EDITED TRANSCRIPT
SOUN.OQ - Q4 2025 SoundHound AI Inc Earnings Call

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PRESENTATION

Operator

Good day, everyone. Thank you for standing by. Welcome to the SoundHound Q4 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 - Investor Relations*

Good afternoon and thank you for joining our fourth-quarter and full-year 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'd 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. An 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. Thank you to everyone for joining the call today.

2025 was a record year for SoundHound, nearly doubling our revenue, year over year. We also had a record fourth quarter.

Revenue was up 59%, while all key profit metrics improved.

We broke another record in Q4. We signed over 100 customer deals, making it our biggest quarter yet. We won across different industries in a variety of regions. Just to name a few:

We signed a new prominent automotive logo in Japan to use our AI assistant with a seven-digit unit commitment.

In the US, we signed a multiyear deal with one of the largest telecommunications companies in the world to use our technology.

We signed a multiyear global deal with one of the largest athletic shoes and apparel companies to power their AI customer service.

We closed deals with healthcare providers, universities, insurance companies, financial institutions, e-commerce merchants, retail, military, and many more.

Our execution with channel partners was also exceptional, with multiple seven-figure deals in 2025.

I'll dive into other business highlights specific to Q4 shortly. But, first, I wanted to touch on a few recent market dynamics.

The power of AI is disrupting traditional software and services companies. This is creating further tailwinds for SoundHound.

In this inevitable AI transformation, companies need a partner like SoundHound to help them rapidly reinvent themselves. We partner with our customers to overcome their challenges and achieve their ambitions, creating incredible end-user experiences for their employees and customers.

With the exponential advances in AI, we believe we are entering a new era where companies with deep tech and data moats will create the most value. This makes SoundHound very well positioned, with decades of deep-tech innovation and data accumulation.

SoundHound AI was founded with a mission to deliver voice and conversational AI experiences that are deeply integrated into user environments and deliver value where it matters most. This early vision now positions us perfectly for the agentic AI revolution we are seeing today.

We believe our agentic platform is the only solution that is ready to be deployed across a multitude of vertical use cases; and a huge and growing range of touch points and modalities, from call centers to cars, robots, phones, apps, TVs, and websites, all with a unified AI agent framework. This means that our customers can build an agent once and deploy it anywhere.

At SoundHound, we offer the best models and innovation, regardless of where they come from. We can give customers access to big-tech models, emerging models, other third-party models, as well as SoundHound's own models that consistently outperform big-tech players.

With us, our customers will have access to the latest and greatest technologies as fast as they become available.

3

Because of our deep expertise in conversational AI, we are able to optimize our own technologies to meet customer needs. This ranges from offering Polaris, our custom speech recognition foundation model, to our unique method of arbitrating the conversation across on-device, cloud, on-premise, and even human-augmented services.

This combination of capabilities is the foundation of our unique and differentiated agentic-plus framework, which blends agentic, deterministic, and human-assisted understanding, representing the full mix of what our customers want.

In addition, SoundHound has a massive amount of data and has processed billions of interactions over the years across all major global languages, supported by having a physical presence in multiple markets and geographies. This allows us to compete and win against big tech, while new players are faced with the traditional limitations of scale and reach we've long since overcome.

With those considerations in mind, we believe SoundHound is the strongest bet in an ever-changing world of AI evolution.

We recently previewed our Agentic platform to public audiences. They were blown away.

The Consumer Technology Association, the body that organizes CES, consistently calls our tech as an example of one of the most exciting trends at the whole show.

Our customers agree. We are proud to navigate this exciting and dynamic period by their side.

Here are some proof points, as I highlight, some of the many wins in this quarter alone.

In Automotive, besides the Japanese OEM previously mentioned, other notable customer wins include a new Korean OEM with a global footprint, an iconic Italian manufacturer of high-performance luxury sports cars, as well as a Chinese and Vietnamese manufacturer.

We also signed our first two-wheeler and have seen strong interest from at least a half dozen other OEMs.

Stellantis also expanded further, with the adoption of live generative AI capabilities for real-time responses.

We added an Italian commercial truck company, which will offer SoundHound voice assistant to its wide range of vehicles.

We also signed a multiyear renewal with one of the largest American automobile manufacturers to deploy our enterprise AI solutions.

In Voice Commerce, coming off a successful CES, we are seeing lots of momentum. Thanks to our deep penetration in Restaurants, this highly anticipated solution is quickly advancing to go live in the US, with a prominent German automotive OEM.

The list of engaged OEMs is growing rapidly. We are now starting to see early signs of the flywheel effect taking shape.

In January, we also unveiled our fully agentic voice platform for in-vehicle and on-TV commerce; and showcased a leading smart TV manufacturer and a national pizza restaurant working together, seamlessly. The solution is expected to go live later this year.

We are quickly building out an ecosystem well beyond food ordering from the car or TV with Parkopedia and OpenTable partnerships announced in Q4; and further plans to extend to events and travel booking very soon.

In Restaurants, our voice-inside solution is seeing high demand, with a number of top 25 restaurant chains signing up to collect data for drive-thru efficiency.

Panda Express also expanded into dozens more locations, while Casey's General Store agreed to a multiyear renewal and added Smart Answering to handle non-food ordering calls.

We had franchise wins with both IHOP and Jersey Mike's.

In Retail and Consumer Goods, we signed one of the fastest-growing global health clubs in the US and a multi-hundred unit personal care company to adopt our outbound innovative automated solution for customer retention campaigns.

For managing inbound calls, we signed two non-profit organizations; one that has a large network of thrift stores and another one with a large number of fitness and health locations.

In Enterprise AI, we signed a record number of deals across various solutions and verticals, including:

In financial services, a New York-based global financial services platforms company, a large American multinational payment card services corporation, and BNP Paribas;

In healthcare, an eyewear and optical retailer, which operates or manages over 700 stores in 40 US states, an independent healthcare practice that supports more than 1,300 locations in 45 states, and a Virginia-based healthcare and wellness services with over 80 health care facilities;

In insurance, a Fortune 100 multinational insurance and asset management company headquartered in Germany, a global Japanese insurance company that has offices spread throughout the US, and one of the first motor clubs in the US with more than 16 million members across 21 states;

In government and education, a US government-sponsored enterprise helping to make housing more accessible and affordable, a large Florida-based university to support their health system -- likewise, we signed on with a local government to a city in Florida;

In hospitality, one of the world's leading providers of food and support services operating in over 25 countries and an American ticket sales and distribution company with operations in over 35 countries around the world;

In telecommunications, in addition to the large telco I mentioned previously, we signed a European telecommunications company that provides cable television, broadband internet, and fixed telephony; and a large British broadcast and telecommunications company.

I mentioned some of the success we've had with large seven-figure deals in 2025 with our channel partners.

In Q4, we continue to build out our ecosystem with the following partners:

With one of the largest telecommunications companies in the world, we are adding SoundHound agentic AI call center automation to [SMBs] in their large business marketplace.

In addition, we partnered with Bridgepointe, which expands our enterprise AI adoption across their vast network; and a large customer experience management company providing services to approximately 150,000 businesses.

We renewed our partnership with a global technology and professional services company that delivers technology solutions and mission services to every major agency across the US government and a large multinational professional services firm to provide our solutions to financial services firms across Spain.

Importantly, our Enterprise AI technology is making a difference and helping businesses tackle some of their biggest challenges.

One large healthcare network reported that their AI agent built on SoundHound platform now handles more than a third of all patient appointment scheduling, helping to unclog the system that gets patients what they need more quickly. This customer is already looking to expand our platform to tackle additional use cases, like prescription refills and pharmacy inquiries.

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In a completely different industry, telecommunications, another customer reported a 20% reduction in the labor costs associated with billing disputes, thanks to AI agents that analyze invoices and execute adjustments.

In auto insurance, our platform was able to help the customer increase containment by 10 percentage points, with respect to very complex use cases in under 60 days.

In short, we are seeing great traction because our technology is delivering real-world results.

In closing, we had a record 2025. This is happening because we are an AI-first company and customers from a broad range of verticals are coming to us to automate their complex processes and make them more human-like to better serve their customers.

We are leading the charge in a market disruption that is in the very early stages. We have a massive TAM. We are poised to win.

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. Good afternoon, everyone.

Q4 was our strongest quarter, with $55.1 million in revenue, up 59%; and improvements across all profit measures. For the full year, we delivered $169 million in revenue, up 99% versus the prior year and up more than fivefold in the few years that we have been a public company.

We achieved this record performance through our disruptive technology, breakthrough innovation, hyperresponsiveness to customers, and by scaling across our broadening enterprise portfolio. We operationalize this with cost discipline, driving a clear pathway to breakeven profitability.

The market momentum in our space continues to accelerate. Generative AI, agentic AI, and voice AI are now base level customer requirements. Customer service is undergoing a once-in-a-generation disruption and enterprises are clamoring for innovators like us to provide high-customer engagement solutions to improve their top and bottom lines.

From the beginning, we have built our business to deliver successful AI-driven outcomes. Our pricing architecture is purpose-built for that.

In a world where seat-based pricing models are quickly becoming antiquated because of their deteriorating price/value equations, our agentic solutions seamlessly drive outcome-focused consumption and success rates that create economic incentives fully aligned with our customers.

That's a sustainable model. It's a differentiated moat with our entrenchment deepening.

Let me share some examples across our business:

We have been growing the Automotive installed base for years. Our monthly active users continue to expand rapidly, with Q4 growth in excess of 50%, year on year.

More notably, their query activity or usage continues to accelerate, with Q4 audio queries up roughly 75% from the prior year.

Note that this is only cloud-based queries. We also offer edge-based solutions that don't require internet connectivity so these volume metrics meaningfully understate the full auto customer engagement.

The volume of queries we deliver in IoT & smart devices is even larger than the Automotive base and also growing strongly.

Our new Voice Commerce engines fit so well here and the idea of ordering a pizza or a salad naturally via voice ordering on your TV while watching the Super Bowl or Olympics personally resonates with me.

On that point, in Restaurants, we continue to grow locations but what's even more directly impacting our revenue and our customers' business is order activity, which, in Q4, we saw cross 9 million calls for the first time, up strong double digits from the prior year. That's a lot of meals from Chipotle, Casey's, and many others.

In our Enterprise business, our AI platform is delivering measurably better customer outcomes, quarter after quarter. Containment rates hit record-highs, now resolving the majority of inbound interactions without any human escalation; and with certain containment levels even crossing 90%.

Our automation intensity crossed a meaningful architectural threshold in Q4, chaining multiple targeted actions per customer engagement into fully autonomous resolutions.

Our omnichannel multimodal systems are driving better resolution rates, resulting in compounding returns per interaction.

All this comes together in our comprehensive query volume, which, now, is in the billions per month, up 12x since we went public.

With that, let me discuss the fourth-quarter financial results in more detail:

Q4 revenue was $55.1 million, up 59%, year over year. The growth was driven across multiple verticals.

Our Enterprise AI business performed particularly well in healthcare and financial services.

We also saw strong year-over-year growth in our Restaurant business, as our automation rates continue to improve, integrations deepen, and customer adoption continues to expand at a healthy rate.

In Automotive, we continue to accelerate our Asia business and see traction in the world's fastest-growing markets.

As Keyvan mentioned, we signed a new Japanese automotive OEM in Q4. We had several deals in Asia in 2025, with commitments of millions of units. This broad-based expansion, once again, enabled us to realize strong customer diversification, with no customers contributing greater than 10% of our revenue for the quarter or full year.

In Q4, our GAAP and non-GAAP gross margins were both up, year over year. Our GAAP gross margin was 48%. Adjusted for non-cash amortization of purchase intangibles and employee stock compensation, our non-GAAP gross margin was 61%.

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

Our continued efforts to prune our portfolio of low-margin acquired contracts has been resulting in the sequential improvements in non-GAAP gross margin this year. We expect to continue focusing on profitable contracts and either adjusting or moving away from those that don't meet our minimum thresholds.

That said, there are deals that have a clear near-term path to automation using our AI. We will not hesitate to make the critical investments in them to build long-term sustainable profitable returns.

R&D expenses were $24.8 million in Q4, up 22% year over year, largely due to acquisitions and related headcount and development costs.

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We continue to invest in innovation to maintain our technological leadership. For example, we continue building our agentic AI solutions, leveraging our vast data to further improve our Polaris foundation model; and are expanding our in-house real-time audio-to-audio and embedded vertical API integrations into production environments.

We also continue to differentiate across the entire voice AI stack, including via best-in-class text-to-speech, built on modern architectures for differentiated speed, accuracy, prosody; and with code switching multilingual capability for an increasingly diverse and integrated world.

Sales and marketing expenses were $17.4 million in Q4, reflecting an 82% year-over-year increase, primarily driven by acquisitions. We continue to invest in go-to-market efforts via direct and indirect sales, as well as customer success to increase retention.

In addition, we continue to elevate our brand and market presence to drive demand and lead generation.

G&A expenses were $21.2 million in Q4, reflecting a 29% year-over-year increase, primarily driven by various legal, advisory, and other costs related to our acquisitions.

We also continue to drive operational efficiencies throughout the organization and improve our global control environment.

We had non-cash employee stock compensation of $20.8 million; and depreciation and amortization, including the amortization of intangibles of $10 million in Q4, all of which are included in our GAAP results.

Adjusted EBITDA was a loss of $7.4 million, an improvement of 56%, year over year.

GAAP net income of $40.1 million and GAAP net earnings per share of $0.10 were positively impacted by the change in fair value of contingent liabilities of approximately $85 million. This relates to the acquisitions we have completed; is a non-operating and non-cash expense; and primarily reflects the quarter-on-quarter fluctuation in our stock price.

As such, this item has been excluded in our non-GAAP results.

Non-GAAP net loss was $7.3 million. Non-GAAP net loss per share was $0.02 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 $248 million, with no debt.

With that, let me discuss our financial outlook:

We are starting 2026 with strong momentum. As Keyvan mentioned, we broke a record in Q4 with over 100 customer deals across every industry we operate in.

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. We continue to aggressively release new agentic and voice AI capabilities to dramatically improve customer outcomes.

With the greater scale achieved in 2025, we have increased visibility in the near-term; and expect to continue to grow rapidly over the long-term.

For 2026, we expect our revenue to be in a range of $225 million to $260 million. As in prior years, there will 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 improve, as our recurring mix of business continues to grow. Overall, this outlook affirms our expectation of another year of very strong growth.

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We remain committed to delivering accelerated growth, while being mindful of the 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.

Last quarter, I mentioned that we see additional acquisition cost synergies of $20 million on an annualized basis. In Q1, we have already executed most of that, the effect of which we expect to appear in future quarters.

I also noted last quarter that we are entering our breakeven phase, after many years in heavy investment mode. This transition won't be linear or uniform. We expect it should be progressive and, ultimately, compounding.

Our long-term expectation is that we can operate this business at scale, with 70%-plus gross margins and 30%-plus EBIT margins. For the near-term, though, we expect to calibrate the investments, based on the opportunities in front of us and their expected returns. We will continue to balance the importance of delivering profitability in the near term, with fueling sustainable, profitable growth over the long term.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Scott Buck, HC Wainwright & Company.

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

As we went through the 4Q highlights, clearly, a lot of balls in the air. I'm curious, how are you handling from a deployment and customer service capacity standpoint? Are you starting to feel a little constrained?

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

Thanks for the question.

We are definitely doing a lot. I've been saying for the past few quarters that this is the time for us to do more, partly because, yes, we are in many industries but the ingredients we are using to power these experiences is the same.

The decades of work we've done to build the best-in-class speech recognition, conversational AI, agentic orchestration, all of that is the same, regardless of whether we are in Automotive or we are providing customer service for a healthcare company or insurance company.

Because of the advances in AI, we are actually able to deploy faster, go live faster, develop faster.

We are able to keep up with the demand, with fewer people and less resources. Demand is going up. What we need to do to deliver to these customers -- the resources requirement is actually going down so we expect that to be a further tailwind for us.

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

Great. That's helpful.

And then, I wanted to ask, you called out a number of renewals. Can you talk a little bit about any changes in pricing or upselling you're seeing, as you go through the renewal process with customers?

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

Yeah. We have customers that we've had for a while; for example, some of the Automotive logos that we've had for a number of years. These renewals are actually an upsell moment because we bring them the agentic solution.

The gen AI solution that we developed three years ago, that was an upsell moment. Now, we have the agentic solution. That's another upsell moment.

It's basically a renewal with a price increase and, sometimes, with a bigger volume commitment.

We are seeing the same in customer service; again, especially with the customers we've had for a number of years.

The agentic platform that is an upgrade, partly, it could come at a higher price.

For deals that are based on containment rate, we expect to generate more revenue because we contain more of the incoming calls. For example, if I'm going to use some numbers but, in the industry, there's no, like, one number for containment rate because it depends on the use case.

We've seen, for example, in the use case, a 30% containment go to 70%, 80%; sometimes, over 90%. That means we handle more than 90% of the incoming calls without kicking to a human. We get paid more, as we contain more calls.

Some of the increase in revenue is just going to come from upgrading our existing customers to the agentic solution. Even without a renewal and even without increasing the price, it's going to generate more revenue for us.

Operator

Brian Schwartz, Oppenheimer.

Brian Schwartz *- Oppenheimer & Co Inc - Equity Analyst*

Congratulations on a very good year.

Keyvan, I want to start with you. Your Enterprise AI business clearly has strong momentum, especially in the higher-regulated industries that you pointed out. You're building deeper entrenchment.

But, in the market, certainly, over the last, like, three, four, five months, there's been a lot of fear about software companies' long-term growth that these larger LLM providers are going to be able to just build workflows above software companies' platforms and bypass them. It's going to be much more challenging for companies to grow.

I was hoping you could address that; how you see the durability of the Enterprise AI business, as we enter this agentic era?

And then, I have a follow-up for Nitesh.

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

Sure. That's a great question.

I think there are two flavors of that question;

One is, what's happening to software and services companies so not necessarily SoundHound. That has been a tailwind for us for the past three-plus years because of gen AI.

The concept of that is the automation is coming. That is going to disrupt services companies and SaaS companies. Everything is going to get automated and more and more automated.

That's not a new thing. We've been benefiting from that for three years. These companies that want to automate basically come to SoundHound to help them automate.

There is maybe a second flavor, off that question, which is what happens to companies like SoundHound with the latest advances in AI, where software development is becoming easier.

We think of that as another tailwind. A really good analogy that has resonated with me is, imagine the Internet companies when we had connections with dial-up modems.

Good Internet companies were there. They were delivering their websites to their visitors. And then, dial-up modem became broadband internet so bandwidths went up in orders of magnitude. That was a great thing for Internet companies.

Now, some didn't maybe reinvent themselves quickly. But the services that these Internet companies could provide became a lot more richer and powerful.

We feel the same way, that we can move faster, like the earlier question that was asked -- like, can we -- we have so many customers, how quickly can we deliver? We use AI to build AI to deliver to the customers that want AI.

We think that pace is going to be better for us. The quality is going to be higher because we are utilizing these advances in AI.

Brian Schwartz - *Oppenheimer & Co Inc - Equity Analyst*

I just wanted to ask you that question, Keyvan, because you're such a pioneer, in terms of technology in this industry. I appreciate you sharing your perspective.

The question I have for Nitesh is, just thinking about how you're thinking about planning the progression of the efficiency of the business; maybe asking it, in terms of the operating profile here in 2026.

Clearly, the business is accelerating. I think you're gaining efficiency in your development from your -- as Keyvan talked about, with your own agentic (inaudible) AI.

But how do you think about the rest of the investment profile? Are you looking to accelerate your investments? Are you looking to keep your margins stable where they are today? Are you looking to show improvement, in terms of the efficiency and the EBITDA margin 2026?

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

Thanks, Brian. I'll take that from a couple of different angles.

First, with respect to continuing that AI efficiency play, I think there's a multitude of ways, as that plays out here.

Number 1, our efficiency in product development is better. Certainly, we're seeing that. I think our efficiency in deployment and delivery is better. We're seeing that. And then, even just operationally, we're all across the company, utilizing tools that may not be core to what SoundHound develops.

But, certainly, in my G&A function, there's definitely a number of areas that we're driving efficiencies. I think that's a responsibility that all of us take to leverage the latest and greatest to be responsible with our costs.

Number 2, to your question on just the profile, I'll go back to my prepared remarks a little bit. We are now shifting from an era, I'd say, from the origins of SoundHound, where we were heavily investing primarily in our innovation but maybe, more recently, in building up the go-to-market capabilities to, now, to this era of breakeven.

We're not trying to be super precise one quarter delivering one specific number.

But, more importantly, we start with the premise that we are in the very early innings of massive transformational shift, whether that's the LLM-driven capabilities that we're seeing with these amazing engines to the voice AI era of how we're able to engage with consumers and customers in really unique, more efficient, seamless ways to get all sorts of transactions done or, obviously, now, to agentic and how we can deliver great platforms and capabilities to enhance customer capabilities and solutions, predominantly, I think, for us in the customer service space and rewrite how those traditional ways that people get their billing inquiries resolved or they book travel or they order food or whatnot or get health care appointments, all that's getting rewritten.

We're just in the early innings of it. We need to be focused because we know that the outsized returns are there for us to go after. We're going to keep fueling in getting the hyper growth that we've been delivering over the last couple of years.

It's our view that that level of growth -- very strong growth -- should continue for the foreseeable future.

With that, to every incremental dollar point, that should go into fueling growth. But we need to be mindful that we're going to do it efficiently.

To your point, as we continue to scale, we absolutely expect efficiencies on our operating leverage.

I think, from an EBITDA basis, we'll continue to see year-over-year improvements in EBITDA.

We'll continue to see leverage on the P&L.

I think our R&D, in particular, we'll be able to drive efficiencies.

And then, I think it's a matter of go-to-market -- we're going to -- we are investing both in direct and indirect channel. I think the indirect channel has been great for us. We highlighted it briefly in the prepared remarks of just, the, additional scale we can get through indirect channel partners.

Across R&D, across sales and marketing, and across G&A, we think there's efficiency and, ultimately, that will land towards what I characterized in the prepared remarks is us moving into this era of breakeven zone.

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Operator

Gil Luria, DA Davidson.

Unidentified Participant

Great. This is [Lucky], on for Gil Luria.

You guys had pretty strong traction, it sounds, like, with Auto OEMs, especially on net new in the quarter, despite previous headwinds from tariffs impacting the industry. Is there anything to call out as to why you had, particularly, prominent success in that vertical this quarter?

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

Yeah. It actually was a great year in Automotive for us. Earlier in the year, we closed with a big Chinese OEM, also with multiple millions of units committed. Then, we had a robot maker in China. And then, we had more deals in India. And then, we're very proud that we have won a prominent logo in Japan.

I think it's because of the great solutions we've created. We've been in Automotive for a number of years. We are well known for having the best solution. We partner with our customers to achieve their vision and ambition.

Our [Pillar 3] vision is paying off. We predicted a flywheel effect from Pillar 3.

To summarize it quickly: We power cars and TVs and devices in Pillar 1; and then, we power customer service for merchants in Pillar 2; and then, we connect them in Pillar 3 together. While you're driving, you can order a copy, you can book appointments, you can reserve tables.

That's a monetizable moment. We call it the Voice Commerce.

Just the concept of being able to deliver value to the drivers, while generating revenue for us and share that revenue with the OEM is creating a flywheel for us. A lot of OEMs are choosing to work with us.

It's a combination of being a great partner, having the best technology, and the concept of monetization with our agentic AI in the cars.

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

Hopefully, Lucky, you're also noticing that we're seeing this growth in the fastest-growing markets, too. Oftentimes, in the fastest-growing markets, it's where they want the best-of-breed technology. I think that's what's playing out here, as well.

Unidentified Participant

I think that makes a lot of sense. Maybe, the last question from me: As you enter your next phase of growth here, you touched on it already but can you stack-rank the top investment priorities to capture the opportunity in front of you?

Any update on your M&A strategy, in light of the broad decline in valuations across software here, recently?

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

Maybe I'll take some of it. Nitesh can add.

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Our agentic platform is an area we are heavily investing in. It delivers a much better user experience. It has a higher containment rate.

And then, the latest version of our platform, it uses AI to create AI. A lot of the experiences (inaudible) it used to take us -- maybe a team of -- a large team of developers, weeks and months to deliver. You just tell it what you need to do and it just does it for you .That is going to allow us to move faster, deliver better quality, have a higher containment rates, win more customers.

That's one area of focus for us. That is going to be everywhere. It's going to be in Automotive. It's going to be in customer service, Pillar 1, Pillar 2, Pillar 3.

The next area that I would highlight is Voice Commerce. We've been -- it's a vision that we pioneered. We are ahead of others in the space.

It's a great idea. But it will take time for people to catch up because we have the largest number of merchants that are using our voice AI. Like, we have the largest number of restaurants. We have a huge footprint in cars, TVs, and devices. We are in a very good position to bring this to market.

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

Yeah. I can add on the M&A part of your question. I think, a couple of years in, I'll just say, I think the M&A approach we're taking seems right to us. I think we'll keep being mindful about what's in the marketplace and potential partnerships -- being aware of opportunities to combine.

So far, they've been companies that we have had really amazing customer relationships. We've been able to harness together and bring our innovation, jointly, to expand those relationships; use some of those landing points to expand broader in the relevant industries.

I think we'll continue to seek some of those opportunities.

Because we've done a few, I'd say there's a lot more inbound, also, interest. And so we have a pretty strict and disciplined formula or methodology we go through in assessing if one may make sense. We'll just keep that discipline.

There's plenty that we look at that don't make sense for us. I think we put a lot of scrutiny into when it might.

Again, since things are moving really fast, we've said before and I'll just repeat that we know we can do a lot of good things with what we've built here but we don't want to be insular. And so we want to be aware of all the great things and partnerships that we can build.

I think M&A, certainly, thinking out the next few years, will continue to be a really important part of our muscle.

Operator

Mike Latimore, Northland Capital Markets.

Vijay Devar - *Northland Securities, Inc - Analyst*

This is Vijay Devar, for Mike Latimore. A couple of questions.

One, how many Amelia customers are live on your agentic AI version 7.3 ;and are likely to go live this year?

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

Yeah. Hey, Vijay. We said, last time -- and I think we're just continuing to make progress that we had early last year -- early adopter program, where we piloted with, I think, at the time, we said 15 or so customers and that ramped through the summer.

We've been on this pathway of migration where we assume that we are on a pathway to get the majority -- vast majority -- I think over 75% migrated over by the middle of this year. We're continuing to be on that pathway, making incremental progress every quarter that we go by.

We continue to see that in Q4. We're already continuing to see acceleration in Q1.

One of the good things with our new agentic platform that we highlighted at the Consumer Electronics Show that we talked about in the prepared remarks is that's something that we're getting a lot of early traction from customers.

On the channel -- our Head of Sales there, saying that the customer feedback has been superb.

And so one of the great things we've been trying to deploy is automated migration paths to allow people to migrate from prior version to Amelia 7.3 onto the new version that we're rolling out.

We are excited that our migration path in -- especially going back to one of the earlier questions about the efficiency now with delivery and AI and what it's allowing us, it is allowing for more rapid migration patterns.

Vijay Devar - *Northland Securities, Inc - Analyst*

Got it. When the customer moves to 7.3, is there incremental revenue to SoundHound?

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

Yeah. As I mentioned, just a pure higher containment rate is expected to increase our revenue. Many of our deals, we get paid when we successfully avoid a caller to go to a human.

By going to agentic, we've seen, just as an example, numbers going from, like, a 30% containment to over 90% containment. In some cases, we also get paid more for the upgrading to agentic.

It's a mix of both. But, either way, it's directionally positive for revenue.

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

The other thing we've seen with the recent versions is interactions that previously fell outside or would have to get escalated or things we can capture now at a much greater rate. All of that is incremental revenue for us.

Operator

(Operator Instructions)

James Fish, Piper Sandler.

James Fish *- Piper Jaffray Inc - Analyst*

Just on the CX side of things, how is Amelia effectively winning new customers versus the contact center pure play, the CRM offerings, and even some of the other standalone AI solutions out there? Really, what's making them different that's resonating with customers?

And then, I've got a follow-up.

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

Yes. First of all, SoundHound, with the acquisitions we've made, we are a combination of teams and companies with several decades of collective experience in customer service. We've been at this for a long time.

We have deep technology. We have data.

We are also very deep in a lot of these industries like healthcare, insurance, banking, and so on. The reputation, the experience, the relationships all help us.

But if you zoom out -- and this might answer an earlier question that maybe I didn't quite answer from Scott -- if a customer chooses to work with a big tech, that's a very high-risk decision because when you choose a company like Google or OpenAI as your vendor -- and, by the way, these companies are not really deep into customer service; they provide tools for others like SoundHound.

But if they just go deep with one big tech, they're going to miss out on innovation that might come out of other big tech. For example, you're betting on Google models and then, if OpenAI creates an ecosystem that benefits the world, you might miss out on it or vice versa.

But SoundHound provides -- our philosophy is we provide the best technology, the best model, to our customers, no matter where it comes from.

Most of the time, it comes from us because we have our own models that we've created over a long period of time with a lot of data. We compare it with the big tech models and we beat them in accuracy, speed, and cost.

But if, for some edge cases or use cases or scenarios, a big tech model is better, we bring it to our platform and we use it for our customers. By choosing SoundHound, they are more guaranteed to get the best, as soon as it becomes available, no matter where it comes from versus when they bid on a big tech, then it's a very expensive risk.

Beyond the big tech, there are some new players. Most of those are maybe two years old. Some are doing better than others.

But the way we think about them, they are LEGO players because of the nature of how old they are -- one or two years. They don't have their own tech. They are scrambling and building -- getting one API from -- for speech recognition from one source and then, for text-to-speech from another source from -- LLMs from another source.

They are basically putting it together like LEGOs. They're only at it for a couple of years.

That puts SoundHound at a much bigger advantage because we've been at this for, again, decades. We have our own models. We have proven success in enterprise.

We are in seven of the top 10 banks. We process billions of queries.

In terms of quality of service and the reputation, we are in a very good position.

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

Maybe I can add one thing, Jim. I said this in the prepared remarks but it's salient to your question.

I think fundamentally, legacy -- this goes back to the earlier question on, I think, for Brian on disruption in software -- models that were built, seat-based pricing; that value was on, let's get more users using our tool, and it wasn't as directly tied to customer outcomes, that is at risk because the tools are getting so good and we're building those.

Our solutions are directly -- our economic model, our pricing model, is directly tied to customers achieving or seeing real value.

Did a prescription get refilled? Did appointment get booked? Did food get ordered?

I, think, just architecturally, we're better, to Keyvan's point. I'd say, also, the economic incentive alignment is also an advantage for us.

James Fish - *Piper Jaffray Inc - Analyst*

Got it. Very detailed answer, guys. Appreciate that.

Maybe, Nitesh, for you. I'm getting it asked here afterhours, just to hammer home a fine point: Is there much further M&A included in the annual guide? Obviously, you guys have a ton of opportunity. You guys have a strategic sense of doing acquisitions and folding them in. Just trying to understand if there's further M&A contemplated in the guide.

Given the environment, there's a lot of sensitivity to stock-based comp. You guys are a bit of an outlier here. How are you handling your stock comp, going forward; and the dilution we've seen, historically?

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

Sure. Thanks, Jim.

For the first part of that, to be very direct, no, our guidance does not contemplate M&A that we haven't done or that is not baked into the outlook.

Our outlook reflects the base of business, the pipeline of deals we have in motion, the existing customer activity that's recurring and we're upselling and expanding. That's what's reflected in the outlook range.

Now. as I mentioned in an earlier call, certainly, there are M&A ideas out there and conversations we have from time to time and inbounds we receive that, if they happen, we will -- if they're meaningful and material and we need to update an outlook, we will certainly do that, like we have in the past.

Your second question, on stock-based comp, yeah. I'll start with this general point at SoundHound, which. I think. a lot of us, internally, have a lot of pride around.

I give all credit to Keyvan and the culture he's built.

Like, this is a company where we want all employees to participate in the full contribution. And so we do distribute equity to our entire company. I don't think that's the same as every other company. We feel pride because everybody here is an owner.

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We've also seen, historically, a lot of volatility that makes in -- some of the math on our P&L, especially with the acquisitions, you get mark-to-market activity; that, when you have a stock that's so volatile, you'll distribute a grant. By the time it gets valued for P&L purposes, it's at $20; and then, that amortizes over four years.

That is something that's a little different because we're such a high-vol stock. But I take the general element of your question: We do think of the economic impact, certainly of dilution and certainly of where stock comp fits in our overall compensation profile.

We want to be competitive. We want to attract all the right talent and make sure we have the right people.

To an earlier question, though, we are always vigilantly looking at our cost structure and can we do things more efficiently. We have historically taken cost actions, including to our people, when we needed to.

But -- I'm mindful of the element of your question. I think we do try to be equitable in our distribution of stock comp. We are mindful of the dilution impact. We are mindful, to your point, on, it is probably a higher percent of revenue than you might see elsewhere.

I think, as we scale, you will see that normalize, certainly, as you will, with some of the other operating lines.

But, again, I'll close with what I started with, which is I think we generally do feel a sense of pride that we do distribute equity to all -- everybody, at this company. That makes us all combined owners in the outcome and success of what we build.

James Fish *- Piper Jaffray Inc - Analyst*

Thanks, guys.

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

Thanks, Jim.

Operator

Thank you. I'm showing no further questions at this time.

Thank you for your participation in today's conference. This does conclude the program.

You may now disconnect.