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PRESENTATION

Operator

Hello, and welcome to the SoundHound Third Quarter 2023 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

It is now my pleasure to introduce Head of Investor Relations, Scott Smith.

Scott Smith - *SoundHound AI, Inc. - Head of IR*

Good afternoon, and thank you for joining our third quarter 2023 conference call.

With me today is our CEO, Keyvan Mohajer; and our CFO, Nitesh Sharan. 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 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. 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. - CEO, President & Director*

Thank you, Scott, and thank you to everyone for joining the call today.

In our third quarter, we saw incredible momentum showcased by a strong revenue performance. We continued the fast pace in our creation of great products that delight customers and users. Businesses are seeing the value of SoundHound real time, and this is translating to the value we are creating for our stakeholders.

This quarter, our revenue grew to a record \$13.3 million, a 52% increase sequentially. At the same time, our key profit metric, adjusted EBITDA, continues to improve significantly, driven by operational excellence of our organization. We've consistently demonstrated our track record as a leading innovator in AI. This quarter, the products we are creating saw exceptional demand from automotive assistant regenerative AI features to customer service solutions for every business.

Let me give you an update. In our Pillar 1 category, we power products such as autos, TVs and IoT devices. Since launching our voice AI platform, our Pillar 1 strategy has been a crucial part of our business. Journey of AI is fueling even more excitement and customer interest in SoundHound's products and solutions. Take automotive as an example. We recently published the results of a study that over half of regular drivers would like ChatGPT style capabilities from their in-vehicle voice assistant. We believe this will give rise to a steep and rapid increase in the number of drivers actively using voice recognition in their cars. As a result, our projection is that more drivers will use voice instead of touch interfaces and physical owners manuals at an increasing pace.

We continue to expand in our existing large customer base, which includes over 20 car brands such as Hyundai and Stellantis. The automotive brands that have chosen SoundHound solutions represent roughly 25% of all units produced in the world today. As they ramp up production of units enabled with our AI, we expect to see further growth in the corresponding revenue, and we have also been winning more logos. Thanks to its enhanced performance, SoundHound Chat AI for automotive has created a number of offset opportunities. And last month, it became the first in-car voice assistant with generative AI capabilities to go live in vehicles in Europe.

Last month, we also launched SoundHound Vehicle Intelligence, which also generates interest among a number of automotive brands. And another brand, Togg, the prominent EV automaker in Turkey continues to ramp, and we are actively engaged with a number of other EV companies. As carmakers both traditional giants and up-and-coming EV brands prioritize being more agile software companies, their interest in SoundHound's sophisticated voice AI solutions increases.

But Pillar 1 is not just about autos. We are showing increased usage among all categories. We are seeing more queries within the devices we power, including TVs and apps, which has increased our annual query run rate to over \$2.9 billion. As this frequency of usage increases, the performance of our machine learning and AI models get more advanced as they learn from this massive amount of data that keeps growing. The result will be more intuitive technology, which we expect will create faster adoption, new use cases and ultimately higher unit prices per device.

For TVs, we continue to work with established players like VIZIO as well as new and disruptive manufacturers in the space to unlock the true potential of the most prominent connected device in most homes. In doing this, we've seen high double-digit growth in usage year-over-year. For IoT devices, the use cases are endless, and we are working with more companies every day to extend or go into production in multiple areas. This quarter, we showcased our technology with Cimbali Group, a professional coffee machine manufacturer with distribution network covering over 100 countries and involving 700 distributors. We are also working with some of the largest appliance manufacturers in the world and have either signed, extended or gone into production with multiple plants in industries such as telcos, robotics, printers, vending machines and kiosks.

Moving on to Pillar 2. In our Pillar 2 category, we aspire to service hundreds of millions of businesses around the world with our AI customer service solutions. We've been discussing the great traction we are seeing in enterprise brands. We announced White Castle last quarter and this quarter, I'm happy to add 2 more incredible names to the list, Jersey Mike's and Krispy Kreme. We've also agreed to a trial with one of the largest global quick sell restaurants in the world for the use of our dynamic interaction drive-thru solution. We continue to sign larger deals in mid-market and regional restaurant space as well. Some recent wins include Chicken Shack, Bai Mai Thai, Bubbakoos Burritos, CoreLife Eatery, Dog Haus, Happy Endings Hospitality, Sam & Louie's, Tonyburgers and Zeeks Pizza representing opportunity of several hundred locations.

Our expansion in White Castle drive-thrus is also ramping. We are live in approximately a dozen lands in the Midwest and are expanding into new locations in the Southwest United States. We are excited to be working with White Castle's first-class team as they bring the first truly intelligent drive-thru experience across the country.

SoundHound has a unique competitive advantage in this vertical. We own and fully understand the entire conversational AI technology stack, which we have developed over nearly 2 decades. This ownership is important and hugely valuable to prospective customers because it means that we are able to fully drive improvements in the technology and its performance rather than hitting the limits of some black box APIs. Our

customers understand not only is this more secure and cost effective, it allows for more innovation and customization, which in turn allows for differentiation in their own markets. With these restaurant solutions, which we first launched last year, we have coverage in about 35 states and continue to increase our footprint across the country. At the same time, we are also expanding internationally.

Going beyond restaurants, with our Smart Answering, we are completely disrupting how businesses of all types directly respond more intelligently and usefully to their customers. We provide business owners with confidence that the customer relationships are improving while driving increased revenue and healthy mitigate costs. Smart Ordering and Smart Answering are complemented by our visually enhanced SoundHound Dynamic Interaction, which is our multimodal full-duplex interface for kiosks, drive-thrus and any device with a screen. We are working with a number of partners and customers and our pipeline keeps growing.

We also continue to build out our point-of-sales ecosystem by joining Olo Connect. Now live with several merchants Olo is a significant addition to our ecosystem as a software platform, creating additional potential customer touch points to enterprise brands with more than 77,000 locations, adding to more than 150,000 restaurants that use our hardware merchant partners, Toast, Oracle and Square. Further accelerate our reach, we recently launched our POS gateway solution that streamlines custom merchant integration with SoundHound voice AI ordering products and accelerate time to market. We also joined forces with ChowNow, a leading online ordering and marketing platform. This will help enable restaurants to answer and respond to every inbound customer call so that orders are never missed. And just last month, we were pleased to have Samsung partner with us to unlock the power of digital outdoor signage and turn menus into interactive restaurant portals with almost unlimited potential.

In 2016, after about a decade of stealth R&D, SoundHound launched its breakthrough voice AI technology, powered by innovations such as speech to meaning and deep meaning understanding. These capabilities allowed our voice assistance solution to process not just speech, but also meaning understanding in real time, just like the human brain. Our ability to quickly handle complex and compound queries accessing live data remains unmatched in the voice industry today.

We've always believed that future of voice AI would be powered by a combination of software engineering and machine learning. In our own models, we have been using machine learning for a number of years to improve speech recognition and natural language understanding. The introduction of large language models has allowed our platform to reach new heights. With our strong foundation of balancing software engineering and machine learning, we were easily able to integrate generative AI into our technology stack. In fact, we believe we are one of the fastest disruptors to take this new technology into production.

Our customers require a mix of real-time data and conversational intelligence. Furthermore, they need to make sure that brands are protected from the type of misinformation and hallucinations that occur from access to unmanaged generative AI. Thanks to our rapid adoption of these recent innovations, we are live in market with our generative AI-enhanced voice products across our automotive and restaurant customers. Our SoundHound Chat AI product is the first to have this unique blend of technologies and is fueling our momentum with new and existing customers.

Building on our success in automotive market, we recently introduced SoundHound Vehicle Intelligence, which provides instant hands-free access to vehicle-specific information without drivers having to pull over or spend time leaving through a physical manual. SoundHound's voice-enabled vehicle intelligence domain uses internally developed artificial intelligence and large language models to provide answers to almost any question about the cars functionality, maintenance or repair completely hands-free. Of course, the opportunity of this kind of functionality for voice-enabled user manuals doesn't begin and end with automotive. It can be extended to any device or appliance, allowing a manufacturer to achieve cost savings by lowering the frequency of customer calls and saving customers the asset of having to find and figure out the instructions.

While voice AI ordering technology is now decreasing their reliance on in-house staff, SoundHound products can also be used to augment human capabilities. For example, our voice-enabled employee assist technology can instruct a restaurant employee about how to make a particular item, allowing them to ask as many questions as they like to ensure the product is perfect without ever having to remove their gloves and consult a manual or distract another staff member.

We initially launched dynamic interaction as a breakthrough multimodal ordering experience for drive-thrus, and the product has been well received, and we are gaining more traction and new customers every quarter. Since then, we have evolved the technology to allow in-store employees the same ordering experience previously limited to end customers. The ability to process orders visually in real time works equally well

in store as it does in drive-thru, whether it's a customer or employee as the end user. With our advancements in the restaurant space, customers are seeing the benefits of taking orders and filling them simultaneously. In the automotive and IoT space, we are able to provide real-time conversational voice AI experience. We are excited about our continued delivery of key technologies that provide meaningful value to our customers.

Last time I mentioned our ambitious Polaris initiative. It's an effort to weave together our learnings of the last 2 decades as well as billions of real-time conversations and over 1 million hours of audio to produce our own fully multimodal generative AI foundation model, which can work with both speech and text and respond with audiovisual output. I'm pleased to say we've completed the first phase of this project and successfully built a multilingual model that can handle queries in multiple languages interchangeably and respond with high accuracy with streaming audio in real time. We will be rolling out the first version of Polaris to our customers in the coming weeks. This is an important milestone, and we expect even more disruptive features in future phases of Polaris. We are excited about the potential applications of a model that can respond instantly and seamlessly and in different modalities to request in various languages across a huge range of potential queries. The commercial possibilities are clearly huge.

We believe SoundHound is uniquely positioned to achieve significant long-term success in this new era of AI. We have believed from our founding moment that voice and conversational AI is the most natural way to interact with devices and services and eventually permeate through all businesses. We have an amazing and passionate team that believes in this vision and continues to push forward to create conversational AI technology that exceeds human capabilities and deliver value and delights and users alike.

In closing, we are experiencing meaningful success and with every quarter that goes by, our momentum builds and our foundation gets stronger. Our products significantly reduce costs, increase revenue and add efficiency for our customers. Our fully automated technology is unmatched, and we remain at the forefront of conversational AI and are winning new businesses and expanding with our existing relationships.

I'll now turn the call over to Nitesh to talk about our financial performance, key growth drivers and outlook for the remainder of the year.

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Thank you, Keyvan, and good afternoon, everyone.

We are pleased to report another strong quarter with record revenue, all while continuing to ascend the path to profitability. Three quarters into 2023, and we have continued to meet our internal milestones despite a continuously evolving and dynamic macro backdrop. As each quarter passes, the opportunities of bringing AI to life for customers are becoming more vivid, more tangible and more confirming of our unique customer value proposition. Generative AI and large language models are helping us develop natural conversations into a rapidly expanding ecosystem of voice-enabled products and services to one our completely new pathways of human computer interface, and we are leading at the bleeding edge.

In Pillar 1, where we voice-enabled products, we continue to extend our offering across new units while adding more features such as our new Vehicle Intelligence solutions with generative AI. In autos, which represents the majority of this pillar, we increased our new units by 68%, and our active cloud users increased by close to 45% versus prior year. This quarter, we ended with \$342 million in cumulative bookings backlog, up 13% year-over-year. We've added customers across industries such as in automotive, telecommunications, IoT, including coffee machines, printers and TV, just to name a few.

In total, we have certain contracts that span up to 10 years, representing an average contract length of roughly 6.5 years. And as I've stated before, these are back-end weighted. These bookings, which mostly correspond to Pillar 1, are derived from committed customer contracts and reflect revenue we expect to realize. Within these existing contracts and more broadly with those partners, we have massive upside, and we continue to add new customers every quarter. Keyvan talked about a few of those earlier. We continue to believe this metric should be viewed on an annualized basis since growth can be uneven from quarter to quarter.

Within Pillar 2, where we voice-enabled services, just last quarter, we expanded our offering beyond restaurants to a much broader customer service base in Smart Answering. This quarter, we enhanced Dynamic Interaction to now work with employees to improve the time from order

taking to order fulfillment, again, adding new potential users of our products. For restaurants, our portfolio of solutions is gaining momentum in the market, and we are seeing traction in enterprise brands as we move upmarket and add more regional customers.

Last quarter, we gave a sense of the key metrics we are watching here and wanted to provide an update on how those have been evolving. With solely the brands we have signed to date, at scale and full deployment across these customer groups, we would now have over 4,500 locations and well over \$25 million in ARR. Combined with the rapidly growing pipeline of larger customers, we expect and continue to look for ways for this to accelerate even more in the future.

Let me now get specific on our financial results for the third quarter. In Q3, revenue accelerated by 52% sequentially to \$13.3 million and 19% year-over-year, driven by strong growth in our product royalties, primarily in automotive, which included an increase in a multiyear minimum guarantee commitment for an edge contract. The expansion is mainly driven by an increase in auto units overall as well as continued unit price increases. Our IoT cloud units also continue to layer on top with both sequential and year-over-year expansion.

In Q3, our gross margin was 73%, which continues to benefit from the expanding scale of our business and increased data center efficiency. We achieved this result despite a 39% year-over-year increase in cost of revenue for the quarter, which was \$3.6 million. The year-over-year cost increase was primarily driven by product mix, which included a premium text-to-speech component in the aforementioned edge solution that was not in the comparable prior-year period.

Total operating expenses improved by nearly 1/3 year-over-year, largely driven by the corporate restructuring program we announced in Q1 this year, which affected all line items. Included here are certain variable costs and discretionary items that we expect will help drive reduced operating expenses sequentially into Q4. R&D expenses were \$12.8 million in Q3, a decrease of 34% year-over-year. However, our investments in key areas have not slowed. For example, with Polaris, as Keyvan mentioned, our existing talent and expert engineering remains at the forefront of innovation. As examples, we are advancing the state of large language models with ASR, automatic speech recognition, as well as implementing fully unsupervised training, which have rapidly improved our models. In addition, we continue to build out our existing suite of products and add new technologies such as Smart Answering as well as generative AI capabilities for auto and employee assist solutions with dynamic interaction.

Sales and marketing expenses were \$4.5 million in Q3, a decrease of 33% year-over-year. We continue to focus on go-to-market strategies and customer engagement and, in particular, drive new business growth and subscriptions as seen in the ARR expansion mentioned earlier. At the same time, our laser focus on high ROI areas of digital marketing, lead generation and customer acquisition, both direct and through channel partners like Olo, Toast, Oracle and Square remains an important part of our overall approach.

G&A expenses were \$6.9 million in Q3, a decrease of 28% year-over-year. This reflects the efficiencies we have been driving as well as some year-over-year favorability compared to the going public costs in the prior year. To note, we crossed the market threshold for market cap earlier in the summer that now indicates us to become SOX 404(b) compliant next fiscal year earlier than we had anticipated. As such, we are accelerating investments in our internal controls over the financial reporting processes. These were plans we had in place for 2024 anyway. So we were just getting a jump start, and frankly, it is about continuing to mature and improve our end-to-end processes.

Across all operating expenses, noncash employee stock compensation was \$6.7 million in Q3. As a result, our operating loss was \$14.5 million, which reflects an improvement of 46% year-over-year. OI&E was \$4.1 million for the quarter. Of this amount, interest expense, which includes ongoing amortization impact and quarterly interest cost was \$5.4 million. This quarter was a first full quarter with our new debt in place, so this can be roughly considered a more normalized level of interest expense on a go-forward basis.

Net loss was \$20.2 million in Q3, an improvement of 33% year-over-year. This led to a net loss per share in Q3 of \$0.09 compared to a \$0.15 loss in the prior year, an improvement of more than 40%. Adjusted EBITDA, which excludes noncash charges of stock compensation, depreciation and amortization as well as other nonoperating activities, was a loss of \$7.3 million, which was a 57% year-over-year improvement.

Net cash used in operating activities for the first 9 months was about \$54 million, improving roughly 26% year-over-year. Our cash position at quarter end was approximately \$110 million, of which \$96 million was in cash and cash equivalents. As I mentioned last quarter, our capital position is a source of strength and gives us the optionality we need to drive the business.

With that, let me discuss our outlook for Q4. We are set up well for the future, and we have a lot of runway ahead of us, and it is growing meaningfully every quarter. Our existing contracts give us good visibility for future growth, which is encouraging. Now with an increased level of conversations with enterprises happening on a regular basis, our pipeline is building with major brands at various sales cycle stages. These large deals can be very lumpy. And given the size of customers we are working with, what's meaningful for us may not even be material for them. Accordingly, the Q4 guidance range we are giving reflects that.

That said, where we stand today, we feel confident in an outlook of \$16 million to \$20 million of revenue. And if we deliver in that range, we continue to believe we can achieve adjusted EBITDA positive in Q4. This would be a major milestone for the company and quite the turnaround from levels just a few quarters ago. We are excited about the growth trajectory building into 2024 and beyond. We want to be aggressive with the investments that we know customers are clamoring for. We want to continue to bring our industry-leading solutions to the verticals that we have been discussing, and we want to accelerate the path to customer adoption. With a much improved financial profile, we can catalyze ourselves to another level by continuing to stay focused on the amazing opportunities in front of us.

One final note before I close. In our upcoming 10-Q, you will see certain revisions to financial information from prior periods. These changes relate to the accounting for completing -- for the completed financial transactions we had, and these revisions will impact line items, including other income and expense and certain balance sheet metrics, but will have no impact on the results related to reported revenue, gross margin, operating margin, adjusted EBITDA or cash balances. Again, specifics will be detailed in our 10-Q.

To summarize, it is clear the generative AI use case waves that are starting to hit ashore, and we are fueling title forces. As I have said before, each quarter brings its own unique dynamics, and we know the path forward isn't always linear. We are focused, committed to delivering meaningful business and customer outcomes and are laying the tracks for long-term profitable growth and strong returns.

Thank you, and we will now move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Gil Luria with D.A. Davidson.

Gil Barnum Luria - *D.A. Davidson & Co., Research Division - MD & Senior Software Analyst*

The first question, Keyvan, the Jersey Mike's addition is a very substantial one. They have 2,600 stores. And so as we think about -- you talk about what the ARR would be when fully deployed with all these current customers before you even bring new ones in. How do we think about the time line to get there? So you're talking about dozens of stores rolling out for White Castle, which represents White Castle maybe a 400-store chain. So that represents a certain deployment. Is there an inflection point where there's enough units with enough track record that encourages other franchisees to accelerate? And can we apply the same percentages to a much bigger chain like Jersey Mike's?

Keyvan Mohajer - *SoundHound AI, Inc. - CEO, President & Director*

Yes, absolutely. Great question. So first, this really highlights that our strategy is working and our offering is really resonating. The AI and automation can save cost, increase revenue and improve the user experience and our restaurant customers really see that. It used to be that we had to go and educate them. Now they are more coming to us and they become more like automotive companies that they know they need voice AI. So it's been a big shift in the last year or so. And we will share more in upcoming announcements about these 2 brands, but I can share some quick highlights now.

So Jersey Mike's is AI, our AI solution for Smart Ordering over the phone. These brands usually start small with a couple of locations before they expand. But in this case, we are actually very proud that they will start with 50 locations initially, and they go, of course, is to expand to the numbers that you mentioned. So we are encouraged by the initial number that is much bigger than in other cases that we had experienced. And we hope that once they experience the good quality of our solution, they will grow quite fast. We will again share more in an upcoming announcement more detail about the partnership.

And so the other brands that I was sure you going to ask about the Krispy Kreme, that's actually a Dynamic Interaction solution to support the drive-thrus.

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Keyvan, maybe if it's okay, can I just add a couple of elements on there, if that's all right.

Keyvan Mohajer - *SoundHound AI, Inc. - CEO, President & Director*

Yes.

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

And I have kind of 3 promises maybe just to build. Number one, of course, the characteristics of each restaurant is different. Some have franchisees where you have to kind of have multiple conversations, some are fully corporate. So there's -- and different franchisees have different -- sometimes they take the corporate technology downwards. Sometimes you need to have multiple conversations. That can affect the time line a little bit. The other thing that we're really excited with some of these restaurants and a lot of these conversations are very fluid. So I'll just be generic like we go in with product 1, and we can build up with product 2 and 3. A good example is like Smart Answering. We go in with Smart Ordering and we add on Smart Answering or vice versa and some of these other employee assist capabilities that we're bringing. So we actually see that these ARR's per franchise can also grow, which is very exciting.

And then just the last thing, which is ultimately you want a product where the consumer loves it, covers it, that's where they want to go. And there's technological things that both Keyvan mentioned, and obviously, you can add a lot more depth to this. But one small example, things that we're focused on, for example, where we're going to get towards fully unsupervised learning and help that robustly really accelerate how our product works. To get the more data in the insights in that we can then on an unsupervised way just improve rapidly, gives us a lot of confidence of how we can improve the technology concurrently with how we scale this across different locations. So there's a lot to be excited about here.

Gil Barnum Luria - *D.A. Davidson & Co., Research Division - MD & Senior Software Analyst*

Yes. So Nitesh, on your guidance, obviously, a really big milestone crossing over to positive adjusted EBITDA. But you gave us a range on revenue and a point on adjusted EBITDA. Are you saying that even at \$60 million revenue, adjusted EBITDA can be positive? And then the extension of this question to say, now that you're going to hit this milestone probably earlier than expected, what -- how do you see the trade-off between growth and profitability in your new framework with the new staffing levels that you have?

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Yes. First, maybe I can work backwards on your question, if that's all right, because they are interrelated. The trade-off is key. I think that they sort of work together. One is you want to build a healthy financial profile. And by the way, breakeven will be a milestone on our long-term journey towards what we believe is a predominantly software AI business, we can get very attractive margins over time as we scale. So we need to have that long-term vision at the forefront of every decision we make. And as you know very well, the AI space is rapidly evolving, and we have to be thoughtful. When customers are sort of clamoring for this capability from us because there are labor pressures, and they really want to help their

employee base and we want to go and attack that opportunity. We don't want to sit back and say, "Well, we got a cut over here. So we'll come back to you in 9 months." Like that doesn't really work for our customers. So we got to be very cognizant of that.

The other thing that sort of plays out is just that over time, we need to be primarily, I think, focused on the disruptive market opportunity we have, but we'll be cognizant of capital base and so forth. And we're not -- we did a lot of the capital raising earlier this year, and we put ourselves in a really strong position. But I think building that solid foundation profile is critical. So maybe using that long-winded comment to hit your first part of your question. It's a range we provided on revenue. I think I want to give directionality on adjusted EBITDA. Like frankly, generally, I think of that as sort of a midpoint and then you could go up or down. So at the low end, that will obviously put pressure on that, and then it will all be contingent on some of the choices we make. I'd say, at the higher end, even more confidence, right, that we'll be crossing through that.

So I give that as a bit of a rough estimate. But obviously, to your point, the range on revenue. I mentioned in the prepared remarks that we are working on a multitude of pretty sizable deals, of which the probabilities are not certain. And so it depends on how those play out. And some of those things, if they pivot a bit a month or a few weeks or a few days here or there, it can affect how the particular quarter plays out, but I can confidently say that what we're building into 2024, the stabilization and the improvement in the financial profile, and it's hard for me not to go retrospectively back to where we started this year and say we've really made amazing strides to get our situation in a much better position. And then even more meaningfully, the traction we're getting with customers, some of the brands you're starting to hear, and by the way, there's a lot of brands that we just can't announce that's a conversation we're continuously having with them. That's the momentum we need to keep building into 2024. So hopefully, that gives you a bit of that context.

Operator

(Operator Instructions) And our next question comes from the line of Vivek Palani with JMN Investments Research.

Vivekanandhan Palani

I'm Vivek on for Mike Latimore of Northland Capital. I have a couple of questions with me. And the first one is, did you have a 10% customer in third quarter?

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Yes, we have -- we do disclose our customer concentration in our Qs, and we do have a few customers that do contribute a meaningful part of our total revenue. They currently tend to be on the auto side. We've announced and we have in our public materials, some of those great partners actually in this prepared remarks, we talked about a few of them. So yes, we do have some customer concentration that's heavy in the auto today and the products that we're building with restaurants, and we talked about a couple of those brands in the prepared remarks, that's really what we're building. So the short answer is yes. And they're great partnerships. We're expanding, growing, adding more. And then I'd say they're massive global enterprises. So for us, there's also a little bit of diversification that we get diversity of that contribution across the globe. So like in the autos, we participate with same brand in America, and we take the same brand in the Asia and Europe, et cetera.

Vivekanandhan Palani

Okay. The next question is, can you please elaborate on any partnerships that are generating strong leads or bookings?

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Sure. I'll give you maybe a little bit of context on -- again, back to the autos, maybe I'll back up a step. So in the auto space, we've talked about partners like Hyundai and Stellantis. These are long-term partners for us. We scale differentiated, added new capabilities. We got cloud capabilities in the cockpit of the car. We've extended to edge, hybrid. We're providing different capabilities with Stellantis. They publicly announced in Europe,

amazing technological leap ahead with the generative AI solution where hopefully, you could take a peek at some of what they published in terms of the capabilities of what we're bringing to car to ask a whole array of different things. You're on a long drive and you have young kids in the back and you want your car to tell your kids a story to put them in a bed like you can do that. You can ask directions. You can find out what happened in the game yesterday.

So we're expanding, and those are going to be critical pillars for us for a long time. And by the way, I think we mentioned it a lot in the prepared remarks beyond auto, some of the nonauto product companies, the IoT space of the TV manufacturers. We talked about coffee makers that we're excited to be partnering with. So on Pillar 1, as we characterize voice-enabling products, there's a lot of great customers and partners that are contributing meaningfully to our bookings number.

Pillar 2, the restaurant side, actually kind of -- we're kind of -- and I mentioned this in the prepared remarks that we dimensionalize a little bit more on the ARR side, and I noted a couple of points there. So last time we talked about, we were building partnerships with at scale, full deployment across their ecosystems with the restaurants that we worked with, White Castle one notable one. This time we talked about Jersey Mike's and others. Last time, we were at about 1,500 locations that has gone up to 4,500 locations. The ARR last time I mentioned was \$10 million, that's gone up to \$25 million. So just to give you a sense of the pace, that is rapidly growing. So that will be an increasingly part of our book of business.

But frankly, we're not stopping there. It's beyond even restaurants into more customer service verticals that we can go after, personal care and onwards. And ultimately, what we're trying to do is build -- and we've talked about this before in our 3-pillar strategy is bring Pillar 1 voice-enabled products together with voice-enabled services and Pillar 2 and provide Pillar 3 monetization opportunities. And when you see the intersection of being able to drive around and access the type of food or drink that you want, when you want, how you want it, you can see how that can build over time. So hopefully, that gives you a little characterization probably a little bit more than you were asking for.

Vivekanandhan Palani

Yes. That helps.

Operator

(Operator Instructions) And our next question comes from the line of Scott Buck with H.C. Wainwright.

Scott Christian Buck - *H.C. Wainwright & Co, LLC, Research Division - MD & Senior Technology Analyst*

I guess, first, could you help give a little color on how we should expect the kind of cadence of maturation for a relationship like Olo? Is this something that takes 6 to 9 months just to educate before you can actually push out to some of their individual vendors?

Keyvan Mohajer - *SoundHound AI, Inc. - CEO, President & Director*

That 6 to 9 months is behind us. So we already did the integration and the partnership and when we announced actually whether at the maturity level, we are already live with merchants that use Olo in production.

Scott Christian Buck - *H.C. Wainwright & Co, LLC, Research Division - MD & Senior Technology Analyst*

Perfect. That's helpful.

Keyvan Mohajer - *SoundHound AI, Inc. - CEO, President & Director*

And that gives us access to 77,000 locations that use Olo.

Scott Christian Buck - *H.C. Wainwright & Co, LLC, Research Division - MD & Senior Technology Analyst*

Perfect. And then just given the momentum on the restaurant side, do you guys have the capacity to implement where you need to? Or is there a fair amount of hiring you need to do there to help you out with that process?

Keyvan Mohajer - *SoundHound AI, Inc. - CEO, President & Director*

No, absolutely, we are ready. And in fact, I think we are -- I believe, the only player in this market that is able to serve SMBs. So most of our peers have to only target brands that have thousands or high hundreds of locations because onboarding is a massive undertaking for them. But for us, a lot of those steps are automated, so we can actually sign up a single location, sandwich shop that -- and we can onboard them very quickly, and we have quite a few of those.

Scott Christian Buck - *H.C. Wainwright & Co, LLC, Research Division - MD & Senior Technology Analyst*

Great. I appreciate that, Keyvan. And then last one, just quick. Any negative impact from the auto workers strike here in the U.S. over the last few months?

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

No direct impact. First, I'd say on the immediate, we don't work with the big 3 in the U.S. Stellantis is a big partner for us in Europe, and we haven't seen an extension impact to them. Maybe in terms of opportunities, maybe that conversation slowed a little bit, but like no, we don't -- there's no direct impact. To the extent that things permeate down, we haven't really seen an impact from that. We're watching it. It seems like things are moving constructively. But yes, there's -- for us, no is the short answer.

Scott Christian Buck - *H.C. Wainwright & Co, LLC, Research Division - MD & Senior Technology Analyst*

Great. I appreciate that, Nitesh. Congrats on the progress, guys.

Nitesh Sharan - *SoundHound AI, Inc. - CFO*

Thanks so much, Scott.

Operator

Thank you. Ladies and gentlemen, thank you for participating. This concludes today's program. You may now disconnect.

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