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SOUN.OQ - Q1 2026 SoundHound AI Inc Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to SoundHound quarter-one 2026 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 - Head of Investor Relations*

Good afternoon. Thank you for joining our first-quarter 2026 conference call. With me today is our CEO and Co-founder, Keyvan Mohajer; our CFO and Co-Founder, James Hom; and our COO, Mike Zagorsek. We'll begin with some short remarks before moving to Q&A.

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

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

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

Thank you, Scott, thank you everyone for joining the call today. SoundHound started the year strong with top-line growth exceeding 50% and excluding the impact of all acquisitions, our automotive and IoT AI business was up 88% year over year. Overall, we are seeing increased demand for our AI and our enterprise solutions, this is reflected in the massive pipeline we continue to build.

Two weeks ago, we announced we entered into a definitive agreement for the acquisition of LivePerson, a digital messaging pioneer and a leader in the conversational AI space, serving hundreds of enterprise and mid-market customers. The combined company will work with enterprise customers across more than 30 countries, including 12 of the top 15 global banks, 4 of the top 5 global airlines, 4 of the top 5 global automakers, and 10 leading global telecommunications providers. This accumulative customer base includes 25 of the Fortune 100 companies.

We expect the deal to close in the second half of the year, marking our fifth strategy acquisition, while continuing a disciplined and deliberate approach to developing a full-service enterprise AI business. With the addition of LivePerson, SoundHound will have over 120 years of combined customer relationships and enterprise integrations, as well as data from tens of billions of real-world interactions.

We now have a proven track record when it comes to M&A, a repeatable formula of turning pre-merger decline to post-merger growth by taking complementary business models and technology stacks and integrating them with SoundHound's own to emerge together as a formidable force in conversational and agentic AI.

Our first acquisition has undergone a complete turnaround in under two years and is on the path of continuous growth. And while we are less than 12 months into our latest acquisition, we are already seeing an acceleration in that pace with this portion of our business beating its Q1 revenue forecast. Our process is getting faster and more efficient, and we are ready to deliver another success story with LivePerson.

With all of these companies, we've identified a common thread to bring success and a substantial return on investment for our stakeholders. They are great businesses. Each one has amazing teams, incredible solutions, and has built strong customer relationships. In each case, synergies with our highly focused pillars of our business were clear, and SoundHound was able to give them the resources and the collaboration they needed to thrive.

We believe that LivePerson can be a transformational turnaround opportunity. Upon closing the acquisition, SoundHound will immediately seek to address the three critical areas required by the customers. First is strengthening their financial status; second is accelerating the modernization of their platform; and third is delivering faster innovation.

In addition, one of the most frequently requested capabilities from LivePerson's customer base is voice AI, which SoundHound can offer immediately. By offering SoundHound's voice AI to LivePerson customers and the unified digital and voice omni-channel solution to SoundHound customers, we believe the combined business is expected to reach \$500 million based on the existing customer base alone. And with all of our combined businesses, we continue to harvest cost synergies and revenue synergies with cross-selling and up-selling.

While acquisition is not a requirement for our success, it provides a strategic opportunity for SoundHound to accelerate the expansion of our customer base, bring advanced and additive capabilities to our platform, and to further scale and accelerate the trajectory of our leadership position. Moves like this are a key piece of a much larger vision for SoundHound. And turning specifically to the technical synergies arising from our acquisitions, I want to comment on our big news earlier in the week.

For those who may have missed the headlines, on Tuesday, we officially announced OASYS, our Orchestrated Agent System. This category-leading platform breaks away from old static build-and-deploy models that required businesses to dedicate considerable resources to constant time-consuming maintenance.

With OASYS, AI itself can build entire fleets of AI agents in minutes based on existing documentation and integrations, and those agents will autonomously and continuously refine themselves. What once took businesses months can now take just minutes, significantly lower

their operational costs. Like the human brain, OASYS continues to get better the more it is used and is intelligent enough to take the initiative, evaluating performance gaps and then proactively suggesting and building fixes for its human operators to approve.

But OASYS isn't just about efficiency gains. It's also about opportunity. A business can use the platform to build an AI agent once and deploy it anywhere: across phone, text, web chats, in-store kiosks, social media, TVs, and in-vehicle. The channel diversity SoundHound offers is unmatched by competitors in the space and will truly allow brands to redefine where and how they interact with their customers. This is truly a platform built for a new era.

AI agents will traverse digital and physical spaces, handling complex customer contact center inquiries, reducing the need for human escalation enhanced by continuously improving AI agents trained on historical data and built by AI, managing workflows like prescription refills or IT service requests, offering real-time assistance to employees on the retail sales floor, executing transactions in the vehicle like ordering coffee on the road, providing outbound customer outreach with personalized offers and incentives based on the customer data, handling orders in high volume sales environments like the drive-thru, and solving disputes for customer service contact centers, turning complaints into opportunities.

OASYS is a platform that unites SoundHound's core technology with the collective strengths of our various acquisitions to deliver one unified engine. This marks an important evolution for who we are as a business, moving to a single powerful agentic AI ecosystem. OASYS serves as the orchestration and intelligence layer that allows our customers to move beyond deploying individual SoundHound products toward a more integrated and user-friendly experience.

To understand how powerful this new platform will be for businesses, it's helpful to understand the kind of ROI our current platform is delivering for global enterprise clients.

One Fortune 100 insurance company was able to achieve over \$10 million in quarterly labor savings. For that same customer, our AI successfully served over 21 million customers, fully automating a significant portion of those interactions while maintaining over 96% routing accuracy. Additionally, our agents processed over 1 million financial transactions and generated more than \$5 million in savings through enhanced customer self-service. Unsurprisingly, this customer has already been testing our new OASYS platform in beta alongside a number of our large enterprise customers.

As another example of undeniable value creation, one of our QSR customers conducted a careful analysis and reported that drive-thru locations deploying our voice AI solutions are generating greater revenue than comparable locations that don't use SoundHound technology. Our AI is functioning as a powerful efficiency tool for operators and their employees, allowing them to deliver fast, accurate service, a vital advantage in today's challenging macroeconomic environment where the every transaction matters. You can see we are driving measurable value for our clients and their end users alike.

While our acquisitions have provided the opportunity for significant cost synergies, I also want to talk about where we are making the right and responsible investments. OASYS will be powered by Polaris, SoundHound's own speech foundation model that consistently beats big tech competitors in accuracy and performance by a large margin.

We now see further opportunity to take our foundation model to the next level and include specialized LLMs and speech synthesis with a level of quality beyond state-of-the-art. As a result, OASYS at runtime does not need to depend on any third-party frontier models.

Every interaction can be powered by SoundHound's own models, giving us higher quality, more control, and significant cost savings. Of course, when necessary or required by a customer, OASYS can orchestrate across any model, and our customers can continue to have the benefit of flexibility. But we expect for the majority of cases, OASYS will utilize SoundHound's own models.

This is the right time for us to be making this investment for the following reasons.

First, due to our years of R&D and data accumulation, this is a contained and responsible investment. Unlike some companies that are throwing billions to avoid missing out, we know what we are doing. We know our training recipe. We have the data, and our models will be specialized for what they will be used for.

Importantly, we believe that models that handle the customer service inquiry don't need to also solve quantum physics problems or answer history questions in haiku. We will create models that have the right parameters to outperform the frontier models at a lower cost for their target applications, like resolving customer queries, processing orders, refilling prescriptions, or executing card transactions.

Second, we have reached a scale that makes this investment a clear winner. Once the traffic from our various acquisitions migrates to OASYS and upgrades to agentic, the cost saving of avoiding frontier models at runtime will be far more than the investment to create this independence within a short span of time. This is a contained and calculated investment expected to be less than 1% of our market cap this year and time-bounded.

We expect it will pay off by an order of magnitude in cost savings for SoundHound, and even more so in value creation as it will elevate SoundHound's standing as a pure play AI company with a full stack of models for the growing number of industries we serve.

That brings me to Q1, which saw a number of strong deals across a number of those industries.

Across automotive and IoT, we signed a new seven-figure commitment with a prominent Japanese auto manufacturer to deploy our voice assistant across vehicles globally. We also expanded into South America with a prominent multinational OEM and signed an agreement to integrate SoundHound's Voice AI into Walmart's TV brand onn. And we continue to make progress with Voice Commerce as multiple TV and well-known automotive brands integrate our first of its kind solution.

Q1 also saw strong traction across large restaurant, retail, and consumer brands. A major QSR reported growing ROI from SoundHound's drive-thru technology with AI-enabled locations consistently generating more revenue than those without our AI technology. Also in restaurants, we are seeing an increase in cross-sell wins and a strong uptick in the adoption of SoundHound's Voice Insights product, which provides operators with deep and valuable analysis of customer interactions and staff responses.

In consumer enterprise, we've now deployed AI solutions with three major global fitness apparel brands, representing the majority of market share in that category.

And in retail, we signed deals with a national residential and commercial service company, a large swim school, and multiple boutique fitness chains with a total opportunity to deploy our AI solutions in approximately 1,600 locations. We also signed deals across a diverse number of verticals such as banking, financial services, insurance, utilities, energy, telecommunications, healthcare, pharmaceutical, life sciences, technology, software, and IT services.

They included one of the largest insurance companies in the US and a Fortune 100 company representing an eight-figure deal; one of the world's largest banks that serves millions of customers in over 100 global markets; one of the largest technology companies in the world expanding services into Europe; A New York-based global financial services platform company; an American multinational financial services corporation headquartered in Denver, Colorado; a multinational conglomerate that offers a number of products and services across its multiple business groups; a top 10 US credit union; a major insurance corporation headquartered in Texas and operating in all 50 states; two electricity providers headquartered in Texas and Kansas respectively, both serving residential and business customers; a large telecommunications provider supporting customers in 25 states; a specialized US healthcare organization operating in multiple states; Allina Health, a healthcare provider with over 90 clinics, 12 hospital campuses, and 13 retail pharmacies; a large US-based healthcare network specializing in medical, surgical, and cosmetic dermatology operating across 14 states in over 150 locations; a Japanese multinational company operating across sectors including energy, digital systems, mobility, and industrial infrastructure.

And with our channel partners, we continue to expand our ecosystem. We announced a breakthrough partnership with ManpowerGroup, working with them on their strategy to bring AI agent capabilities to market. We agreed to a partnership with an American multinational corporation that designs, builds, and manages infrastructure services.

And we added new business with the following: a leading global IT services and consulting company providing digital transformation, AI, and cloud computing solutions; one of the largest information technology services and consulting companies in the world, headquartered in France; and a Japanese-headquartered company that offers IT services, system integration, cloud computing, and information security.

In short, we are seeing great traction because our technology is delivering real value across a wide range of verticals. And with the planned acquisition of LivePerson, we expect our customer base to expand further. LivePerson brings hundreds of long tenured enterprise relationships, many spanning over a decade, adding to our expanding customer roster, which includes thousands of restaurants, leading global automakers and enterprise customers across financial services, healthcare, insurance, energy, and retail.

Combined with LivePerson, we will have one of the most comprehensive customer footprints in the conversational AI sector.

In closing, we had a strong start to 2026. This is happening because our disruptive technology, breakthrough innovation, and hyper-responsiveness to customers is resonating, we continue to scale across our broadening enterprise portfolio.

We are growing our top line. We are making the right investments with clear ROI while exploring cost synergies. We are innovating faster than ever. And most importantly, we are giving our customers what they want thanks to our years of experience, relationships, integrations, and data. We are excited about the planned acquisition of LivePerson and the synergy that the two companies can bring to market. The momentum in our space continues to accelerate, and we are being proactive and leading the charge to go after further market share gains.

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

James Hom - *SoundHound AI Inc - Co-Founder and Chief Product Officer*

Thank you, Keyvan, and good afternoon, everyone. In Q1, we had \$44.2 million in revenue, up 52% year over year. Each quarter that passes is another mile marker on our journey and our pace is increasing at every turn. Innovation and disruption in our industry is not showing any signs of slowing down. And SoundHound AI continues to pioneer new breakthroughs.

We orchestrate and arbitrate a comprehensive array of models. And this enables us to build new agentic and voice AI solutions that deliver the best possible outcomes for our customers. And now, with our unified platform, OASYS, we have just taken an important step forward in advancing our leadership position. The technological differentiation, breadth of coverage and capabilities, and scalable infrastructure position us well for continued market and mind share capture.

Our Q1 was heavy on enterprise momentum across financial services and automotive, as well as healthcare, restaurants, and technology, which also made strong contributions. The driving force behind this growth continues to be the high usage of our product and solutions.

With that, let me discuss the first-quarter financial results in more detail. As I mentioned earlier, Q1 revenue was \$44.2 million, up 52% year over year. The growth was driven across multiple verticals, led by financial services and automotive. And our broad-based expansion once again enabled us to realize strong customer diversification, with no customers contributing greater than 10% of our revenues for the quarter. Our enterprise AI business performed particularly well and continued to be the largest contributor to revenue.

In automotive, we doubled the number of units committed with a prominent Japanese manufacturer and while we continue to accelerate our Asia business, we also saw a new expansion in the Latin American market. Our restaurant business also contributed, highlighting upsell and cross-sell among solutions, as well as an uptick in Voice Insights adoption.

In Q1, our GAAP gross margin was 31% and adjusted for non-cash amortization of purchased intangibles and employee stock compensation. Our non-GAAP gross margin was 50%. The decrease this quarter was in part due to some true-up costs of third-party expenses from a vendor we use for our digital-first business. These costs will not recur in future periods, and without them, margins would have improved year over year.

We also continue to drive efficiencies by modernizing infrastructure, optimizing cloud spend, consolidating legacy systems, and improving the efficiency of our core platforms, including shifting from third-party solutions to our own in-house ones.

R&D expenses were \$26.2 million in Q1, up 6% year over year, largely due to acquisitions and related headcount and development costs. Sales and marketing expenses were \$19.2 million in Q1, reflecting a 60% year-over-year increase, primarily driven by acquisitions. Outside of that, the bulk of our investments here continue to be go-to-market efforts via direct and indirect sales, as well as customer success to increase retention. We continue to elevate our brand and market presence to generate demand and convert more opportunities into pipeline.

G&A expenses were \$25.7 million in Q1, reflecting a 39% year-over-year increase, primarily driven by various legal, advisory, and other costs related to our acquisitions. We also saw headcount increases from acquisitions, but also added additional resources to support necessary functions as we continue to grow.

Q1 expenses included several non-recurring charges. As we shared in prior quarters, we have identified cost synergies as a result of our acquisitions, and we took several steps to achieve them in Q1, the impact of which will be realized in the next two quarters, with more synergies still being explored. Therefore, we expect recurring costs to generally improve this year.

That said, as Keyvan mentioned, we are making calculated and time-bound investments this year in our foundation models with a clear and near-term ROI expected. We predict that this investment will temporarily offset our cost actions. The two together will keep our expenses at an appropriate level. Basically, we are reducing expenses in many areas and channeling the savings to the appropriate investment opportunities with a clear ROI.

We had non-cash employee stock compensation of \$20 million and depreciation and amortization, including the amortization of intangibles of \$10 million in Q1, all of which are included in our GAAP results.

Adjusted EBITDA was a loss of \$26.7 million. GAAP net loss of \$25 million and GAAP net loss per share of \$0.06 were impacted by the change in fair value of contingent liabilities of approximately \$39 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 fluctuations in our stock price. As such, this item has been excluded from our non-GAAP results.

Non-GAAP net loss was \$26.6 million, and non-GAAP net loss per share was \$0.06 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 \$216 million with no debt.

With that, let me discuss our financial outlook. We started 2026 with strong momentum. Our pipeline continues to build across several verticals. We have a strong foundational customer base to expand upon through full portfolio upsell and cross-sell, and we continue to aggressively release new agentic and voice AI capabilities to dramatically improve customer outcomes. We also expect OASYS to bring game-changing synergies by unifying our products and solutions into one platform.

For 2026, we still expect our revenue to be in the range of \$225 million to \$260 million. As in prior years, there'll be a ramp in revenue through the year given the nature of our customer base, underlying seasonality, and expected large deal timing both for renewals and new deals. That said, we expect the seasonality to even out as our recurring mix of businesses continue to grow. Overall, this outlook affirms our expectation of another year of very strong growth.

We are excited to have announced the LivePerson acquisition and eventually combine the teams together to bring great solutions to the market and increase value for our customers. The opportunity is large, and in 2027, assuming the acquisition closes in the second half of this year, we expect that the achievable revenue range will be at minimum \$350 million to \$400 million, with at least \$100 million of growable contribution from LivePerson's long-tenured customers. And by offering our voice AI to LivePerson's customers and the unified digital and voice omni-channel solution to SoundHound's customers, the combined business is expected to reach \$500 million based on the existing customer base alone.

We remain committed to delivering accelerated growth while being mindful of our journey to profitability. Our strong cash position and debt-free balance sheet gives us the capacity to remain prudent in appropriately balancing growth with profit maximization. We will continue to drive scale through targeted investments and go after growth aggressively where we see opportunity and real ROI.

Our mindset has always been AI first, and we weave that into everything we do. This allows us to automate our customers' complex processes and make them more human-like to better serve their customers. New opportunities are opening up before us every day, and we look forward to continuing to share those with you.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Gil Luria, D.A. Davidson.

Gil Luria - DA Davidson & Co - Analyst

Wanted to ask for you to expand on the M&A strategy here. You touched on it a little bit at the outset, but I think it will help investors get into your mindset, especially as you're making larger and larger acquisitions with this particular approach.

Most investors are used to technology companies -- the public technology companies buying smaller growing technology companies at high multiples, but that's not your approach. You're buying companies that you can then take -- buying companies at very attractive valuations that you can take their customers and grow from there and be selective about that, which is a very different approach. So especially now as we're talking about LivePerson, would you mind expanding on that, why that's the strategy that you're embarked on, and the implications of that for you and your growth?

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

Hi, Gil. Thanks for the great question. It's Keyvan. First of all, we are very proud of our acquisition strategy today. And we think we've done really well. And you're right, it's a unique strategy, and it's worked really well for us, and we are getting better at it, so we think we can do it even better and faster with LivePerson.

So SoundHound has spent 20-plus years in technology innovation, and that's an area of strength for us. So we haven't had the need to go pay expensive dollars for technology acquisition or teams. That's our DNA.

In enterprise AI, things take time. Adoption takes time. You have to develop a relationship with brands. You have to be part of their infrastructure. You have to go through a procurement. You start small even after you win the deal, then you scale with them. That takes time. And what we've learned is that those relationships and the time of integration and scale is just very important and very valuable. And that opened our eyes to the M&A strategy.

And then as we were exploring that, we found amazing opportunities that I think are amazing for us as SoundHound AI, not necessarily for a lot of other buyers. We find companies that have a great team, a great business, really strong customer relationships, and they are deeply integrated with their customers for, you know, with a long history.

But for some reasons, they are going through, you know, stressful situations, and the combination really unlocks the value that was kind of trapped. And it really is this collaboration between the two teams that, you know, we come together, and we give them what they need to really thrive. It's really a collaboration between them. I wouldn't say that we are the only savior for their business. These are amazing teams. We collaborate together, and it's really amazing turnaround opportunities.

And our first acquisition was just about two years ago. Same story, great team, great technology, great solution, great customer base, but they were declining. Within two years, they are on a continuous growth path. So we have completely turned them around with really strong growth. And we think we can do it by person, we can do it better and faster. Our last acquisition is just a few months ago, and we are already seeing signs of turnarounds with them.

And with LivePerson, there are three really important areas that we can address immediately: financial stability, faster innovation, and faster modernization of their platform. And that kind of -- the story gets fixed overnight. Of course, we have to execute after that.

And I know you didn't ask, but if you exclude all of our acquisitions, our core auto analytics business was up 88% year over year this year. So we're doing really well organically with our core business. We are really doing a good job turning around these businesses and, you know, with the 52% growth year over year, that included some business components that are recent and have decline in them, and we did a great job. And we are very optimistic about our outlook.

Gil Luria - *DA Davidson & Co - Analyst*

Got it. So just to kind of take that forward. Asking the question, oh, this acquisition had X revenue a year ago, and now it has less than X revenue this year, isn't really the right question because you're taking businesses that are either declining or in distress, and you're being selective about what you're obtaining.

So with that in mind, the LivePerson's a public company, and the expectations are for them to generate \$200 million of revenue this year. And I believe your statement is that you're going to retain at least \$100 million of that, which is to say you do plan on some attrition of that business, planned attrition of that business moving forward before you start turning it around and growing again. Is that a correct understanding of your approach to the LivePerson?

Michael Zagorsek - *SoundHound AI Inc - Chief Operating Officer*

Hey, Gil Luria, I'll take this one. It's Mike Zagorsek, Chief Operating Officer. I thought I'd jump in on the follow-up on that question.

Just building on a lot of what Keyvan said. As Keyvan mentioned, this is now will be our fifth acquisition. So we've built a bit of a foundation for integration and ultimately, when we step back and look at each scenario, we try to account for all the variables. So it's a combination, as you can imagine, you know, ARR, churn rates, pipeline. So you know, in cases where there is a marked, call it decline, we certainly factor that in. So we try to approach our path forward with the appropriate amount of conservatism. Ultimately, it's a matter of execution, right? Integrating the business, achieving new baseline of stability.

Of course, we did announce our agentic platform, OASYS, two days ago. And of course, that is a way truly to unify a lot of SoundHound AI's legacy business, as well as the businesses of the companies we brought on board. So no longer does the technology stack become entrenched in the organization or even in the channel. It's a conversational AI platform where you build an agent once, and it's omni-channel. And so we -- that becomes part of our integration path.

Again, as Keyvan mentioned, we approach M&A with this best of mindset, right? We combine what each company excels at. It's not one-sided. So we approach it humbly and conservatively, but with a goal for transformational turnarounds. We've certainly started to see that.

So -- and our goal with LivePerson, it's very much the same. Ultimately, even though we are approaching it with the appropriate sort of long-term revenue targets in mind, our goal is to always exceed those expectations while making sure that we can hit what we're putting out there.

Operator

(Operator Instructions) Mike Lattimore, Northland Capital Markets.

Vijay Devar - *Northland Capital Markets - Analyst*

Yeah. Hi, this is Vijay Devar for Mike Latimore. A couple of questions. What are the best near-term prospects for OASYS? Is it Amelia-based or the auto companies or the channel? Is it the new customers or was it established customers? Any comments around that, please?

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

Yeah, this is Keyvan. I'll take this one. So we had, for example, a Fortune 100 insurance company that we had a renewal with them in Q1. It was an eight-digit size deal. They are getting great results from our agentic platform. Companies like that would be the first wave of beta users because it would make a very big impact to the quality and the business -- to their business, to our business.

So there's a wave of upgrades and migration of the existing customers, starting with the larger ones, doing it very carefully because some of these integrations have been in place for years with, you know, thousands of incremental optimizations. But all the new customers we expect will use OASYS going forward.

And with OASYS, what used to take months now can be done in minutes because the concept behind OASYS is AI builds AI. So we used to have to go and take their documents, take their APIs, take their specs, and allocate resources and spend months to work with them to build. Now we provide the vision to our AI, and our AI builds the AI that can be deployed in multiple channels, in voice, in chat, in cars, and so on.

Now it's not just AI builds AI, it's also self-learning. So once it goes live, the data that comes in, all the interactions that the AI sees, it can improve itself. But it doesn't automatically improve itself because there's, you know, the concern of AI going in the wrong direction. It presents the improvements that it has designed for itself to a human operator for approval. And that is something that used to take constant maintenance with a large, you know, a set of resources, now can be done automatically, again, with the human oversight to make sure we keep the AI in check.

So going forward, we expect all of our customers to start using OASYS, which again, will improve the quality, improve the speed of delivery and the profitability.

Vijay Devar - *Northland Capital Markets - Analyst*

Got it. And how many Amelia customers might migrate to agentic AI this year?

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

So maybe I'll step back a little bit because our new platform is OASYS. OASYS combines all the great innovations of all the companies that have come together, you know, SoundHound, Interactions, Amelia, and others. And you know, if you look at the history of conversational AI for customer service, it was deterministic, then it was generative AI, then it was agentic, and now for us it's OASYS. And we have designed OASYS with all the great qualities that I mentioned, AI builds AI, it's self-learning and so on.

But we've also designed it to help us with integration of these various acquisitions because we don't want to kill the innovation that has taken place for 20 years of, you know, one acquisition to in favor of another platform. We want to actually inherit all the great qualities. And we designed the infrastructure of OASYS to be able to bring all of those innovations.

I'll give you an example. Our last acquisition was Interactions. They have a patented way for human oversight of AI. When AI knows it's not able to handle a question, instead of transferring to a human, it asks a human to help it overcome that particular challenge. So we don't lose the containment completely because usually what other companies do is they just transfer to a human, the AI loses its value. The way they do it is, they just almost like, let me check with my supervisor. They go ask a human. What should I do in this case? Then they go back. The AI continues to handle the call.

That's a very important innovation for a lot of their customers. Our other customers really value it. That innovation is coming into OASYS. So think of OASYS as a combination of the best of Amelia, the best of SoundHound, the best of Interactions, the best of SYNQ3, all combined, and hopefully the best of LivePerson in the future. And we expect ultimately all customers will migrate to OASYS.

We are not sharing the exact number or the exact timeframe, but that is the biggest priority for the company to migrate everyone to OASYS, migrate the teams to integrate to work on OASYS. And OASYS is going to be the foundation of our technology and solution going forward.

Operator

Leo Carpio, Joseph Gunnar.

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

I just wanted to focus in term on sense of the competitive positioning. How are you thinking right now in terms of the competitive environment?

Now you've got these large language model providers who are still focusing on native voice AI and agentic capabilities. Are they still being a pressure or are you seeing them, or are you thinking you've got a competitive moat at this point? I've got a follow-up question.

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

Yeah. I will categorize two types of competitors. There's the big tech players, and some of the frontier model providers. And then there is this newcomers. So I'll address both and how SoundHound is positioned against both of those.

First of all, what we are seeing is our customers, they don't want a vendor, they need a partner because the AI transformation -- there's a mandate for AI transformation, and they don't want an API, right? They want someone that can sit with them, listen to their pain points, address the pain points, help them dream big, and help them achieve those dreams. And SoundHound absolutely does that.

We pitch ourselves as a partner for the transformation, not a vendor with some documentation. So that really eliminates some of the big tech players that -- or the frontier model providers, because that's really not their business to be a partner for all these, you know, hundreds and hundreds of enterprise customers. Sometimes they run, you know, science projects or some proof of concepts, but we don't really see them as a head-to-head competitor.

And then there are a number of companies that we call them Lego makers. They don't have their own technology. They are using an API for this, an API for that, you know, a bunch of APIs and create a solution together. We win against them also in terms of quality because SoundHound AI has its own foundation models. And SoundHound brings, you know, the model from all the frontier models. So we promise to bring the best solution and best model to our customers no matter where it comes from.

But for majority of the cases, it's our own models. We have our own Polaris speech foundation model. It beats accuracy of all the other models we've tried. When we benchmark, it's, you know, 35% more accurate or more. Our customers test it's actually even better. Like, sometimes they report 80% more accurate. So because SoundHound has a DNA of the core technology itself and is a partner to our customers, we win on technology, and we win on the partnership.

Michael Zagorsek - *SoundHound AI Inc - Chief Operating Officer*

I would just add, this is Mike again. Just one more thing to add, cause I wanted to tie it into, you know, previous question on our M&A strategy and how that actually makes us more competitive. That's why the timing of this question is really good.

Between M&A growth and customer acquisition and OASYS, what we're offering is scale -- a proven level of scale. We operate at a level of scale that is significant, it's global, it's enterprise. So customers have the confidence that we can deliver for them because we're doing it across industries and verticals.

We're production tested, meaning that we actually don't just work across the phone. We work in noisy environments, we work in vehicles. We are truly omni-channel, and that presents itself distribution opportunities. So if you envision an agentic future, built on OASYS, where it's a build one agent deployed anywhere, working with a company that can do it at scale in environments and across channels, omni-channel, that creates a very compelling package that isn't narrowed down to any one particular execution or industry type. For a pure play AI company to be able to do all those things, is resonating with customers.

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

Okay. And then turning to the auto units. Have you been seeing any pricing pressure? I know auto company and automakers are trying to consolidate the AI vendor that they use. And just seeing if you're seeing that impact as you start gaining more share in that area.

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

Actually, we are seeing the opposite, because there is the pre-Gen AI solution, you know, we've been in the automotive business for a number of years, and they love our solution, both cloud and on the edge, and love, you know, content, all the vehicles, domains, for car control and so on. And then we had the Gen AI upgrade, that was an upgrade moment. So we basically gave our customers a choice of staying with the pre-Gen AI version, you know, with the royalties that they were paying us or upgrade, and they pay us more for it.

It's like one of those rare moments where, you know, in the automotive industry, we were able to increase the revenue per unit. And then we kept the force behind that. So We offered the live Gen AI after that. We had the Gen AI version. Live Gen AI is, you know, the Gen AI is static information, but if people are asking for, you know, current news or something that happened today, we have a live Gen AI.

It's another upgrade that a lot of our customers are signing up for. And we are benefiting from increased revenue per unit. And a lot of that actually becomes renewable. Instead of a one-time fee for the cloud, you know, they pay for a certain duration, and then there's a renewal after that. So that's another opportunity for growing revenue.

Then the next milestone is agentic and OASYS. And that's going to bring even more capabilities, including Voice Commerce, which is something we've talked about for a while. And as I mentioned, in my prepared remarks, and in our press release today, we have a number of automakers and TV makers integrating our Voice Commerce, which is our agentic solution for devices, but it brings commerce opportunities.

So while you're driving, you can order food, you can order coffee in the morning, you can order food for pickup on your way home. Ultimately, you can book parking or table reservation or other types of reservations.

And that's a monetizable opportunity that brings revenue for us, more revenue for us, more revenue for the car makers, more leads for the merchants. And that's the agentic upgrade that is also going to bring more revenue.

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

Okay. Apologize, I just got one more question. Regarding LivePerson, this is going to be your fifth acquisition. And what's the biggest lesson that you learned from integrating Amelia and Interactions that you're going to be applying to LivePerson?

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

We've learned 1,000 lessons. It's not just one thing. I think we keep getting better at it every time. You know, the first acquisition, I would say two years -- after two years, we see a complete turnaround. It's on a path of growth. The revenue's growing, and a lot of complementary. There are a lot of cross, upsell, cross-sell opportunities between, let's say, our first acquisition and our third acquisition. And the last one, which was, you know, not long ago, we are seeing, you know, that the same signs within a year that we saw maybe in the first one in two years. And it's not just about one thing. Again, it's 1,000 things.

You know, the integrating better, integrating faster, getting to know what they have, getting to know the team, meeting them, respecting all the innovations they have done, respecting every individual in the company and their vision, and getting in front of customers together. And in many cases, they become our leaders. You know, they, you know, we find amazing gems in these organizations that with a lot of potential, and we put them in charge of different business units and different teams, and that has been working really well.

Operator

Scott Buck, Titan Partners.

Scott Buck - *Titan Partners - Analyst*

I just have one today. In terms of, you know -- or as I think about path to sustainable profitability, beyond scaling revenue, what are going to be the biggest drivers? Is it mix shift? Is it improved efficiencies, pricing power? How does that kind of break down over time?

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

Yeah. Our acquisitions, we get revenue opportunities. We also get cost synergy opportunities. And some of it is very obvious, like redundant, you know, cloud providers, for example, or redundant vendors. And we are constantly exploring those. In fact, we talked about it two quarters ago. We took certain actions in Q1 for those cost reductions, and we expect to see the impact of that in the next one or two quarters. So it's a combination of exploring those cost synergies and revenue growth, but also making the right investments.

Another thing I mentioned in my prepared remarks was, we have a strategy of a very calculated, responsible investment in our foundation models. You know, historically, we've been very strong in speech foundation models, which we call Polaris. Polaris will be powering OASYS. But we now see an opportunity to enhance our foundation models to cover specialized language models and speech synthesis. Now this is the right time for us to do this because as because of the scale that we have, as we migrate all these customers to OASYS, the cost of, you know, getting frontier models, for example, can be, you know, substantial. So making this investment now will be a fraction of the cost that we would experience if we market all of our traffic to OASYS.

And in a very short span of time, it will have a return on the investment. So our COGS will go down, and our costs will go down because of this investment that we are making today. And SoundHound will basically have the full stack of all the models to power, you know, the full agent experience of every interaction from our customer. And that type of innovation is going to reduce cost and improve profitability.

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.

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