and the financial data and other information disclosed in the notes to the condensed consolidated financial statements as of June 30, 2026 and for the three and six months ended June 30, 2026 are unaudited. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for a fair presentation of the Company's condensed consolidated financial position, results of operations, comprehensive loss, and cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of the results of operations for any other future interim period or for a full fiscal year. The condensed consolidated balance sheet as of December 31, 2025 has been derived from audited consolidated financial statements at that date.

Certain information and note disclosures included in the Company's audited financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted as they are not required for interim financial statements pursuant to GAAP and the rules and regulations of the Securities and Exchange Commission (the "SEC"). These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2025 included in the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2026.

Principles of Consolidation

The unaudited condensed consolidated financial statements reflect the operations of LivePerson and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements. On a regular basis, management evaluates these estimates and assumptions.

Items subject to such estimates and assumptions include, but are not limited to:

- stock-based compensation expense;
- allowance for credit losses;
- the period of benefit for deferred contract acquisition costs;
- valuation of goodwill;
- valuation and useful lives of long-lived assets;
- valuation of the cash-settled and share-settled warrants (together, "Warrants");
- valuation of features embedded in the 2029 Notes (as defined below);
- income taxes; and
- recognition, measurement, and disclosure of contingent liabilities.

As of the date of issuance of the financial statements, the Company is not aware of any material specific events or circumstances that would require it to update its estimates, judgments, or to revise the carrying values of its assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's condensed consolidated financial statements.

Significant Accounting Policies

The Company's significant accounting policies are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. There have been no significant changes to these policies that have had a material impact on the Company's condensed consolidated financial statements and related notes for the three and six months ended June 30, 2026.

Prepaid expenses and other current assets

The following table presents the detail of prepaid expenses and other current assets as of the dates presented:

	June 30, 2026	December 31, 2025
	(In thousands)	
Prepaid software maintenance	$ 9,549	$ 8,788
VAT receivable	2,049	3,279
Other prepaid expenses	1,567	1,550
Other current assets	2,613	1,483
Total prepaid expenses and other current assets	$ 15,778	$ 15,100

Leases

The Company has non-cancelable operating leases for its corporate offices and other service agreements. As of June 30, 2026, the Company's lease assets and liabilities were not material, with a remaining lease term of less than one year, with an option to extend. The Company uses the non-cancelable lease term when recognizing the right-of-use ("ROU") assets and lease liabilities, unless it is reasonably certain that a renewal or termination option will be exercised. The Company's operating lease costs were $2.1 million and $2.5 million for the three months ended June 30, 2026 and 2025, respectively. The Company's operating lease costs were $4.0 million and $4.9 million for the six months ended June 30, 2026 and 2025, respectively. The weighted average discount rate for leases was 7% for the three and six months ended June 30, 2026 and 2025. Future minimum lease payments under the one remaining non-cancelable lease are not material for the next twelve months.

Recently Adopted Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides all entities with a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from certain transactions. In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset. The guidance was effective for annual periods beginning after December 15, 2025. The Company elected to adopt the practical expedient, which did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt - Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which seeks to clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments in this update were effective for annual periods beginning after December 15, 2025. Adoption of the guidance, which the Company elected to apply prospectively, did not have a material impact on the Company's condensed consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements,* which seeks to make incremental improvements to GAAP on a broad range of topics arising from technical corrections, unintended application of guidance, clarifications and other minor improvements. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2026, with early adoption permitted, and can be applied on an issue-by-issue basis, prospectively or retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270) - Narrow-Scope Improvements* which improves the navigability of the required interim disclosures and clarifies when that guidance is applicable. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted, and can be applied prospectively or retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software,* which removes all references to project stages related to internal-use software development. An entity is required to start capitalizing software costs when both of the following occur: (1) management has authorized and committed to funding the software project and (2) it is probable that the project will be completed and the software will be used to perform the function intended. The guidance is effective for annual periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40),* which seeks to expand disclosures about a public entity's expenses, including more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions (such as cost of sales, sales and marketing, general and administrative, and research and development). The amendments in this update are effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. ASU 2024-03 should be applied retrospectively. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements and related disclosures.

Note 2. Revenue Recognition

The Company's revenue is generated from hosted service revenues, including platform access, usage and related professional services. Revenues are recognized when control of these services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. No single customer accounted for 10% or more of total revenue for the three and six months ended June 30, 2026 and 2025.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

The following table presents the Company's revenues disaggregated by revenue source:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Hosted services	$ 45,640	$ 50,321	$ 94,996	$ 105,455
Professional services	6,856	9,279	14,456	18,845
Total revenue	$ 52,496	$ 59,600	$ 109,452	$ 124,300

Remaining Performance Obligation

As of June 30, 2026, the aggregate amount of the total transaction price allocated to remaining performance obligations was $147.3 million. Approximately 96% of the Company's remaining performance obligations are expected to be recognized during the next 24 months, with the balance recognized thereafter. The disclosed amount represents contracted revenue that has not yet been recognized and does not include contract amounts that are cancelable by the customer, amounts associated with optional renewal periods, and amounts related to performance obligations that are billed and recognized as performed.

Contracts with Multiple Performance Obligations

Most of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price ("SSP") basis. Judgment is required to determine the SSP for each distinct performance obligation. The Company determines SSP based on observable prices at which the performance obligations are sold separately. When not directly observable, SSP is estimated using an adjusted market assessment approach, which considers market conditions and other entity-specific factors.

Revenue by Geographic Location

The Company is domiciled in the United States and has international operations around the globe. The following table presents the Company's revenues attributable to operations by region for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Americas [1]	$ 26,404	$ 38,136	$ 56,374	$ 79,688
EMEA [2]	16,773	12,466	34,266	26,652
APAC [3]	9,319	8,998	18,812	17,960
Total revenue	$ 52,496	$ 59,600	$ 109,452	$ 124,300

(1) United States, Canada, Latin America and South America ("Americas")
(2) Europe, the Middle East and Africa ("EMEA")
(3) Asia-Pacific ("APAC")

Information about Contract Balances

The Company defers all incremental commission costs incurred to obtain the contract. These contract acquisition costs, which are comprised of sales commissions, have balances at June 30, 2026 and December 31, 2025 of $18.2 million and $24.0 million, respectively. The Company amortizes these costs over the related period of benefit using the customer expected life that the Company determined to be four years, which is consistent with the transfer to the customer of the services to which the asset relates. The Company classifies contract acquisition costs as long-term.

The deferred revenue balance consists of services, which have been invoiced upfront, and are recognized as revenue only when the revenue recognition criteria are met.

In some arrangements, the Company allows customers to pay for access to the LivePerson Platform over the term of the software subscription. Amounts recognized as revenue in excess of amounts billed are recorded as unbilled receivables. Unbilled receivables, anticipated to be invoiced in the next twelve months, are included in Accounts receivable, net of allowances for credit losses on the condensed consolidated balance sheets.

The Company recognized revenue of $15.9 million and $42.9 million for the three and six months ended June 30, 2026, respectively, and $13.5 million and $39.8 million for the three and six months ended June 30, 2025, respectively, which was included in the corresponding deferred revenue balance at the beginning of the year.

The Company's long-term deferred revenues are included in Other liabilities on the condensed consolidated balance sheets. The opening and closing balances of the Company's contract acquisition costs, net, and deferred revenues are as follows:

	Contract Acquisition Costs, Net (Non-current)	Deferred Revenue (Current)	Deferred Revenue (Non-current)
		(In thousands)	
Balance as of December 31, 2024	$ 33,559	$ 57,980	$ 323
Decrease, net	(9,608)	(3,685)	(233)
Balance as of December 31, 2025	$ 23,951	$ 54,295	$ 90
Decrease, net	(5,792)	(8,086)	(66)
Balance as of June 30, 2026	$ 18,159	$ 46,209	$ 24

The changes in deferred revenue during both periods presented were primarily driven by changes in customer renewal patterns and contract structures, including the timing of renewals and shifts in service commitments. Amortization expense in connection with contract acquisition cost included in sales and marketing expense in the condensed consolidated statements of operations was $4.1 million and $8.2 million for the three and six months ended June 30, 2026, respectively, and $3.8 million and $8.1 million for the three and six months ended June 30, 2025, respectively.

Accounts Receivable, Net

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for credit losses is the Company's best estimate of the amount of expected credit losses in the Company's existing accounts receivable, based on both specific and general reserves. The Company maintains general reserves on a collective basis by considering factors such as historical experience, creditworthiness, the age of the trade receivable balances, and current economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. The activity in the allowance for credit losses as of the dates presented is as follows:

	June 30, 2026	December 31, 2025
	(In thousands)	
Balance, beginning of year	$ 4,451	$ 8,627
Charges to costs and expenses	2,121	866
Deductions/write-offs	(542)	(5,042)
Balance, end of period	$ 6,030	$ 4,451

Note 3. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period.

Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents outstanding for the period. For diluted net loss per share, the numerator is decreased to reverse the gain on troubled debt restructuring associated with the repurchase of a portion of the 2026 Notes and the denominator is increased to include the number of the shares issuable upon the conversion of the 2026 Notes. For purposes of the calculations below, stock options, restricted stock units, and the 2026 Notes are considered to be common stock equivalents but are excluded from the calculation of diluted net loss per share when including them has an anti-dilutive effect.

The share-settled warrants and cash-settled warrants are not participating securities. The share-settled warrants are excluded from the calculation of diluted EPS for the three and six months ended June 30, 2026, and the three months ended June 30, 2025, as their effect would have been anti-dilutive because the exercise prices were greater than the average market price of the common shares for those periods. The cash-settled warrants are not included in the calculation of diluted EPS due to the cash-settlement requirement.

The Company uses the treasury stock method for stock options, restricted stock units, and share-settled warrants, and uses the if-converted method for convertible debt. See Note 8 – *Senior Notes, Capped Call Transactions and Warrants* for additional information about the 2026 Notes, 2029 Notes, and Second Lien Notes.

The following table presents shares used in calculating basic and diluted net loss per share for the three and six months ended June 30, 2026 and 2025, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands, except share and per share amounts)			
Numerator:				
Net loss available to stockholders for basic net loss per share	$ (72,557)	$ (15,710)	$ (81,384)	$ (29,843)
Gain on troubled debt restructuring	(2,176)	—	(2,156)	—
Gain on change in fair value of warrants	—	—	—	(5,825)
Net loss available to stockholders for diluted net loss per share	$ (74,733)	$ (15,710)	$ (83,540)	$ (35,668)
Denominator:				
Weighted average number of shares outstanding used to compute basic net loss per share	12,217,384	6,276,556	12,139,509	6,191,117
Conversion option of the 2026 Notes	13,570	—	15,702	—
Impact of potential exercise of warrants	—	—	—	163,320
Weighted average number of shares outstanding used to compute diluted net loss per share	12,230,954	6,276,556	12,155,211	6,354,437
Net loss per share:				
Basic	$ (5.94)	$ (2.50)	$ (6.70)	$ (4.82)
Diluted	$ (6.11)	$ (2.50)	$ (6.87)	$ (5.61)

The securities listed below were excluded from the computation of diluted net loss per share for the three and six months ended June 30, 2026 and 2025 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Shares subject to outstanding common stock options and employee stock purchase plan	174,604	167,382	174,604	167,382
Restricted stock units	654,529	767,160	654,529	767,160
Share-settled warrants	1,034,220	687,588	1,034,220	—
2026 Notes	—	320,106	—	320,106
Total	1,863,353	1,942,236	1,863,353	1,254,648

Note 4. Segment Information

The Company accounts for its segment information in accordance with the provisions of Accounting Standards Codification ("ASC") 280-10, *Segment Reporting*. ASC 280-10 establishes annual and interim reporting standards for operating segments of a company. ASC 280-10 requires disclosures of selected segment-related financial information about products, major customers, and geographic areas based on the Company's internal accounting methods. The chief operating decision maker ("CODM"), who is the Company's Chief Executive Officer, evaluates performance, makes operating decisions, and allocates resources based on the financial information presented on a consolidated basis using net loss. Expenses are reviewed by the nature of the cost (Cost of revenue, Sales and marketing, General and administrative and Product development), consistent with the Company's presentation on its condensed consolidated statements of operations. There are no segment managers who are held accountable by the CODM, or anyone else, for operations, operating results and planning for levels or components below the consolidated unit level. Accordingly, management has determined that the Company operates as one operating and reportable segment. The Company identifies net loss as its required measure of segment operating profit or loss. Significant expenses within loss from operations, as well as within net loss are separately presented on the Company's condensed consolidated statements of operations. Other segment items within net loss include Interest expense, Interest income, Gain on troubled debt restructuring, Other income (expense), net, and Provision for income taxes.

Geographic Information

The following table presents the Company's long-lived assets by geographic region as of the dates set forth below:

	June 30, 2026	December 31, 2025
	(In thousands)	
United States	$ 211,908	$ 266,695
Germany	19,879	26,147
Australia	9,420	9,721
Netherlands	4,253	4,678
Other [(1)]	8,724	10,308
Total long-lived assets	$ 254,184	$ 317,549

(1) Israel, United Kingdom, Japan, France, Italy, Spain, Canada, and Singapore

Note 5. Goodwill and Intangible Assets, Net

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. The Company evaluates goodwill for impairment on an annual basis, and more frequently whenever events or substantive changes in circumstances indicate that it is more likely than not that the carrying value of a reporting unit exceeds its fair value. Assumptions used in an impairment test require significant judgment, therefore, they are subject to change based on facts and circumstances present at each date goodwill is evaluated for impairment.

During the second quarter of 2026, the Company performed its quarterly triggering event assessment and concluded that several triggering events were present, including the execution of the Original Merger Agreement and Notes Restructuring Agreement in April 2026, and a decline in both LivePerson Common Stock and SoundHound Common Stock prices. As a result, the Company performed an interim impairment test as of June 30, 2026 using the quantitative "Step 1" assessment. The Company determined the fair value of its reporting unit on a total invested capital basis, consisting of (i) the potential settlement value of the outstanding 2026 Notes, (ii) the market capitalization of LivePerson common stock, which has an implied discount from the Original Merger Agreement purchase price (subject to the $7.00 - $12.00 per share collar), and (iii) the fair value of LivePerson's outstanding debt based on the purchase price in the Original Merger Agreement (subject to the collar), adjusted based on the closing price of the SoundHound Common Stock as of June 30, 2026. The Company concluded this approach represents the most reliable indication of fair value for its single reporting unit, given the existence of the Original Merger Agreement negotiated with an unaffiliated third party. This approach differs from the income and market approaches used to estimate the fair value of the Company's reporting unit in its annual impairment test as of October 1, 2025 and interim test on December 31, 2025, which required significant judgment regarding forecasted future revenues, EBITDA, discount rates, and selected marketplace multiples of comparable public companies. The Company determined that the approach used as of June 30, 2026 results in a measurement that is more representative of fair value than its prior income and market approaches, given the availability of more direct market evidence following execution of the Original Merger Agreement and Notes Restructuring Agreement. This change reflects the evidence available as of the current measurement date and does not represent a change in the Company's goodwill impairment testing methodology. The estimated fair value of the reporting unit is a Level 3 measure in the fair value hierarchy. As a result of this impairment test, the Company recorded a non-cash impairment charge of $51.8 million in the condensed consolidated statements of operations during the three months ended June 30, 2026, to recognize the impairment of goodwill in the Company's one reporting unit.

As of June 30, 2026, after giving effect to this impairment charge, the estimated fair value of the reporting unit approximated its carrying value, resulting in little to no excess of fair value over carrying value. Accordingly, the Company's remaining goodwill is at further risk of impairment in future periods, if the Mergers do not close timely. Because the fair value determination is based substantially on the quoted market prices of SoundHound Common Stock and LivePerson Common Stock and the consideration mechanics of the Original Merger Agreement and Notes Restructuring Agreement, a future decline in either company's stock price, any adverse amendment to, or termination of, the Original Merger Agreement or Notes Restructuring Agreement, or an increase in the carrying value of the reporting unit's net assets, could result in additional goodwill impairment charges in future periods, which could be material to the Company's condensed consolidated financial statements.

There were no impairments of goodwill during the three and six months ended June 30, 2025.

If, in future periods, the financial performance of the reporting unit does not meet expectations, or a prolonged decline occurs in the marketplace of our common stock, it may cause a material change in the results of the impairment assessment and result in future impairment to goodwill.

The changes in the carrying amount of goodwill for the six months ended June 30, 2026 are as follows:

	Goodwill, net
	(In thousands)
Balance as of December 31, 2025 (1)	$ 184,902
Goodwill impairment	(51,826)
Foreign exchange adjustment	(690)
Balance as of June 30, 2026 (1)	$ 132,386

(1) As of June 30, 2026 and December 31, 2025, the accumulated impairment balances were $165.8 million and $114.0 million, respectively.

Intangible Assets, Net - Patents

Legal costs incurred to establish patents are capitalized. When patents are issued, capitalized costs are amortized on the straight-line method over the related patent term. We review our patent portfolio on a periodic basis to determine whether events and circumstances would indicate impairment. In the event a patent is abandoned, the net book value of the patent is written off.

The changes in the carrying amount of intangible assets are as follows:

	June 30, 2026	December 31, 2025
	(In thousands)	
Patents:		
Gross carrying amount	$ 16,986	$ 16,639
Accumulated amortization	(3,565)	(3,230)
Net carrying amount	$ 13,421	$ 13,409
Weighted average amortization period	10.6 years	11.0 years

Amortization expense is recognized over the estimated useful life of the asset. Aggregate amortization expense for intangible assets, net was $0.2 million and $0.4 million for the three and six months ended June 30, 2026, respectively, and $0.2 million and $0.4 million for the three and six months ended June 30, 2025, respectively. There were no impairments of intangible assets during the three and six months ended June 30, 2026 and 2025.

As of June 30, 2026, estimated annual amortization expense for the next five years and thereafter is as follows:

	Estimated Amortization Expense
	(In thousands)
Remainder of 2026	$ 327
2027	629
2028	622
2029	605
2030	584
Thereafter	10,654
Total	$ 13,421

Note 6. Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation, and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. The Company reviews the estimated useful lives of its property and equipment on an annual basis. The following table presents the detail of property and equipment, net as of the dates presented:

	Useful life	June 30, 2026	December 31, 2025
	(In years)	(In thousands)	
Computer equipment and software	3 to 5	$ 134,010	$ 133,858
Internal-use software development costs	5	192,325	187,470
Furniture, equipment and building improvements	The lesser of 5 or estimated useful life	330	333
Property and equipment, at cost		326,665	321,661
Less: accumulated depreciation and amortization		(241,294)	(231,272)
Property and equipment, net		$ 85,371	$ 90,389

Depreciation and amortization expense of property and equipment was $5.0 million and $10.0 million during the three and six months ended June 30, 2026, respectively, and $5.6 million and $11.2 million during the three and six months ended June 30, 2025, respectively. There were no impairments of property and equipment during the three and six months ended June 30, 2026 and 2025.

Expenditures for routine maintenance and repairs are charged to operating expense as incurred. Major renewals and improvements are capitalized and depreciated over their estimated useful lives. The following table presents total depreciation and amortization expense included in the condensed consolidated statements of operations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Cost of revenue	$ 1,061	$ 1,378	$ 2,135	$ 2,917
Sales and marketing	451	672	881	1,267
General and administrative	220	206	572	515
Product development	3,452	3,502	6,708	6,877
Total depreciation and amortization expense	$ 5,184	$ 5,758	$ 10,296	$ 11,576

Note 7. Accrued Expenses and Other Current Liabilities

The following table presents the detail of accrued expenses and other current liabilities as of the dates presented:

	June 30, 2026	December 31, 2025
	(In thousands)	
Professional services and consulting and other vendor fees	$ 31,851	$ 17,404
Payroll and other employee-related costs	6,541	7,735
Warrants liability (Note 9)	—	2,999
Accrued interest	1,089	1,122
Restructuring (Note 12)	170	1,387
Sales commissions	1,398	1,787
Uncertain tax provisions	4,993	4,993
Other	1,085	1,273
Total accrued expenses and other current liabilities	$ 47,127	$ 38,700

Note 8. Senior Notes, Capped Call Transactions and Warrants

Convertible Senior Notes due 2026 and Capped Calls

In December 2020, the Company issued $517.5 million aggregate principal amount of its 2026 Notes in a private placement, of which $15.0 million aggregate principal amount was outstanding as of June 30, 2026. The 2026 Notes are senior unsecured obligations of the Company. The 2026 Notes will mature on December 15, 2026, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the offering of the 2026 Notes, after deducting debt issuance costs, was approximately $505.3 million.

Each $1,000 in principal amount of the 2026 Notes is convertible into 0.8862 shares of the Company's common stock, which is equivalent to a conversion price of $1,128.39 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its 2026 Notes in connection with such a corporate event. The 2026 Notes are not redeemable prior to the maturity date of the 2026 Notes and no sinking fund is provided for the 2026 Notes. The indenture governing the 2026 Notes contains events of default customary for convertible notes issued in connection with similar transactions. If the Company undergoes a "Fundamental Change" (as defined in the indenture governing the 2026 Notes) which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase for cash all or any portion of their 2026 Notes in principal amounts of $1,000 or a multiple thereof at a Fundamental Change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest to, but excluding, the Fundamental Change repurchase date.

Holders of the 2026 Notes may convert their 2026 Notes at their option at any time prior to the close of business on the business day immediately preceding August 15, 2026, in multiples of $1,000 principal amount, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2026 Notes on each applicable trading day as determined by the Company; (2) during the five business day period after any five consecutive trading day period (the "2026 Notes measurement period") in which the "trading price" (as defined in the indenture governing the 2026 Notes) per $1,000 principal amount of 2026 Notes for each trading day of the 2026 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate for the 2026 Notes on each such trading day; (3) with respect to any 2026 Notes that the Company calls for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after August 15, 2026, holders may convert all or any portion of their 2026 Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election.

During the three and six months ended June 30, 2026, the conditions allowing holders of the 2026 Notes to convert were not met.

In connection with the offering of the 2026 Notes, the Company entered into privately-negotiated capped call option transactions with certain counterparties (the "2026 capped calls"). The 2026 capped calls each have a strike price of $1,128.39 per share, subject to certain adjustments, which corresponds to the conversion price of the 2026 Notes. The 2026 capped calls have cap prices of $1,583.70 per share, subject to certain adjustment events. The 2026 capped calls cover, subject to anti-dilution adjustments, approximately 3 thousand shares of common stock. The 2026 capped calls are generally intended to reduce or offset the potential dilution to the common stock upon any conversion of the 2026 Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The 2026 capped calls expire on December 15, 2026, subject to earlier exercise. The 2026 capped calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the 2026 capped calls are subject to certain specified additional disruption events that may give rise to a termination of the 2026 capped calls, including changes in law, failure to deliver, and hedging disruptions. The 2026 capped calls are recorded in stockholders' deficit and are not accounted for as derivatives. The net cost of $46.1 million incurred to purchase the 2026 capped calls was recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets.

June 2024 Debt Exchange

Pursuant to a privately negotiated exchange and purchase agreement (the "Exchange and Purchase Agreement"), on June 3, 2024, the Company exchanged $146.0 million principal amount of the 2026 Notes then held by an investor for $100.0 million principal amount of new 2029 Notes, and the same investor purchased an additional $50.0 million principal amount of the 2029 Notes for cash. In connection with the exchange and purchase, the Company also issued the Warrants to the investor, and the investor agreed to purchase up to $50.0 million of additional 2029 Notes upon the Company's request and subject to certain conditions (the "Delayed Draw Notes"). A corresponding portion of capped calls were terminated following the exchange and purchase as required by their terms for minimal consideration.

June 2024 Debt Repurchase

On June 13, 2024, the Company repurchased $10.3 million principal amount of the 2026 Notes for $4.9 million in cash, and a corresponding portion of the 2026 capped calls were terminated following the repurchase as required by their terms for no consideration.

September 2025 Debt Exchange

On September 12, 2025 (the "Exchange Closing Date"), the Company consummated an exchange of the $341.1 million in aggregate principal amount of 2026 Notes held by certain former holders of the Company's outstanding 2026 Notes (the "Noteholders") for (i) an aggregate payment of $45.0 million in cash, (ii) $115.0 million in aggregate principal amount of the Company's 10.0% Second Lien Senior Subordinated Secured Notes due 2029 (the "Second Lien Notes"), (iii) 3,555,596 shares of common stock and (iv) 26,551 shares of Series B Fixed Rate Convertible Perpetual Preferred Stock, par value $0.001 (the "Series B Preferred Stock"). On September 25, 2025, the Company issued an additional 143,192 shares of common stock to certain of the Noteholders, which shares were issued on a deferred basis due to a beneficial ownership limitation preventing such Noteholders from owning in excess of 9.90% of the outstanding common stock of the Company. In addition, a corresponding portion of the 2026 capped calls were terminated following the exchange as required by their terms for no consideration. This September 2025 Debt Exchange was accounted for as a Troubled Debt Restructuring ("TDR") in accordance with ASC 470-60, *Troubled Debt Restructuring by Debtors* ("ASC 470-60"). The Company recognized a TDR gain of $27.7 million, which was presented as Gain on troubled debt restructuring in the consolidated statements of operations for the year ended December 31, 2025.

On the Exchange Closing Date, the principal amount of the exchanged 2026 Notes was $341.1 million with a discount of $1.7 million for a net carrying value of $339.4 million. The Company recognized the Second Lien Notes at a carrying value of $182.0 million. Under the TDR accounting treatment, the carrying value of the Second Lien Notes of $182.0 million was comprised of the total future undiscounted cash flows which included principal of $115.0 million, the maximum interest of $58.7 million as well as a redemption premium of $8.3 million. The redemption premium is related to the contingent redemption feature where the lenders can redeem the Second Lien Notes immediately prior to their maturity upon the occurrence of a Fundamental Change as defined in the indenture governing the Second Lien Notes at 105% of the principal plus accrued but unpaid interest as discussed further below. The Company assumes contingent future payments will have to be paid and those amounts shall be included in the total future cash payments. If, in future periods, the contingency is resolved so that a contingent payment does not have to be made, the Company will recognize a gain in the period when the contingency has been resolved. Subsequently, no interest expense on the Second Lien Notes will be recorded, as all future interest payments will reduce the carrying value of the restructured debt.

April 2026 Debt Repurchase

On April 7, 2026, the Company repurchased $5.2 million principal amount of the 2026 Notes for $3.0 million in cash. A corresponding portion of the 2026 capped calls were terminated following the repurchase as required by their terms for no consideration. This April 2026 debt repurchase was accounted for as a TDR in accordance with ASC 470-60. The Company recognized a TDR gain of $2.2 million, which was presented as Gain on troubled debt restructuring in the consolidated statements of operations for the three and six months ended June 30, 2026.

The outstanding 2026 Notes, due December 15, 2026, are classified as current portion of senior notes in the condensed consolidated balance sheets as of June 30, 2026 and December 31, 2025. The aggregate principal amount of the outstanding 2026 Notes was $15.0 million and the carrying amount of the outstanding 2026 Notes was $14.9 million as of June 30, 2026. The remaining term over which the outstanding 2026 Notes' debt issuance costs will be amortized is 0.4 years at an effective interest rate of 0.40%.

Second Lien Senior Subordinated Secured Notes due 2029

On the Exchange Closing Date, the Company issued $115.0 million in aggregate principal amount of Second Lien Notes as part of the September 2025 Debt Exchange transaction. The Second Lien Notes accrue interest at a rate of 10.0% per annum. Prior to March 15, 2027, all of the interest on the Second Lien Notes is payable in-kind ("PIK"). On and after March 15, 2027 and until June 15, 2028, interest will be payable, at the Company's option, in cash or in-kind or partially in cash and partially in-kind. On and after June 15, 2028, until the maturity of the Second Lien Notes, interest on the Second Lien Notes will be payable in cash, or at the Company's option, up to 6.0% per annum in-kind. Unless earlier repurchased or redeemed by the Company, the Second Lien Notes will mature on December 15, 2029.

The Company may, at its option, redeem the Second Lien Notes, in whole or in part, prior to September 12, 2026 at a price equal to the sum of (i) 105% of the accrued and unpaid interest (including cash and PIK components thereof), (ii) 105% of the aggregate principal amount of the Second Lien Notes (including, without duplication of any amounts described in item (i), all increases to the principal amount as the result of previous payments of PIK interest) and (iii) the present value of the remaining future interest payments (including cash and PIK components thereof) through September 12, 2026, computed using a discount rate of T + 50 (such amount, the "Make Whole Amount"). On or after September 12, 2026, and prior to September 12, 2027, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 105% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 105% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). On or after September 12, 2027, and prior to September 12, 2028, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 102.5% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 102.5% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). From September 12, 2028 until maturity, the Company may, at its option, redeem the Second Lien Notes, in whole or in part for an amount of cash equal to the sum of (i) 100% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 100% of all accrued and unpaid interest (including, without duplication of any amounts described in item (i), cash and PIK components thereof). No sinking fund is provided for the Second Lien Notes.

The Second Lien Notes are guaranteed on a senior subordinated basis by certain of the Company's direct and indirect domestic and foreign subsidiaries and secured by second lien priority security interests in substantially all of the assets of the Company and such subsidiary guarantors, subject to customary exceptions. Pursuant to an intercreditor agreement, the Second Lien Notes are subordinated in right of payment and to collateral, in each case, to the 2029 Notes. The indenture governing the Second Lien Notes contains affirmative and negative covenants and events of default customary for senior secured notes issued in connection with similar transactions. The negative covenants include limitations on asset sales, the incurrence of debt, preferred stock and liens, fundamental changes, investments, dividends and other payment restrictions affecting subsidiaries, restricted payments and transactions with affiliates. Among other things, these covenants generally prohibit the payment of cash dividends on the Company's common stock. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of the Second Lien Notes. In the event the Second Lien Notes are accelerated prior to September 12, 2028, the applicable acceleration premium set forth in the indenture governing the Second Lien Notes will become due. The indenture governing the Second Lien Notes permits the Company and its subsidiaries to incur, subject to certain requirements, up to (i) $150.0 million of debt that is junior in lien priority and subordinated in right of payment to the Second Lien Notes, and (ii) up to $20.1 million as exchange consideration for, or the proceeds of which are used to repay, the remaining $20.1 million aggregate principal amount of 2026 Notes, which debt may be in the form of additional Second Lien Notes. No embedded derivatives were bifurcated from the Second Lien Notes as the September 2025 Debt Exchange was accounted for as a troubled debt restructuring and the Company recognized a gain in connection with the issuance of the Second Lien Notes.

If the Company undergoes a "Fundamental Change" as defined in the indenture governing the Second Lien Notes, which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase all or any portion of their Second Lien Notes at a repurchase price equal to (i) to the Make Whole Amount, if such Fundamental Change occurs prior to September 12, 2026, or (ii) the sum of (A) 105% of the aggregate principal amount of the Second Lien Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (B) 105% of all accrued and unpaid interest, if such Fundamental Change occurs on or after September 12, 2026.

Series B Preferred Stock

On the Exchange Closing Date, the Company filed a Certificate of Designation with respect to the Series B Preferred Stock (the "Series B Certificate of Designation") with the Secretary of State of the State of Delaware and issued to the Noteholders an aggregate 26,551 shares of Series B Preferred Stock. Each share of Series B Preferred Stock had an initial stated value ("Stated Value") of $1,000 per share, subject to adjustment for (i) any splits, combinations, or similar adjustment and (ii) accrued unpaid dividends. The Series B Preferred Stock did not have a stated maturity and were not subject to mandatory redemption or any sinking fund, and would have remained outstanding indefinitely unless earlier converted, repurchased or redeemed.

On October 2, 2025, the stockholders of the Company approved the Stock Increase Charter Amendment Proposal to increase the authorized common stock share capital of the Company from 13,333,333 shares to 20,000,000 shares. The Stock Increase Charter Amendment was filed with the Secretary of State of the State of Delaware on October 3, 2025. As a result, all of the outstanding shares of Series B Preferred Stock automatically converted pursuant to the terms of the Series B Certificate of Designation, and on October 7, 2025, an aggregate 1,547,840 shares of common stock were issued to holders of the Series B Preferred Stock.

First Lien Convertible Senior Notes due 2029

In June 2024, the Company issued $150.0 million aggregate principal amount of its 2029 Notes pursuant to the Exchange and Purchase Agreement including $100.0 million aggregate principal amount issued in exchange for $146.0 million aggregate principal amount of 2026 Notes and $50.0 million aggregate principal amount issued for cash. The Company paid third parties $7.6 million in connection with the transaction, which was capitalized as debt issuance costs. At the time of the exchange, the fair value of the 2029 Notes approximated $118.1 million, and the Company recognized a debt discount of $31.9 million.

In December 2024, the Company issued $50.0 million aggregate principal amount of its 2029 Notes, constituting the Delayed Draw Notes, for $50.0 million cash.

Unless earlier repurchased or redeemed by the Company or converted pursuant to their terms, the 2029 Notes will mature on the earlier of (a) June 15, 2029 and (b) 91 days before the maturity of the 2026 Notes, if greater than $60.0 million principal amount of 2026 Notes remains outstanding on such date. The amount payable by the Company if the 2029 Notes mature pursuant to clause (b) will be equal to 100% of the aggregate principal amount of the 2029 Notes, plus accrued and unpaid interest, plus the remaining future interest payments that would have been payable through June 15, 2029, discounted at a rate equal to the comparable treasury rate plus 50 basis points (the "Make-Whole Amount").

From June 3, 2024, until the date of issuance of the Delayed Draw Notes, interest on the 2029 Notes accrued at a rate of 10.83% (consisting of 4.17% cash and 6.66% PIK) per annum. From the date of issuance of the Delayed Draw Notes and prior to December 15, 2026, interest on the 2029 Notes has increased and accrues at a rate of 11.375% (consisting of 4.375% cash and 7.00% PIK) per annum. On and after December 15, 2026, interest on the 2029 Notes will further increase and accrue at a rate of 13% (consisting of 5% cash and 8% PIK) per annum.

Prior to December 15, 2026, the Company may, at its option, redeem the 2029 Notes, in whole or in part for an amount of cash equal to the sum of (i) 103.25% of the aggregate principal amount of the 2029 Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 103.25% of all accrued and unpaid PIK interest plus (iii) all accrued and unpaid cash interest. From December 15, 2026 until maturity, the Company may, at its option, redeem the 2029 Notes, in whole or in part for an amount of cash equal to the sum of (i) 113% of the aggregate principal amount of the 2029 Notes (including all increases to the principal amount as the result of previous payments of PIK interest) plus (ii) 113% of all accrued and unpaid PIK interest plus (iii) all accrued and unpaid cash interest. No sinking fund is provided for the 2029 Notes.

The 2029 Notes are guaranteed on a senior basis by certain of the Company's direct and indirect domestic and foreign subsidiaries and secured by first priority security interests in substantially all of the assets of the Company and such subsidiary guarantors, subject to customary exceptions. The indenture governing the 2029 Notes contains affirmative and negative covenants and events of default customary for senior secured notes issued in connection with similar transactions. The negative covenants include limitations on asset sales, the incurrence of debt, preferred stock and liens, fundamental changes, investments, dividends and other payment restrictions affecting subsidiaries, restricted payments and transactions with affiliates. Among other things, these covenants generally prohibit the payment of cash dividends on the Company's common stock. The Make-Whole Amount will be payable in the event of an acceleration of the 2029 Notes or repurchase triggered by certain asset sales. The indenture governing the 2029 Notes permits the Company and its subsidiaries to incur, subject to certain requirements, up to $150.0 million of debt that is junior in lien priority and subordinated in right of payment to the 2029 Notes. The indenture governing the 2029 Notes also includes a financial covenant that requires the Company at all times to maintain a minimum cash balance of $60.0 million (excluding proceeds of the 2029 Notes). Upon request of the investor, the indenture governing the 2029 Notes requires the Company to enter into a registration rights agreement with respect to the 2029 Notes containing customary terms including demand, shelf and piggyback registration rights. The Company was in compliance with its financial covenants as of June 30, 2026.

If the Company undergoes a "Fundamental Change" (as defined in the indenture governing the 2029 Notes), which includes a change of control or the failure of the Company's common stock to be listed or quoted on any of The Nasdaq Global Select Market, The Nasdaq Global Market or the New York Stock Exchange, holders may require the Company to repurchase all or any portion of their 2029 Notes at a repurchase price equal to 100% of the aggregate principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid interest, plus an amount equal to 66% of the remaining future interest payments (including PIK interest) that would have been payable through June 15, 2029, discounted at a rate equal to the comparable treasury rate plus 50 basis points. The likelihood of a Fundamental Change under the 2029 Notes occurring was remote unless and until the noteholders agreed to concessions (as they did to enable the pending sale of the business) because the amounts required to satisfy the contractual obligations in connection with a Fundamental Change materially exceeded the Company's enterprise value.

Holders of the 2029 Notes may convert their 2029 Notes at their option at any time prior to the close of business on the business day immediately preceding February 15, 2029 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2024 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2029 Notes on each applicable trading day as determined by the Company; (2) during the five business day period after any five consecutive trading day period (the "2029 Notes measurement period") in which the "trading price" (as defined in the indenture governing the 2029 Notes) per $1,000 principal amount of 2029 Notes for each trading day of the 2029 Notes measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the product of (x) the quotient of (i) the "conversion amount" (as defined in the Indenture) in respect of $1,000 principal amount of the 2029 Notes on such trading day divided by (ii) 1,000 times (y) the conversion rate for the 2029 Notes on each such trading day; (3) with respect to any 2029 Notes that the Company calls for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; (4) upon the occurrence of specified corporate events; or (5) during the period from August 17, 2026 through September 14, 2026, if the aggregate principal amount of 2026 Notes exceeds $60.0 million on August 16, 2026. On or after February 15, 2029, holders may convert all or any portion of their 2029 Notes at any time prior to the close of business on June 13, 2029, regardless of the foregoing circumstances. The 2029 Notes include certain embedded features requiring bifurcation, which did not have material values as of June 30, 2026 due to management's estimates of the likelihood of triggering events, but that may have value in the future should those estimates change, with any change in fair value recorded in the Company's condensed consolidated statements of operations.

The 2029 Notes (including all accrued and unpaid interest) are convertible at the option of the holders at certain times into cash based on a daily conversion value calculated on a proportionate basis for each trading day in a 50 trading day observation period, corresponding to 0.8862 shares of the Company's common stock per $1,000 principal amount of 2029 Notes. The Company is not required to deliver its common stock upon conversion under any circumstances. The conversion rate for the 2029 Notes is subject to adjustment if certain events occur and contains customary anti-dilution protections. During the three months ended June 30, 2026, the conditions allowing holders of the 2029 Notes to convert were not met.

The 2029 Notes, including the Delayed Draw Notes, are accounted for as a single liability, and the combined carrying amount is $201.7 million as of June 30, 2026, consisting of principal of $229.7 million, net of unamortized issuance costs of $5.3 million and debt discount of $22.6 million. The 2029 Notes were classified as long-term liabilities in the condensed consolidated balance sheets as of June 30, 2026. The remaining term over which the 2029 Notes' debt issuance costs will be amortized is 3.0 years at an effective interest rate of 19.13% for the 2029 Notes (not including the Delayed Draw Notes) and 13.28% for the Delayed Draw Notes as of June 30, 2026. The 2029 Notes (not including the Delayed Draw Notes) and the Delayed Draw Notes had an effective interest rate of 19.13% and 13.28%, respectively, as of December 31, 2025.

Unamortized debt issuance costs incurred in connection with securing the Company's financing arrangements are presented in the condensed consolidated balance sheets as a direct deduction from the carrying amount of the outstanding borrowings, consistent with debt discounts. All deferred financing costs are amortized to interest expense. The net carrying amount of the liability component of the Notes as of June 30, 2026 and December 31, 2025 is as follows:

	June 30, 2026				December 31, 2025			
	2026 Notes	2029 Notes	Second Lien Notes [1]	Total	2026 Notes	2029 Notes	Second Lien Notes [1]	Total
	(In thousands)							
Principal	$ 14,972	$ 229,641	$ 181,952	$ 426,565	$ 20,125	$ 221,877	$ 181,952	$ 423,954
Unamortized debt discount	—	(22,630)	—	(22,630)	—	(25,955)	—	(25,955)
Unamortized issuance costs	(26)	(5,344)	—	(5,370)	(73)	(6,142)	—	(6,215)
Total net carrying value	14,946	201,667	181,952	398,565	20,052	189,780	181,952	391,784
Less: Current portion of senior notes	(14,946)	—	—	(14,946)	(20,052)	—	—	(20,052)
Carrying value of long-term debt, net	$ —	$ 201,667	$ 181,952	$ 383,619	$ —	$ 189,780	$ 181,952	$ 371,732

(1) Represents $115.0 million of outstanding principal amount of Second Lien Notes, plus the maximum interest of $58.7 million as well as a redemption premium of $8.3 million.

The following table sets forth the interest expense recognized related to the Notes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Contractual interest expense	$ 6,345	$ 5,949	$ 12,586	$ 11,617
Amortization of debt issuance costs	421	656	821	1,291
Amortization of debt discount	1,724	1,261	3,335	2,436
Total interest expense	$ 8,490	$ 7,866	$ 16,742	$ 15,344

Warrants

On June 3, 2024, pursuant to the Exchange and Purchase Agreement, the Company issued to the investor 10-year warrants with a strike price of $11.25 per share, exercisable for 649,782 shares of the Company's common stock and 10-year warrants with a strike price of $11.25 per share, exercisable with respect to a notional amount of 156,318 shares of the Company's common stock for cash payments equal to the excess of "fair market value" (as defined therein) per share over the strike price, fully diluted subject to certain adjustments. In August 2025, Warrants with a notional amount of 200,000 shares were settled and a gain of $1.3 million related to the fair value adjustment on settlement date was recognized in Other (expense) income, net in the consolidated statements of operations for the year ended December 31, 2025.

The cash-settled warrants will permit the Company, subject to certain conditions (including to the extent that the Company, following payment, would have "available cash" (as defined therein) of less than $100.0 million), to defer payment of the settlement amount at an annualized interest rate of 6.0%, compounded monthly. Warrants outstanding at the 10-year expiration will be exercised automatically (and in the case of the share-settled warrants, will be exercised on a cashless basis) if, immediately prior to the expiration, the fair market value per share is greater than the strike price.

The Warrants contain customary anti-dilution protections. The triggers for the anti-dilution adjustments include (a) subdivision, combination or reclassification of the outstanding shares of common stock into a greater or smaller number of shares, (b) certain below market issuances of common stock, (c) certain issuances of common stock at a price that is less than the strike price of the Warrant, (d) certain issuances of a dividend or distribution to all holders of common stock, (e) an above market tender offer or exchange offer by the Company for common stock. Pursuant to the anti-dilution terms of the Warrants, and giving effect to the settlement of Warrants with respect to a notional amount of 200,000 shares, the aggregate notional amount of the Warrants increased to 1,054,039 shares as of June 30, 2026.

In the event of a "Cash/Public Acquisition" (as defined therein), the Warrants may be automatically exercised, cash settled or expire, depending on the fair market value per share. The Warrants contain a beneficial ownership limitation on the investor's ownership of the Company's common stock, on a post-exercise basis (aggregating all securities convertible into or exercisable for the Company's common stock), of 4.99%, subject to increase upon 61 days' notice by the investor, but not to exceed 9.99%.

The Warrants were classified as current liabilities under ASC 480, *Distinguishing Liabilities from Equity,* in the Company's condensed consolidated balance sheets and recorded at fair value of $5.3 million at the issuance date with subsequent changes in fair value recorded in the Company's condensed consolidated statements of operations. For the three and six months ended June 30, 2025, a loss of $3.0 million and gain of $5.8 million, respectively, for the change in fair value was recorded in Other income (expense), net, in the Company's condensed consolidated statements of operations.

Due to the proposed Mergers, the Warrants had a fair value of zero, and the remaining balance was eliminated as of June 30, 2026, consistent with the terms of the Amended and Restated Merger Agreement, pursuant to which all outstanding Warrants will be cancelled for no consideration. For the three and six months ended June 30, 2026, a gain of $1.9 million and $3.0 million, respectively, for the change in fair value was recorded in Other income (expense), net, in the Company's condensed consolidated statements of operations. Independent of the pending Mergers, the Company believes the Warrants would remain of nominal value. The Warrants' exercise price is substantially above the Company's current per-share equity value, and the Company's significant outstanding secured debt ranks senior to common equity, limiting the residual value available to holders of the Company's common stock, including the Warrants.

Note 9. Fair Value Measurements

The Company measures its cash equivalents at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect: quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

Financial Assets and Liabilities

The carrying amount of cash, accounts receivable, and accounts payable approximate their fair value due to their short-term nature. The Company's assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy as of June 30, 2026 and December 31, 2025, are summarized as follows:

	June 30, 2026			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets				
Cash equivalents - money market funds	$ 34,042	$ —	$ —	$ 34,042
Total assets	$ 34,042	$ —	$ —	$ 34,042

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Cash equivalents - money market funds	$ 43,000	$ —	$ —	$ 43,000
Total assets	$ 43,000	$ —	$ —	$ 43,000
Liabilities:				
Warrants liability	$ —	$ —	$ 2,999	$ 2,999
Total liabilities	$ —	$ —	$ 2,999	$ 2,999

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available.

The Company's money market funds are measured at fair value on a recurring basis based on quoted market prices in active markets and are classified as Level 1 within the fair value hierarchy. The Company's Warrants liability was measured at fair value on a recurring basis and was classified as Level 3 within the fair value hierarchy. Significant changes in unobservable inputs could result in significantly lower or higher fair value measurements.

On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Estimated fair values are Level 3 measures in the fair value hierarchy.

The estimated fair value of outstanding balances of the Notes as of the dates presented are as follows:

	Level of Hierarchy	Fair Value	Principal Balance	Unamortized Debt Discount	Unamortized Debt Issuance Costs	Net Carrying Value
				(In thousands)		
June 30, 2026						
2026 Notes	2	$ 11,978	$ 14,972	$ —	$ (26)	$ 14,946
2029 Notes	3	$ 164,530	$ 229,641	$ (22,630)	$ (5,344)	$ 201,667
Second Lien 2029 Notes	3	$ 76,908	$ 181,952	$ —	$ —	$ 181,952
December 31, 2025						
2026 Notes	2	$ 8,175	$ 20,125	$ —	$ (73)	$ 20,052
2029 Notes	3	$ 200,601	$ 221,877	$ (25,955)	$ (6,142)	$ 189,780
Second Lien 2029 Notes	3	$ 61,497	$ 181,952	$ —	$ —	$ 181,952

Management determined the fair value of the 2026 Notes by using Level 2 inputs based on observable market prices for the instrument and similar instruments.

Management determined the fair value of the 2029 Notes and Second Lien Notes using the expected transaction proceeds as the proxy for fair value. Management divided the outstanding principal amount by the product of the $7.00 floor multiplied by the SoundHound stock price as of June 30, 2026 to arrive at the fair value per $1,000 of principal amount.

Management determined the fair value of the 2029 Notes as of December 31, 2025 by using Level 3 inputs, including the volatility of 15.00%, yield of 16.00%, risk-free rate of 3.59% and credit spread of 12.81%. Management determined the fair value of the Second Lien Notes as of December 31, 2025 by using Level 3 inputs, including volatility of 15.00%, yield of 30.00%, risk-free rate of 3.64% and credit spread of 24.60%. A change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

Warrants

Upon issuance, the Company recorded the fair value of the Warrants using the Black-Scholes valuation model and is required to revalue these Warrants at each reporting date with any changes in fair value recorded on the Company's condensed consolidated statements of operations. The valuation of the Warrants was classified as Level 3 within the fair value hierarchy and is influenced by the fair value of the underlying, or notional amount of, common stock of the Company.

As of June 30, 2026, the Company assessed the fair value of the Warrants as $0 due to the implications of the pending Mergers, and the probability of the Warrants being in the money being low as a result of debt obligations being senior to equity holders. According to the agreed-upon terms, upon completion of the Mergers, the Warrants will be cancelled for no consideration, and are therefore deemed to have zero value.

A summary of the Black-Scholes pricing model assumptions used to record the fair value of the Warrants as of June 30, 2025 is as follows:

	June 30, 2025
Stock price	$ 1.01
Risk free rate	4.15%
Expected life (in years)	8.93
Expected volatility	79.00%

Refer to Note 8 – *Senior Notes, Capped Call Transactions and Warrants* for additional information.

The changes in fair value of the Level 3 Warrants as of the dates presented are as follows:

	June 30, 2026	December 31, 2025
	(In thousands)	
Balance, beginning of year	$ 2,999	$ 17,498
Settlement of Warrants	—	(1,297)
Change in the fair value of Warrants	(2,999)	(13,202)
Balance, end of period	$ —	$ 2,999

Note 10. Commitments and Contingencies

Employee Benefit Plans

The Company has a 401(k) defined contribution plan covering all eligible employees. The Company's 401(k) policy is a Safe Harbor Plan, whereby the Company matches 100% of the first 3% of eligible compensation and 50% of the next 2% of eligible compensation. The match is immediately vested. Salaries and related expenses include $0.3 million and $0.7 million of employer matching contributions for the three and six months ended June 30, 2026, respectively and $0.5 million and $1.2 million of employer matching contributions for the three and six months ended June 30, 2025, respectively.

Letters of Credit

As of June 30, 2026, the Company had letters of credit totaling $0.5 million outstanding as a security deposit for the due performance by the Company of the terms and conditions of a supply contract.

Contractual obligations

The Company's purchase obligations consist of agreements to purchase goods and services entered into in the ordinary course of business. The Company has purchase obligation agreements primarily relating to contracts with vendors in connection with Information Technology ("IT") infrastructure services with remaining terms of one year or less. In September 2025, the Company entered into a new three-year contract for $76.4 million in purchase commitments over a three-year term. Total purchase commitments remaining as of June 30, 2026 including those under this contract are as follows: $13.2 million for the remainder of 2026, $25.1 million for 2027, and $25.0 million for 2028.

Indemnifications

The Company enters into service and license agreements in its ordinary course of business. Pursuant to some of these agreements, the Company agrees to indemnify certain customers from and against certain types of claims and losses suffered or incurred by them as a result of using the Company's products.

The Company also has agreements whereby its executive officers and directors are indemnified for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a directors and officers insurance policy that reduces its exposure and enables the Company to recover a portion of any future amounts paid. As a result of its insurance policy coverage, the Company believes the estimated fair value of these indemnification agreements is minimal. The Company has no liabilities recorded for these agreements as of June 30, 2026 and December 31, 2025.

Note 11. Stockholders' Deficit

Common Stock

As of June 30, 2026, there were 20,000,000 shares of common stock authorized, 12,520,490 shares issued, and 12,336,086 shares outstanding. The par value for the common stock is $0.001 per share.

Stock-Based Compensation

The Company's stock-based compensation generally includes stock options, restricted stock units ("RSUs"), performance-vesting restricted stock units ("PRSUs"), and purchases under the Company's 2019 Employee Stock Purchase Plan (the "ESPP"). Stock-based compensation expense related to RSUs is based on the market value of the underlying stock on the date of grant and the related expense is recognized ratably over the requisite service period. The stock-based compensation expense related to PRSUs is estimated at the grant date based on the expectation that performance goals will be achieved at the stated target level. The amount of compensation cost recognized depends on the relative satisfaction of the performance condition based on performance to date.

Stock Incentive Plans

The Company's 2019 Stock Incentive Plan became effective on April 11, 2019. The 2019 Stock Incentive Plan, as amended and restated, allows the Company's employees and directors to participate in the Company's future performance through grants of stock-based awards of stock options and RSUs at the discretion of the board of directors. The number of shares authorized for issuance under the 2019 Stock Incentive Plan as of June 30, 2026 was 3,487,182. Options to acquire common stock granted under the 2019 Stock Incentive Plan have ten-year terms. As of June 30, 2026, 52,949 shares of common stock remained available for issuance (taking into account all stock option exercises and other equity award settlements through June 30, 2026).

Employee Stock Purchase Plan

The number of shares authorized for issuance under the ESPP as of June 30, 2026 was 300,000 shares. As of June 30, 2026, there are no shares of common stock available for issuance under the ESPP (taking into account all share purchases through June 30, 2026).

Inducement Plan

There are 1,027,489 shares of common stock authorized and reserved for issuance under the Inducement Plan. As of June 30, 2026, 80,142 shares of common stock remained available for issuance under the Inducement Plan (taking into account all option exercises and other equity award settlements through June 30, 2026).

Stock Option Activity

The following table is a summary of the Company's stock option activity and weighted average exercise prices for the six months ended June 30, 2026:

	Stock Option Activity		Weighted Average	
	Options (In thousands)	Weighted Average Exercise Price	Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Balance outstanding at December 31, 2025	178	$ 184.30	5.92	$ —
Cancelled or expired	(6)	321.40		
Balance outstanding at June 30, 2026	172	179.83	5.59	—
Options vested and expected to vest	99	302.36	3.91	—
Options exercisable at June 30, 2026	79	$ 373.58	2.60	$ —

The total fair value of stock options exercised during the six months ended June 30, 2026 and 2025 was immaterial. As of June 30, 2026, there was $0.3 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 1.2 years.

Restricted Stock Unit and Performance-Vesting Restricted Stock Unit Activity

The following table is a summary of the Company's RSU and PRSU activity and weighted average grant date fair value for the six months ended June 30, 2026:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Fair Value
	(In thousands)	(Per share)	(In thousands)
Balance outstanding at December 31, 2025	783	$ 15.45	$ 3,028
Awarded	44	3.76	
Vested	(204)	18.32	
Forfeited	(24)	21.50	
Non-vested and outstanding at June 30, 2026	599	13.38	1,137
Expected to vest	523	$ 13.69	$ 994

RSUs granted to employees generally vest over a one to four-year period, or upon achievement of certain performance conditions. As of June 30, 2026, total unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested RSUs and PRSUs was $3.2 million and the weighted-average remaining vesting period was 0.9 years.

PRSUs granted are generally subject to both a service-based vesting condition and a performance-based vesting condition. PRSUs will vest upon the achievement of specified performance targets and subject to continued service through the applicable vesting dates. The associated compensation cost is recognized over the requisite service period when it is probable that the performance condition will be satisfied. There were no PRSUs granted during the three and six months ended June 30, 2026 and 2025, respectively.

Total stock-based compensation costs included in the condensed consolidated statements of operations for the three and six months ended June 30, 2026 and 2025 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Cost of revenue	$ 55	$ 203	$ 136	$ 389
Sales and marketing	577	1,059	1,084	2,437
General and administrative	1,285	1,755	2,438	3,528
Product development	420	1,243	941	2,615
Total	$ 2,337	$ 4,260	$ 4,599	$ 8,969

Note 12. Restructuring

LivePerson has undertaken several restructuring initiatives to realign the Company's cost structure with its current business model, a changing competitive environment and changes in the Company's commercial performance. In September 2025, the Company initiated a new restructuring plan to reduce cash expenditures to align with the Company's current commercial performance, resulting in a charge of $11.7 million for the year ended December 31, 2025. Restructuring charges and reversals are recorded in restructuring (reversals) costs, net, in the condensed consolidated statements of operations. The 2025 restructuring activities were substantially completed by December 31, 2025.

The following table presents the detail of the liability for the Company's restructuring (reversals) costs, net, which is included within Accrued expenses and other current liabilities within the condensed consolidated balance sheets as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(In thousands)	
Balance, beginning of the year	$ 1,387	$ 3,028
Settlement of lease contracts	(472)	—
Severance and other associated (reversals) costs, net	(251)	11,667
Cash payments	(494)	(13,308)
Balance, end of period	$ 170	$ 1,387

The following table presents the detail of restructuring (reversals) costs, net for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)		(In thousands)	
Settlement of lease contracts	$ (472)	$ —	$ (472)	$ —
Severance and other associated (reversals) costs, net	(251)	561	(251)	1,866
Total restructuring (reversals) costs, net	$ (723)	$ 561	$ (723)	$ 1,866

Note 13. Legal Matters

Stockholder Litigation

In December 2023, a putative stockholder class action entitled Damri v. LivePerson, Inc., No. 1:23-cv-10517, was filed under the federal securities laws against the Company, its former Chief Executive Officer, and its Chief Financial Officer in the United States District Court for the Southern District of New York. The complaint alleges that the Company's Form 10-Q filings and forecasts for the first, second, and third quarters of fiscal year 2022 were false and misleading in violation of Section 10(b) of the Securities Exchange Act of 1934, based on the Company's later disclosures and report on Form 10-K on March 16, 2023. In May 2024, the plaintiff filed an amended complaint. The Company moved to dismiss the amended complaint in August 2024, and in March 2025, the court granted the Company's motion and dismissed the action with prejudice. In April 2025, the plaintiff appealed the decision to the United States Court of Appeals for the Second Circuit and in March 2026, the dismissal was affirmed but the case was remanded to the district court with leave for the plaintiff to try to replead his complaint. A second amended complaint was filed, and the Company renewed its motion to dismiss, which remains pending. A parallel litigation on behalf of stockholders who purchased their shares on the Tel Aviv Stock Exchange, entitled Weissbrod v. LivePerson, Inc., is pending in the Tel Aviv District Court in Israel, but has been stayed pending further developments in the Damri case.

In January 2024, a purported derivative action entitled Marti v. LoCascio, No. 1:24-cv-00598, was filed in the United States District Court for the Southern District of New York by a purported stockholder of the Company against the Company's former Chief Executive Officer, its Chief Financial Officer, members of the current Board of Directors and several former Directors. The Marti litigation claims that the Company itself was harmed by the same acts and omissions underlying the Damri federal securities lawsuit and seeks to recover unspecified losses on behalf of the Company. Between June and September 2024, four other purported derivative actions were filed by purported stockholders of the Company against the Company's former Chief Executive Officer, its Chief Financial Officer, members of the current Board of Directors and several former Directors. These four purported derivative actions, similar to the Marti litigation, claim that the Company itself was harmed by the same acts and omissions underlying the Damri federal securities lawsuit, and seek to recover unspecified losses on behalf of the Company. The four actions are entitled: (i) Steffens v. Block, No. 1:24-cv-04481, filed in the United States District Court for the Southern District of New York; (ii) Ravi v. LoCascio, Index No. 653498/2024, filed in the Supreme Court of the State of New York, New York County; (iii) Morales v. LoCascio, No. 1:24-cv-05297, filed in the United States District Court for the Southern District of New York; and (iv) Perkins v. LoCascio, Index No. 654992/2024, filed in the Supreme Court of the State of New York, New York County. The Marti, Steffens and Morales cases are stayed, and the Perkins case is in abeyance, pending further developments in the Damri case.

In April 2026, Vector Capital VI, L.P. filed a lawsuit in the Court of Chancery of the State of Delaware against the members of the Company's board of directors who voted in favor of the Company's September 2025 Debt Exchange transaction. The action, entitled Vector Capital VI, L.P. v. Miller, C.A. No. 2026-0536, alleges that the September 2025 Debt Exchange constituted a breach of fiduciary duty by the board, was unfairly coercive, frustrated stockholder voting rights and improperly diluted the value of the Company's common stock. The complaint seeks unspecified damages. The Company, on behalf of the directors, has moved to dismiss the complaint and briefing is ongoing.

In July 2026, two substantially similar lawsuits were filed in the Supreme Court of the State of New York against the Company and its board of directors challenging as alleged negligence and negligent misrepresentation supposedly inadequate disclosures in the proxy statement for the proposed Mergers. Among other things, the complaints allege that additional disclosure is needed about the work performed by the Company's financial advisors, about potential conflicts of interest by those advisors, and about any potential conflicts of interest that Company insiders may have with respect to the proposed Mergers. Both lawsuits seek an injunction directing the Company to make additional disclosures.

COVID-Related Matters

As has been widely reported, there is heightened scrutiny by the federal government across many programs related to global novel coronavirus disease ("COVID-19") that were introduced during the COVID-19 pandemic. The Company previously provided products and services related to COVID-19 testing and accompanying software. Those products and services have been the subject of inquiry and review by Medicare, the Department of Justice and the U.S. Food and Drug Administration.

The Company has discontinued all products and services related to COVID-19, and has responded to and intends to continue to cooperate with governmental inquiries related to its previous engagement in COVID-19 related product and service offerings.

Other Legal, Administrative, Governmental and Regulatory Matters

From time to time, the Company is or may be subject to or involved in legal, administrative, governmental and/or regulatory proceedings, inquiries and investigations as well as actual or threatened litigation, claims and/or demands (each an "Action" and collectively "Actions"). These have included and may include (without limitation) Actions brought by or against the Company, its affiliates, subsidiaries, directors and/or officers with respect to intellectual property, contracts, financial, commercial, employment, legal, compliance, privacy, data security, regulatory and/or other matters related to the Company's business, as well as Actions brought against the Company's customers for which the Company has a contractual indemnification obligation.

Regardless of the outcome, Actions can have an adverse impact on the Company because of defense and/or settlement costs, diversion of management resources, reputational risks and other factors.

Accruals

The Company accrues for certain contingencies when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated and discloses certain contingencies for which no accrual has been made as appropriate and in compliance with ASC 450, *Contingencies*. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. The accruals or estimates, if any, resulting from the foregoing analysis, are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter.

Note 14. Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The Company includes interest accrued on the underpayment of income taxes and certain interest expense and penalties, if any, related to unrecognized tax benefits as a component of the income tax provision. The Company recorded a valuation allowance against its U.S., e-bot7 Germany, and Bulgaria deferred tax assets as it considered its cumulative losses in recent years as a significant piece of negative evidence. Since valuation allowances are evaluated by jurisdiction, the Company believes that the deferred tax assets related to LivePerson Australia Pty. Ltd., Engage Pty. Ltd., LivePerson (UK) Ltd., LivePerson Japan, and LivePerson Ltd. (Israel) are more likely than not to be realized as these jurisdictions have positive cumulative pre-tax book income after adjusting for permanent and one-time items.

The One Big Beautiful Bill Act (“OBBBA”) was signed into law on July 4, 2025, and makes changes to the deductibility of certain business expenditures including interest expense, research and development expenditures, and property and equipment, and makes changes to elements of U.S. cross-border taxation. The Company implemented the changes enacted under OBBBA. OBBBA impacted the Company’s deferred tax assets as of July 4, 2025, the date of enactment, via the reversal of $32.0 million of deferred tax assets resulting from capitalized research expenses incurred through December 31, 2024. The reversal was reflected in the Company’s annual financial statements as of and for the year ended December 31, 2025.

For the three and six months ended June 30, 2026, the Company recorded a tax provision of $0.5 million and $0.8 million. This consisted of a tax provision on operating earnings of non-US subsidiaries, a tax expense on UK stock compensation windfall, and interest accrual on unrecognized tax benefits in Israel. For the three and six months ended June 30, 2025, the Company recorded a tax provision of $0.4 million and less than $0.1 million. This consisted of a tax provision on operating earnings of non-US subsidiaries, a tax benefit on an increase in tax receivables, and interest accrual on unrecognized tax benefits in Israel.

The Company had a valuation allowance on certain deferred tax assets for the year ended December 31, 2025 of $243.2 million. Inherent in the Company’s 2026 annual effective tax rate is an estimated increase in the valuation allowance of $12.4 million, all of which would be recorded as an expense. During 2025, an increase in the valuation allowance in the amount of $8.6 million was recorded as an expense.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information of SoundHound AI, Inc. ("SoundHound" or the "Company") has been prepared in accordance with Article 11 of Regulation S-X and presents the combination of the historical financial information of SoundHound and LivePerson, Inc. ("LivePerson" or the "Target"), adjusted to give effect to the LivePerson Merger (as defined below). The unaudited pro forma condensed combined financial information of SoundHound also gives effect to the acquisition of Interactions Corporation ("Interactions") that occurred on September 3, 2025 but was not reflected in the historical financial information of SoundHound for a full fiscal year.

Description of the Acquisitions

On September 4, 2026 (the "LivePerson Acquisition Date"), the Company acquired all of the issued and outstanding equity of LivePerson (the "Acquisition"), a provider of digital customer engagement and conversational AI software serving enterprise customers across retail, financial services, telecommunications, healthcare and consumer industries.

On April 21, 2026, SoundHound, LivePerson and Lightspeed Merger Sub, Inc., an indirect, wholly owned subsidiary of SoundHound ("Merger Sub I") entered into a Merger Agreement (the "Original Merger Agreement"), which was subsequently amended and restated on July 2, 2026, among SoundHound, LivePerson, Merger Sub I and Lightspeed Merger Sub II, Inc., an indirect, wholly owned subsidiary of SoundHound ("Merger Sub II") (the Original Merger Agreement, as amended and restated, the "Merger Agreement"). Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub I merged with and into LivePerson (the "First Merger"), with LivePerson surviving the First Merger as an indirect, wholly owned subsidiary of SoundHound and, immediately following the First Merger, Merger Sub II merged with and into LivePerson (the "Second Merger," and together with the First Merger, collectively the "LivePerson Merger"), with LivePerson surviving the Second Merger as an indirect, wholly owned subsidiary of SoundHound. Also on April 21, 2026, concurrently with the execution of the Original Merger Agreement, SoundHound entered into a Notes Restructuring Agreement (the "Notes Restructuring Agreement", together with the Merger Agreement, collectively, the "Transaction Agreements") with LivePerson and the Secured Holders (as defined below), pursuant to which, and on the terms and subject to the conditions thereof, among other things, the Secured Holders have agreed to release and deem satisfied the First Lien Convertible Senior Notes due 2029 and 10.0% Second Lien Senior Subordinated Secured Notes (collectively, the "Senior Notes") for the consideration contemplated thereby.

The Merger Agreement provides for a two-step transaction for holders of LivePerson common stock.

- First, all shares of LivePerson common stock other than shares listed on the Tel Aviv Stock Exchange Ltd. (the "non-TASE Shares") were cancelled and converted into the right to receive the consideration described below, while the shares listed on the Tel Aviv Stock Exchange Ltd., (the "TASE Shares") remained issued and outstanding.

- Second, the TASE Shares were automatically converted into the right to receive cash consideration, except for TASE Shares held by holders or beneficial owners of TASE Shares who (i) did not vote in favor of the merger proposal, (ii) properly demanded appraisal of their shares of LivePerson Common Stock, (iii) continuously held or beneficially owned such shares through TASECH from the date of making the demand through the effective time of the Second Merger, (iv) otherwise complied with Section 262 of the DGCL and (v) did not withdraw or otherwise lose their appraisal rights. All TASE Shares were converted into cash consideration.

Under the terms of the Transaction Agreements, total consideration of $289.8 million consisted of the following:

i. Shares of SoundHound Class A common stock issued to holders of LivePerson's First Lien Convertible Senior Notes due 2029 and 10.0% Second Lien Senior Subordinated Secured Notes (the "Secured Holders") equal to approximately $248.7 million.

ii. Cash consideration of $6.3 million.

iii. Shares of SoundHound Class A common stock equal to approximately $33.5 million issued to holders of LivePerson common stock.

iv. Replacement equity awards issued to continuing LivePerson employees in exchange for outstanding unvested equity awards equal to approximately $1.3 million.

The determination of consideration under GAAP is accounted for as a business combination under *ASC 805, Business Combinations*.

Description of Interactions Acquisition during the year ended December 31, 2025

On September 3, 2025, SoundHound completed its acquisition of Interactions (the "Interactions Acquisition"), pursuant to the terms of the Agreement and Plan of Merger (the "Interactions Merger Agreement") entered into by and among SoundHound, Iris Merger Sub, Inc., Interactions Corporation and Shareholder Representative Services LLC. The transaction included cash paid to selling shareholders, repayment of Interactions' outstanding debt at closing, payment of seller transaction expenses, customary cash holdbacks, and contingent earnout consideration tied to specified future milestones. On the acquisition date, each outstanding share of Interactions' capital stock, stock options, warrants to purchase Interactions' capital stock, and treasury stock were cancelled and extinguished without any present or future right to receive any consideration with the exception of certain shares of Interactions' preferred stock that were converted into the right to receive the consideration defined above.

Other Information

An unaudited pro forma condensed consolidated balance sheet has not been presented as the historical condensed consolidated balance sheet of SoundHound as of September 30, 2026 already reflects the Acquisition. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2026, and the year ended December 31, 2025, assumes that the LivePerson Merger and the Interactions Acquisition (the "Transactions") occurred as of January 1, 2025, and combines the historical results of SoundHound, Interactions, and LivePerson giving pro forma effect for the periods then ended.

The unaudited pro forma condensed combined financial information is derived from the historical financial information of SoundHound, Interactions, and LivePerson, and should be read in conjunction with the following information:

- the historical audited consolidated financial statements of SoundHound for the year ended December 31, 2025, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 2, 2026,

- the historical unaudited condensed consolidated financial statements of SoundHound for the nine months ended September 30, 2026, included in its Quarterly Report on Form 10-Q filed with the SEC on November 9, 2026,

- the historical audited consolidated financial statements of LivePerson for the year ended December 31, 2025, included in this Form 8-K/A,

- the historical unaudited condensed consolidated financial statements of LivePerson, Inc. for the six months ended June 30, 2026, included in this Form 8-K/A,

- the historical unaudited financial information of Interactions for the period from January 1, 2025 to September 2, 2025, which is derived from the historical unaudited pro forma condensed combined statement of operations of SoundHound for the nine months ended September 30, 2025, that are included as Exhibit 99.3 in the Company's Report on Form 8-K/A filed with the SEC on November 17, 2025.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information. The transaction accounting adjustments are based on available information and assumptions that the Company's management believes are reasonable. Actual results and valuations may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information.

The LivePerson Merger is subject to closing adjustments that have not yet been finalized. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information as required by SEC rules. Differences between these preliminary estimates and the final acquisition accounting may be material.

SOUNDHOUND AI, INC.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2025
(in thousands, except share and per share data)

SoundHound Consolidated Income Statement Line Items	SoundHound Historical	Interactions Historical & Transaction Accounting (Note 3)	LivePerson Historical As Adjusted (Note 2)	Transaction Accounting Adjustments (Note 4)	Note	Pro Forma Combined
Revenues	$ 168,920	$ 42,781	$ 243,742	$ —		$ 455,443
Operating expenses:						
Cost of revenues	97,369	15,391	74,818	13,933	4(a)	201,511
Sales and marketing	61,640	6,103	78,223	(17,300)	4(b)	128,666
Research and development	98,250	2,416	68,645	(15,934)	4(c)	153,377
General and administrative	82,188	12,912	44,676	321	4(f)	140,097
Change in fair value of contingent acquisition liabilities	(163,127)	—	—	—		(163,127)
Amortization of intangible assets	15,872	3,827	709	10,141	4(a)	30,549
Restructuring	—	—	11,667	—		11,667
Impairment of goodwill	—	—	41,595	(41,595)	4(g)	—
Impairment of intangibles and other assets	—	—	2,108	—		2,108
Total operating expenses	192,192	40,649	322,441	(50,434)		504,848
Loss from operations	(23,272)	2,132	(78,699)	50,434		(49,405)
Other income (expense), net:						
Gain on troubled debt restructuring	—	—	27,720	(27,720)	4(h)	—
Interest expense	(670)	—	(31,530)	31,530	4(d)	(670)
Other income (expense), net	14,668	288	18,728	(13,202)	4(e)	20,482
Total other income (expense), net	13,998	288	14,918	(9,392)		19,812
Loss before provision (benefit) for income taxes	(9,274)	2,420	(63,781)	41,042		(29,593)
Provision (benefit) for income taxes	4,732	—	3,452	—		8,184
Net loss	$ (14,006)	$ 2,420	$ (67,233)	$ 41,042		$ (37,777)
Net loss per share:						
Basic	$ (0.03)				4(i)	$ (0.08)
Diluted	$ (0.28)				4(i)	$ (0.30)
Weighted-average common shares outstanding:						
Basic	405,421,412				4(i)	447,497,120
Diluted	409,456,342				4(i)	451,532,050

See Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

SOUNDHOUND AI, INC.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2026
(in thousands, except share and per share data)

SoundHound Consolidated Income Statement Line Items	SoundHound Historical	LivePerson Historical As Adjusted (Note 2) For the Six Month Period Ended June 30, 2026	LivePerson Historical As Adjusted (Note 2) For the period from July 1, 2026 to September 3, 2026	Transaction Accounting Adjustments (Note 4)	Note	Pro Forma Combined
Revenues	$ 168,517	$ 109,452	$ 32,732	$ -		$ 310,701
Operating expenses:						
Cost of revenues	105,563	33,446	13,274	9,391	4(a)	161,674
Sales and marketing	54,066	28,410	7,748	(11,136)	4(b)	79,088
Research and development	84,197	29,273	11,284	(10,958)	4(c)	113,796
General and administrative	87,619	36,328	7,703	-		131,650
Restructuring		(723)	(73)			(796)
Impairment of goodwill	-	51,826	-	(51,826)	4(g)	-
Change in fair value of contingent acquisition liabilities	(67,064)	-	-	-		(67,064)
Amortization of intangible assets	16,055	343	161	6,856	4(a)	23,415
Total operating expenses	280,436	178,903	40,097	(57,673)		441,763
Loss from operations	(111,919)	(69,451)	(7,365)	57,673		(131,062)
Other income (expense), net:						
Interest expense	(176)	(16,742)	(6,204)	22,946	4(d)	(176)
Gain on troubled debt restructuring	-	2,191	-	(2,191)	4(h)	-
Other income (expense), net	1,047	3,400	1,045	(2,999)	4(e)	2,493
Total other income (expense), net	871	(11,151)	(5,159)	17,756		2,317
Loss before provision for income taxes	(111,048)	(80,602)	(12,524)	75,429		(128,745)
Provision for income taxes	2,618	782	128	-		3,528
Net loss	$ (113,666)	$ (81,384)	$ (12,652)	$ 75,429		$ (132,273)
Net loss per share:						
Basic	$ (0.26)				4(i)	$ (0.28)
Diluted	$ (0.30)				4(i)	$ (0.31)
Weighted-average common shares outstanding:						
Basic	435,623,278				4(i)	473,371,548
Diluted	441,261,985				4(i)	479,010,255

See Notes to the Unaudited Pro Forma Condensed Combined Financial Information.

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Note 1 — Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X. The historical financial information of SoundHound, Interactions and LivePerson has been adjusted in the unaudited pro forma condensed combined financial information to reflect transaction accounting adjustments related to the Transactions in accordance with generally accepted accounting principles ("GAAP"), based on the assumptions and adjustments that are described in the accompanying notes.

The LivePerson Merger has been accounted for as a business combination in accordance with the acquisition method of accounting under GAAP. Under this method of accounting, SoundHound has been determined to be the accounting acquirer and LivePerson to be the accounting acquiree. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination are measured and recognized at fair value as of the acquisition date. The excess of the consideration over the fair value of assets acquired and liabilities assumed is allocated to goodwill. The final purchase price allocation could differ materially from the preliminary allocation used in the transaction accounting adjustments as the final allocation may include changes in allocations to intangible assets as well as goodwill.

The unaudited pro forma condensed combined financial information includes certain reclassifications to conform LivePerson's and Interactions' historical accounting presentation to SoundHound's accounting presentation.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2025 and the nine months ended September 30, 2026 give effect to the LivePerson Merger as if it had occurred on January 1, 2025, the first day of SoundHound's fiscal 2025, and combines the historical results of SoundHound, Interactions, and LivePerson. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2025 combines the audited consolidated statement of operations of SoundHound for the year ended December 31, 2025 with LivePerson's audited consolidated statement of operations for the year ended December 31, 2025 and Interactions' unaudited consolidated statement of operations from January 1, 2025 to September 2, 2025. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2026 combines the unaudited condensed consolidated statement of operations of SoundHound for the nine months ended September 30, 2026 with LivePerson's unaudited condensed consolidated statement of operations for the six months ended June 30, 2026 and historical unaudited financial information for the period from July 1, 2026 to September 3, 2026.

The pro forma financial information reflects transaction accounting adjustments that management believes are necessary to present fairly SoundHound's pro forma results of operations following the closing of the LivePerson Merger as of and for the periods indicated. The pro forma adjustments, which SoundHound believes are reasonable under the circumstances, are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial information. Actual results and valuations may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information.

The actual results of operations of the combined company will likely differ, perhaps materially, from the pro forma amounts reflected herein due to a variety of factors. The Company believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the transactions based on information available to management at this time, and that the pro forma transaction accounting adjustments give effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the LivePerson Merger. In the United States, both companies continue to experience losses and are in a historical cumulative loss position. Both companies have established valuation allowances against net deferred tax assets in the United States, and the income tax effects of the pro forma adjustments would be fully offset by corresponding adjustments to the valuation allowances, resulting in no net effect on the pro forma condensed combined statements of operations. Income tax expense reflects the combined historical income tax provisions of LivePerson and SoundHound including the income tax effects of foreign subsidiaries. The effective tax rate of the combined company could be significantly different than what is presented in these unaudited pro forma financial statements depending on post-business combination activities, including legal entity restructuring, repatriation decisions, and the geographical mix of taxable income.

Note 2 — Reclassification Adjustments

The accounting policies used in the preparation of the unaudited pro forma condensed combined financial information are those set out in SoundHound's audited annual financial statements as of and for the year ended December 31, 2025. Certain reclassifications are reflected in the unaudited pro forma condensed combined statement of operations to conform presentation between SoundHound and LivePerson.

Refer to the table below for a summary of identified reclassification adjustments made to present LivePerson's consolidated statement of operations for the year ended December 31, 2025, to conform presentation to that of SoundHound (in thousands):

LivePerson Consolidated Statement of Operations Line Items	SoundHound Consolidated Statement of Operations Line Items	LivePerson Historical	Reclassification Adjustments	Note	LivePerson Historical (Adjusted)
Revenues	Revenues	$ 243,742			$ 243,742
Costs, expenses and other:	Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	Cost of revenues	69,392	5,426	(a)	74,818
Sales and marketing	Sales and marketing	75,800	2,423	(a)	78,223
Product development	Research and development	54,706	13,939	(a)	68,645
General and administrative	General and administrative	44,441	235	(a)	44,676
	Amortization of intangible assets	—	709	(a)	709
Restructuring costs	Restructuring	11,667			11,667
Depreciation and amortization		22,732	(22,732)	(a)	—
Impairment of goodwill	Impairment of goodwill	41,595			41,595
Impairment of intangibles and other assets	Impairment of intangibles and other assets	2,108			2,108
Total operating expenses	**Total operating expenses**	322,441	—		322,441
Loss from operations	**Loss from operations**	(78,699)	—		(78,699)
Other income (expense), net	Other income (expense), net				
Gain on troubled debt restructuring	Gain on troubled debt restructuring	27,720			27,720
Interest expense	Interest expense	(31,530)			(31,530)
Interest income		4,751	(4,751)	(b)	—
Other income (expense), net	Other income (expense), net	13,977	4,751	(b)	18,728
Total other income (expense), net	**Total other income (expense), net**	14,918	—		14,918
Loss before provision for income taxes	**Loss before provision (benefit) for income taxes**	(63,781)			(63,781)
Provision for income taxes	Provision (benefit) for income taxes	3,452			3,452
Net loss	**Net loss**	$ (67,233)	$ —		$ (67,233)

(a) Reclassification of $22.7 million of historical LivePerson's depreciation and amortization to cost of revenues, sales and marketing, general and administrative, research and development, and amortization of intangible assets within SoundHound's statement of operations line items.

(b) Reclassification of $4.8 million of historical LivePerson's interest income from interest income to other income, net within SoundHound's statement of operations line item.

Refer to the table below for a summary of identified reclassification adjustments made to present LivePerson's consolidated statement of operations for the six months ended June 30, 2026, to conform presentation to that of SoundHound (in thousands):

LivePerson Consolidated Statement of Operations Line Items	SoundHound Consolidated Statement of Operations Line Items	LivePerson Historical for the Six Months ended June 30, 2026	Reclassification Adjustments	Note	LivePerson Historical (Adjusted)
Revenues	Revenues	$ 109,452			$ 109,452
Costs, expenses and other:	Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	Cost of revenues	31,311	2,135	(a)	33,446
Sales and marketing	Sales and marketing	27,529	881	(a)	28,410
Product development	Research and development	22,565	6,708	(a)	29,273
General and administrative	General and administrative	36,099	229	(a)	36,328
	Amortization of intangible assets	—	343	(a)	343
Restructuring costs	Restructuring	(723)			(723)
Depreciation and amortization		10,296	(10,296)	(a)	—
Impairment of goodwill	Impairment of goodwill	51,826			51,826
Total operating expenses	**Total operating expenses**	178,903	—		178,903
Loss from operations	**Loss from operations**	(69,451)	—		(69,451)
Other income (expense), net	Other income (expense), net				
Gain on troubled debt restructuring	Gain on troubled debt restructuring	2,191			2,191
Interest expense	Interest expense	(16,742)			(16,742)
Interest income		884	(884)	(b)	—
Other income (expense), net	Other income (expense), net	2,516	884	(b)	3,400
Total other income (expense), net	**Total other income (expense), net**	(11,151)	—		(11,151)
Loss before provision for income taxes	**Loss before provision (benefit) for income taxes**	(80,602)			(80,602)
Provision for income taxes	Provision (benefit) for income taxes	782			782
Net loss	**Net loss**	$ (81,384)	$ —		$ (81,384)

(a) Reclassification of $10.3 million of historical LivePerson's depreciation and amortization to cost of revenues, sales and marketing, general and administrative, research and development, and amortization of intangible assets within SoundHound's statement of operations line items.

(b) Reclassification of $0.9 million of historical LivePerson's interest income from interest income to other income, net within SoundHound's statement of operations line item.

Refer to the table below for a summary of identified reclassification adjustments made to present LivePerson's historical unaudited financial information for the period from July 1, 2026 to September 3, 2026, to conform presentation to that of SoundHound (in thousands):

LivePerson Consolidated Statement of Operations Line Items	SoundHound Consolidated Statement of Operations Line Items	LivePerson Historical for the Period from July 1, 2026 to September 3, 2026	Reclassification Adjustments	Note	LivePerson Historical (Adjusted)
Revenues	Revenues	$ 32,732			$ 32,732
Costs, expenses and other:	Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	Cost of revenues	12,564	710	(a)	13,274
Sales and marketing	Sales and marketing	7,446	302	(a)	7,748
Product development	Research and development	8,546	2,738	(a)	11,284
General and administrative	General and administrative	7,650	53	(a)	7,703
	Amortization of intangible assets	—	161	(a)	161
Restructuring costs	Restructuring	(73)			(73)
Depreciation and amortization		3,964	(3,964)	(a)	—
Total operating expenses	**Total operating expenses**	40,097	—		40,097
Loss from operations	**Loss from operations**	(7,365)	—		(7,365)
Other income (expense), net	Other income (expense), net				
Interest expense	Interest expense	(6,204)			(6,204)
Interest income		182	(182)	(b)	—
Other income (expense), net	Other income (expense), net	863	182	(b)	1,045
Total other income (expense), net	**Total other income (expense), net**	(5,159)	—		(5,159)
Loss before provision for income taxes	**Loss before provision (benefit) for income taxes**	(12,524)			(12,524)
Provision for income taxes	Provision (benefit) for income taxes	128	—		128
Net loss	**Net loss**	$ (12,652)	$ —		$ (12,652)

(a) Reclassification of $4.0 million of historical LivePerson's depreciation and amortization to cost of revenues, sales and marketing, general and administrative, research and development, and amortization of intangible assets within SoundHound's statement of operations line items.

(b) Reclassification of $0.2 million of historical LivePerson's interest income from interest income to other income, net within SoundHound's statement of operations line item.

Note 3 — Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2025, pertaining to the Interactions Acquisition

The statement of operations information for Interactions from September 3, 2025 to December 31, 2025, is already included in SoundHound's historical fiscal year 2025 results. The transaction accounting adjustments for the Interactions Acquisition in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2025, are intended to derive pro forma financial information from January 1, 2025 to September 2, 2025, as if the Interactions Acquisition closed on January 1, 2025, as follows:

	January 1, 2025 to September 2, 2025 (in thousands)			
	Interactions Historical (unaudited)	Interactions Transaction Accounting Adjustments	Note	Interactions Historical & Transaction Accounting Adjustments
Revenues	$ 42,781	$ —		$ 42,781
Operating expenses:				
Cost of revenues	20,323	(4,932)	3(a), 3(b)	15,391
Sales and marketing	6,426	(323)	3(b)	6,103
Research and development	2,416	—		2,416
General and administrative	12,912	—		12,912
Amortization of intangible assets	37	3,790	3(a)	3,827
Total operating expenses	42,114	(1,465)		40,649
Income from operations	667	1,465		2,132
Other income (expense), net:				
Interest expense	(4,060)	4,060	3(c)	—
Other income (expense), net	1,380	(1,092)	3(d)	288
Total other income (expense), net	(2,680)	2,968		288
Loss before provision (benefit) for income taxes	(2,013)	4,433		2,420
Provision (benefit) for income taxes	(629)	629	3(e)	—
Net loss	(1,384)	3,804		2,420
Net loss attributable to non-controlling interest	(276)	276	3(f)	—
Net loss attributable to Interactions	$ (1,108)	$ 3,528		$ 2,420

(a) Reflects the elimination of Interactions' historical amortization expense and the recognition of new amortization expense related to the acquired identifiable intangible assets based on the fair value as of the acquisition date. Amortization expense is calculated based on the fair value of each of the identifiable intangible assets and the associated useful lives.

The acquired intangible assets have been amortized using a straight-line method based on their estimated useful lives as if the Acquisition had been completed on January 1, 2025.

Intangible assets acquired	For the period from January 1, 2025 to September 2, 2025 (in thousands)	Estimated useful life (in years)
Trademark/Trade name	$ 267	2
Customer relationships	3,560	5
Developed technology	1,600	5
Total amortization expense for acquired intangible assets	$ 5,427	

Adjustment to Cost of revenues —

	For the period from January 1, 2025 to September 2, 2025
	(in thousands)
Amortization expense for acquired intangible assets (developed technology)	$ 1,600
Elimination of historical Interactions' intangible asset amortization expense	—
Net adjustment to cost of revenues	$ 1,600

Adjustment to Amortization of intangible assets —

	For the period from January 1, 2025 to September 2, 2025
	(in thousands)
Amortization expense for acquired intangible assets (customer relationships and trademark/trade name)	$ 3,827
Elimination of historical Interactions' intangible asset amortization expense	(37)
Net adjustment to amortization of intangible assets	$ 3,790

(b) Reflects the elimination of historical deferred commission amortization and capitalized contract expense from sales and marketing expenses, and historical amortization of capitalized software development costs from Cost of revenues.

	For the period from January 1, 2025 to September 2, 2025
	(in thousands)
Sales and marketing	$ (323)
Cost of revenues	(6,532)

(c) Reflects the reduction of $4.1 million in historical interest expense related to the settlement of Interactions' debt at closing.

(d) Reflects an adjustment to eliminate the historical fair value adjustments of warrant liabilities extinguished as a result of the Acquisition, resulting in a reduction of $1.1 million of historical gains.

(e) Reflects the elimination of $0.6 million of tax benefit. Prior to the acquisition, Interactions held interest in a partnership and recorded a deferred tax liability associated with the outside basis difference and recorded the corresponding deferred tax expense/benefit as a result of changes to the deferred tax liability. However, upon the Acquisition, the partnership became a single member LLC and the deferred tax liability is no longer needed. Accordingly, no deferred tax expense/benefit would be recorded.

(f) Reflects the elimination of $0.3 million of loss, from earnings attributable to non-controlling interest due to changes in Interactions' ownership structure.

Note 4 — Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations — LivePerson Merger

The adjustments related to the acquisition of LivePerson included in the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2026, and the year ended December 31, 2025 are as follows:

(a) Reflects the elimination of LivePerson's historical amortization expense and the recognition of new amortization expense related to the acquired identifiable intangible assets based on their estimated fair value on the acquisition date. Amortization expense is calculated based on the estimated fair value of each of the identifiable intangible assets and the associated estimated useful lives.

The acquired intangible assets have been amortized using a straight-line method based on their estimated useful lives as if the LivePerson Merger had been completed on January 1, 2025.

Intangible assets acquired	**For the nine months ended September 30, 2026**	**For the year ended December 31, 2025**	**Estimated useful life**
	(in thousands)	**(in thousands)**	**(in years)**
Trademark/trade name	$ 1,955	$ 2,900	2
Customer relationships	5,358	7,950	12
Developed technology	9,391	13,933	3
Total amortization expense for acquired intangible assets	$ 16,704	$ 24,783	

Adjustment to Cost of revenues —

	For the nine months ended September 30, 2026	**For the year ended December 31, 2025**
	(in thousands)	**(in thousands)**
Amortization expense for acquired intangible assets (developed technology)	$ 9,391	$ 13,933
Adjustment to cost of revenues	$ 9,391	$ 13,933

Adjustment to Amortization of intangible assets —

	For the nine months ended September 30, 2026	**For the year ended December 31, 2025**
	(in thousands)	**(in thousands)**
Amortization expense for acquired intangible assets (customer relationships and trademark/trade name)	$ 7,313	$ 10,850
Elimination of LivePerson's historical intangible asset amortization expense	(457)	(709)
Net adjustment to amortization of intangible assets	$ 6,856	$ 10,141

(b) Reflects the elimination of LivePerson's historical amortization of contract acquisition costs of $11.1 million and $17.3 million, for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively, that were not assets as defined by ASC 805.

(c) Reflects the elimination of LivePerson's historical amortization of software development costs of $11.0 million and $15.9 million, for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively.

(d) Reflects the reduction of $22.9 million and $31.5 million in historical interest expense for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively, related to the settlement of LivePerson's debt at closing.

(e) Reflects the elimination of LivePerson's historical gain on the change in fair value of debt warrants of $3.0 million and $13.2 million for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively.

(f) Reflects $0.3 million of additional transaction costs incurred by SoundHound after September 30, 2026.

(g) Reflects the elimination of $51.8 million and $41.6 million of LivePerson's historical impairment of goodwill for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively.

(h) Reflects the elimination of $2.2 million and $27.7 million of LivePerson's historical gain on troubled debt restructuring for the nine months ended September 30, 2026, and the year ended December 31, 2025, respectively.

(i) Reflects the pro forma basic and diluted net loss per share attributable to the combined entity's common stockholders presented in conformity with the two-class method required for participating securities as a result of the pro forma adjustments. The two-class method requires income available to common stockholders for the period to be allocated between shares of common stock and participating securities; however, no allocation has been made because the participating securities are not participating in losses.

The pro forma basic and diluted net loss per share attributable to the combined entity's common stockholders is calculated using the historical basic weighted average shares of SoundHound's common stock outstanding, adjusted for 41,891,373 shares of Class A Common stock issued to consummate the LivePerson Merger, and 184,335 shares of Class A Common stock for the pre-combination vesting of replacement equity awards, assuming the shares were issued and outstanding as of January 1, 2025.

Pro forma earnings per share computation for the nine months ended September 30, 2026:

	For the nine months ended September 30, 2026
	(in thousands, except share and per share data)
Pro forma net loss attributable to common stockholders	$ (132,273)
Weighted average shares outstanding – basic	473,371,548

Pro forma net loss per share – basic	**$ (0.28)**
Pro forma net loss attributable to common stockholders	$ (132,273)
Effect of potentially dilutive equivalent shares to net income (loss)	(18,037)
Net loss attributable to common stockholders – diluted	**$ (150,310)**
Weighted average shares outstanding – diluted	479,010,255
Pro forma net loss per share – diluted	**$ (0.31)**
Pro forma weighted average shares outstanding – basic	
SoundHound historical, September 30, 2026	435,623,278
Incremental LivePerson Merger share consideration transferred as if outstanding since January 1, 2025	37,748,270
Pro forma weighted average shares outstanding – basic	473,371,548
Pro forma weighted average shares outstanding – diluted	
SoundHound historical, September 30, 2026	441,261,985
Incremental LivePerson Merger share consideration transferred as if outstanding since January 1, 2025	37,748,270
Pro forma weighted average shares outstanding – diluted	479,010,255

Pro forma earnings per share computation for the year ended December 31, 2025:

	For the year ended December 31, 2025 (in thousands, except share and per share data)
Pro forma net loss attributable to common stockholders	$ (37,777)
Weighted average shares outstanding – basic	447,497,120
Pro forma net loss per share – basic	**$ (0.08)**
Pro forma net loss attributable to common stockholders	$ (37,777)
Effect of potentially dilutive equivalent shares to net income (loss)	(99,512)
Net loss attributable to common stockholders – diluted	**$ (137,289)**
Weighted average shares outstanding – diluted	451,532,050
Pro forma net loss per share – diluted	**$ (0.30)**
Pro forma weighted average shares outstanding – basic	
SoundHound historical, December 31, 2025	405,421,412
LivePerson Merger share consideration transferred	42,075,708
Pro forma weighted average shares outstanding – basic	447,497,120
Pro forma weighted average shares outstanding – diluted	
SoundHound historical, December 31, 2025	409,456,342
LivePerson Merger share consideration transferred	42,075,708
Pro forma weighted average shares outstanding – diluted	451,532,050