EDITED TRANSCRIPT
SOUN.OQ - Q3 2025 SoundHound AI Inc Earnings Call

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CORPORATE PARTICIPANTS

Scott Smith *SoundHound AI Inc - Head of Investor Relations*

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

Nitesh Sharan *SoundHound AI Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Gil Luria *DA Davidson & Co - Managing Director*

Vijay Devar *Northland Capital Markets - Analyst*

Scott Buck *H C Wainwright & Co LLC (Pre-Merger) - Analyst*

Leo Carpio *Joseph Gunnar & Co LLC - Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to SoundHound's third-quarter 2025 earnings conference call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Scott Smith, Head of Investor Relations. Please go ahead.

Scott Smith - *SoundHound AI Inc - Head of Investor Relations*

Good afternoon, and thank you for joining our third-quarter 2025 conference call. With me today is our CEO, Keyvan Mohajer; and our CFO, Nitesh Sharan. We will begin with some short remarks before moving to Q&A.

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

In addition, we may discuss certain non-GAAP measures. Please refer to today's press release for more detailed financial results and further details on the definitions, limitations, and uses of those measures and reconciliations from GAAP to non-GAAP. Also note that the forward-looking statements on this call are based on information available to us as of today's date. We undertake no obligation to update any forward-looking statements except as required by law. Finally, this call is being audio webcast in its entirety on our Investor Relations website, and audio replay will be available following today's call.

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

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

Thank you, Scott, and thank you to everyone for joining the call today. Q3 marks another quarter of precise execution against our plan. Enterprise AI adoption is booming globally, and SoundHound is strengthening its leading position by anchoring its deployment in millions of endpoints across highly diversified industries and customers, with much more potential remaining in the near and long-term horizon.

In just the first three quarters of the year, we have already achieved a record year in revenue of $114 million, up 127%, and we are raising our outlook once again. This quarter, we also celebrated our 20th year as a company. We started in a Stanford dorm room with the mission to voice

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enable the world with conversational intelligence. Our long-term focus, dedication, and strategic execution has paid off, as the opportunities before us are now advancing at an exponential rate.

Two decades of technical innovation has given us the speed and agility to truly capitalize on these opportunities. Our deep understanding of AI has allowed us to achieve market readiness rapidly, while many others are still experimenting. Indeed, we are already in the market achieving real success and creating measurable value for our customers with our technology as the driving force. And we have a track record of groundbreaking work and being highly responsive to new technological advancements.

We pioneered speech-to-meaning over 10 years ago, which combines speech recognition and language understanding in real time to deliver superior speed and accuracy. Likewise, we pioneered deep meaning understanding over 10 years ago, and we're the first voice technology company to enable the processing of complex and compound conversations while others were still delivering simple limited commands. Our work a decade ago paved the way to leading the world in the agentic experiences we are seeing today.

We were the first to go into production with a voice-enabled generative AI assistant in automotive within weeks of LLMs becoming a proven architecture in language understanding and years ahead of big tech. and this year, we were one of the first in the world to introduce a fully agentic platform for enterprise businesses, Amelia 7. Importantly, thanks to our years of IP accumulation and our mature platform, we are able to combine deterministic flows with machine learning models where the latter still lacks the reliability to go from proof of concept into production. This advantage has enabled us to deploy faster and scale faster and also avoid the explosion in model cost that other companies are battling today.

Now let me give you an update on Polaris, our most recent groundbreaking work. SoundHound's multimodal, multilingual foundation model, Polaris, continues to prove its superiority in accuracy, speed, and cost. As we move more Amelia platform clients from third-party legacy vendors to use Polaris, we are able to reduce the error rate by as much as three times. Our customers are thrilled. and transitioning them to Polaris will help us drive down engineering and hardware costs and achieve faster iteration cycles to improve our speech foundation models.

We also continue to ask support for new languages and have innovated new methods to provide speech model customization with a rapid turnaround time and minimal deployment overhead. We've innovated new training methodologies that reduce the cost of training and amount of data required while significantly improving model accuracy.

Notably, we are one of the very few companies that can support our customers in the environment of their choice, whether it is in our cloud, in their cloud, on the edge, or on-prem, as well as a hybrid combination. Polaris, in our view, is another significant disruption that widens the gap between us and the competition in our journey to realize SoundHound's vision. And while innovation is clearly a major source of strength and the foundation of our growth, We've also demonstrated repeatable success with our acquisition strategy.

Within 12 to 18 months of our key acquisitions to date, we were able to convert their pre-measure decline to post-measure growth and turn them into leaders in their field as a fully integrated business unit within SoundHound. While acquisition is not a requirement for our success, it provides a unique opportunity for SoundHound to change the equation and accelerate our trajectory.

They've been able to find great businesses with amazing teams, strong customer relationships, and solutions highly aligned with our three pillars of business and arm them with what they needed to thrive, including SoundHound's strong IP, replacing their legacy tech dependencies with SoundHound in-house models that are more accurate, faster, and less costly, with 20 years of data and innovation behind them, improving their customer experiences while reducing their costs, strong financial backing for innovation and expansion, and proven scale, strong brand, and credibility.

This quarter, we acquired Interactions, a pioneer in customer service and workflow orchestration, and we are already moving fast to combine functions to create a comprehensive and dynamic contact center and customer service offering that incorporates a full spectrum of automation and human-assisted capabilities. We have now demonstrated our M&A playbook multiple times, learning from each acquisition and getting faster and stronger every time.

Just as we did with our past acquisitions, we are now integrating our strong IP and replacing their dependencies on third-party models with more accurate, faster, and less costly SoundHound-built models. And with our robust financial position, we can give them the resources they need for innovation and expansion. With this latest combination, we expect to achieve the results we achieved through previous acquisitions. harvesting cost synergies by moving their stack into our own cloud and realizing revenue synergies with cross-selling and upselling.

With that, let me now talk about some specific customer highlights in Q3. In IoT and Robotics, we had a significant win, signing a deal with a large Chinese company that offers intelligence-based interaction in hardware and software products. We agreed to integrate SoundHound Chat AI into double-digit millions of AI-enabled smart devices which will initially be distributed in the Indian market, leveraging our strong language capabilities in Indian languages.

In Automotive, we continue to see strong adoption and have begun to deepen our market penetration beyond global light vehicles. We are excited to now be working with a major globally renowned sports car brand to develop a unique personality for its vehicle assistance. Additionally, Jeep vehicles rolled out our category-leading chat AI voice assistant in Europe, and our work with existing EV customers, including Lucid, Togg, and others, are seeing promising results. Togg has just recently expanded throughout the German market.

We've also signed multiple deals with prominent two-wheeler companies based in the expansive Indian market, as well as multinational commercial fleet vehicle company based out of Italy that manufactures light, medium, and heavy vehicles, including trucks, vans, and buses.

In Financial Services, we continue to work with seven out of the top 10 global financial institutions, with three buying additional services and two signing renewals. We also signed a new enterprise technology deal with a prominent organization supporting credit unions throughout the United States.

In Energy, we signed new contracts with a large utilities company that generates, transmits, distributes, and sells electricity in the United States, and a Texas-based electricity provider serving millions of customers. In region and consumer goods, we had a net new upsell with a major multinational brand with an extensive product portfolio of food, beverage, and consumer goods. And through our smart answering solution, we won deals with one of the fastest-growing global health clubs in the United States and a US-based global franchise that offers state-of-the-art training facilities for elite athletes.

In Restaurants, one of our most established verticals, we are a market leader and continue to see strong adoption with our cutting-edge solutions. Notably, we signed a deal to deploy our AI ordering solutions with a nationally recognized full-service restaurant chain and have franchise wins with Firehouse Subs, Five Guys, and McAllister's Deli. And you are now fully rolled out in all MOD Pizza, Habit Burger, Red Lobster, and Torchy's Tacos locations, in addition to existing brands, Chipotle and Casey's.

Pete's Coffee expanded further with Employee Assist, which will now be deployed in all company-owned locations. Earlier this year, we introduced a new product called Voice Insights, targeting brands that require a precursor to full automation, for example, due to missing APIs and infrastructure. Voice Insights is our AI-powered solution that analyzes customer and employee interactions in real time in order to measure efficiency, satisfaction, and other metrics that can help restaurants improve their operations. We are seeing strong interest from our customer brands and prospects, with several brands already in process of rolling it out within just months of being introduced.

In Healthcare, we launched with a large precision medicine provider to pioneer an inbound and outbound agentic AI solution, which is the first of its kind in the healthcare space. We also signed with the US-based regional hospital system to deploy the Amelia platform, and we renewed our relationship with one of the leading healthcare companies for wholesale medical supplies.

In Insurance, French insurer, Apivia Courtage, announced that it will deploy Amelia 7 to bring agentic AI to its contact centers. We also renewed with a global insurance company that provides services to multinational corporations and a highly regarded Mexico-based insurance company specializing in auto insurance.

In Telecommunications, we signed a large, well-known communications provider that offers fiber internet, digital television, and other services to residential and business customers in over 20 US states.

In IT services, we renewed a multi-year contract and upsold to one of the largest internet domain registry and web hosting companies in the world. We also won to deal with a leading provider of managed cybersecurity services, cloud and IT infrastructure solutions based out of the United States.

With Channel Partners, we entered into a strategic partnership with leading technology services distributor, Telarus, to bring Amelia 7 and Autonomics to their enterprise CX and EX landscape. Additionally, we signed a multi-year deal with a long-standing partner that specializes in CRM, AI, and workforce engagement management. We entered into a retailer agreement with VOXai, a company that offers purpose-driven customer experience solutions. And entered into strategic partnerships with two of the leading software and service providers of full-suite studio gym, health, and wellness club management.

Many of these important deals and partnerships are a result of our success and growing leadership in enterprise AI. I'm excited to talk more about this increasingly important focus area for SoundHound as we lean in on agentic AI with our differentiating agentic plus framework. With our acquisition of interactions, we've added a number of pre-eminent Fortune 100 companies across various industries to our already strong portfolio of global brands.

For example, we now offer our solutions to one of the largest footwear and apparel brands in the world, to a Silicon Valley-based platform giant, and to some of the major names in automotive, energy, financial services, insurance, healthcare, technology, and telecommunications. Not to mention that we've added hundreds of new patents that we can leverage to increase our innovation modes.

We see Enterprise AI as one of the biggest near-term opportunities, so we are aggressively expanding our product suite and our customer engagement in that space. On that note, we've just updated the Amelia 7 platform to version 7.3, introducing some capability upgrades that have already been wowing customers and prospects, including major improvements to conversational latency and barging handling to deliver an even more natural and intuitive voice experience for customers.

The Amelia 7 platform, which offers Enterprise-grade agentic AI, is already making a real impact where it has been deployed. And we are now expanding its availability globally and already seeing brand new logos in our pipeline. Much of this interest is driven by our unique approach to agentic AI, what we call our Agentic+ framework. It's an agentic system designed for enterprises that balances the power of multi-agent orchestration and generative AI with essential business requirements and controls.

While many internal AI projects stall in pilot phase, our approach consistently brings use cases to market within days or weeks rather than months. Within any given AI agent workflow, there may be certain functions that are more appropriate to complete with predictable deterministic automation, especially when personal security is in question. And there are times when human escalation is necessary or required by our customers.

The complexity and sensitivity of enterprise use cases demand a highly intelligent hybrid agentic system that delivers safe, efficient end-to-end orchestration. Agentic+ provides exactly that, a practical, scalable framework that brings forward-looking AI use cases into real-world operations today. This is where we see the true value unlock in enterprise AI transformation.

As with all of our solutions, this advanced technology has been built upon decades of R&D, troves of data, and an understanding of what motivates our customers. Our platform is LLM agnostic with relevant enterprise integrations, and SoundHound's trademark agility means we will adapt and upgrade Amelia 7 at the pace of AI innovation. We aim to always remain at the cutting edge for our customers.

That brings me on to Voice Commerce. Voice Commerce is our highly anticipated solution that seamlessly brings conveniences like food ordering and recent additions such as parking payments and restaurant reservations into the vehicle for the convenience of drivers, as well as other IoT devices like TVs. We've now taken POCs to advanced stages with a number of OEMs and merchants, and have already successfully placed live voice orders from cars and completed the transaction. We are looking forward to seeing these go into full production in 2026.

We have four OEMs showing strong interest in this groundbreaking technology, with others following very closely. One of them in particular is poised to be the first to market together with a large USR. We've also completed the integration with a larger paid parking service provider and a restaurant reservations company. We are on track to have some exciting announcements early next year.

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In addition, Voice Commerce is driving new conversations with smart TV manufacturers. And in particular, we are in talks with two prominent global manufacturers to enable consumers to order food or other services while watching TV simply by speaking to the device. More to come on that in the near future.

We are nearly fully integrated with two tech platform giants in order to offer our voice ordering to their many millions of users. Going live to consumers is now imminent with more to come on this opportunity. We believe this is a proof point that our decades of relentless innovation is delivering technology that is ready for mass adoption even by big tech. We will have a prominent presence at CES once again in January, showcasing our solutions with participation from several partners. We look forward to seeing some of you there.

In closing, we continue to deliver strong results. Some of the largest companies in the world are coming to us for solutions to address their AI goals. We are at the very beginning of addressing the massive market opportunity in front of us. We are a pioneer in voice and conversational AI, and the expertise we've gained over the past decades are becoming recognized more and more every day. We are delivering value-driven, agentic AI solutions to our customers, and we are ready to offer a voice commerce solution no other company has been able to bring to market.

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

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

Thank you, Keyvan, and good afternoon, everyone. Q3 revenue was $42 million, a 68% year over year. We continue to deliver strong growth led by product and technological differentiation in a rapidly expanding market. Reflecting on our performance so far this year, we have now successfully delivered the Pillar 2 scaling that we had anticipated and communicated last year.

From financial services to healthcare to technology and retail, on top of our existing footprints in automotive and restaurants, we have embedded our leading-edge voice and conversational AI suite deeply into a wide cross-section of market-leading services. The disruptive innovation curve that extends from deep learning and transformer architectures to large language and reasoning models into agentic AI solutions portends societal and economic transformation for decades to come.

That said, the existing state of AI points vividly to call center and customer service disruption as a current epicenter of this transformation, and our solutions are strategically positioned to capitalize. Our organic and strategic investments have positioned us well to succeed here. From full automation that outperforms humans to human assist capabilities that drive contact center agent efficiencies, we now run the gamut to support enterprises as they deliver best-in-class customer support or outbound lead generation. We have an agentic-first architecture leveraging our own state-of-the-art models alongside best-of-breed partners.

With the acquisition of Interactions, we have now added workflow optimization capabilities to our enterprise agentic solutions, stitching the fabric needed to enable companies to effectively adopt AI and deliver productivity and returns. And our deepening broad-based partnerships are a testament that our offerings are resonating.

We have said before, this is the era where natural language conversations will enable humans to more seamlessly interact with technology, and voice AI is the killer app. Our heritage of innovation is our right to win. We continue to see that play out in Q3.

In Pillar 1, we extended our penetration into China with a large IoT win as we capitalized on that country's lead in the global robotics race. In restaurants, another quarter of adding 1,000 locations, including most notably with a leading pizza provider, and expansion beyond ordering with our employee assist and voice insight solutions provided both rapid unit and price expansion.

In enterprise, our steady retention and expansion rates were supported by significant improvements in customer outcomes. In fact, relative to incumbent solutions, our early agentic AI customers are seeing up to tenfold improvement in containment rates, 25% higher end-user net promoter score, and 15% higher customer satisfaction. And we're achieving these results even faster with up to 35% less effort to design and deploy our agentic AI service. And we are now consistently eclipsing 1 billion queries a month, up nearly 10x since we went public.

Before I move to the quarterly numbers, I want to talk about our pace of investment. The speed of innovation has been rapid the past several years. Now it's about accelerating the adoption curve and customers' realization of AI's massive benefits. The winners will entrench themselves where value can be derived for many years to come. And that's why we are aggressively investing to fortify and expand our moats while deepening our customer relationships.

This has been taking the form of go-to-market investments as well as product capability expansion, and we expect to continue to keep the foot on the accelerator. That said, from a financial profile perspective, we are also moving from our past, where our investments were building the future and foreshadowing scale, to our present, where our growth and scale fully covers our costs.

More specifically, as we exit 2025 and enter 2026, in part a result of executing on substantial acquisition synergies, we expect continued hypergrowth to be coupled with a break-even profitability profile. I'll share more when we discuss the outlook. For now, let me discuss the third quarter financial results in more detail.

Q3 revenue was $42 million, up 68% year over year. All three pillars grew double digits, and we saw strength in both direct sales and through channel partners. We had a big IoT win for Pillar 1, and enterprise and restaurants helped drive out performance in Pillar 2. While there was continued pressure in the automotive business, driven by global tariffs and the broader industry softness, there are signs of improvement, especially when considering the momentum we are seeing around Pillar 3 voice commerce.

And as we have substantially diversified our industry mix the past two years, and the individual sector's impact on our growth is much more muted now. Across our business lines, we also expanded geographic reach and product coverage. And we continue to see strong customer diversification where year to date, we don't have any customers contributing greater than 10% of our revenue.

In Q3, our GAAP and non-GAAP gross margins were both up from the prior quarter. Our GAAP gross margin was 43% and adjusted for non-cash amortization of purchase intangibles and employee stock compensation. Our non-GAAP gross margin was 59%. We continued to drive efficiencies in cloud spend as we deepened our acquisition integration, and we continued to realize cost savings from shifting from third-party solutions to our own home-built ones.

R&D expenses were $22.8 million in Q3, up 17% year over year, largely due to acquisitions and related headcount and data center costs. We continued to invest in innovation to maintain our technological leadership. Our speech foundation model, Polaris, is delivering outstanding results, and we're now deploying it broadly across our customer base. We're also advancing our agentic AI capabilities in real-time speech-to-speech models, leveraging our deep expertise in conversational architectures and machine learning to deliver industry-leading speed and accuracy.

Sales and marketing expenses were $16.4 million in Q3, reflecting a 96% year-over-year increase, primarily driven by acquisitions. As seen in our results the last few quarters, we have invested heavily in the channel, which is paying dividends. We have also continued to build up direct sales and are also driving demand and lead generation activities while speeding the journey from pipeline to close.

G&A expenses were $24.3 million in Q3, reflecting a 43% year-over-year increase, primarily driven by our acquisitions. We had roughly $5 million in one-time M&A-related costs. Aside from that, we continue to drive operational efficiencies throughout the organization and improve our control environment. We had non-cash employee stock compensation of $19.7 million and depreciation and amortization, including the amortization of intangibles, of $8.6 million in Q3, all of which are included in our GAAP results.

Adjusted EBITDA was a loss of $14.5 million. OI&E was $7.1 million of income for the quarter. GAAP net loss of $109.3 million and GAAP net loss per share of $0.27 were negatively impacted by the change in fair value of contingent liabilities of approximately $66 million. This relates to the acquisitions we have completed and is a non-operating and non-cash expense and primarily reflects the quarter-on-quarter increase in our stock price. As such, this item has been excluded in our non-GAAP results.

Non-GAAP net loss was $13 million, and non-GAAP net loss per share was $0.03 in the quarter. This adjusts for items such as non-cash depreciation and amortization, M&A transaction costs, and stock-based compensation. Our balance sheet remains strong, with cash and equivalents at quarter end of $269 million and no debt.

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With that, let me discuss our financial outlook. I'll complete a thought I started earlier about where we are in the longer-term trajectory of this business. Keyvan started these prepared remarks by noting our recently celebrated 20th anniversary as a company. He and our founding team started on a path of breakthrough science, tackling the challenge of hard AI, innovation that provides more seamless and natural access so humans can harness the power of technology for our collective benefit, notably through pioneering advances in voice AI.

Breakthrough science is challenging. It takes time and requires tenacity and resilience to persist through the cycles of revolution, setbacks, and further evolution. That was our company's existence for the first 15 years, and it manifested in financials that were heavy in R&D spend. The last five years as a company have been about commercialization, product deployment, customer traction, and scale. That set the stage for the acceleration into the high-growth part of the S curve, where we are now.

Within this high growth stage, we are crossing the chasm to where we expect our inflows to exceed outflows. That transition, like all others, aren't linear or uniform, but they are progressive and ultimately compounding. That's the setup of our business as we look towards 2026.

With that broad context, for the full-year 2025, we now expect revenue to be in the range of $165 million to $180 million. For Q4, we expect to be adjusted EBITDA profitable at the higher end of the revenue outlook and in the single-digit millions of loss at the lower end. We see additional acquisition cost synergies of roughly $20 million on an annual run rate basis to be realized more fully in 2026, which will set us up well as we align our organization with the massive tailwinds behind us.

Accordingly, our early expectations for 2026 are to continue delivering high growth commensurate with levels we have been compounding the past several years, and we expect to do so with near break-even profitability levels because we want to reinvest when we foresee outsized returns. AI is fundamentally transformative. We have the assets and capabilities to deliver this transformation for our customers, but we will stay aggressive in our approach because we believe the potential value capture merits it, where expected returns are well in excess of the risk-adjusted cost of capital.

With that, we will now move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Gil Luria, DA Davidson.

Gil Luria - *DA Davidson & Co - Managing Director*

First, I wanted to ask about the eight-figure Chinese robotics deal. Is it too much for us to think of this as maybe a humanoid robotics? It seems like that may be a good application for low-latency voice-to-meaning, and therefore, a very interesting new development. And then the other part of that question is the double-digit millions over what timeframe?

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

Yeah, it is a robotic company. This particular product is not a human robot, but the deal does pave the way to experiences that you are imagining. This one is more of a devices can carry, and like a wearable, but not actually a wearable, but in that category, and in the double-digit million in the next two to three years.

Gil Luria - *DA Davidson & Co - Managing Director*

Got it. Hope to be invited to the demo when it goes to Humanoid.

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

Yeah, sorry to add that it's actually a commitment number from them. It's not just our SMS.

Gil Luria - *DA Davidson & Co - Managing Director*

Got it. And then the second one on the interactions acquisition, where do you specifically -- which verticals do you think will specifically have an impact? And then what do you expect the financial impact to be for the balance of the year and into next year?

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

Gil, so the first part, there is nice adjacencies and sort of going deeper with our enterprise verticals so they have strength across -- some of their customers overlap in our automotive and our smart tech services. They have a really deep retail footprint and several of the verticals that we're in. And the application of the technology, particularly around the workflow orchestration or they have sort of intent analysts that really complement some of the more complicated enterprise use cases, so you could take all the financial services and healthcare. So there's really nice complement to the existing portfolio.

In terms of contribution, I mean, this is, I think it's sort of a pattern of our M&A that's similar to what we've seen where we had brought companies that have amazing customer long-term contracts, customer relationships, trust. Frankly, in some cases, legacy technology that we're able to partner and bring our own innovation on top of and recalibrate the growth curve. So this is one that we're pretty excited about how we can regrow them together.

And so they're all contemplated in our outlook. I think you'll notice a little nudge up in our expectations, particularly with respect to next year. So it's an important acquisition. I think it's one that we're excited about what we're going to do. And most importantly, to your first part, just really excited to compliment that it brings both on a tech product platform as well as sort of industry overlap.

Operator

James Fish, Piper Sandler.

Unidentified Participant

Hi, this is [Caden] on for Fish. I was just wondering, could you provide a percentage of what you're seeing come from term license versus FAS within Amelia at this point? And then anything to call out for a one-time revenue this quarter?

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

Sure. Hey, Caden. I can give you more of the general trending, and we've continued to grow our recurring footprint with Amelia, and we have noted in prior quarters that there were sort of a greater one-time-type license deals we talked about that last time. Much smaller footprint this quarter.

So I think with respect to Amelia, it continues to be more heavily penetrated towards the recurring, but I think most importantly, as we look at the shift to a and just really what the technology is able to do now integrating LLMs with our deterministic flows, the footprint is you embed, you get

a recurring basis, but it's more outcome-based contracts and pricing. So as we can continue to deliver outcomes, for example, in hospitality, we can book more reservations or in maybe a healthcare setting, book more appointments, like the economic model is one that is advantageous that we can scale.

So it'll be recurring plus outcome-based generative or incremental revenue. That's sort of the model also with respect to why we comment on restaurants and high order completion rates. Some of our pricing is just fixed per location amounts. And then more and more customers are seeing that there's real sharing of economic upside if we can say it's more based on real returns to the customer and the pricing will follow.

Operator

Mike Lattimore, Northland Capital Markets.

Vijay Devar - *Northland Capital Markets - Analyst*

Hi, this is Vijay Devar from Mike Lattimore. How many customers have committed to upgrading to Amelia 7 right now? I think the number was around 15 last quarter.

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

Yeah, we're continuing to grow. The 15 was sort of a selected first set of customers, and that has progressed really, really well. That was an initial cohort, and they were sort of our early adopter group. That group, that number just continues to grow. We're migrating with others. We've expanded that set quite significantly. We're in active conversations with a number of them.

Ultimately, our target here is that about 75% customers, we expect to be moving onto Amelia 7 probably by mid-next year. So we're sort of thinking of the trajectory of moving towards that. And ultimately, all of our new customers are going to get into that -- are going to be migrated onto Amelia 7. So you know, we're trying to make sure there's a fair migration path for all our customers. Obviously, every customer is different, and we need to be thoughtful about their journeys and be very sensitive to their own end customers.

Ultimately, we're trying to orchestrate across all other platforms, so we make sure that there's interoperability with other agentic platforms, and we're really thoughtful about just onboarding and pace. So continuing to see great momentum, lots of exciting conversations, and most importantly, I've mentioned in my prepared remarks just the outcomes or the feedback we're getting, whether it's in net promoter score, customer satisfaction, or even just -- and the containment rate improvements. Like, they're real positive outcomes early days, so we're trying to be aggressive in how we migrate.

Vijay Devar - *Northland Capital Markets - Analyst*

Well, that's pretty interesting. Second one, on what percent of your revenue is recurring [revenue]?

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

The vast majority of our revenue is recurring, and there's a different -- well, I guess I'll group it. We talk about recurring and reoccurring. You know, like I've mentioned, I think, A couple times around our Automotive business where we have license recognition as cars are shipped, we get recognition for the voice capabilities and we get a royalty on that. So maybe I'll count that reoccurring as long as these mega OEMs keep shipping cars under the contract duration, we get revenue.

Then we have, and to the prior question, from Caden around Amelia. It's recurring, largely. Their SaaS, oftentimes, they're fixed price up to certain levels of interactions. And then if the customer activity grows above an interaction level, then it gets priced to the next level up. And then we do,

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from time to time, have certain recognition. When we deploy an edge solution where our obligation to the customer is to pass over that license, than their immediate revenue recognition.

So the vast majority is recurring, you know, SaaS-like, but there's a diversification in the product suite. And as I mentioned in the other question you asked, more and more we're finding the trends towards outcome-based, and again, the reason is the AI solutions work. They can deliver more value. They can align to the economic interest of the customer, and so it makes sense for us to price accordingly.

Operator

Scott Buck, HC Wainwright and Co.

Scott Buck - *H C Wainwright & Co LLC (Pre-Merger) - Analyst*

So you listed off, you know, kind of eight or nine industry verticals in the release and talked through them. Do you feel like you have enough capacity across each of those to continue to grow them? Or if not, how are you kind of prioritizing where your attention goes in your term?

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

Sure, I can start and Keyvan can add. I mean, I guess to think about it, I get this question to be open and we get this question a lot like, are you doing too much or, you know, and I kind of Not trying to be flippant, but if you start hearing us talk about investing in nuclear energy, maybe that's the fair place to say we're extending a little too far.

We're a horizontal platform. We start with the premise of, like the pioneering vision was in voice AI. We believe that's the major shift that we are going to enable humans to interact with technology predominantly through natural conversations in voice, the way we're talking right now. And we'll be able to get many, many things done. And so we think, first and foremost, in terms of the ultimate vision, that can pervade across many, many industries.

And again, we've got traction in automotive restaurants moving into health care, financial services, and setting appointments, booking reservations, doing money transfers, all of that's just on the horizontal platform. So when we're deploying our technology, and we've mentioned it previously, whether it's Polaris or some of the other capabilities, we're best of breed. We're market-leading, even against unlimited resource competitors, where we outperform on our speech recognition technology, on how we bring real-time speech to speech for understanding and conversation.

So that, I think, when you think of us as a platform provider, that's sort of like the premise. Again, I'd say that's where our focus is. That's where we determine, as long as we're playing in the game of conversational and voice AI, that's the right focus.

Now, it is fair, yeah, there are different applications, especially when you go into workflow integrations that, you know, different ecosystems have different, you know, appointment reservation systems or, you know, order-taking or point-of-sale systems in the restaurant. And there are in many of these industries fragmentation. So we do have to be thoughtful about how deep we can go and who we partner with.

So we've talked in the past about our partnering strategy in restaurants, for example, where some of the drive-through opportunity requires hardware partnerships. And we're excited that we work with the likes of Samsung and HME and PAR and others. So we think that's a great complement. We can go to market together.

With respect to the integration with the menu structures, we're excited that we partner with the likes of Square Toe, Solo, Oracle, MICROS Simphony, and on and on. And so that's an example of where we kind of go, here's where our software extends, and here's where we want to use partners to go deeper. And that same application in some of the announcements we made today with some of the channel partners going deeper into healthcare, that's how we calibrate.

So I think there's a lot of room. I take the premise out of your point of like, hey, we're hustling relative to the, certainly the big tech, smaller scale company, we have to be very judicious with our limited resources. I actually think that's a strength of ours because it does force prioritization and it forces us to focus on where our main strengths are, but that's definitely something we're constantly calibrating around.

Scott Buck *- H C Wainwright & Co LLC (Pre-Merger) - Analyst*

Great. I appreciate the added color there. Second, I'm just curious on the voice commerce launching in '26, laid out in the release, is that something that that you're sharing marketing responsibilities for? Does that fall on the OEMs? I guess, what does that rollout look like?

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

Well, we talked about voice commerce for a number of years. We showcased it at CES of January of this year, in 2025, end-to-end, and it was very well received. Immediately after that, we had multiple OEMs that started running pilots and POCs, and several brands, merchant brands, like national and global brands that are participating. And those are all going really well. It's moving forward. We're getting more traction.

But there are some that are actually eager to go live. Some want to be the first to go live. So we feel very confident that it's going to happen. Not everything is in our control because the OEM has to do something. But a lot of the work is being done by us, actually, the whole integration of the voice AI and the merchant experience is done by us.

We have done an end-to-end. We are able to drive a car, talk to the car, place an order, go pick it up from the store. All of that is done. We'll have more to show at CES and hopefully, more to share about the timing of an actual go live in production around that time.

Operator

Leo Carpio, Joseph Gunner.

Leo Carpio *- Joseph Gunnar & Co LLC - Analyst*

A couple of quick questions. First, on the competitive environment. Can you give us an update on the competitive environment? Are you still facing off against the vendors that we've talked about in the past? And how have the large LLMs competing space. I mean, that they started to encroach. But ultimately, how deep is your competitive moat?

And then turning, secondly, onto the contracts that you've won, have you been seeing any pricing pressure at all, or it's pretty much you're getting the pricing that you asked for at this stage of the adoption curve?

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

Yeah, so I'll talk about the competition. First of all, the space is extremely attractive and you hear more names and that's more of a validation. And we've had competitors in our whole life of 20 years and had bigger competitors in the past. The particular space we're going after, enterprise AI, customer service, we feel we are the leader because of the 20 years of innovation. We have our own technology.

Most of the new players don't have their own technology, so they're using APIs and models from third-party, and they have to kind of stick it together and make it work, and a lot of these models make really good POCs and good demos, but when you go to production, they have issues. But we are able to actually go from demo to deployment in production faster with a higher quality. And that's thanks to our 20 years of experience, having our own models, lower cost, higher accuracy, better latency, more integrations that we've accumulated over the years and some through the acquisition.

So we feel very confident about the space. And some of the names that you may hear in the market could end up being our customers because they need models from companies like SoundHound. And as they go through their choices, they will learn that models like Polaris outperform the competition, right? They beat the big tech and some of the industry giants by, you know, as much as 35%, 40% in accuracy, several times in latency, I mean, at a lower cost.

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

I think your second question was around pricing. You know, I'm going to make the general point, and Keyvan can certainly add color. I think in a lot of these sort of eras where we're shifting from old tech to new tech, people are really sort of there's pressure on if you provide legacy technology to drop prices, and it becomes a little bit of a price battle. And so the key is, we're demonstrating our innovation is where you can showcase price value, and alignment, and that's where you can protect on pricing.

And we've shown that and said that, I think, in prepared remarks today and previously around where we are seeing pricing expansion. A lot of that is because we're bringing innovation. We're layering on top generative AI intersection. The first company to bring generative AI into the vehicle at Stellantis early last year.

We're seeing that with agentic capabilities. Like, you need to be competitive in an ecosystem, as Keyvan noted, that's increasingly competitive. But the use case opportunities and expansions are so tremendous. So if you're a hospitality and you believe through a nice conversational engine that it delights the customer, you can actually upsell a reservation or, you know, provide more services, then you're willing to pay more. And that's a little bit the transition we're in.

So I don't want to disparage, you know, in certain parts, certainly because we're across industry, there's different stories for different sectors and different solutions. And there's macroeconomic dynamics that play into it. But I just say largely there's a transition of pricing architectures. I think ultimately for those who can provide real innovation and product quality, there's ultimate ASP expansion available. And so there's a little bit of both sides of that equation from a pricing dynamic that we're navigating through right now.

Thank you very much.

Operator

Thank you. This concludes the question and answer session. Thank you for your participation in today's conference. This does conclude the program, and you may now disconnect.