**SOUNDHOUND AI, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

***(In thousands, except share and per share data)***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **June 30,****2023** |  | **December 31,****2022** |
|  | **(Unaudited)**  |  |  |
| **ASSETS** |  |  |  |
|  |  |  |  |
| Current assets: |  |  |  |
| Cash and cash equivalents | $ 115,764  |  | $ 9,245  |
| Accounts receivable, net |  3,532  |  |  3,414  |
| Prepaid expenses |  2,573  |  |  2,514  |
| Contract assets |  3,701  |  |  1,671  |
| Other current assets |  1,371  |  |  859  |
| Total current assets |  126,941  |  |  17,703  |
| Restricted cash equivalents, non-current |  13,775  |  |  230  |
| Right-of-use assets |  6,502  |  |  8,119  |
| Property and equipment, net |  2,329  |  |  3,447  |
| Deferred tax asset |  55  |  |  55  |
| Contract assets, non-current |  7,091  |  |  7,041  |
| Other non-current assets |  885  |  |  1,656  |
| Total assets | $ 157,578  |  | $ 38,251  |
|  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT)** |  |  |  |
| Current liabilities: |  |  |  |
| Accounts payable | $ 1,895  |  | $ 2,798  |
| Accrued liabilities |  16,381  |  |  7,462  |
| Operating lease liabilities |  2,881  |  |  3,282  |
| Finance lease liabilities |  154  |  |  160  |
| Income tax liability |  1,080  |  |  1,314  |
| Deferred revenue |  4,612  |  |  5,812  |
| Current portion of long-term debt |  —  |  |  16,668  |
| Total current liabilities |  27,003  |  |  37,496  |
|  |  |  |  |
| Operating lease liabilities, net of current portion |  4,356  |  |  5,715  |
| Finance lease liabilities, net of current portion |  60  |  |  128  |
| Deferred revenue, net of current portion |  4,118  |  |  7,543  |
| Long-term debt |  66,428  |  |  18,299  |
| Other non-current liabilities |  16,824  |  |  4,295  |
| Total liabilities |  118,789  |  |  73,476  |
| Commitments and contingencies (Note 6) |  |  |  |
|  |  |  |  |
| Stockholders’ equity (deficit): |   |  |   |
| Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 835,011 and 0 shares issued and outstanding, aggregate liquidation preference of $25,050 and $0 as of June 30, 2023 and December 31, 2022, respectively |  24,942  |  |  —  |
| Class A Common Stock, $0.0001 par value; 455,000,000 shares authorized; 194,336,749 and 160,297,664 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively |  20  |  |  16  |
| Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 38,035,408 and 39,735,408 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively |  4  |  |  4  |
| Additional paid-in capital |  564,197  |  |  466,857  |
| Accumulated deficit |  (550,403) |  |  (502,102) |
| Accumulated other comprehensive income  |  29  |  |  —  |
| Total stockholders’ equity (deficit) |  38,789  |  |  (35,225) |
| Total liabilities and stockholders’ equity (deficit) | $ 157,578  |  | $ 38,251  |

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

**SOUNDHOUND AI, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

***(In thousands, except share and per share data)***

***(Unaudited)***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Three Months Ended****June 30,** |  | **Six Months Ended****June 30,** |
|  | **2023** |  | **2022** |  | **2023** |  | **2022** |
| Revenues | $ 8,751  |  | $ 6,152  |  | $ 15,458  |  | $ 10,442  |
| Operating expenses: |  |  |  |  |  |  |  |
| Cost of revenues |  1,830  |  |  2,488  |  |  3,806  |  |  4,261  |
| Sales and marketing |  5,078  |  |  4,370  |  |  9,953  |  |  6,951  |
| Research and development |  11,736  |  |  18,862  |  |  25,920  |  |  35,512  |
| General and administrative |  6,377  |  |  9,362  |  |  13,502  |  |  13,365  |
| Restructuring |  166  |  |  —  |  |  3,751  |  |  —  |
| Total operating expenses |  25,187  |  |  35,082  |  |  56,932  |  |  60,089  |
| Loss from operations |  (16,436) |  |  (28,930) |  |  (41,474) |  |  (49,647) |
|  |  |  |  |  |  |  |  |
| Other expense, net: |  |  |  |  |  |  |  |
| Interest expense |  (5,572) |  |  (1,572) |  |  (6,668) |  |  (4,549) |
| Other income (expense), net |  493  |  |  223  |  |  587  |  |  (834) |
| Total other expense, net |  (5,079) |  |  (1,349) |  |  (6,081) |  |  (5,383) |
| Loss before provision for income taxes |  (21,515) |  |  (30,279) |  |  (47,555) |  |  (55,030) |
| Provision for income taxes |  417  |  |  389  |  |  746  |  |  741  |
| Net loss |  (21,932) |  |  (30,668) |  |  (48,301) |  |  (55,771) |
|  |  |  |  |  |  |  |  |
| Other comprehensive income: |  |  |  |  |  |  |  |
| Unrealized gains on investments |  29  |  |  —  |  |  29  |  |  —  |
| Comprehensive loss | $ (21,903) |  | $ (30,668) |  | $ (48,272) |  | $ (55,771) |
|  |  |  |  |  |  |  |  |
| Net loss per share: |  |  |  |  |  |  |  |
| Basic and diluted | $ (0.10) |  | $ (0.19) |  | $ (0.23) |  | $ (0.48) |
|  |  |  |  |  |  |  |  |
| Weighted-average common shares outstanding: |  |  |  |  |  |  |  |
| Basic and diluted | 220,772,111 |  | 162,004,172 |  | 212,970,561 |  | 116,059,520 |

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

**SOUNDHOUND AI, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

***(In thousands)***

***(Unaudited)***

|  |  |
| --- | --- |
|  | **Six Months Ended****June 30,** |
|  | **2023** |  | **2022** |
| Cash flows from operating activities: |  |  |  |
| Net loss | $ (48,301) |  | $ (55,771) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |  |
| Depreciation and amortization |  1,411  |  |  2,269  |
| Stock-based compensation |  13,947  |  |  10,327  |
| Change in fair value of derivative and warrant liability |  —  |  |  606  |
| Non-cash interest expense |  1,607  |  |  2,185  |
| Non-cash lease expense |  1,714  |  |  1,545  |
| Loss on debt extinguishment |  837  |  |  —  |
| Other non-cash losses, net |  82  |  |  —  |
| Changes in operating assets and liabilities: |  |  |  |
| Accounts receivable, net |  (118) |  |  1,045  |
| Prepaid expenses |  (59) |  |  (3,409) |
| Other current assets |  (634) |  |  (10) |
| Contract assets |  (2,080) |  |  —  |
| Other non-current assets |  628  |  |  110  |
| Accounts payable |  (903) |  |  1,846  |
| Accrued liabilities |  5,045  |  |  108  |
| Operating lease liabilities |  (1,910) |  |  (2,258) |
| Deferred revenue |  (4,625) |  |  (5,362) |
| Other non-current liabilities |  (292) |  |  2  |
| Net cash used in operating activities |  (33,651) |  |  (46,767) |
|  |  |  |  |
| Cash flows from investing activities: |  |  |  |
| Purchases of property and equipment |  (293) |  |  (982) |
| Net cash used in investing activities |  (293) |  |  (982) |
|  |  |  |  |
| Cash flows from financing activities: |  |  |  |
| Proceeds from the issuance of Series A Preferred Stock, net of issuance costs |  24,942  |  |  —  |
| Proceeds from sales of common stock under the ELOC program, net of issuance costs |  70,905  |  |  —  |
| Proceeds from the issuance of common stock |  8,177  |  |  2,904  |
| Proceeds from Business Combination and PIPE, net of transaction costs |  —  |  |  91,695  |
| Proceeds from the issuance of long-term debt, net of issuance costs |  85,087  |  |  —  |
| Payments on notes payable |  (35,029) |  |  (3,416) |
| Payments on finance leases |  (74) |  |  (1,016) |
| Net cash provided by financing activities |  154,008  |  |  90,167  |
| Net change in cash, cash equivalents, and restricted cash equivalents |  120,064  |  |  42,418  |
| Cash, cash equivalents, and restricted cash equivalents, beginning of period |  9,475  |  |  22,822  |
| Cash, cash equivalents, and restricted cash equivalents, end of period | $ 129,539  |  | $ 65,240  |
|  |  |  |  |
| Supplemental disclosures of cash flow information: |  |  |  |
| Cash paid for interest | $ 4,344  |  | $ 1,140  |
| Cash paid for income taxes | $ 1,098  |  | $ 33  |
|  |  |  |  |
| Noncash investing and financing activities: |  |  |  |
| Accrued and unpaid debt issuance costs | $ 16,461  |  | $ —  |
| Non-cash debt discount | $ 4,315  |  | $ —  |
| Deferred offering costs reclassified to additional paid-in capital | $ 802  |  | $ —  |
| Conversion of convertible note into common stock pursuant to Business Combination | $ —  |  | $ 20,239  |
| Unpaid deferred offering costs associated with the Business Combination | $ —  |  | $ 1,006  |
| Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination | $ —  |  | $ 279,503  |
| Operating lease liabilities arising from obtaining right-of-use assets | $ —  |  | $ 650  |

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