

SoundHound AI Reports Strong Q4 Revenue, Up 84% Year-Over-Year

Full Year 2022 Revenue of \$31.1 Million at High End of Guidance; Company Expects to Grow Revenue by Approximately 50% in 2023

SANTA CLARA, Calif.--(BUSINESS WIRE)--Mar. 7, 2023-- SoundHound AI, Inc. (Nasdaq: SOUN), a global leader in voice artificial intelligence, today reported its financial results for the fourth quarter and full year 2022.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20230307005995/en/>



SoundHound AI Reports Strong Q4 Revenue, Up 84% Year-Over-Year (Graphic: Business Wire)

“Conversational AI is at a watershed moment and our proprietary Dynamic Interaction and Generative AI solutions are perfectly positioned. From electricity to telecommunications to internet search,

each generation has established a new foundational capability to better serve society, and AI will catalyze this next horizon,” said Keyvan Mohajer, Co-Founder and CEO of SoundHound. “Such a convergence of technological maturity and market demand is rare, and SoundHound, as a leading innovator of voice and conversational AI, is in a unique position to create tremendous value.”

Fourth Quarter and Full Year Financial Highlights

- Fourth quarter revenue was \$9.5 million, an increase of 84% year-over-year
- Fourth quarter gross margin was 71%, an increase of 4 percentage points year-over-year
- Fourth quarter earnings per share was a net loss of (\$0.15), compared to (\$0.32) in the prior year. Net loss was (\$30.7) million, compared to (\$21.8) million in the prior year
- At the end of 2022, cumulative bookings backlog was \$332 million, an increase of 59% year-over-year
- In 2022, queries grew over 85% year-over-year leading to an annual run rate of approximately 2.2 billion queries
- Full year revenue was \$31.1 million, an increase of 47% year-over-year
- Full year earnings per share was a net loss of (\$0.73), compared to (\$1.18) in the prior year. Net loss was (\$115.3) million, compared to (\$79.5) million in the prior year

“We closed 2022 on a strong note, and we are entering 2023 in a position of strength. Customer engagement is robust, we are rolling out waves of industry-defining innovations, and the market demand for our solutions is high,” said Nitesh Sharan, CFO of SoundHound. “We have taken the necessary steps to significantly improve our operating efficiency, strengthen our financial foundation, and we have a clear line of sight to near-term profitability and sustained long-term growth.”

Business Highlights

Product launches

SoundHound launched a broad range of category-leading products:

- SoundHound’s next generation, multimodal voice interface [Dynamic Interaction](#) for restaurants and customer service.
- Dynamic Interaction [with Generative AI](#) for devices and automotive.
- [Intelligent Transcription](#), which captures, identifies, and attributes meaning to live conversations.
- [Edge and Cloud connectivity](#) options to open up voice AI to even more smart device, IoT, and vehicle manufacturers.

Upcoming Launch

- The Company is announcing the upcoming launch of its chat AI service for end users and businesses, which combines the power of software engineering and machine learning with Generative AI to deliver the digital assistant experience that users have been desiring for decades.

Partner announcements

SoundHound forged a number of key partnerships with world-class brands:

- In automotive, SoundHound now provides voice AI solutions for 20 global brands.
- Expanded its existing relationship with [Hyundai](#), which includes a multi-year arrangement.
- Expanded its relationship with [Stellantis in Europe](#), adding multiple brands.
- Announced collaborations in the automotive space with [LG](#) and [HARMAN International](#), a Samsung Company, as well as DPCA and DMI.
- Agreement with [Qualcomm](#) to bring SoundHound voice AI to Snapdragon platforms.
- Signed a new deal expanding its long standing relationship with [VIZIO](#).
- Extended its partnership with [Snap](#).
- PoS agreements with [Square](#), [Toast](#), and [Oracle](#).
- [Airmeez](#) chose SoundHound to deliver its intelligent virtual assistant and notification services with natural language interactions across multiple channels.

Industry recognition

SoundHound's voice AI has received broad praise and recognition:

- [Qualcomm](#), [Yobe](#), and [LG](#) showcasing its voice technology at CES.
- [AI Magazine](#) named SoundHound among ten other disruptive global AI companies.
- SoundHound was also named as a [2022 Speech Industry Award Winner](#).
- SoundHound for Restaurants was named among the winners of the National Restaurant Association's [Smartbrief Innovation Awards for Foodservice 2022](#).

Financial Results in Detail

Fourth Quarter 2022 Financial Measures

Three Months Ended

(thousands, except per share data)

Cumulative bookings backlog¹

Revenues

Operating expenses:

Cost of revenues

Sales and marketing

Research and development

General and administrative

Total operating expenses

Operating loss

Net loss

Net loss per share

Adjusted EBITDA²

	December 31, 2022	December 31, 2021	Change in %
Cumulative bookings backlog ¹	\$ 331,515	\$ 207,927	59%
Revenues	\$ 9,501	\$ 5,151	84%
Operating expenses:			
Cost of revenues	\$ 2,755	\$ 1,707	61%
Sales and marketing	6,744	981	587%
Research and development	21,528	16,368	32%
General and administrative	7,226	5,134	41%
Total operating expenses	\$ 38,253	\$ 24,190	58%
Operating loss	\$ (28,752)	\$ (19,039)	51%
Net loss	\$ (30,680)	\$ (21,847)	40%
Net loss per share	\$ (0.15)	\$ (0.32)	0.17
Adjusted EBITDA ²	\$ (18,620)	\$ (15,433)	27%

Full Year 2022 Financial Measures

Twelve Months Ended

(thousands, except per share data)

Revenues

Operating expenses:

Cost of revenues

Sales and marketing

Research and development

General and administrative

Total operating expenses

Operating loss

Net loss

Net loss per share

Adjusted EBITDA²

	December 31, 2022	December 31, 2021	Change in %
Revenues	\$ 31,129	\$ 21,197	47%
Operating expenses:			
Cost of revenues	\$ 9,599	\$ 6,585	46%
Sales and marketing	20,367	4,240	380%
Research and development	76,392	59,178	29%
General and administrative	30,178	16,521	83%
Total operating expenses	\$ 136,536	\$ 86,524	58%
Operating loss	\$ (105,407)	\$ (65,327)	61%
Net loss	\$ (115,373)	\$ (79,540)	45%
Net loss per share	\$ (0.73)	\$ (1.18)	0.45
Adjusted EBITDA ²	\$ (72,578)	\$ (53,503)	36%

1. Cumulative bookings backlog is prior quarter end balance plus new bookings in the current quarter minus associated revenue recognized. Balance is as of December 31, 2022.

2. Please see table below for a reconciliation from GAAP to non-GAAP.

Summary of Liquidity and Cash Flows

The Company's cash and cash equivalents was \$9.2 million at December 31, 2022. In January 2023, the Company successfully raised \$25 million in net proceeds of equity financing from both current shareholders and new capital providers.

Condensed Cash Flow Statement

Year Ended

(thousands)

Cash flows:

Net cash used in operating activities

Net cash used in investing activities

Net cash provided by financing activities

	December 31, 2022	December 31, 2021
Net cash used in operating activities	\$ (94,019)	\$ (66,177)
Net cash used in investing activities	(1,329)	(636)
Net cash provided by financing activities	82,001	44,653

Net change in cash and cash equivalents

\$ (13,347) \$ (22,160)

Business Outlook

Based on the Company's strong business momentum and customer demand for its voice AI products and services, the Company expects to grow its revenue by approximately 50% in 2023. SoundHound's guidance for revenue in 2023 is expected to be in a range of \$43 to \$50 million. With this growth, and previously announced restructuring, which we expect will result in approximately \$60 million of operating cost savings, the Company expects to become adjusted EBITDA positive in the fourth quarter of 2023.

Additional Information

SoundHound expects to file its Form 10-K for 2022, by March 31, 2023. For more information please see the company's SEC filings which can be obtained on our website at investors.soundhound.com.

Conference Call and Webcast

Keyvan Mohajer, Co-Founder and CEO, and Nitesh Sharan, CFO will host a live audio conference call and webcast today at 2:30 p.m. Pacific Time/5:30 p.m. Eastern Time. Please [click here](#) to pre-register for the conference call and obtain your dial in number and passcode. A live webcast will also be accessible at investors.soundhound.com and a replay of the webcast will be available following the session.

About SoundHound AI

SoundHound AI (Nasdaq: SOUN), a leading innovator of conversational intelligence, offers an independent voice AI platform that enables businesses across industries to deliver best-in-class conversational experiences to their customers. Built on proprietary Speech-to-Meaning® and Deep Meaning Understanding® technologies, SoundHound's advanced voice AI platform provides exceptional speed and accuracy and enables humans to interact with products and services like they interact with each other—by speaking naturally. SoundHound is trusted by companies around the globe, including Hyundai, Mercedes-Benz, Pandora, Qualcomm, Netflix, Snap, Square, Toast, LG, VIZIO, KIA, and Stellantis. www.soundhound.com

Forward Looking Statements

This press release contains forward-looking statements, which are not historical facts, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the expected financial performance of the company, the company's ability to implement its business strategy and anticipated business and operations, including the anticipated launch of its chat AI service, the potential utility of and market for the company's products and services, guidance for financial results for 2023 and our ability to timely file our annual report on Form 10-K. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. As a result, readers are cautioned not to place undue reliance on these forward-looking statements. Our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of risks and uncertainties impacting SoundHound's business including, current uncertainties associated with the COVID-19 pandemic, our inability to predict or measure supply chain disruptions at our customers resulting from the COVID-19 pandemic and other causes, the potential future revenue associated with our AI platform products and services; our projected rate of revenue growth; the impact of our announced restructuring; our ability to predict direct and indirect customer demand for our existing and future products and to secure adequate manufacturing capacity; our ability to hire, retain and motivate employees; the effects of competition, including price competition within our industry segment; technological, regulatory and legal developments that uniquely or disproportionately impact our industry segment; developments in the economy and financial markets and those other factors described in our risk factors set forth in our filings with the Securities and Exchange Commission from time to time, including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We do not intend to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Non-GAAP Measures of Financial Performance

To supplement our financial statements, which are presented on the basis of U.S. generally accepted accounting principles (GAAP), the following non-GAAP measure of financial performance is included in this release: adjusted EBITDA. We define Adjusted EBITDA as our GAAP net loss excluding (i) interest and other expense, net, (ii) depreciation and amortization expense, (iii) income taxes, and (iv) stock-based compensation. A reconciliation of GAAP to this adjusted non-GAAP financial measure is included below. When analyzing the Company's operating results, investors should not consider non-GAAP measures as substitutes for the comparable financial measures prepared in accordance with GAAP.

Fourth Quarter Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA

Three Months Ended

(thousands)

	December 31, 2022	December 31, 2021
GAAP net loss	\$ (30,680)	\$ (21,847)
Adjustments:		
Interest and other expense, net ¹	\$ 644	\$ 3,752
Income taxes	1,284	(944)
Depreciation and amortization	840	1,333
Stock-based compensation	\$ 9,292	\$ 2,273
Adjusted EBITDA	\$ (18,620)	\$ (15,433)

1. Includes other (income)/expense of (\$0.5) and \$1.1 million, respectively

Full Year Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EBITDA

Twelve Months Ended

(thousands)

	December 31, 2022	December 31, 2021
GAAP net loss	\$ (115,373)	\$ (79,540)
Adjustments:		
Interest and other expense, net ²	\$ 7,077	\$ 13,757
Income taxes	2,889	456
Depreciation and amortization	4,037	5,502
Stock-based compensation	\$ 28,792	\$ 6,322
Adjusted EBITDA	\$ (72,578)	\$ (53,503)

2. Includes other expense of \$0.2 and \$5.4 million, respectively

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,245	\$ 21,626
Restricted cash equivalents	—	460
Accounts receivable, net of allowances of \$109 as of December 31, 2022 and December 31, 2021	3,414	2,060
Prepaid expenses	2,514	1,276
Contract assets	1,671	54
Other current assets	859	1,995
Total current assets	17,703	27,471
Restricted cash equivalents, non-current	230	736
Right-of-use assets	8,119	10,291
Property and equipment, net	3,447	6,155
Deferred tax asset	55	2,169
Contract assets, non-current	7,041	—
Other non-current assets	1,656	2,381
Total assets	\$ 38,251	\$ 49,203
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,798	\$ 3,760
Accrued liabilities	7,462	7,298
Operating lease liabilities	3,282	3,281
Finance lease liabilities	160	1,301
Income tax liability	1,314	2,737
Deferred revenue	5,812	6,042
Convertible note	—	29,868
Derivative liability	—	3,488
Notes payable	16,668	29,964
Total current liabilities	37,496	87,739
Operating lease liabilities, net of current portion	5,715	8,611
Finance lease liabilities, net of current portion	128	292
Deferred revenue, net of current portion	7,543	14,959
Notes payable, net of current portion	18,299	—
Other non-current liabilities	4,295	1,336
Total liabilities	73,476	112,937
Commitments and contingencies (Note 7)		

Legacy SoundHound redeemable convertible preferred stock; \$0.0001 par value; 0 and 146,218,514 shares authorized; 0 and 106,949,326 shares issued and outstanding, liquidation preference of \$0 and \$284,826 as of December 31, 2022 and December 31, 2021, respectively

Stockholders' deficit:

Legacy SoundHound Common Stock, \$0.0001 par value; 250,030,433 shares authorized; 0 and 68,258,556 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	—	1
Class A Common Stock, \$0.0001 par value; 455,000,000 shares authorized; 160,297,664 and 0 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	16	—
Class B Common Stock, \$0.0001 par value; 44,000,000 shares authorized; 39,735,408 and 0 shares issued and outstanding as of December 31, 2022 and December 31, 2021, respectively	4	—
Additional paid-in capital	466,857	43,491
Accumulated deficit	(502,102)	(386,729)
Total stockholders' deficit	(35,225)	(343,237)
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	\$ 38,251	\$ 49,203

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS

(In thousands, except share and per share data)

	Year Ended December 31,	
	2022	2021
Revenues	\$ 31,129	\$ 21,197
Operating expenses:		
Cost of revenues	9,599	6,585
Sales and marketing	20,367	4,240
Research and development	76,392	59,178
General and administrative	30,178	16,521
Total operating expenses	136,536	86,524
Loss from operations	(105,407)	(65,327)
Other expense, net:		
Interest expense	(6,893)	(8,342)
Other expense, net	(184)	(5,415)
Total other expense, net	(7,077)	(13,757)
Loss before provision for income taxes	(112,484)	(79,084)
Provision for income taxes	2,889	456
Net loss	(115,373)	(79,540)
Other comprehensive gain:		
Unrealized holding gain on available-for-sale securities, net of tax	—	1
Comprehensive loss	\$ (115,373)	\$ (79,539)
Net loss per share:		
Basic and diluted	\$ (0.73)	\$ (1.18)
Weighted-average common shares outstanding:		
Basic and diluted	157,317,695	67,255,538

SOUNDHOUND AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (115,373)	\$ (79,540)

Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,037	5,502
Stock-based compensation	28,792	6,322
Change in fair value of derivative and warrant liability	606	4,920
Amortization of debt issuance costs	2,287	4,746
Non-cash lease amortization	3,970	3,586
Deferred income taxes	2,114	113
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,354)	1,515
Prepaid expenses	(1,238)	(168)
Other current assets	299	(917)
Contract assets	(8,658)	—
Other assets	(539)	(1,470)
Accounts payable	302	424
Accrued liabilities	116	3,671
Operating lease liabilities	(4,693)	(3,565)
Deferred revenue	(7,646)	(10,281)
Other liabilities	2,959	(1,035)
Net cash used in operating activities	<u>(94,019)</u>	<u>(66,177)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,329)</u>	<u>(636)</u>
Net cash used in investing activities	<u>(1,329)</u>	<u>(636)</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net of issuance costs	—	14,905
Proceeds from note payable, net of issuance costs	—	29,833
Proceeds from the issuance of common stock upon exercise of options	4,160	2,490
Proceeds from Business Combination and PIPE, net of transaction costs	90,689	—
Payments on notes payable	(11,545)	—
Payments on finance leases	(1,303)	(2,575)
Net cash provided by financing activities	<u>82,001</u>	<u>44,653</u>
Net change in cash, cash equivalents, and restricted cash equivalents	<u>(13,347)</u>	<u>(22,160)</u>
Cash, cash equivalents, and restricted cash equivalents, beginning of year	<u>22,822</u>	<u>44,982</u>
Cash, cash equivalents, and restricted cash equivalents, end of year	<u>\$ 9,475</u>	<u>\$ 22,822</u>
Reconciliation to amounts on the consolidated balance sheets:		
Cash and cash equivalents	\$ 9,245	\$ 21,626
Current portion of restricted cash equivalents	—	460
Non-current portion of restricted cash equivalents	230	736
Total cash, cash equivalents, and restricted cash equivalents shown in the consolidated statements of cash flows	<u>\$ 9,475</u>	<u>\$ 22,822</u>

SOUNDHOUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — Continued

For the Year Ended December 31, 2022 and 2021

(In thousands)

Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 3,425	\$ 2,631
Cash paid for income taxes	\$ 1,044	\$ 263
Noncash investing and financing activities:		
Operating lease liabilities and right-of-use assets through adoption of ASC 842	\$ —	\$ 11,428
Operating lease liabilities arising from obtaining right-of-use assets	\$ 650	\$ 3,422
Property and equipment acquired under finance leases or debt	\$ —	\$ 584
Conversion of convertible note into common stock pursuant to Business Combination	\$ 20,239	\$ —
Conversion of redeemable convertible preferred stock to common stock pursuant to Business Combination	\$ 279,503	\$ —
Debt discount through issuance of common stock warrants	\$ —	\$ 3,842

Non-cash debt discount	\$	—	\$	525
Issues of series C redeemable convertible preferred stock for exercise of warrants	\$	—	\$	5,816

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