REFINITIV

DELTA REPORT

10-Q

SOUNDHOUND AI, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2262
CHANGES	174
DELETIONS	922
ADDITIONS	1166

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from________to________

Commission File No. 001-40193

SOUNDHOUND AI, INC.

(Exact name of registrant as specified in its charter)

Delaware	**86-1286799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5400 Betsy Ross Drive, Santa Clara, CA 95054

(Address of principal executive offices) (Zip Code)

(408) 441-3200

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common stock, Stock, par value $0.0001 per share	SOUN	The Nasdaq Stock Market LLC
Redeemable Warrants	SOUNW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

o x	Large accelerated filer	o	Accelerated filer
x o	Non-accelerated filer	x o	Smaller reporting company
		x o	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No x

As of November 13, 2023 May 7, 2024, there were 209,438,885 296,434,620 shares of the Company's Class A common stock, Common Stock, $0.0001 par value per share, issued and outstanding, and 37,485,408 32,735,408 shares of the Company's Class B common stock, Common Stock, $0.0001 par value per share, issued and outstanding.

SOUNDHOUND AI, INC.

QUARTERLY REPORT ON FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "report") of SoundHound AI, Inc. ("we," "us," "our," "SoundHound," or the "Company") contains "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that reflect our current expectations and views of future events. The forward-looking statements are contained principally in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned that significant known and unknown risks, uncertainties and other important factors (including those over which we may have no control and others listed in this report and in the "Risk Factors" section of our annual report on Form 10-K, which was filed with the Securities and Exchange Commission on March 28, 2023 (the "Form 10-K")) may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You can identify some of these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are likely to," "potential," "continue" or other similar expressions. These forward-looking statements include, but are not limited to, statements concerning our expected financial performance, our ability to implement our business strategy and anticipated business and operations, including our ability to improve our Generative AI Foundation Model, expand our customer partnerships and roll out our AI drive thru service, roll out our Dynamic Interaction, Chat AI for Automotive, and expand the number of platforms on which our voice AI technology will be available, the potential utility of and market for our products and services, and our ability to achieve revenue from our bookings backlog. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These Although we believe that our expectations expressed in these forward-looking statements include statements relating to: are reasonable, our expectations may later be found to be incorrect. Our actual results of operations or the results of other matters that we anticipate herein could be materially different from our expectations. Accordingly, readers are cautioned that significant known and unknown risks, uncertainties and other important factors may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Some factors that could cause actual results to differ include:

- execution of our ability to execute our business strategy, including launching new product offerings and expanding information and technology capabilities, particularly following our recent restructuring efforts; capabilities;
- our market opportunity and our ability to acquire new customers and retain existing customers;
- the timing and impact of our growth initiatives on our future financial performance;
- our ability to protect intellectual property and trade secrets;
- our ability to obtain additional capital, as necessary, including equity or debt financing, on terms that are acceptable to us, if at all, particularly in light of inflationary pressures and resulting increases in the cost of borrowing; borrowing;
- changes in applicable laws or regulations and extensive and evolving government regulations that impact our operations and business;
- the our ability to attract or maintain a qualified workforce, particularly following our recent restructuring efforts;
- level of product service failures that could lead our customers to use competitors' services;
- investigations, claims, disputes, enforcement actions, litigation and/or other regulatory or legal proceedings, including with respect to our AI technology;
- risks relating to uncertainty of our estimates of market opportunity and forecasts of market growth;
- the our ability to maintain the listing of our Class A Common Stock common stock on the Nasdaq Global Market;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors; and
- other risks and uncertainties described under the section titled "Risk Factors" of our Form 10-K.

These forward-looking statements involve numerous and significant risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results of operations or the results of other matters that we anticipate herein could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in the "Management's Discussion and Analysis of Financial Condition and Results of Operation," section contain in this report and in our Annual Report on Form 10-K which was filed with the "Business," "Risk Factors" Securities and other sections of the Form 10-K. Exchange Commission on March 1, 2024.

You should thoroughly read this report and the documents that we refer to with the understanding that our actual future results may be materially different from, and worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this report relate only to events or information as of the date of this report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

		September 30, 2023	December 31, 2022
		(Unaudited)	
March 31, 2024			
(Unaudited)			
		March 31, 2024	December 31, 2023
ASSETS			
ASSETS			
ASSETS	ASSETS		
Current assets:	Current assets:		
Current assets:			
Current assets:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	$ 96,146	$ 9,245
Accounts receivable, net		3,376	3,414
Prepaid expenses		2,359	2,514
Contract assets		6,139	1,671
Accounts receivable, net of allowances of $234 and $203 as of March 31, 2024 and December 31, 2023, respectively			
Accounts receivable, net of allowances of $234 and $203 as of March 31, 2024 and December 31, 2023, respectively			
Accounts receivable, net of allowances of $234 and $203 as of March 31, 2024 and December 31, 2023, respectively			
Contract assets and unbilled receivable, net of allowance for credit losses of $101 and $17 of March 31, 2024 and December 31, 2023, respectively			
Other current assets	Other current assets	1,353	859
Total current assets	Total current assets	109,373	17,703
Restricted cash equivalents, non-current	Restricted cash equivalents, non-current	13,775	230
Right-of-use assets	Right-of-use assets	5,861	8,119
Property and equipment, net	Property and equipment, net	1,828	3,447
Goodwill			
Intangible assets, net			
Deferred tax asset	Deferred tax asset	55	55
Contract assets, non-current		12,560	7,041
Contract assets and unbilled receivable, non-current, net of allowance for credit losses of $176 and $177 of March 31, 2024 and December 31, 2023, respectively			
Other non-current assets	Other non-current assets	558	1,391
Total assets	Total assets	$ 144,010	$ 37,986

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 2,163	$ 2,798
Accrued liabilities	Accrued liabilities	11,012	8,537
Operating lease liabilities	Operating lease liabilities	2,740	3,282
Finance lease liabilities	Finance lease liabilities	138	160
Income tax liability	Income tax liability	1,105	1,314
Deferred revenue	Deferred revenue	4,250	5,812
Current portion of long-term debt		—	16,668
Total current liabilities	Total current liabilities	21,408	38,571
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	3,663	5,715
Finance lease liabilities, net of current portion		34	128
Deferred revenue, net of current portion	Deferred revenue, net of current portion	3,573	7,543
Long-term debt	Long-term debt	83,308	18,299
Contingent acquisition liabilities (Note 17)			
Income tax liability, net of current portion			
Other non-current liabilities	Other non-current liabilities	6,092	4,295
Total liabilities	Total liabilities	118,078	74,551
Commitments and contingencies (Note 6)			
Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)		
Stockholders' equity (deficit):			
Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 481,673 and 0 shares issued and outstanding, aggregate liquidation preference of $15,898 and $0 as of September 30, 2023 and December 31, 2022, respectively		14,387	—
Class A Common Stock, $0.0001 par value; 455,000,000 shares authorized; 208,975,388 and 160,297,664 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		21	16

Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 37,485,408 and 39,735,408 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		4	4
Stockholders' equity:			
Stockholders' equity:			
Stockholders' equity:			
Series A Preferred Stock, $0.0001 par value; 1,000,000 shares authorized; 70,241 and 475,005 shares issued and outstanding, aggregate liquidation preference of $2,481 and $16,227 as of March 31, 2024 and December 31, 2023, respectively			
Class A Common Stock, $0.0001 par value; 455,000,000 shares authorized; 288,822,818 and 216,943,349 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Class B Common Stock, $0.0001 par value; 44,000,000 shares authorized; 32,735,408 and 37,485,408 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	585,699	466,857
Accumulated deficit	Accumulated deficit	(574,376)	(503,442)
Accumulated other comprehensive income	Accumulated other comprehensive income	197	—
Total stockholders' equity (deficit)		25,932	(36,565)
Total liabilities and stockholders' equity (deficit)		$ 144,010	$ 37,986
Total stockholders' equity			
Total liabilities and stockholders' equity			

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 September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
	Three Months Ended March 31,					Three Months Ended March 31,	
	2024					2024	2023
Revenues	Revenues	$ 13,268	$ 11,186	$ 28,726	$ 21,628		
Operating expenses:	Operating expenses:						
Cost of revenues							
Cost of revenues							
Cost of revenues	Cost of revenues	3,590	2,583	7,396	6,844		
Sales and marketing	Sales and marketing	4,471	6,672	14,424	13,623		
Research and development	Research and development	12,806	19,352	38,726	54,864		
General and administrative	General and administrative	6,931	9,651	20,644	23,016		
Change in fair value of contingent acquisition liabilities							
Amortization of intangible assets							
Restructuring	Restructuring	—	—	3,751	—		
Total operating expenses	Total operating expenses	27,798	38,258	84,941	98,347		
Loss from operations	Loss from operations	(14,530)	(27,072)	(56,215)	(76,719)		
Other expense, net:							
Other income (expense), net:							
Other income (expense), net:							
Other income (expense), net:							
Interest expense							
Interest expense							
Interest expense	Interest expense	(5,442)	(1,166)	(12,110)	(5,715)		
Other income (expense), net	Other income (expense), net	1,336	(959)	(302)	(1,793)		
Total other expense, net	Total other expense, net	(4,106)	(2,125)	(12,412)	(7,508)		
Loss before provision for income taxes	Loss before provision for income taxes	(18,636)	(29,197)	(68,627)	(84,227)		

Provision for income taxes	Provision for income taxes	1,561	864	2,307	1,605		
Net loss	Net loss	(20,197)	(30,061)	(70,934)	(85,832)		
Less: Cumulative dividends attributable to Series A Preferred Stock		647	—	2,206	—		
Cumulative dividends attributable to Series A Preferred Stock							
Net loss attributable to SoundHound common shareholders	Net loss attributable to SoundHound common shareholders	$ (20,844)	$ (30,061)	$ (73,140)	$ (85,832)		
Other comprehensive income:	Other comprehensive income:						
Other comprehensive income:							
Other comprehensive income:							
Unrealized gains on investments							
Unrealized gains on investments							
Unrealized gains on investments	Unrealized gains on investments	168	—	197	—		
Comprehensive loss	Comprehensive loss	$ (20,029)	$ (30,061)	$ (70,737)	$ (85,832)		
Net loss per share:	Net loss per share:						
Net loss per share:							
Net loss per share:							
Basic and diluted							
Basic and diluted							
Basic and diluted	Basic and diluted	$ (0.09)	$ (0.15)	$ (0.33)	$ (0.60)		
Weighted-average common shares outstanding:	Weighted-average common shares outstanding:						
Weighted-average common shares outstanding:							
Weighted-average common shares outstanding:							
Basic and diluted	Basic and diluted	242,022,268	197,006,980	222,760,880	143,338,517		
Basic and diluted							
Basic and diluted						286,596,559	205,082,328

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

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share and per share data)
(Unaudited)

Three Months Ended September 30, 2023

	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of June 30, 2023	835,011	$ 24,942	194,336,749	$ 20	38,035,408	$ 4	$ 567,794	$ (554,179)	$ 29	$ 38,610
Issuance of common stock for equity incentive awards	—	—	2,713,549	—	—	—	659	—	—	659
Issuance of Class A common shares upon conversion of Class B common shares	—	—	550,000	—	(550,000)	—	—	—	—	—
Issuance of Class A common shares upon conversion of Series A Preferred Stock	(353,338)	(10,555)	11,375,090	1	—	—	10,554	—	—	—
Stock-based compensation	—	—	—	—	—	—	6,692	—	—	6,692
Net loss	—	—	—	—	—	—	—	(20,197)	—	(20,197)
Other comprehensive income	—	—	—	—	—	—	—	—	168	168
Balances as of September 30, 2023	481,673	$ 14,387	208,975,388	$ 21	37,485,408	$ 4	$ 585,699	$ (574,376)	$ 197	$ 25,932

Three Months Ended March 31, 2024

	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2023	475,005	$ 14,187	216,943,349	$ 22	37,485,408	$ 4	$ 606,135	$ (592,379)	$ 199	$ 28,168
Issuance of Class A common stock under the Sales Agreement	—	—	37,907,219	4	—	—	133,835	—	—	133,839
Issuance of Class A common stock and deferred equity consideration upon acquisition of SYNQ3	—	—	5,755,910	1	—	—	10,294	—	—	10,295
Issuance of restricted shares of Class A common stock, subject to repurchase in connection with acquisition of SYNQ3	—	—	2,033,156	—	—	—	—	—	—	—
Issuance of Class A common stock for equity incentive awards	—	—	5,092,348	—	—	—	9,171	—	—	9,171
Issuance of Class A common stock upon conversion of Class B common shares	—	—	4,750,000	1	(4,750,000)	(1)	—	—	—	—
Issuance of Class A common stock upon conversion of Series A Preferred Stock	(404,764)	(12,090)	14,070,854	1	—	—	12,089	—	—	—
Issuance of Class A common stock in connection with the cashless exercise of warrants	—	—	2,269,982	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	6,979	—	—	6,979
Net loss	—	—	—	—	—	—	—	(33,009)	—	(33,009)
Other comprehensive income	—	—	—	—	—	—	—	—	36	36
Balances as of March 31, 2024	70,241	$ 2,097	288,822,818	$ 29	32,735,408	$ 3	$ 778,503	$ (625,388)	$ 235	$ 155,479

Three Months Ended September 30, 2022

	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of June 30, 2022	—	$ —	—	$ —	156,266,549	$ 16	40,396,600	$ 4	$ 447,136	$ (442,500)	$ 4,656

	Legacy SoundHound Redeemable Convertible Preferred Stock Shares	Amount	Legacy SoundHound Common Stock Shares	Amount	Class A Common Stock Shares	Amount	Class B Common Stock Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Issuance of common stock for equity incentive awards	—	—	—	—	1,029,516	—	—	—	716	—	716
Stock-based compensation	—	—	—	—	—	—	—	—	9,173	—	9,173
Net loss	—	—	—	—	—	—	—	—	—	(30,061)	(30,061)
Balances as of September 30, 2022	—	$ —	—	$ —	157,296,065	$ 16	40,396,600	$ 4	$ 457,025	$ (472,561)	$ (15,516)

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

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)
(In thousands, except share and per share data)
(Unaudited)

	Nine Months Ended September 30, 2023									
	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2022	—	$ —	160,297,664	$ 16	39,735,408	$ 4	$ 466,857	$ (503,442)	$ —	$ (36,565)
Issuance of common stock for equity incentive awards	—	—	9,802,634	1	—	—	8,836	—	—	8,837
Issuance of common stock under the ELOC program	—	—	25,000,000	3	—	—	73,762	—	—	73,765
ELOC program fee settled in common stock			250,000				915			915
Issuance of Series A Preferred Stock	835,011	24,942	—	—	—	—	—	—	—	24,942
Issuance of Class A common shares upon conversion of Class B common shares	—	—	2,250,000	—	(2,250,000)		—	—	—	—
Issuance of Class A common shares upon conversion of Series A Preferred Stock	(353,338)	(10,555)	11,375,090	1	—	—	10,554	—	—	—
Issuance of common stock warrants	—	—	—	—	—	—	4,136	—	—	4,136
Stock-based compensation	—	—	—	—	—	—	20,639	—	—	20,639
Net loss	—	—	—	—	—	—	—	(70,934)	—	(70,934)
Other comprehensive income	—	—	—	—	—	—	—	—	197	197
Balances as of September 30, 2023	481,673	$ 14,387	208,975,388	$ 21	37,485,408	$ 4	$ 585,699	$ (574,376)	$ 197	$ 25,932

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

SOUNDHOUND AI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (Continued)
(In thousands, except share and per share data)
(Unaudited)

	Nine Months Ended September 30, 2022										
	Legacy SoundHound Redeemable Convertible Preferred Stock		Legacy SoundHound Common Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balances as of December 31, 2021	19,248,537	$ 279,503	12,280,051	$ 1	—	$ —	—	$ —	$ 43,491	$ (386,729)	$ (343,237)
Retroactive application of Business Combination (Note 3)	87,700,789	(279,503)	55,978,505	(1)	—	—	—	—	279,504	—	279,503
Adjusted balances, beginning of period	106,949,326	—	68,258,556	—	—	—	—	—	322,995	(386,729)	(63,734)
Issuance of common stock for equity incentive awards	—	—	2,582,535	—	—	—	—	—	2,840	—	2,840
Net exercise of outstanding warrants	—	—	673,416	—	—	—	—	—	—	—	—

Conversion of convertible note	—	—	2,046,827	—	—	—	—	—	20,239	—	20,239
Effect of reverse recapitalization, net of costs (Note 3)	(106,949,326)	—	(73,561,334)	—	140,114,060	14	40,396,600	4	(18)	—	—
PIPE financing	—	—	—	—	11,300,000	1	—	—	86,584	—	86,585
Issuance of common stock pursuant to the Business Combination	—	—	—	—	4,693,050	1	—	—	4,105	—	4,106
Issuance of common stock for equity incentive awards	—	—	—	—	1,188,955	—	—	—	780	—	780
Stock-based compensation	—	—	—	—	—	—	—	—	19,500	—	19,500
Net loss	—	—	—	—	—	—	—	—	—	(85,832)	(85,832)
Balances as of September 30, 2022	—	$ —	—	$ —	157,296,065	$ 16	40,396,600	$ 4	$ 457,025	$ (472,561)	$ (15,516)

	Three Months Ended March 31, 2023									
	Series A Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2022	—	$ —	160,297,664	$ 16	39,735,408	$ 4	$ 466,857	$ (503,442)	$ —	$ (36,565)
Issuance of Class A common stock for equity incentive awards	—	—	3,468,525	—	—	—	2,425	—		2,425
Issuance of Class A common stock under the ELOC program	—	—	10,948,552	2	—	—	30,327			30,329
Issuance of Series A Preferred Stock	835,011	24,942	—	—	—	—	—	—		24,942
Stock-based compensation	—	—	—	—	—	—	8,249	—		8,249
Net loss	—	—	—	—	—	—	—	(27,430)		(27,430)
Balances as of March 31, 2023	835,011	$ 24,942	174,714,741	$ 18	39,735,408	$ 4	$ 507,858	$ (530,872)	$ —	$ 1,950

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)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (70,934)	$ (85,832)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,941	3,197
Stock-based compensation	20,639	19,500
Change in fair value of derivative and warrant liability	—	606
Loss on change in fair value of ELOC program	1,901	1,075
Non-cash interest expense	3,532	2,237
Non-cash lease expense	2,383	2,168
Loss on debt extinguishment	837	—
Other non-cash losses, net	262	—
Changes in operating assets and liabilities:		
Accounts receivable, net	38	(729)
Prepaid expenses	155	(2,498)
Other current assets	(616)	2
Contract assets	(9,987)	(6,176)
Other non-current assets	690	110
Accounts payable	(635)	398

Accrued liabilities	1,906	1,440
Operating lease liabilities	(2,772)	(3,085)
Deferred revenue	(5,532)	(6,815)
Other non-current liabilities	1,797	797
Net cash used in operating activities	(54,395)	(73,605)
Cash flows from investing activities:		
Purchases of property and equipment	(334)	(1,188)
Net cash used in investing activities	(334)	(1,188)
Cash flows from financing activities:		
Proceeds from the issuance of Series A Preferred Stock	24,942	—
Proceeds from sales of common stock under the ELOC program, net of transaction costs	71,454	—
Proceeds from the issuance of common stock	8,837	3,620
Proceeds from Business Combination and PIPE, net of transaction costs	—	90,689
Proceeds from the issuance of long-term debt, net of issuance costs	85,087	—
Payments on long-term debt	(35,029)	(7,450)
Payments on finance leases	(116)	(1,246)
Net cash provided by financing activities	155,175	85,613
Net change in cash, cash equivalents, and restricted cash equivalents	100,446	10,820
Cash, cash equivalents, and restricted cash equivalents, beginning of period	9,475	22,822
Cash, cash equivalents, and restricted cash equivalents, end of period	$ 109,921	$ 33,642
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 7,945	$ 2,302
Cash paid for income taxes	$ 1,645	$ 787
Noncash investing and financing activities:		
Non-cash debt discount	$ 4,136	$ —
Conversion of Series A Preferred Stock to common stock	$ 10,555	$ —
Issuance of common stock to settle commitment shares related to the ELOC program	$ 915	$ —
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
Operating lease liabilities arising from obtaining right-of-use assets	$ —	$ 650

	Three Months Ended March 31,	
	2024	**2023**
Cash flows used in operating activities:		
Net loss	$ (33,009)	$ (27,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,470	708
Stock-based compensation	6,979	8,249
Loss on change in fair value of ELOC program	—	571
Amortization of debt issuance cost	1,231	16
Non-cash lease amortization	743	894
Foreign currency gain/loss from remeasurement	(55)	—
Change in fair value of contingent acquisition liabilities	4,162	—
Deferred income taxes	(281)	—
Other, net	45	—
Changes in operating assets and liabilities:		

Accounts receivable, net	(1,248)	754
Other current assets	(533)	653
Contract assets	939	126
Other non-current assets	93	186
Accounts payable	905	(256)
Accrued liabilities	(673)	4,556
Operating lease liabilities	(888)	(963)
Deferred revenue	(1,606)	(2,603)
Other non-current liabilities	(222)	(1)
Net cash used in operating activities	(21,948)	(14,540)
Cash flows used in investing activities:		
Purchases of property and equipment	(99)	(15)
Acquisition of SYNQ3, net of cash acquired	(3,689)	—
Net cash used in investing activities	(3,788)	(15)
Cash flows provided by financing activities:		
Proceeds from the issuance of Series A Preferred Stock, net of issuance costs	—	24,942
Proceeds from sales of Class A common stock under the ELOC program, net of issuance costs	—	28,683
Proceeds from sales of Class A common stock under the Sales Agreement	137,274	—
Proceeds from the issuance of Class A common stock upon exercise of options	8,887	2,425
Payment of financing costs associated with ELOC Program	—	(250)
Payment of financing costs associated with the Sales Agreement	(3,435)	—
Payments on notes payable	—	(4,120)
Payments on finance leases	(28)	(39)
Net cash provided by financing activities	142,698	51,641
Effects of exchange rate changes on cash	103	—
Net change in cash, cash equivalents, and restricted cash equivalents	117,065	37,086
Cash, cash equivalents, and restricted cash equivalents, beginning of period	109,035	9,475
Cash, cash equivalents, and restricted cash equivalents, end of period	$ 226,100	$ 46,561

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)

Reconciliation to amounts on the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 211,744	$ 46,331
Non-current portion of restricted cash equivalents	14,356	230
Total cash, cash equivalents, and restricted cash equivalents shown in the condensed consolidated statements of cash flows	$ 226,100	$ 46,561
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 3,539	$ 1,074
Cash paid for income taxes	$ 727	$ 550
Noncash investing and financing activities:		
Conversion of Series A Preferred Stock to Class A common stock	$ 12,090	$ —
Issuance of Class A Common Stock to settle commitment shares related to the ELOC program	$ —	$ 915

Unpaid issuance costs in connection with the ELOC program	$	—	$	437
Deferred offering costs reclassified to additional paid-in capital	$	—	$	323
Property and equipment acquired under finance leases or debt	$	83	$	—
Fair value of Class A common stock and deferred equity consideration issued for business combination	$	10,295	$	—
Fair value of deferred cash consideration	$	143	$	—
Fair value of contingent earnout consideration	$	1,676	$	—
Fair value of contingent holdback consideration	$	981	$	—
Unpaid deferred offering cost	$	200	$	—

NOTE 1. ORGANIZATION

Nature of Operations

SoundHound AI, Inc. (“we," "us," "our," "SoundHound” or the “Company”) turns sound into understanding and actionable meaning. SoundHound’s technology applications enable humans to interact with the things around them in the same way they interact with each other: by speaking naturally to mobile phones, cars, televisions, music speakers, coffee machines, and every other part of the emerging “connected” world. SoundHound's voice AI platform enables product creators to develop their own voice interfaces with their customers. The SoundHound Chat AI voice assistant allows businesses and brands to provide a next-generation voice experience for their users, seamlessly integrating Generative AI and a mix of real-time information domains. Houndify is an open-access platform that allows developers to leverage SoundHound’s Voice AI technology. We have The Company has developed a range of proprietary technologies on our voice AI platform, including Speech-to-Meaning, Deep Meaning Understanding, Collective AI, Dynamic Interaction and SoundHound Chat AI. The SoundHound music app allows customers to identify and play songs by singing or humming into the smartphone’s microphone, or by identifying the sound playing in the background from external sources. We SoundHound also provide Edge+Cloud provides edge, cloud and hybrid (Edge+Cloud) connectivity solutions that allow brands to optimize their voice-enabled products and devices with options ranging from fully-embedded to exclusively cloud-connected.

On April 26, 2022 (the “Closing Date”), pursuant to a merger agreement dated as of November 15, 2021 by and among Archimedes Tech SPAC Partners Co. (“ATSP”), ATSPC Merger Sub, Inc. and SoundHound, Inc. (“Legacy SoundHound”) January 3, 2024, the parties consummated Company completed the merger acquisition of ATSPC Merger Sub, Synq3, Inc. with ("SYNQ3") in a cash and into Legacy SoundHound, with Legacy SoundHound continuing as the surviving corporation (the “Merger”), as well as the other transactions contemplated by the Merger Agreement (the Merger and such other transactions, the “Business Combination”). In connection with the closing (the “Closing”) of the Business Combination, Legacy SoundHound became a wholly owned subsidiary of ATSP and ATSP changed its name to SoundHound AI, Inc., and all of Legacy SoundHound common stock (“Legacy SoundHound Common Stock”) and Legacy SoundHound redeemable convertible preferred stock (“Legacy SoundHound Preferred Stock”) automatically converted into shares of the Company’s Class A common stock, par value of $0.0001 per share (the “Class A Common Stock”), and the Company’s Class B common stock, par value of $0.0001 per share (the “Class B Common Stock”, and collectively with the Class A Common Stock, the “common stock”). The Company’s Class A Common Stock and certain of the Company's warrants commenced trading on the Nasdaq Global Market (“Nasdaq”) under the symbols “SOUN” and “SOUNW,” respectively, on April 28, 2022. transaction. Refer to Note 3 for more information on the Business Combination.

Legacy SoundHound was determined to be the accounting acquirer in the Business Combination based on the following facts:

- Former Legacy SoundHound stockholders have a controlling voting interest in the Company;
- The Company’s board of directors immediately after the closing of the Business Combination was comprised of five board members, primarily from the board of directors of Legacy SoundHound; and
- Legacy SoundHound’s management continues to hold executive management roles for the Company following the Business Combination and are responsible for the day-to-day operations.

Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy SoundHound issuing stock for the net assets of ATSP, accompanied by a reverse recapitalization. The primary asset acquired from ATSP was related to the cash amounts that were assumed. Separately, the Company also assumed certain warrants that were deemed to be equity upon Closing of the Business Combination. No goodwill or other intangible assets were recorded as a result of the Business Combination.

While ATSP was the legal acquirer in the Business Combination, because Legacy SoundHound was deemed the accounting acquirer, the historical financial statements of Legacy SoundHound became the historical financial statements of the combined company upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Legacy SoundHound prior to the Business Combination; (ii) the combined results of the Company and Legacy SoundHound following the Closing of the Business Combination; (iii) the assets and liabilities of Legacy SoundHound at their historical cost; and (iv) the Company's equity structure for all periods presented.

In accordance with guidance applicable to recapitalization transactions, the equity structure has been retroactively restated in all comparative periods up to the Closing Date, to reflect the number of shares of the Company's Class A Common Stock and Class B Common Stock issued to Legacy SoundHound Common Stockholders and Legacy SoundHound Preferred Stockholders in connection with the Business Combination. As such, the shares and corresponding capital amounts and loss per share related to Legacy SoundHound Preferred Stock and Legacy SoundHound Common Stock prior to the Business Combination have been retroactively restated as shares reflecting the conversion ratio established in the Business Combination. additional information.

Going Concern

Since inception, the Company has generated recurring losses as well as negative operating cash flows and reported a net loss of $70.9 million $33.0 million for the nine three months ended September 30, 2023 March 31, 2024. As of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of $574.4 million $625.4 million. Management expects to continue to incur additional substantial losses in the foreseeable future. The Company has historically funded its operations primarily through equity or debt financings.

Total unrestricted cash and cash equivalents on hand as of September 30, 2023 March 31, 2024 was $96.1 million $211.7 million. Although the Company has incurred recurring losses each year since its inception, the Company expects it will be able to fund its operations for at least the next twelve months. months from the date these condensed consolidated financial statements are issued. The Company may seek funding through additional debt or equity financing arrangements, implement incremental expense reduction measures or a combination thereof to continue financing its operations. Refer to Note 19 for information regarding the Company's equity financing activity subsequent to March 31, 2024. The Company's condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Other Risk and Uncertainties

Inflation has risen significantly worldwide and the United States has recently experienced historically high levels of inflation. This inflation and government efforts to combat inflation, such as recent and future significant increases to benchmark interest rates and other related monetary policies, have and could continue to increase market volatility and have an adverse effect on the domestic and international financial markets and general economic conditions.

Additionally, U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflict between Russia and Ukraine and the Israel-Hamas war. Although our business has not been materially impacted by the Russia-Ukraine conflict or the Israel-Hamas war, it is impossible to predict the extent to which our operations, or those of our customers' suppliers and manufacturers, will be impacted in the short and long-term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict but could be substantial.

NOTE 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Significant Accounting Policies

The (a) condensed consolidated balance sheet as of December 31, 2022 December 31, 2023, which has been derived from audited financial statements as filed in the Company's Form 10-K, which was originally filed with the Securities and Exchange Commission ("SEC") on March 28, 2023 March 1, 2024 and (b) the unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable rules and regulations of the SEC regarding annual financial reporting. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative U.S. GAAP included in the Accounting Standards Codification ("ASC"), and Accounting Standards Update ("ASU") issued by the Financial Accounting Standards Board ("FASB"). The condensed consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements and in the

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of its financial position as of September 30, 2023, and its results of operations for the three and nine months ended September 30, 2023, and 2022 and cash flows for the nine months ended September 30, 2023, and 2022. have been included. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results for the fiscal year ending December 31, 2023 December 31, 2024 or any future interim period.

Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the company Company believes that the disclosures made are adequate to make the information not misleading.

Principles Significant Accounting Policies

With the exception of Consolidation the Significant accounting policies related to the SYNQ3 Acquisition (as defined in Note 3) which are disclosed below, there have been no material changes to our significant accounting policies disclosed in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The Company's Reclassification

Certain accounts in the prior year condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

We consolidate any variable interest entity ("VIE") where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (ii) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

Reclassification

Certain prior period balances have been were reclassified to conform to with the current year presentation. Such changes include reclassifications or combinations of certain accounts on the condensed consolidated statements of redeemable convertible preferred stock and stockholders' equity (deficit). These reclassifications The reclassification had no an immaterial impact on total assets, total liabilities, net loss or accumulated deficit our consolidated balance sheet in the previously reported consolidated financial statements for the three and nine months ended September 30, 2022.

Foreign Currency

The functional currency of the Company and its subsidiaries is the U.S. dollar. Foreign currency denominated transactions are converted into U.S. dollars at the average rates of exchange prevailing during the prior year period. Assets and liabilities denominated in foreign currency are remeasured into U.S. dollars at current exchange rates at the balance sheet date for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. During the three and nine months ended September 30, 2023, the Company recognized net losses related to foreign currency transactions and remeasurements of $0.2 million and $0.5 million, respectively, in the condensed consolidated statements of operations as other income (expense), net. During the three and nine months ended September 30, 2022, the Company recognized net losses related to foreign currency transactions and remeasurements of $0.1 million and $0.4 million, respectively, in the condensed consolidated statements of operations as other income (expense), net.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the amounts reported and disclosures in the condensed consolidated financial statements and accompanying notes. Such estimates include revenue recognition, allowance for doubtful accounts, credit losses, accrued liabilities, derivative and warrant liabilities, calculation of the incremental borrowing rate, financial instruments recorded at fair value on a recurring basis, the accounting for business combinations and allocating purchase price, valuation and estimating the useful life of identifiable intangible assets, probability of achievement of revenue estimates related to contingent earnout consideration and performance-based equity awards, valuation of deferred tax assets and uncertain tax positions and the fair value of common stock and other assumptions used to measure stock-based compensation expense. The Company bases its estimates on historical experience, the current economic environment, and on assumptions it believes are reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from changes in the economic environment will be reflected in the financial statements in future periods. Actual results could differ materially from those estimates.

Segment Information

The Company has determined that the Chief Executive Officer is its chief operating decision maker. The Company's Chief Executive Officer reviews discrete financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it operates as a single reportable segment.

Emerging Growth Company Status

The Company is an emerging growth company ("EGC") as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act") and may take advantage of reduced reporting requirements that are otherwise applicable to public companies. Section 107 of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with those standards. This means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company has the option to adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company has elected to use the extended transition period for complying with new or revised accounting standards unless the Company otherwise early adopts select standards. Based on the market value of our Class A common stock held by non-affiliates as of June 30, 2023, we will cease to qualify as an EGC effective as of December 31, 2023.

SOUNDHOUND AI, INC.

Cash and Cash Equivalents **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company's cash equivalents consist of mutual funds, commercial paper and certificates of deposit. The deposits exceed federally insured limits. ***(Unaudited)***

Restricted Cash Equivalents

The Company's restricted cash equivalents were established according to the requirements under the Credit Agreement (as defined in Note 8) and leases for the Company's corporate headquarters, data center and sales office and are subject to certain restrictions. Restricted cash equivalents are classified as current or non-current on the condensed consolidated balance sheets based on the expected duration of the restriction.

Our total cash and cash equivalents and restricted cash, as presented on the condensed consolidated statements of cash flows, was as follows (in thousands):

		September 30, 2023		December 31, 2022
Cash and cash equivalents	$	96,146	$	9,245
Restricted cash equivalents, non-current		13,775		230
Total as presented on the condensed consolidated statements of cash flows	$	109,921	$	9,475

Concentrations of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, the balances of which frequently exceed federally insured limits. The Company regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

As of September 30, 2023 March 31, 2024, accounts receivable balances due from Customer A, B, and C accounted for 30% 16%, 25% 14% and 18% 17% of the Company's condensed consolidated accounts receivable balance, respectively. As of December 31, 2022 December 31, 2023, accounts receivable balances due from Customer A, C, and B D accounted for 49% 40%, 32% and 27% 15% of the Company's condensed consolidated accounts receivable balance, respectively.

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

As of March 31, 2024, unbilled receivables from Customer A, C and F accounted for 31%, 23% and 32% of the Company's unbilled receivables balance, respectively. As of December 31, 2023, unbilled receivables from Customer A, B and C accounted for 59%, 16% and 11% of the Company's unbilled receivables balance, respectively.

For the three months ended September 30, 2023 and September 30, 2022 March 31, 2024, Customer A and C accounted for 72% 26% and 63% 22% of the revenue, respectively. For the nine three months ended September 30, 2023, Customer A and D accounted for 46% and 20% of revenue, respectively. For the nine months ended September 30, 2022 March 31, 2023, Customer A, B, D C and E accounted for 41% 25%, 14% 27%, 10% 11% and 13% 14% of revenue, respectively.

Equity Line of Credit ("ELOC") Business Combinations and Contingent Consideration

Business combinations are accounted for using the acquisition method. The Company enters into certain agreements allocates the fair value of the purchase price of an acquisition to sell common stock the assets acquired and liabilities assumed, based on their estimated fair values as of the date of acquisition. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable, but the estimates and assumptions are inherently uncertain and subject to refinement. The estimates and assumptions used in valuing intangible assets include, but are not limited to, the amount and timing of projected future cash flows, discount rate used to determine the present value of these cash flows and asset lives. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, the Company may make adjustments to the assets acquired and liabilities assumed with counterparties the corresponding offset to further support its growth strategy through initiatives such goodwill. Upon the measurement period's conclusion or final determination of the fair value of the purchase price of an acquisition, whichever comes first, any subsequent adjustments are recorded to our condensed consolidated statements of operations. Acquisition-related expenses are recognized separately from the business combination and expensed as accretive acquisitions incurred.

Certain business combinations include contingent consideration arrangements, which are generally based on achievement of future financial performance or future events. If it is determined the contingent consideration arrangement is not compensatory, the Company estimates fair value of contingent consideration payments as part of the initial purchase price and internal investments, to bolster working capital, and/or for general corporate purposes. records the estimated fair value of contingent consideration as a liability in the condensed consolidated balance sheet. The Company evaluates its common stock purchase agreements reviews and assesses the estimated fair value of contingent consideration each reporting period, and the updated fair value could differ materially from the initial estimates. Adjustments to determine whether they should be accounted for as derivatives with estimated fair value related to changes in fair value are reported as other income (expense), net change in the period fair value of contingent acquisition liabilities in which they occur.

Equity Issuance Costs

The Company capitalizes certain legal, professional, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the financing, these costs are recorded as a reduction of the proceeds received from the equity financing. If a planned equity financing is abandoned, the deferred offering costs are expensed immediately as a charge to operating expenses in the our condensed consolidated statements of operations.

Revenue Recognition Goodwill

The Company recognizes revenue under Accounting Standards Codification Topic 606 ("ASC 606"), Revenue from Contracts with Customers, when a customer obtains control of promised goods or services in an amount that reflects Goodwill represents the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps:

(i) Identification excess of the contract(s) with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction purchase price including the constraint on variable consideration;

(iv) Allocation of the transaction price to the performance obligations in the contract; and

(v) Recognition of revenue when, or as, performance obligations are satisfied.

Contracts are accounted for when both parties have approved and committed to the contract, the rights of the parties and payment terms are identifiable, the contract has commercial substance and collectibility of consideration is probable. Any payments received from customers that do not meet criteria for having a contract are recorded as deposit liabilities on the condensed consolidated balance sheet.

Under ASC 606, assuming all other revenue recognition criteria have been met, the Company recognizes revenue for arrangements upon the transfer of control of the Company's performance obligations to its customers. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account in ASC 606. Revenues are recognized when control of the promised goods or services are transferred to a customer in an amount that reflects the consideration that the Company expects to receive in exchange for those services.

Research and Development

The Company's research and development costs are expensed as incurred. These costs include salaries and other personnel related expenses, contractor fees, facility costs, supplies and depreciation of equipment associated with the design and development of new products prior to the establishment of their technological feasibility.

Warrants

The Company determines whether to classify contracts, such as warrants, that may be settled in its own stock as equity of the entity or as a liability. An equity-linked financial instrument must be considered indexed to the Company's own stock to qualify for equity classification. The Company classifies warrants as liabilities for any contracts that may require a transfer of assets. Warrants classified as liabilities are accounted for at fair value and remeasured at each reporting date until exercise, expiration or modification that results in equity classification. Any change in business combination over the fair value of net assets acquired. Goodwill is not amortized but tested annually for impairment or when indicators of impairment are present. The test for goodwill impairment involves a qualitative assessment of impairment indicators. If indicators are present, a quantitative test of impairment is performed. Goodwill impairment, if any, is determined by comparing the warrants reporting unit's fair value to its carrying value. An impairment loss is recognized as other income (expense), net in the condensed consolidated statements of operations.

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when, in management's estimate, it is more-likely-than-not that the deferred tax asset will not be realized. The Company adopted a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The Company records a liability for the difference between the benefit recognized and measured and the tax position taken or expected to be taken on the Company's tax return.

The Company classifies interest and penalties related to uncertain tax positions in income tax expense, if applicable. There has been no interest expense or penalties related to unrecognized tax benefits recorded through September 30, 2023.

Stock-Based Compensation

The Company measures and records the expense related to stock-based payment awards based on the fair value of those awards as determined on the date of grant. The Company recognizes stock-based compensation expense over the requisite service period of the individual grant, generally an amount equal to the vesting period, and uses excess of the straight-line method to recognize stock-based compensation. The Company accounts for forfeitures as they occur. The Company uses the Black-Scholes option-pricing model to determine the reporting unit's carrying value over its fair value, up to the amount of stock options and employee stock purchase plan ("ESPP") shares. goodwill allocated to the reporting unit. The Black-Scholes option-pricing model Company's policy is to review goodwill for impairment annually on October 1st unless a triggering event requires the use of highly subjective and complex assumptions to determine the fair value of the awards, including the expected term of the award and the price volatility of the underlying stock. The Company calculates the fair value of the awards granted by using the Black-Scholes option-pricing model with the following assumptions:

Expected Volatility — The Company estimates volatility an analysis sooner. There was no goodwill impairment for the awards by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the award grant for a term that is approximately equal to the awards' expected term. three months ended March 31, 2024.

Expected Term Intangible Assets with Definite Lives — The expected term of the Company's awards represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint between the stock options' vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. For the valuation of ESPP shares, the Company, uses the period of time from the valuation date to the purchase date.

Risk-Free Interest Rate — The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with a term that is equal to the awards' expected term at the grant date.

Expected Dividend Yield — The Company's intangible assets consist principally of developed technology, customer relationships, tradename, and conversation data. The Company has not declared or paid dividends to date and does not anticipate declaring dividends. As such, expected dividend yield is zero.

Restricted Stock Units

assesses the appropriate method of amortization of the intangible assets that reflects the pattern in which the economic benefits of the intangible assets are consumed. The Company issues restricted stock unit awards ("RSUs") determined that a straight-line method of amortization was appropriate for its intangible assets. The remaining useful lives of long-lived assets are re-assessed periodically at the asset group level for any events and circumstances that may change the future cash flows expected to grantees as compensation be generated from the long-lived asset or asset group.

Intangible assets with definite lives are tested for services. The fair impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of intangible assets with definite lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the RSUs asset group exceeds the undiscounted future cash flows, the asset group is determined at the grant date based on the fair value deemed to be impaired. The amount of the Company's Class A Common Stock and for RSUs with service conditions only, is recognized straight-line over impairment loss represents the service period.

The Company issues RSUs with vesting conditions tied to certain performance criteria ("Performance-Based RSUs"). Stock-based compensation related to Performance-Based RSUs is recognized to the extent it is determined that performance is probable excess of being achieved.

The Company issues RSUs with vesting conditions tied to certain market conditions ("Market-Based RSUs"). To derive the fair value of Market-Based RSUs, the Company applies a Monte Carlo simulation to determine the grant date fair value. Stock-based compensation related to Market-Based RSUs is recognized over the derived service period.

Fair Value Measurements

The Company defines fair value as the exchange price that would be received from an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The Company follows a three-level valuation hierarchy for disclosure of fair value measurements as follows:

- Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market data at the measurement date participant would expect from use and for the duration disposition of the instrument's anticipated life.
- Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the long-lived asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The fair value of our variable rate Term Loan approximates carrying value as the interest rate of the loan approximates market rates.

The following table presents the fair value of the Company's financial instruments that are measured or disclosed at fair value on a recurring basis (in thousands):

	September 30, 2023		
	Level 1	Level 2	Level 3
Assets:			
Money market fund	$ 40,495	$ —	$ —
Total assets	$ 40,495	$ —	$ —

asset group. There were no intangible asset impairments in any of the periods presented.

Recent Accounting Pronouncements — Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which expands disclosures about a public business entity's reportable segments and provides for more detailed information about a reportable segment's expenses. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial instrument assets measured or disclosed at fair value statements. Early adoption is permitted. Preliminarily, the Company will have increased disclosure requirements for its single reportable segment related to its significant segment expenses as well as additional information on its Chief Operating Decision Maker ("CODM") and its use of reported measures. The Company will continue to evaluate this ASU to determine its impact on disclosures.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update No. 2023-09, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a recurring prospective basis, as of December 31, 2022.

	Equity Line of Credit		Total Level 3	
Liabilities:				
December 31, 2022	$	1,075	$	1,075
Change in fair value		1,901		1,901
Settlements		(2,976)		(2,976)
September 30, 2023	$	—	$	—

	Equity Line of Credit		Total Level 3	
Liabilities:				
December 31, 2021	$	—	$	—
Change in fair value		1,075		1,075
Settlements		—		—
September 30, 2022	$	1,075	$	1,075

Preferred Stock

with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company assesses its preferred stock instruments at issuance and each reporting period for classification and derivative features requiring bifurcation.

The Company presents as temporary equity any stock which (i) is currently evaluating the Company undertakes to redeem at a fixed or determinable price impact that the updated standard will have on the fixed or determinable date or dates; (ii) is redeemable at the option of the holders, or (iii) has conditions for redemption which are not solely within the control of the Company. For stock presented as temporary equity that is not currently redeemable, the Company assesses the probability of the event that would lead to redemption. If it is probable that the equity instrument will become redeemable, the Company accretes changes in the redemption value over the period from the date of issuance, or from the date that it becomes probable that the instrument will become redeemable, if later, to the earliest redemption date of the instrument using an appropriate methodology. If an equity instrument classified as temporary equity is not probable of redemption, subsequent adjustment of the amounts presented in temporary equity is unnecessary.

Net Loss Per Share

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities.

Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common stock and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, Series A Preferred Stock, stock options, ESPP shares, RSUs and warrants are considered to be potentially dilutive securities. See Note 13 for further information.

Accordingly, in periods in which the Company reports a net loss, diluted net loss per share is the same as basic net loss per share, since dilutive common stock is not assumed to have been issued if their effect is anti-dilutive.

The Company issued Series A Preferred Stock, which accrues cumulative dividends which are either paid in cash or compounding to the liquidation preference at the discretion of the board of directors. The Company accrues dividends as adjustments to net loss before net loss attributable to common stockholders.

The Company applies the two-class method to calculate its basic and diluted net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders. The

Company's participating securities contractually entitle the holders of such shares to participate in dividends, but do not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss, such losses are not allocated to such participating securities. financial statement disclosures.

NOTE 3. BUSINESS COMBINATION

As discussed in Note 1, on April 26, 2022, the Business Combination was consummated. Pursuant to the Company's Second Amended and Restated Certificate of Incorporation

On January 3, 2024 (the "certificate of incorporation" "Closing Date"), the Company acquired all of the issued and outstanding equity of SYNQ3, a provider of voice AI and other technology solutions to the restaurant industry, for total preliminary purchase consideration of $17.0 million (the "SYNQ3 Acquisition"). The Company's acquisition of SYNQ3 is authorized expected to issue 500,000,000 expand its AI customer service solutions and create a Voice AI provider for restaurants. The acquisition is expected to significantly extend the Company's market reach and accelerate the deployment of generative AI capabilities to the industry.

The total preliminary purchase consideration includes $3.9 million in cash paid and 5,755,910 in shares of capital stock consisting of 455,000,000 shares of the Company's Class A Common Stock 44,000,000 issued as of the Closing Date. The Company has also withheld purchase consideration of $0.5 million in cash and 1,179,514 shares of Class B Common Stock, and 1,000,000 shares of preferred stock. All stock has a par value of $0.0001 per share. The holders of the Company's Class A Common Stock, are entitled subject to one vote for each share customary net working capital adjustments, to partially secure the indemnification obligations of SYNQ3's former stockholders under the merger agreement and agreed to pay up to $0.8 million in cash and 1,434,936 in shares of the Company's Class A Common Stock held and to certain former stockholders of SYNQ3 based upon the holders achievement of Class B Common Stock are entitled to ten votes per share on all matters submitted to stockholders for their vote or approval. specified future milestones. The holders Company also issued 2,033,156 restricted shares of the Company's Class A Common Stock subject to time and Class B Common Stock vote together as one class, other than on certain specific matters described in the Company's certificate of incorporation.

The Business Combination was approved by ATSP's stockholders performance-based vesting conditions at a special meeting thereof (the "Special Meeting"), held in lieu of the 2022 annual meeting of the Company's stockholders. The Business Combination fulfilled the definition of an "initial business combination" as required by the ATSP's Amended and Restated Certificate of Incorporation. This fulfillment resulted in ATSP ceasing to be a shell company upon the Closing.

An aggregate of 12,767,950 shares of Class A Common Stock sold in ATSP's initial public offering (the "public shares") exercised their rights to redemption. The redemption right provided holders the right to have their public shares redeemed for a pro rata portion of the trust account holding the proceeds from ATSP's initial public offering. The value of the shares is calculated as of two (2) business days prior to the date of the Special Meeting, which was $10.00 per share, or $127.7 million in the aggregate.

As a result of the Business Combination, among other things (1) all outstanding shares of Legacy SoundHound Common Stock as of immediately prior to the Closing (including Legacy SoundHound Common Stock resulting from the Legacy SoundHound Preferred Stock Conversion), were exchanged at an conversion ratio of 5.5562 (the "Conversion Ratio") for an aggregate of 140,114,060 shares of Class A Common Stock and 40,396,600 Class B Common Stock; (2) each outstanding warrant to purchase shares of Legacy SoundHound Common Stock automatically converted into a warrant to purchase, subject to substantially the same terms and conditions as were applicable under these warrants prior to the Effective Time, shares of Class A Common Stock, proportionately adjusted for the Conversion Ratio, with the per share exercise price equal to the exercise price prior to the Effective Time divided by the Conversion Ratio and were net exercised upon the Closing; (3) each outstanding option to purchase shares of Legacy SoundHound Common Stock converted into an option to purchase, subject to substantially the same terms and conditions as were applicable under these options prior to the Effective Time, shares of Class A Common Stock equal to the number of shares subject to such option prior to the Effective Time multiplied by the Conversion Ratio, with the per share exercise price equal to the exercise price prior to the Effective Time divided by the Conversion Ratio; (4) each Legacy SoundHound RSU converted into a restricted stock unit of SoundHound, subject to substantially the same terms and conditions as were applicable under the SoundHound RSU prior to the Closing. SoundHound RSU holders received the same consideration holders would have received if the SoundHound RSU was converted into Legacy SoundHound Common Stock immediately prior to the Effective Time. Date.

In connection with the Merger Agreement, ATSP entered into subscription agreements (collectively, the "Subscription Agreements") with certain accredited investors (the "Subscribers"). Pursuant to the Subscription Agreements, the Subscribers agreed to purchase, and ATSP agreed to sell to the Subscribers, an aggregate of 11,300,000 shares of Class A Common Stock ("PIPE Shares"), for a purchase price of $10.00 per share and an aggregate purchase price of $113.0 million (the "PIPE Investment"). The PIPE shares are identical to the shares of Class A Common Stock that were held by the ATSP's public stockholders at the time of the Closing, except that the PIPE Shares were not entitled to any redemption rights. The sale of PIPE Shares was consummated concurrently with the Closing.

Holdback

The Business Combination $0.5 million in cash and 1,179,514 shares of the Company's Class A Common Stock is being withheld for a period of 15 months (the "Holdback Amount"). The Company determined that there are two components to the Holdback Amount related to deferred consideration and contingent consideration, each comprised of cash and shares.

The deferred cash holdback consideration of $0.1 million was recorded within other non-current liabilities at present value and the deferred share holdback consideration of 361,145 shares of the Company's Class A Common Stock was recorded within stockholders' equity in the amount of $0.6 million based on the fair value of the Company's Class A Common Stock as of the Closing Date (the "Deferred Consideration").

The contingent cash and share holdback consideration to be issued is variable ("Contingent Holdback Consideration"). Final amounts to be issued will be reduced based upon future actions and settlements with third parties to resolve assumed contingent sales tax liabilities in connection with the SYNQ3 Acquisition. The Company accounted for the Contingent Holdback Consideration as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, ATSP was treated as the “acquired” company for financial reporting purposes. The net assets of Legacy SoundHound were stated at historical cost, with no goodwill or other intangible assets recorded.

In accounting for the Business Combination and after redemptions, net proceeds received by the Company totaled $90.7 million. The table below shows the total net proceeds from the Business Combination and the PIPE Investment (in thousands):

Cash - ATSP trust and cash (net of redemption)	$	5,357
Cash - PIPE Investment		113,000
Less: transaction costs		(27,668)
Net proceeds from Business Combination and PIPE Investment	$	90,689

Relating to the consummation of the Business Combination, the Company incurred $27.7 million in total transaction costs consisting of direct legal, accounting and other fees. $4.1 million of Legacy SoundHound transaction costs specific and directly attributable to the Business Combination were initially capitalized as deferred offering costs and included in other non-current assets liability within contingent acquisition liabilities on the condensed consolidated balance sheets. Total sheet. As of the Closing Date, the Contingent Holdback Consideration was estimated to be $1.0 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of the Company’s Class A Common Stock. The Contingent Holdback Consideration will be subsequently remeasured at each reporting date with changes in fair value recognized as a component of operating expense on the Company's condensed consolidated statement of operations and comprehensive loss. For the three months ended March 31, 2024, the Company recognized a $1.6 million loss related to the Contingent Holdback Consideration. See Note 17 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of shares associated with the holdback.

Earnout

The Company also agreed to pay in aggregate up to $0.8 million in cash and 1,434,936 in shares of Class A Common Stock, to certain stockholders of SYNQ3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026 (the “Contingent Earnout Consideration”). The Company accounted for the Contingent Earnout Consideration as a liability within contingent acquisition liabilities on the Company's condensed consolidated balance sheet and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in the Company’s condensed consolidated statement of operations and comprehensive loss. As of the Closing Date, the Contingent Earnout Consideration was estimated to be $1.7 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of the Company’s Class A Common Stock. For the three months ended March 31, 2024, the Company recognized a $2.6 million loss related to the Contingent Earnout Consideration, reflected in the change in fair value of contingent acquisition liabilities in the condensed consolidated statement of operations and comprehensive loss. See Note 17 to our unaudited condensed consolidated financial statements included within this report for more information on the fair value measurement of Contingent Earnout Consideration.

Restricted stock awards

The 2,033,156 restricted shares of the Company's Class A Common Stock issued at the Closing Date to certain continuing employees of SYNQ3 subject to time and performance-based vesting conditions was determined to be a separate transaction from the SYNQ3 Acquisition and therefore is excluded from purchase consideration. See Note 13 to our unaudited condensed consolidated financial statements included within this report for more information on stock-based awards issued in connection with the SYNQ3 Acquisition.

Preliminary purchase price allocation

The preliminary purchase price allocation was performed as of January 3, 2024 and allocated to the assets acquired and liabilities assumed based on their respective fair values, as follows (in thousands):

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(Unaudited)

Cash paid	$	3,910
Equity consideration		9,687
Deferred cash consideration		143
Deferred equity consideration		608
Contingent earnout consideration		1,676
Contingent holdback consideration		981
Purchase price		17,005
Assets acquired:		
Cash		221
Accounts receivable		1,500
Prepaid expenses		72
Intangible assets		12,705
Total identified assets acquired		14,498
Liabilities assumed:		
Accounts payable		440
Accrued liabilities		1,677
Deferred revenue		104
Other non-current liabilities		750
Deferred tax liability		282
Total liabilities assumed		3,253
Fair value of identifiable net assets acquired	$	11,245
Goodwill acquired on acquisition	$	5,760

Goodwill recognized includes synergies expected to be achieved from the operations of the combined company and intangible assets that do not qualify for separate recognition. Expected synergies include both increased revenue opportunities and the cost savings from the planned integration of platform infrastructure, facilities, personnel, and systems. The transaction is considered a non-taxable business combination, and the goodwill is not deductible for tax purposes.

The preliminary purchase price allocation has not been finalized as of March 31, 2024 primarily due to the final assessment of the fair values of the intangible assets, contingent sales tax liability assumed, and fair value of the contingent acquisition liabilities. The fair value estimates of assets acquired and liabilities assumed is pending the completion of various items, including obtaining further information regarding the identification and valuation of all assets acquired and liabilities assumed. Any adjustments to the estimates of purchase price allocation will be made in the periods in which the adjustments are determined, and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. The Company expects to finalize the purchase price allocation within 12 months from the acquisition date.

The following table summarizes the preliminary fair values of the identifiable intangible assets acquired (in thousands):

Intangible Assets:	Useful life (in years)		Preliminary fair value at acquisition
Developed technology	3.0	$	5,210
Customer relationships	4.0		4,800
Tradename	2.0		1,410
Conversation data	2.5		1,285
		$	12,705

The Company incurred $1.3 million in acquisition related expenses, were of which $0.2 million was incurred during the three months ended March 31, 2024 and recorded as an offset against proceeds received on the closing general and administration expenses in its condensed consolidated statements of operations and comprehensive loss.

Restricted stock units

As a condition of the Business Combination, SYNQ3 Acquisition, the Company additionally granted certain employees awards with future vesting conditions. As a result, the Company determined that these awards should be accounted for as additional paid-in capital. separately from the acquisition and therefore are excluded from purchase consideration. See Note 13 to our unaudited condensed consolidated financial statements included within this report for more information on these awards.

Unaudited pro forma financial information

The amount recorded to additional paid-in-capital was comprised financial results of $86.6 million net proceeds SYNQ3 are included in these unaudited condensed consolidated financial statements from the PIPE investment date of the acquisition. The acquired business contributed revenue of $3.0 million and $4.1 million after net redemptions loss of ATSP shareholders. $1.6 million to the Company for the period from January 3, 2024 to March 31, 2024.

The number of shares of common stock issued immediately following the consummation table includes unaudited pro forma financial information that presents combined results of the Business Combination Company as if the business combination was as follows: completed on January 1, 2023, the beginning of the comparable prior annual reporting period.

	Unaudited		
	Class A Common Stock - conversion of Legacy SoundHound Common Stock and Legacy SoundHound Preferred Stock outstanding prior to Business Combination Three Months Ended		
	140,114,060 March 31, 2023		
Class B Common Stock - conversion of Legacy SoundHound Common Stock and Legacy SoundHound Preferred Stock outstanding prior to Business Combination Revenue	40,396,600	$	10,805
Class A Common Stock - PIPE Investment Net loss attributable to SoundHound AI, Inc.	11,300,000		
Class A Common Stock - issuance to ATSP shareholders $	532,050		
Class A Common Stock - issuance to Legacy SoundHound founders and representatives (35,247)	4,161,000		
Total shares of common stock immediately after Business Combination			196,503,710

The unaudited pro forma financial information includes the combined historical operating results of the Company and SYNQ3 prior to the acquisition, with adjustments to give effect for the SYNQ3 Acquisition and related events. Pro forma adjustments have been made to reflect the incremental intangible asset amortization to be incurred based on the fair values and useful lives of each identifiable intangible asset, incremental stock-based compensation related to inducement equity awards, incremental compensation related to amended severance agreements, incremental transaction costs related to the acquisition, change in fair value of contingent acquisition liabilities, elimination of interest expense related to SYNQ3's previously outstanding debt, elimination of amortization expense related to SYNQ3's previously recognized goodwill, and the related tax effects of pro forma adjustments for the period. These unaudited pro forma results are presented for informational purpose only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the acquisition had occurred at the beginning of the period presented, nor are they indicative of future results of operations.The unaudited pro forma results are based on the preliminary purchase price allocation and will be updated to reflect the final amounts as the allocation is finalized during the measurement period.

The Company did not have any material nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings.

NOTE 4. REVENUE RECOGNITION

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are generally recognized upon the transfer of control of promised products or services provided to customers, reflecting the amount of consideration the Company expects to receive for those products or services.

The Company's arrangements with customers may contain multiple obligations. Individual services are accounted for separately if they are distinct — that is, if a service is separately identifiable from other items in the contract and a customer can benefit from it in its own or with other resources that are readily available to the customer.

The Company derives its revenue primarily from the following performance obligations: (1) hosted services, (2) professional services, (3) monetization, and (4) licensing. Revenue is Revenues are reported net of applicable sales and use taxes that are passed through to customers.

The Company applies significant judgement in identifying and evaluating any terms and conditions in contracts which impact revenue recognition.

The Company has the following performance obligations in contracts with customers:

Hosted Services

Hosted services, along with non-distinct customization, integration, maintenance and support professional services, allow customers to access the Houndify platform over the contract period without taking possession of the software. The contract terms of hosted services range from one year to twenty years.

The Company has determined that the hosted services arrangements are a single performance obligation comprised of a series of distinct services, since each day of providing access to hosted services is substantially the same and the customer simultaneously receives and consumes the benefits as access is provided. These services are provided either on a usage basis (i.e., variable consideration) or on a fixed fee subscription basis. The Company recognizes revenue as each distinct service period is performed (i.e., recognized as incurred). performed.

Hosted services generally include up-front services to develop and/or customize the Houndify application to each customer's specification. Judgement is required to determine whether these professional services are distinct from the hosted services. In making this determination, factors such as the degree of integration, the customers' ability to start using the software prior to customization, and the availability of these services from other independent vendors are considered.

In instances where the Company concluded that the up-front services are not distinct performance obligations, revenues for these activities are recognized over the period which the hosted services are provided and is included within hosted services revenue.

Revenues derived as a result of the SYNQ3 Acquisition are categorized as hosted services revenue.

Professional Services

Revenues from distinct professional services, such as non-integrated development services, are either recognized over time based upon the progress towards completion of the project, or at a point in time at project completion. The Company assesses distinct professional services to determine whether the transfer of control is over-time or at a point in time. The Company considers three criteria in making their assessment including (1) the customer simultaneously receives and consumes the benefits; (2) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. If none of the criteria are met, revenues are determined to be recognized at a point in time.

For distinct professional services determined to be recognized over-time, measuring the stage of completion of a project requires significant judgement and estimates including actual efforts spent in relation to estimated total costs and percentage of completion is based on input and output measures. During the three and nine months ended September 30, 2023 March 31, 2024, $0.9 million and $5.9 million, respectively, $1.5 million of professional service revenue was recognized over time. During the three months ended September 30, 2023 March 31, 2024, there was no professional service revenue recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer. During the nine three months ended September 30, 2023 March 31, 2023, $0.9 million of professional service revenue was recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer. During the three and nine months ended September 30, 2022, $0.4 million and $1.2 million, respectively, $0.7 million of professional service revenue was recognized over time, with the remaining $0.3 million and $1.4 million, respectively, $0.9 million recognized at a point in time when the performance obligation was fulfilled and control of the service was transferred to the customer.

Monetization

Monetization revenues are primarily derived from advertising payments associated with ad impressions placed on the SoundHound music identification application. The Company derives an immaterial amount of revenue from sales commissions earned from song purchases facilitated by the SoundHound app and App store fees paid for ads-free downloads of the SoundHound music identification app. The amount of revenue is based on actual monetization generated or usage, which represent a variable consideration with constrained estimates. Therefore, the Company recognizes the related revenues at a point in time when advertisements are placed, when commissions are paid or when the SoundHound

application is downloaded. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as a principal or an agent in the transaction. The Company has determined that it does not act as the principal in monetization arrangements because it does not control the transfer of the service and it does not set the price. Based on these factors, the Company reports revenue on a net basis.

Licensing

The Company licenses voice solutions that are embedded in customer's products. Licensing revenues are a distinct performance obligation that is recognized when control is transferred to the customer, which is at a point in time for non-customized solutions. For licenses with non-distinct customized solutions, revenues are recognized over time based on the progress towards completion of the customized solution. Revenues generated from licensing are based on royalty models with a combination of minimum guarantees and per unit pricing. Royalty periods are generally subsequent to when control of the license passes to the customer. The Company records licensing revenue as a usage-based royalty from customers' usage of intellectual property in the same period in which the underlying sale occurs. For royalty arrangements that include fixed considerations related to a minimum guarantee from a customer, the fixed consideration allocated to the license is recognized when the control of the license passes to the customer. The Company provides assurance-type warranty services and to date, post-contract support has been an immaterial performance obligation within the context of the contract.

When a contract has multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative estimated standalone selling price ("SSP"). Judgments are required to determine the SSP for each distinct performance obligation. SSP is determined by maximizing observable inputs from pricing of standalone sales, when possible. Since prices vary from customer to customer based on customer relationship, volume discount and contract type, in instances where the SSP is not directly observable, the Company estimates SSP by considering the following factors:

- Costs of developing and supplying each performance obligation;
- Industry standards;
- Major product groupings; and
- Gross margin objectives and pricing practices, such as contractually stated prices, discounts offered, and applicable price lists.

These factors may vary over time, depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change or should future facts and circumstances lead the Company to consider additional factors, the Company's best estimate of SSP may also change.

The Company's long-term contracts do not have significant financing components, as there is generally payment and performance in each year of the contract. The Company has elected the practical expedient to not adjust promised amounts of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that

good or service will be one year or less. If there is a period of one year or longer between the transfer of promised services and payment, it is generally for reasons other than financing, and, thus, the Company does not adjust the transaction price for financing components.

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For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, revenue under each performance obligation was as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,			
		2023	2022	2023	2022		
	Three Months Ended March 31,						Three Months Ended March 31,
	2024					2024	2023
Hosted services	Hosted services	$ 4,262	$ 4,878	$12,753	$12,672		
Professional services							
Licensing	Licensing	7,933	5,389	8,671	5,660		
Professional services		912	694	6,839	2,644		
Monetization	Monetization	161	225	463	652		

Total	Total	$13,268	$11,186	$28,726	$21,628

For the three and nine months ended September 30, 2023March 31, 2024 and 2022, 2023, the disaggregated revenue by geographic location was as followsfollows* (in thousands):

	Three Months Ended March 31,	Three Months Ended March 31,	
	2024	2024	2023
United States			
Korea			
France			
Other			
Japan			
Germany			
Total			

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Korea	$ 9,550	$ 7,402	$14,132	$ 9,609
Germany	196	1,070	5,797	2,897
Japan	922	925	2,781	2,775
France	1,012	650	2,589	2,947
United States	792	1,003	2,282	2,695
Other	796	136	1,145	705
Total	$ 13,268	$11,186	$28,726	$21,628

*Revenue by geographic region is allocated to individual countries based on the billing location of the customer. The end customer location may be different than the customer's billing location.

For the three and nine months ended September 30, 2023March 31, 2024 and 2022, 2023, the disaggregated revenue by recognition pattern was as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
	Three Months Ended March 31,			Three Months Ended March 31,	
	2024			2024	2023
Over time revenue	Over time revenue	$ 5,175	$ 5,251	$18,710	$13,852
Point-in-time	Point-in-time	8,093	5,935	10,016	7,776
Total	Total	$13,268	$11,186	$28,726	$21,628

The Company also disaggregates revenue by service type. This disaggregation consists of Product Royalties, Service Subscriptions and Monetization. Product Royalties revenues are derived from Houndified Products, which are voice-enabled tangible products across the automotive and consumer electronics industries. Revenues from Product Royalties are based on volume, usage or life of the products, which are driven by number of devices, users or unit of time. Service Subscription revenues are generated through Houndified Services, which include customer services, food ordering, content, appointments and voice commerce. Subscription revenues are derived from monthly fees based on usage-based revenue, revenue per query or revenue per user. Both Houndified Products and Houndified Services may include professional services that develop and customize the Houndify platform to fit customers' specific needs. Revenues from Monetization are generated from the SoundHound music identification app and is are primarily attributable to user ad impression revenue.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the disaggregated revenue by service type was as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022		
	Three Months Ended March 31, 2024					2024	2023
Product royalties	Product royalties	$12,616	$10,265	$26,972	$19,534		
Service subscriptions	Service subscriptions	491	696	1,291	1,442		
Monetization	Monetization	161	225	463	652		
Total	Total	$13,268	$11,186	$28,726	$21,628		

Contract Balances

The Company performs its obligations under a contract with a customer by providing access to software, licensing right to use software, or providing services in exchange for consideration from the customer. The timing of the Company's performance often differs from the timing of the customer's payment, which results in the recognition of a receivable, a contract asset or a deferred revenue.

As of January 1, 2023, accounts receivable, net of allowances, was $3.4 million, contract liability. assets were $8.7 million and deferred revenue was $13.4 million.

The contract asset and unbilled accounts receivable, net as of March 31, 2024 and December 31, 2023 consists of the following (in thousands):

	Balance Sheet Presentation	March 31, 2024	December 31, 2023
Unbilled account receivables - current	Contract assets and unbilled receivables, net of allowance for credit losses	$ 7,068	$ 5,138
Contract assets - current	Contract assets and unbilled receivables, net of allowance for credit losses	5,036	6,642
Unbilled account receivables - non-current	Contract assets and unbilled receivables, non-current, net of allowance for credit losses	1,251	—
Contract assets - non-current	Contract assets and unbilled receivables, non-current, net of allowance for credit losses	13,855	16,492

The change in the Company's contract assets and contract liabilities during the current period was primarily the result of the timing differences between the Company's performance, invoicing and customer payments. The Company has not recorded any asset impairment charges related to contract assets during the periods presented in the condensed consolidated financial statements.

Revenues recognized included in the balances of the deferred revenue at the beginning of the reporting period were $1.5 million and $6.1 million, respectively, $1.9 million for the three and nine months ended September 30, 2023 as compared to $2.0 million March 31, 2024 and $5.4 million, respectively, $1.8 million for the three and nine months ended September 30, 2022 March 31, 2023.

During the three and nine months ended September 30, 2023, the Company and a licensing customer modified the minimum guarantee units in an existing contract in the ordinary course of business. The Company accounted for the contract modification prospectively resulting in an increase to net revenue in the amount of $5.4 million, with corresponding increases in contract asset balances.

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As of September 30, 2023 March 31, 2024, the aggregate amount of the transaction price allocated to the remaining performance obligations related to customer contracts that were unsatisfied or partially unsatisfied was $13.9 million. $11.8 million. Given the applicable contract terms, $6.8 million $6.3 million is expected to be recognized as revenue within one year, $4.1 million $3.4 million is expected to be recognized between two2 to five 5 years and the remainder of $3.0 million $2.1 million is expected to be recognized after five 5 years. This amount does not include contracts to which the customer is not committed, contracts for which the Company recognizes revenue equal to the amount the Company has the right to invoice for services performed or future sales-based or usage-based royalty payments in exchange for access to the Company's hosted services. This amount is subject to change due to future revaluations of variable consideration, terminations, other contract modifications or currency adjustments. The estimated timing of the recognition of remaining unsatisfied performance obligations is subject to change and is affected by changes to scope, changes in timing of delivery of products and services or contract modifications.

NOTE 5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in the carrying value of goodwill for the three months ended March 31, 2024, was as follows (in thousands):

Balance as of December 31, 2023	$	—
Acquisition of SYNQ3		5,760
Balance as of March 31, 2024	$	5,760

The Company has applied the acquisition method of accounting in accordance with ASC 805 and recognized assets acquired and liabilities assumed of SYNQ3 at their fair value as of the date of acquisition, with the excess purchase consideration recorded to goodwill. As the Company finalizes the estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments to the amount of goodwill may be necessary.

Intangible Assets

The gross carrying value, accumulated amortization and net carrying value of intangible assets consisted of the following (in thousands):

	March 31, 2024		
	Gross Carrying Value	**Accumulated Amortization**	**Net Carrying Value**
Developed technology	$ 5,210	$ 520	$ 4,690
Customer relationships	4,800	300	4,500
Tradename	1,410	176	1,234
Conversation data	1,285	129	1,156
Total	$ 12,705	$ 1,125	$ 11,580

Amortization expense of intangible assets was $1.1 million for the three months ended March 31, 2024. These expenses were recorded as $0.5 million within cost of revenues, and $0.6 million within operating expenses for the respective periods. There was no amortization expense during the three months ended March 31, 2023.

Future amortization expense of intangible assets held as of March 31, 2024, are as follows (in thousands):

Year ending December 31,		
2024	$	3,030
2025		4,156
2026		3,194
2027		1,200
Total	$	11,580

NOTE 5. 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Accrued compensation expenses	Accrued compensation expenses	$ 7,861	$ 6,134		
Accrued interest		1,685	236		
Accrued vendor payables	Accrued vendor payables	1,149	1,002		
Accrued professional services		243	89		
Accrued lender fees					
Other accrued liabilities	Other accrued liabilities	74	1,076		
		$ 11,012	$ 8,537		
	$				

NOTE 6. 7. COMMITMENTS AND CONTINGENCIES

Contracts

In August 2021, the Company entered into an exclusive agreement with a cloud service provider to host its voice artificial intelligence platform pursuant to which the Company committed to pay a minimum of $98.0 million in cloud costs over a seven-year period subject to variable increases based on usage.

Aggregate non-cancelable future minimum payments were as follows as of September 30, 2023 March 31, 2024 (in thousands):

Remainder of 2023		$	1,750
2024			11,000
Remainder of 2024			
2025	2025		14,000
2026	2026		16,000
2027	2027		24,000
Thereafter			24,000
2028			
Total	Total	$	90,750

Legal Proceedings

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues contingent liabilities when it is probable that future expenditures will be made, and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims for which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flows of the Company.

Other Matters

The Company has not historically collected U.S. state or local sales and use tax, or other similar taxes, in any jurisdiction. On June 21, 2018, the U.S. Supreme Court decided, in *South Dakota v. Wayfair, Inc.*, that state and local jurisdiction may, in certain circumstances, enforce sales and use tax collection obligations on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection from remote vendors. The details and effective dates of these collection requirements vary from state to state. The Company continues to analyze potential sales tax exposure using a state-by-state assessment. In accordance with ASC 450, Contingencies, the Company estimated and recorded a liability of $1.1 million $1.0 million as of September 30, 2023 March 31, 2024 and December 31, 2022 $0.2 million as of December 31, 2023.

NOTE 7. 8. WARRANTS

As a result of the Business Combination, the Company has retroactively adjusted the Legacy SoundHound warrants outstanding and corresponding strike price prior to April 26, 2022 to give effect to the Conversion Ratio used to determine the number of shares of common stock into which they were converted.

Term Loan Warrants Related to Convertible Notes and Note Payable

In connection with the issuance of the Company's 2021 note payable ("SVB March 2021 Note") and 2021 convertible note ("SCI June 2021 Note"), the Company issued detachable warrants to purchase 708,808 and 354,404 shares of Legacy SoundHound common stock, respectively, with an exercise price of $3.67 per share to the lenders, which were immediately exercisable. On the Closing Date, all outstanding warrants issued in connection to the SVB March 2021 Note and the SCI June 2021 Note were fully net exercised by their respective lenders, leading to a net issuance of 673,416 shares of Class A Common Stock.

In connection with the Credit Agreement (as defined in Note 8) 9), on the Term Loan Closing Date the Company issued a warrant warrants to purchase up to 3,301,536 shares of the Company's Class A common stock Common Stock to the Agent and its assign (the "Term Loan Warrant" Warrants"). The Term Loan Warrant has Warrants have a per share exercise price of $2.59 and may be exercised, including on a cashless basis, by the holder at any time prior to the 10-year anniversary of the issue date. The Term Loan Warrant Warrants will be automatically cashless exercised immediately prior to a change in control of the Company. The Term Loan Warrants are indexed to the Company's stock and were classified as an equity instrument. On the Term Loan Closing Date, this resulted in the Company allocated allocating the gross proceeds and issuance costs between the Term Loan and the Term Loan Warrant Warrants based on their relative fair values, resulting in the initial recognition of the Term Loan Warrant at $4.1 million as additional paid-in-capital on the condensed consolidated balance sheets.

In March 2024, the Company issued 2,269,982 shares of the Company's Class A Common Stock resulting from the cashless exercise in full of the Term Loan Warrants that were outstanding. As of March 31, 2024, all of the Term Loan Warrants had been exercised and no Term Loan Warrants are outstanding.

Warrants Related to the Business Combination ATSP Merger

Public Warrants

On April 26, 2022 (the "Closing"), pursuant to a merger agreement dated as of November 15, 2021 by and among Archimedes Tech SPAC Partners Co. ("ATSP"), ATSPC Merger Sub, Inc. and SoundHound, Inc. ("Legacy SoundHound"), the parties consummated the merger of ATSPC Merger Sub, Inc. with and into Legacy SoundHound, with Legacy SoundHound continuing as the surviving corporation, as well as the other transactions contemplated by the Merger Agreement (the merger and such other transactions collectively referred to the "ATSP Merger").

Prior to the Business Combination, ATSP Merger, ATSP issued public warrants ("Public Warrants"). Each Public Warrant entitles the holder to the right to purchase one share of common stock at an exercise price of $11.50 per share. No fractional shares were issued upon exercise of the Public Warrants. The Company may redeem the outstanding warrants, for $0.01 per warrant, upon not less than 30 days' prior written notice of redemption, if the reported last sale price of the common stock equals or exceeds $18.00 per share (as adjusted for stock dividends, sub-divisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period commencing after the warrants become exercisable and ending on the third trading day before the Company sends the notice of redemption to the warrant holders. Upon issuance of a redemption notice by the Company, the warrant holders may, at any time after the redemption notice, exercise the Public Warrants for cash, or on a cashless basis.

Subsequent to the closing of the Business Combination, ATSP Merger, the Company's Public Warrants continue to be classified as equity instruments, as they are indexed to the Company's stock. As of September 30, 2023, there were 3,457,996 Public Warrants issued and outstanding.

Private Warrants

Prior to the Business Combination, ATSP Merger, ATSP issued private warrants ("Private Warrants"). The Private Warrants were initially issued in the same form as the Public Warrants with the exception that the Private Warrants: (i) would not be redeemable by the Company and (ii) may be exercised for cash or on a cashless basis, so long as they are held by the initial purchasers or any of their permitted transferees. If the Private Warrants are held by holders other than the initial purchasers or any of their

permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by the holders on the same basis as the Public Warrants.

The Private Warrants were initially classified as derivative liability instruments as they met the definition of a derivative and were not considered indexed in the Company's own stock as the settlement value could be dependent on who held the Private Warrants at the time of exercise. Upon the Closing of the Business Combination, ATSP Merger, the Company modified its Private

Warrants to be identical to its Public Warrants. Therefore, the Private Warrants met requirements for classification as equity instruments, as they are indexed to the Company's stock.

As of September 30, 2023 March 31, 2024, there were 208,000 3,665,996 Public Warrants and Private Warrants issued and outstanding. There have been no exercises during the three months ended March 31, 2024 and March 31, 2023.

NOTE 8. LONG-TERM DEBT

SNAP June 2020 Note

In June 2020, the Company issued a promissory note (the "SNAP June 2020 Note"), to a Lender in exchange for $15.0 million in cash proceeds. The note had an annual interest rate of 5% and a maturity date of June 26, 2022, if not converted earlier pursuant to applicable conversion terms and change in control events. As a result of the Business Combination, on the Closing Date, the SNAP June 2020 Note conversion feature was triggered. As a result, on the Closing Date, all outstanding principal of $15.0 million and accrued interest of $1.4 million were converted into 2,046,827 shares of Class A Common Stock. In addition, the remaining debt discount of $0.2 million and related derivative liability with fair value of $4.1 million as of the Closing Date were extinguished. 9. NOTE PAYABLE

SVB March 2021 Note

In March 2021, the Company entered into a loan and security agreement with a commercial bank to borrow $30.0 million. The loan bore interest at an annual rate equal to the greater of 9.00% or 5.75% above the Prime Rate (as defined in the SVB March 2021 Note). Rate. During the nine three months ended September 30, 2023 March 31, 2023, the interest rate was 13.50%. Payments were interest-only for the first twelve months and are now principal and interest through maturity. During the three months ended March 31, 2023, the Company recorded $0.6 million in interest expense of $1.1 million related to the SVB March 2021 Note. During the three and nine months ended September 30, 2022, the Company recorded interest expense of $0.7 million and $3.1 million, respectively, related to the SVB March 2021 Note. debt discounts.

Concurrently with the Company's Company's entry into the Credit Agreement (as defined below), the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the SVB March 2021 Note. In connection with the SVB March 2021 Note prepayment, the Company paid a total of $18.5 million on April 14, 2023, which consisted of (i) the remaining principal amount outstanding of $18.1 million, (ii) a prepayment premium of $0.3 million, (iii) accrued and unpaid interest of $0.1 million and (iv) a nominal amount for transaction expenses. The Company recorded expenses, resulting in a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the condensed consolidated statements of operations. million.

SCI June 2021 Note

In June 2021, the Company entered into a loan and security agreement with a lender to obtain credit extensions to the Company. Extensions were available in $5.0 million increments up to a total commitment amount of $15.0 million. The Company drew an initial $5.0 million on June 14, 2021 and the remaining $10.0 million on December 1, 2021. The loan bore interest at an annual rate equal to the greater of 9% 9.00% or 5.75% above the Prime Rate (as defined in the SCI June 2021 Note). Rate. During the nine three months ended September 30, 2023 March 31, 2023, the interest rate was 0.14%. Payments were interest-only for the first twelve months and principal and interest through maturity. During the three months ended March 31, 2023, the Company recorded $0.4 million in interest expense of $1.0 million related to the SCI June 2021 Note. During the three and nine months ended September 30, 2022, the Company recorded interest expense of $0.4 million and $1.9 million, respectively, related to the SCI June 2021 Note. debt discounts.

Concurrently with the Company's entry into the Credit Agreement (as defined below), the Company used a portion of the proceeds to prepay in full all outstanding obligations under, and terminated, the SCI June 2021 Note. In connection with the SCI June 2021 Note prepayment on April 14, 2023, the Company paid a total of approximately $11.7 million, which consisted of (i) the remaining principal amount outstanding of approximately $11.5 million, (ii) a prepayment premium of approximately $0.2 million and (iii) a nominal amount for transaction expenses. The Company recorded a expenses, resulting in loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the condensed consolidated statements of operations. million.

Term Loan

On April 14, 2023 (the "Term Loan Closing Date"), the Company entered into a Senior Secured Term Loan Credit Agreement (the "Credit Agreement") with ACP Post Oak Credit II LLC, as Administrative Agent and Collateral Agent for the Lenders (the "Agent"), and the lenders from time to time party thereto (the "Lenders"). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to $100.0 million (the "Term Loan"), the entirety of which was funded on the Term Loan Closing Date.. The Credit Agreement also permits the Company to request additional commitments of up to $25.0 million in the aggregate, with funding of such commitments in the sole discretion of the Lenders, lenders under certain circumstances, and under which will be subject to the same terms as the Term Loan. Loan if funded. On the Term Loan Closing Date, closing date, the Company also entered into that certain a Guarantee and Collateral Agreement, dated as of April 14, 2023, by and among the Company, the other grantors named therein and the Agent (the “Guarantee and Collateral Agreement”). Agreement. In addition, the Company is

obligated to pay incremental lender fees (the "Lender fees"), beginning on the Closing Date, equal to Term Loan closing date, initially at a rate of 3.5% of the principal amount of the Term Loans decreasing to 2.5% after for the 18-month anniversary, first 18 months paid semi-annually (the “Lender Fees”) to provide a collateral protection insurance policy on behalf of the Lenders. The lenders. Such rate for the Lender Fees are effectively additional fees payable will decrease to 2.5% after the Lenders as 18-month anniversary of the Lenders Term Loan Closing Date. As the lenders are the sole beneficiary of the insurance policy, the Lender Fees are deemed to be additional fees payable to the Lenders and is therefore being recognized as interest expense over the term of the Term Loan based on the effective interest method.

The Company used the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately $30.0 million under the Company’s existing loan facilities, (ii) fund an escrow account on the Term Loan Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Lender Fees, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company’s election, either (i) the Term SOFR rate published by CME Group Benchmark Administration Limited for a one-month interest period plus 0.15% or (ii) the alternate base rate (“ABR”), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Term SOFR rate plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans. As of September 30, 2023, March 31, 2024, the contractual interest rate was approximately 14.0%. The Company was amortizing the discounts on an effective interest basis over the period from issuance through the Early Maturity Date. The effective interest rate was 25.18% for the quarter ended March 31, 2024. The Company incurred and paid $3.5 million in stated interest in the condensed consolidated statements of operations and comprehensive loss for the period ended March 31, 2024. During the period ended March 31, 2024, the Company recorded $1.1 million in interest expense related to the debt discount. The remaining period over which the discount will be amortized is 3.04 years as of March 31, 2024.

Subject to certain exceptions as set forth in the Credit Agreement, interest on the Term Loan is payable quarterly in arrears on the last business day of each fiscal quarter. The Term Loan is set to mature on April 14, 2027 (the “Maturity Date”). The Credit Agreement provides for no scheduled principal payments prior to the Maturity Date.

The Term Loan is secured by substantially all of the assets of the Company and its subsidiaries and is guaranteed by the Company’s subsidiaries other than Excluded Subsidiaries. As set forth in more detail in the Credit Agreement, the Company is required to make mandatory prepayments on the Term Loan in the event of certain specified events, including in the event of certain capital raises by the Company and its subsidiaries. The Company may also elect to prepay amounts at any time. If the Term Loan is prepaid for any reason prior to the second anniversary of the Closing Date, in additional to principal and accrued interest, the Company will have to pay an amount equal to the discounted future interest payments from the date of redemption through the second anniversary of the Closing Date, calculated on the basis of the interest rate in effect on the redemption date and discounted based on the applicable rate for US treasury securities of equal tenor plus 50 basis points. Additionally, the Company will have to pay the excess of 14% of the Term Loans over the amount of the Lender Fees paid through the Redemption Date.

The Credit Agreement also contains customary representations and warranties for a facility of this nature and affirmative and negative covenants. In particular, the Credit Agreement requires the Company to have liquidity at least equal to the Interest Escrow Required Amount (as defined in the Credit Agreement) as of the last day of each fiscal quarter. The Interest Escrow Required Amount is included in restricted cash equivalents, non-current on the condensed consolidated balance sheet as of September 30, 2023 March 31, 2024. In addition, the Credit Agreement limits the Company’s and its subsidiaries’ ability to incur indebtedness, make restricted payments, including cash dividends on its common stock, make certain investments, loans and advances, enter into mergers and acquisitions, sell, assign transfer or otherwise dispose of its assets, enter into transactions with its affiliates and engage in sale and leaseback transactions, among other restrictions. As of September 30, 2023, March 31, 2024, the Company was in compliance with all covenants prescribed in the Credit Agreement.

The Credit Agreement includes customary events of default, including, but not limited to, nonpayment of principal or interest, breaches of representations and warranties, failure to perform or observe covenants, cross-defaults with certain other indebtedness, final judgments or orders, certain change of control events, and certain bankruptcy-related events or

other indebtedness, final judgments or orders, certain change of control events, and certain bankruptcy-related events or proceedings. Upon the occurrence of an event of default (subject to notice and grace periods), obligations under the Credit Agreement could be accelerated.

The aggregate long-term debt maturities were as follows as of September 30, 2023March 31, 2024 (in thousands):

Remainder of 2023	$	—

2024			—
Remainder of 2024			
2025	2025		—
2026	2026		—
2027	2027		100,000
Total	Total		100,000
Less: unamortized discount	Less: unamortized discount		(16,692)
Long-term portion of debt	Long-term portion of debt	$	83,308

The following table summarizes the Company’s debt balances as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Term Loan	Term Loan	$ 100,000	$ —		
SVB March 2021 Note		—	22,050		
SCI June 2021 Note		—	12,979		
Total debt		$ 100,000	$ 35,029		
Current portion of debt	Current portion of debt	—	(16,668)		
Unamortized discount and debt issuance costs	Unamortized discount and debt issuance costs	(16,692)	(62)		
Carrying value of long-term debt	Carrying value of long-term debt	$ 83,308	$ 18,299		

NOTE 9. 10. RESTRUCTURING

In January 2023, the Company announced a restructuring plan (the “Restructuring Plan”) intended to reduce operating costs, improve operating margins, improve cash flows and accelerate the Company’s path to profitability. The Restructuring Plan included a reduction of the Company’s then-current workforce by approximately 40% or 180 positions globally.

Costs associated with the Restructuring Plan consist of employee severance payments, employee benefits and share-based compensation. The costs associated with the Restructuring Plan were recorded to the restructuring expense line item within our condensed consolidated statements of operations as incurred. During the nine months period ended September 30, 2023 March 31, 2023, we recorded $3.8 million 3.6 million of restructuring expenses in connection with the Restructuring Plan, of which $1.4 million $1.3 million were cash payments. The Restructuring Plan was substantially complete as of September 30, 2023 December 31, 2023.

NOTE 10. 11. PREFERRED STOCK

Legacy SoundHound Preferred Stock

Legacy SoundHound Preferred Stock was not mandatorily redeemable. Legacy SoundHound Preferred Stock was contingently redeemable upon a deemed liquidation event which the Company determined was not solely within its control as the Company determined that a deemed liquidation event can only occur with the approval of the board of directors and the preferred shareholders maintained control of the board of directors as of December 31, 2021 and through April 26, 2022, the effective date of the Business Combination, and thus has classified shares of Legacy SoundHound Preferred

Stock as temporary equity. Since the occurrence of a deemed liquidation event was not probable, the carrying values of the shares of Legacy SoundHound Preferred Stock were not being accreted to their redemption values.

A summary of the Legacy SoundHound Preferred Stock authorized, issued and outstanding as of the date of the Business Combination is as follows:

	Shares Authorized	Shares Issued	Liquidation Preference	Carrying Value
Series A	19,106,048	19,106,048	$ 28,239	$ 4,967
Series B	33,702,134	33,702,134	66,360	11,038
Series C	5,687,525	5,687,525	38,163	11,837
Series C-1	4,436,090	4,436,090	89,298	16,061
Series D	20,258,299	20,258,299	527,992	85,648
Series D-1	8,418,535	8,418,535	277,812	49,957
Series D-2	8,418,530	8,418,530	277,811	49,949
Series D-3	6,922,165	6,922,165	276,887	50,046
Series D-3A	20,835,869	—	—	—
	127,785,195	106,949,326	$ 1,582,562	$ 279,503

Upon the closing of the Business Combination, the outstanding shares of Series A, B, C, C-1, D, D-1, D-2, and D-3 preferred stock were converted into 106,949,326 shares of SoundHound AI Class A Common Stock at the exchange ratio of 1-for-1. Shares Authorized and Shares Issued above have been retroactively adjusted to reflect the exchange of 1 share of Legacy SoundHound stock into 5.5562 shares of the Company's Class A or Class B Common Stock. As a result of the conversion of the Legacy SoundHound redeemable convertible preferred stock, the Company reclassified the amount of redeemable convertible preferred stock to additional paid in capital.

Upon the consummation of the Business Combination, the Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share. The number of authorized shares of preferred stock may also be increased or decreased by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of capital stock of the Company entitled to vote thereon, without a separate vote of the holders of preferred stock. Any new series of preferred stock may be designated, fixed and determined as provided by the Board without approval of the holders of common stock or preferred stock and the preferred stock holders may be granted such rights, powers (including voting powers) and preferences as determined by the Board in its sole discretion, including the right to elect one or more directors.

Series A Preferred Stock

Between January 18, 2023 and January 20, 2023, the Company entered into the Preferred Stock Purchase Agreements (the "Purchase Agreements") with the Investors, certain investors (the "Investors"), pursuant to which the Company issued and sold to the Investors an aggregate of 835,011 shares of its newly designated Series A Convertible Preferred Stock for issuance price of $30.00 per share, raising an aggregate of approximately $25.0 million in cash proceeds. On January 20, 2023, the Company filed a Certificate of Designations of Preferences, Rights and Limitations of the Series A Preferred Stock with the Secretary of State of the State of Delaware (the "Certificate of Designations"), designating shares of Series A Preferred Stock. The shares of Series A Preferred Stock were issued and sold in a private placement exempt from the registration requirements of the Securities Act. The Company does not intend to register the shares of Series A Preferred Stock or the underlying common stock for resale under the Securities Act. the holders of Series A Preferred Stock are entitled to cumulative dividends payable for such share at the rate of 14% per annum, compounding semi-annually to Liquidation Preference on January 1 and July 1 of each year. The Company may also elect to pay any dividend in cash in lieu of accretion to Liquidation Preference if permitted under the agreements and instruments governing its outstanding indebtedness at such time. After payment of the cumulative dividend, including by way of accretion to the Liquidation Preference, any additional dividends declared or paid shall be distributed among the holders of Preferred Stock and common stock then outstanding pro rata based on the number of shares of common stock

then held by each holder (assuming conversion of all such Preferred Stock into common stock at the then-effective conversion price.

Liquidation Preference

The Liquidation Preference per share of Preferred Stock was initially equal to $30.00, the original issue price per share. OnOn July 1, 2023January 1, 2024, the Company's Series A Preferred Stock holders received their latest dividends paid-in-kind as an increase

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in Liquidation Preference, thereby increasing the Liquidation Preference per share to approximately $31.90 34.13. Additionally, as of September 30, 2023March 31, 2024, the Series A Preferred Stock had accrued additional dividends since the last dividend payment date which has the effect of increasing the Liquidation Preference to approximately $33.01.$35.32.

Redemption

The Series A Preferred Stock is not mandatorily redeemable.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or in the event of any Deemed Liquidation Event (as defined below), the holders of the Series A Preferred Stock will be entitled to receive, prior and in preference to any distribution of the proceeds of the transaction or any of the assets of the Company to holders of the common stock, an amount per share equal to the greater of (i) two and a half time (2.5x) the Liquidation Preference (including any accrued and unpaid dividends since the last dividend payment date) or (ii) the amount as would have been payable had the Series A Preferred Stock been converted into common stock.

A Deemed Liquidation Event includes (i) a merger or acquisition of the Company in which 50% or less of the voting securities of the surviving entity are no longer held by the shareholders of the Company immediately prior to such transaction or (ii) a sale, lease, transfer, exclusive license, or other disposal of all or substantially all of the Company's assets. If the Company is not liquidated within 90 days of a Deemed Liquidation Event, the holders of the Series A Preferred Stock will have the option to require the redemption of the Preferred Stock to the extent the Company has sufficient available proceeds to do so. The Company determined that a Deemed Liquidation Event can only occur with the approval of the board of directors, and therefore the exercise of this contingent redemption feature is within the control of the Company and the Investors are not in control of the Company. Therefore, the Series A Preferred Stock is not classified as redeemable equity within the Company's consolidated balance sheet and consolidated statements of redeemable convertible preferred stock and stockholders' equity (deficit).

Conversion

Each share of Series A Preferred Stock is convertible, at the option of the holder, into such number of shares of Class A Common Stock equal to the Liquidation Preference per share at the time of conversion divided by $1.00 (the "Conversion Price"). In addition, each share of Series A Preferred Stock will automatically convert into shares of Class A Common Stock at the Conversion Price on or after January 20, 2024 if and when the daily volume-weighted average closing price per share of Class A Common Stock is at least 2.5 times the Conversion Price for each of any 90 trading days during any 120 consecutive trading day period, which 120-trading day period may commence (but may not end) prior to January 20, 2024. As of March 31, 2024, the condition of automatic conversion was not met and no Series A Preferred Stock were automatically converted.

During the three and nine months ended September 30, 2023 March 31, 2024, some certain Investors optionally converted 353,338 404,764 shares of preferred stock into 11,375,090 14,070,854 shares of Class A Common Stock. The conversion was pursuant to the original terms of the agreement and therefore the carrying value of Series A Preferred Stock was converted into Class A Common Stock with no gain or loss upon conversion. There were no conversions during the three months ended March 31, 2023.

Since issuance, there have been a total of 764,770 shares of preferred stock converted into shares of Class A Common Stock. As of March 31, 2024, 70,241 shares of preferred stock remain outstanding.

Voting Rights

The Investors do not have voting rights, except with respect to certain protective provisions and as required by the Delaware General Corporation Law. However, as long as the Series A Preferred Stock are outstanding, the Company may not take certain actions that may materially and adversely impact the powers, preferences, or rights of the Investors without the consent of at least a majority of the Investors.

NOTE 11. 12. COMMON STOCK

The Company had 250,030,433 shares of Legacy SoundHound common stock authorized for issuance prior to the closing of the Business Combination.

On April 26, 2022, following the Business Combination and pursuant to the Company's second amended and restated certificate of incorporation, the Company is authorized to issue 500,000,000 shares of capital stock, consisting of (a) 455,000,000 shares of Class A Common Stock with a par value of $0.0001 per share, (b) 44,000,000 shares of Class B Common Stock with a par value of $0.0001 per share, and (c) 1,000,000 shares of preferred stock with a par value of $0.0001 per share. The outstanding shares of the Company's common stock are fully paid and non-assessable.

As a result of the Business Combination, 73,561,334 shares of Legacy SoundHound common stock, along with 106,949,326 shares of Legacy SoundHound preferred stock, were converted into 180,510,660 shares of the Company's common stock, consisting of 140,114,060 shares of Class A Common Stock and 40,396,600 shares of the Company's Class B Common Stock. On all matters to be voted upon, subject to the rights of any holders of any series of preferred stock, holders of shares of Class A Common Stock and Class B Common Stock will vote together as a single class on all matters submitted to the stockholders for their vote or approval. Holders of Class A and B Common Stock are entitled to one vote and ten votes per share respectively on all matters submitted to the stockholders for their vote or approval. Holders of Class B Common Stock are entitled to ten votes per share on all matters submitted to stockholders for their vote or approval.

Each share of Class B Common Stock shall automatically convert into one fully paid and nonassessable share of Class A Common Stock. Stock upon mandatory or optional conversion. Shares of Class B Common Stock will be convertible into shares of Class A Common Stock and will be automatically convert converted into shares of Class A Common Stock upon the occurrence of certain future events, generally including transfers, subject to limited excepts exceptions set forth in the amended charter. The conversion of Class B Common Stock to Class A Common Stock will have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. As a result, it is possible that one or more of the persons or entities holding our Class B Common Stock could gain significant voting control as other holders of Class B Common Stock sell or otherwise convert their shares into Class A Common Stock.

During the three months ended March 31, 2024, certain holders of Class B Common Stock optionally converted 4,750,000 shares of Class B Common Stock into the same number of shares of Class A Common Stock. There were no conversions during the three months ended March 31, 2023.

Equity Line of Credit ("ELOC")

On August 16, 2022, the Company entered into a common stock purchase agreement ("Common Stock Purchase Agreement") and related registration rights agreement (the "CFPI Registration Rights Agreement") with CF Principal Investments LLC (the "Counterparty"). Pursuant to the Common Stock Purchase Agreement, the Company had the right, but not the obligation, to direct the Counterparty to purchase up to 25,000,000 shares of Class A Common Stock, subject to certain limitations and conditions as described below (the "ELOC Program") at a purchase price equal to 97% of the volume weighted average stock price for a given purchase date. In connection with the execution of the Common Stock Purchase Agreement and the side letter on February 14, 2023, the Company issued 250,000 shares of Common Stock (the "Initial Commitment Shares"), and additional cash commitment fee of $0.3 million.

The Company controlled the timing and amount of any sales to the Counterparty, which depended on a variety of factors including, among other things, market conditions, the trading price of the Company's common stock, and determinations by the Company as to appropriate sources of funding for its business and operations. However, the Counterparty's obligation to purchase shares is subject to certain conditions, including the daily trading volume of the Company's stock. In all instances, the Company may not sell shares of its common stock under the Purchase Agreement if it would result in the Counterparty and its affiliate beneficially owning more than 4.99% of its outstanding voting power or shares of common stock at any one point in time, or the aggregation number of shares of common stock would not exceed 39,365,804 shares of common stock representing 19.99% of the voting power or number of shares of common stock.

The Company evaluated the recorded Common Stock Purchase Agreement with the Counterparty and determined that it was not indexed to the Company's own common stock and, therefore, should be accounted for as a derivative instrument at fair value with changes in fair value as other income (expense), net in the period in which they occur. Accordingly, the Company recorded a derivative liability with an initial fair value of $1.1 million based on the upfront commitment fee in the form of proceeds from future issuance of commitment shares to the Counterparty plus certain fees and expenses as

specified in the Purchase Agreement. Subsequent changes in the fair value of the derivative liability were dependent upon, among other things, changes in the closing share price of the Company's common stock, the quantity and purchase price of shares purchased by the Counterparty during the reporting period and the cost of raising other forms of capital.

The Company recorded changes in the fair value of the derivative liability associated with the ELOC Program of $1.1 and $1.9 million, respectively, for the nine months ended September 30, 2022 and 2023 and $1.1 million and zero, respectively, $0.6 million for the three months ended September 30, 2022 and 2023 March 31, 2023 as other income (expense), net on its condensed consolidated statements of operations and comprehensive loss. The Company incurred third-party costs of zero and $0.2 million, respectively, $0.2 million related to the execution of the Common Stock Purchase Agreement which were recorded as general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 March 31, 2023. Refer to Note 2 for information on the fair value of the derivative liability.

During the six-month period year ended June 30, 2023 December 31, 2023, the Company sold the entirety of the 25.0 million 25,000,000 shares under the ELOC Program for aggregate proceeds of approximately $71.7 million, $71.7 million, with the volume weighted average stock price of shares purchased by the Counterparty ranging from $1.75 to $4.26 per share.

Sales Agreement

On July 28, 2023, the Company entered into a Controlled Equity Offering Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., H.C. Wainwright & Co., LLC, and D.A. Davidson & Co. (each a "Sales Agent" and collectively, the "Sales Agents"), pursuant to which the Company may offer and sell up to $150,000,000 of shares of our Class A common stock Common Stock from time to time through or to the Sales Agents acting as agent or principal. Sales of our Class A common stock, Common Stock, if any, under the Sales Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. We will pay the Sales Agents commission for their services in acting as agent in the sale of our Class A common stock. Common Stock. The Sales Agents are entitled to aggregate compensation at a fixed commission rate of 2.5% of the gross sales price per share sold under the Sales Agreement. We have also agreed to reimburse the Sales Agents for certain specified expenses, including the reasonable and documented fees and disbursements of its legal counsel in an amount not to exceed $75,000 in the aggregate in connection with the execution of the Sales Agreement. We have not

During the three months ended March 31, 2024, the Company sold any a total of 37,907,219 shares of our common stock under the ATM Program as Sales Agreement, at a weighted-average price of $3.62 per share and raised $137.3 million of gross proceeds, which resulted in complete utilization of the date hereof. Sales Agreement. After deducting approximately $3.4 million of commissions and offering costs incurred by the Company, the net proceeds from sales of common stock was $133.8 million.

NOTE 12. 13. STOCK INCENTIVE PLANS

2016 Equity Incentive Plan

In April 2016, we adopted the 2016 Equity Incentive Plan (the "2016 Plan") as a successor and continuation of the 2006 Plan. Under the 2016 Plan, the Company was permitted to grant awards of stock options and Restricted Stock Units

("RSUs"), as well as stock appreciation rights and other stock awards. The Company no longer has shares available for issuance under the 2016 Plan.

2022 Incentive Award Plan

The Company adopted the 2022 Incentive Award Plan (the "2022 Incentive Plan", collectively, with the 2006 Plan and the 2016 Plan, the "Plans") effective April 26, 2022. As of March 31, 2024, the Company had 10,027,862 shares remaining for issuance under the 2022 Incentive Plan.

The Company adopted the 2022 Employee Stock Purchase Plan (the "ESPP") effective April 26, 2022. An aggregate of 3,930,074 shares of the Company's Class A Common Stock has been reserved for issuance or transfer pursuant to rights granted under the ESPP ("Aggregate Number"). As of March 31, 2024, 478,023 shares of Class A Common Stock were issued under the ESPP.

Stock Options

Options granted generally have a maximum term of 10 years from grant date, are exercisable upon vesting unless otherwise designated for early exercise by the Board of Directors at the time of grant, and generally vest over a four-year period, with a 25% cliff vesting after one year and then ratably on a monthly basis for the remaining three years.

As of March 31, 2024, the total unrecognized stock-based compensation expense related to the unvested stock options was approximately $3.7 million, which we expect to recognize over a weighted-average period of 1.29 years. There were no options granted during the three months ended March 31, 2024.

Restricted Stock Units ("RSUs")

RSUs granted generally vest over a four-year period, with 25% cliff vesting after one year and then ratably on a quarterly basis for the remaining three years. Besides RSUs with vesting condition tied to requisite service period, the Company also issues RSUs with vesting conditions tied to certain market conditions ("Market-Based RSUs") and RSUs with vesting conditions tied to certain performance criteria ("Performance-Based RSUs").

In connection with the SYNQ3 Acquisition, the Company granted 1,434,978 RSUs (the "Retention Pool"), 25% of which is subject to service conditions that vest at the end of each of the upcoming three fiscal years and 75% of which is subject to both service and performance-based vesting conditions at the end of each of the upcoming three fiscal years, respectively.

The performance level for each of the fiscal years 2024, 2025 and 2026 is based on tiered annual revenue targets, subject to a floor of $9.0 million, $21.0 million and $30.0 million, respectively, with vesting ranging from 50% to 100% of the RSUs granted depending on the level of achievement of the specified revenue target in each year.

The Company assesses the probability of vesting of the above performance-based awards from the Retention Pool every reporting period. As of March 31, 2024, performance level of 2024 revenue amount was not probable of being met and performance levels of 2025 and 2026 were probable of being met.

The Company also granted 1,952,000 RSUs that vest over a four-year requisite service period to SYNQ3 employees. Additionally, the Company granted 398,200 RSUs to other employees of the Company during the three months ended March 31, 2024. As a result, the Company granted total of 3,785,178 RSUs during the three months ended March 31, 2024.

As of March 31, 2024, the total unrecognized stock-based compensation expense related to the unvested RSUs with service conditions was approximately $45.0 million.

As of March 31, 2024, the total unrecognized stock-based compensation expense related to the unvested Market-based RSUs was approximately $0.3 million. There were no Market-Based RSUs granted during the period ended March 31, 2024.

As of March 31, 2024, the total unrecognized stock-based compensation expense related to the unvested Performance-based RSUs was approximately $8.4 million. There were 1,076,234 Performance-Based RSUs granted during the period ended March 31, 2024.

The total unrecognized stock-based compensation related to unvested RSUs is $53.8 million and this will vest over a weighted average period of 2.37 years.

Restricted Stock Awards

In connection with the SYNQ3 Acquisition, a total of 2,033,156 unvested restricted Class A Common Stock shares *("RSAs")* were issued, 25% of which are subject to service conditions that vest at the end of each of the upcoming three fiscal years in three tranches, and 75% of which is subject to both service and performance-based vesting conditions in three tranches.

The performance level for each of the fiscal years 2024, 2025 and 2026 is based on tiered annual revenue targets, subject to a floor of $9.0 million, $21.0 million and $30.0 million, respectively, with vesting ranging from 50% to 100% of the RSAs granted depending on the level of achievement of the specified revenue target in each year.

The Company assesses the probability of vesting of the above performance-based awards every reporting period. As of March 31, 2024, the performance level of the 2024 revenue amount was not probable of being met and performance levels of 2025 and 2026 were probable of being met.

As of March 31, 2024, the total unrecognized stock-based compensation expense related to the unvested RSAs subject to service-based vesting condition and unvested RSAs subject to performance-based vesting condition was approximately $1.8 million and $2.9 million, respectively, over a weighted average period of 2.52 years. Refer to Note 3 for further information on the SYNQ3 Acquisition.

Stock-Based Compensation

Stock-based compensation is classified in the following expense accounts on the condensed consolidated statements of operations and comprehensive loss for the period ended March 31, 2024, and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	$ 152	$ 115
Sales and marketing	975	1,282
Research and development	3,548	2,500
General and administrative	2,304	2,099
Restructuring costs	—	$ 2,253
Total	$ 6,979	$ 8,249

NOTE 14. OTHER INCOME (EXPENSE), NET

Other income (expense), net on the condensed consolidated statements of operations is comprised of the following for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Other income (expense), net				
Interest income	$1,204	$ 186	$2,075	$ 225
Change in fair value of derivative liability	—	—	—	(606)

	Three Months Ended March 31,	Three Months Ended March 31,	
	2024	2024	2023
Other income (expense), net			
Interest income			
Interest income			

Loss on change in fair value of ELOC program	Loss on change in fair value of ELOC program	—	(1,075)	(1,901)	(1,075)
ELOC commitment fees and reimbursement cost to Counterparty					
Other income (expense), net	Other income (expense), net	132	(70)	(476)	(337)
Total other income (expense), net	Total other income (expense), net	$1,336	$ (959)	$ (302)	$(1,793)

NOTE 13. 15. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
	Three Months Ended March 31,			Three Months Ended March 31,	
	2024			2024	2023
Numerator:	Numerator:				
Net loss	Net loss	$ (20,197)	$ (30,061)	$ (70,934)	$ (85,832)
Less: Cumulative dividends attributable to Series A Preferred Stock		647	—	2,206	—
Net loss					
Net loss					
Cumulative dividends attributable to Series A Preferred Stock					
Net loss attributable to SoundHound common shareholders (in thousands)	Net loss attributable to SoundHound common shareholders (in thousands)	$ (20,844)	$ (30,061)	$ (73,140)	$ (85,832)
Denominator:	Denominator:				

Weighted average shares outstanding – basic and dilutive	Weighted average shares outstanding – basic and dilutive	242,022,268	197,006,980	222,760,880	143,338,517		
Weighted average shares outstanding – basic and dilutive							
Weighted average shares outstanding – basic and dilutive						286,596,559	205,082,328
Basic and diluted net loss per share	Basic and diluted net loss per share	$ (0.09)	$ (0.15)	$ (0.33)	$ (0.60)		

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the diluted net loss per share is equal to the basic net loss per share as the effect of potentially dilutive securities would have been antidilutive.

The following table summarizes the outstanding shares of potentially dilutive securities that were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

		As of September 30,			As of March 31,	
		2023	2022		2024	2023
	As of March 31, 2024					
Stock-based awards	Stock-based awards	36,129,323	42,052,096	Stock-based awards	30,614,247	34,735,981
Series A Preferred Stock	Series A Preferred Stock	15,897,990	—	Series A Preferred Stock	2,480,589	25,050,330
Common stock warrants	Common stock warrants	6,967,532	3,665,996	Common stock warrants	3,665,996	3,665,996
Unvested restricted share awards				Unvested restricted share awards	2,033,156	—
Contingently issuable shares				Contingently issuable shares	1,906,746	—
Total	Total	58,994,845	45,718,092	Total	40,700,734	63,452,307

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NOTE 14. 16. INCOME TAXES

The tax expense and the effective tax rate were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,
	2023	2022	2023	2022	
Three Months Ended March 31,					

	2024						2024	2023
Loss before income taxes	Loss before income taxes	$(18,636)	$(29,197)	$(68,627)	$(84,227)			
Income tax expense	Income tax expense	1,561	864	2,307	1,605			
Effective tax rate	Effective tax rate	(8.38)%	(2.96)%	(3.36)%	(1.91)%	Effective tax rate	(0.90) %	(1.21) %

The Company’s recorded effective tax rate differs from the U.S. statutory rate primarily due to an increase in the domestic valuation allowance caused by tax losses, foreign withholding taxes, and foreign tax rate differentials from the U.S. domestic statutory tax rate. rate and tax benefit resulting from acquisition.

NOTE 17. FAIR VALUE MEASUREMENTS

The following table presents the fair value of the Company's financial instruments that are measured or disclosed at fair value on a recurring basis (in thousands):

	March 31, 2024		
	Level 1	Level 2	Level 3
Assets:			
Cash equivalents			
Treasury bills	$ 36,349	$ —	$ —
Money market funds	172,099	$ —	$ —
Total assets	$ 208,448	$ —	$ —
Liabilities:			
Contingent acquisition liabilities			
Contingent holdback consideration	$ —	$ —	$ 2,551
Contingent earnout consideration	—	$ —	$ 4,268
Total liabilities	$ —	$ —	$ 6,819

	December 31, 2023		
	Level 1	Level 2	Level 3
Assets:			
Cash equivalents:			
Treasury bills	$ 35,961	$ —	$ —
Money market funds	54,542	—	—
Total assets	$ 90,503	$ —	$ —

Contingent Acquisition Liabilities

Contingent Holdback Consideration

The reconciliation of the Company's Contingent Holdback Consideration measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

NOTE 15. RELATED PARTY TRANSACTIONS

Balance as of December 31, 2023	$ —
Acquisition of SYNQ3	981
Change in the fair value of liability	1,570
Balance as of March 31, 2024	$ 2,551

The Company entered into revenue contracts fair value of the cash portion of the Contingent Holdback Consideration was estimated based upon the holdback period of fifteen months, and discounted using the risk-free interest rate based on the U.S. Treasury zero-coupon yield curve on the valuation date for a maturity similar to perform professional services for certain companies who are also investors in the Company. These companies are holders fifteen-month holdback period. The fair value of the equity portion of the Contingent Holdback Consideration was estimated based upon the value of the Company's Class A Common Stock. As a result Stock price. The fair value of the Business Combination Contingent Holdback Consideration was initially measured on January 3, 2024, the date on which the Company completed the acquisition of SYNQ3.

The fair value of the Contingent Holdback Consideration has been estimated as of the Closing Date and the three month period ended March 31, 2024, under the following assumptions:

	January 3, 2024	March 31, 2024
Risk-free interest rate	4.6 %	4.8 %
Holdback period	1.25 years	1.0 year

Contingent Earnout Consideration

The reconciliation of the Company's Earnout Consideration measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

Balance as of December 31, 2023	$ —
Acquisition of SYNQ3	1,676
Change in the fair value of liability	2,592
Balance as of March 31, 2024	$ 4,268

The Company utilizes a Monte Carlo simulation to value the Contingent Earnout Consideration. The Company selected this model as it believes it is reflective of all significant assumptions that market participants would likely consider in negotiating the transfer of the Contingent Earnout Consideration. Such assumptions include, among other inputs, expected stock price volatility, risk-free rates, and change in control assumptions. The Company estimates the expected volatility of its common stock based on historical volatility of a peer group, considering the remaining term of the Contingent Earnout Consideration. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the valuation date for a maturity similar to the expected remaining life of the Contingent Earnout Consideration. The expected life of the Contingent Earnout Consideration is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

The fair value of the Contingent Earnout Consideration has been estimated as of the Closing Date and the three month period ended March 31, 2024, with the following assumptions for the unobservable inputs:

	January 3, 2024	March 31, 2024
Discount rate	12.6 %	12.4 %
Expected stock price volatility	115.3 %	128.7 %
Risk-free interest rate	4.2 %	4.5 %
Expected dividend yield	0.0 %	0.0 %
Expected life	0.5 - 2.5 years	0.4 - 2.3 years

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 during the second quarter of 2022, each company's ownership interest in the Company was reduced to less than 5%. Consequently, considering all aspects of our relationships with the companies, as of June 30, 2022, the Company no longer considers the companies related parties. During the three and six months ended June 30, 2022, the Company recognized revenue from the companies of $3.0 million March 31, 2024 and $5.2 million, respectively.

On January 20, 2023, our Chief Financial Officer and one of our directors each entered into Purchase Agreements, purchasing 3,334 shares of Series A Preferred Stock each for a total purchase price of $100,000 each. 2023.

NOTE 16. 18. REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In connection withDuring the preparation of its condensed consolidated financial statements for the three and nine monthsperiod ended September 30, 2023, the Company identified immaterial prior period errors related to following: 1) accounting for the ELOC as a derivative instrument; 2) classification of Lender Fees and allocation of the warrants in connection with the Term Loan; and 3) the incorrect recording of in-kind dividends associated with the Company's Series A Preferred Stock. The identified errors were included in the Company's previously issued condensed consolidated financial statements as of and for the three and nine months ended September 30, 2022, annual consolidated financial statements as of and for the year ended December 31, 2022, and quarterly condensed consolidated financial statements for the three and six months ended March 31, 2023 and the three and six months ended June 30, 2023.

In accordance with SEC Staff Accounting Bulletin No. 99, "Materiality," and SEC Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements;" the Company evaluated the errors and determined that the related impacts were not material to its condensed consolidated financial statements for the prior year periods when they occurred, but the Company determined it would be appropriate to correct the errors in the current period in the Company's consolidated statements of operations and comprehensive loss, consolidated balance sheets, consolidated statements of cash flows or consolidated statements of redeemable convertible preferred stock and stockholders' deficit for any periods impacted.

The Company has revised the previously issued condensed consolidated balance sheets, condensed consolidated statements of operations and comprehensive loss, consolidated balance sheets, condensed consolidated statements of cash flows and condensed consolidated statements of redeemable convertible preferred stock and stockholders' deficit tables as of and for the year ended December 31, 2022, as of and for the three and nine months ended September 30, 2022, as of and for the three months ended March 31, 2023, and as of and for the three and six months ended June 30, 2023 to correct, and as of and for such errors. the three months ended March 31, 2023. All relevant prior period amounts affected by these revisions have been corrected in the notes in this Form 10-Q.

The following tables reflect the impact of these revisions on the Company's unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2023 (*dollars in thousands, except per share amounts*):

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	June 30, 2023		
Condensed Consolidated Balance Sheet	**As Previously Reported**	**Adjustment**	**As Revised**
Accrued liabilities	$ 16,381	$ (2,872)	$ 13,509
Total current liabilities	27,003	(2,872)	24,131
Notes payable, net of current portion	66,428	15,872	82,300
Other non-current liabilities	16,824	(12,821)	4,003
Total liabilities	118,789	179	118,968
Additional paid-in capital	564,197	3,597	567,794
Accumulated deficit	(550,403)	(3,776)	(554,179)
Total stockholders' equity	38,789	(179)	38,610
Total liabilities and stockholders' equity	$ 157,578	$ —	$ 157,578

	Three Months Ended June 30, 2023		
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**
General and administrative	$ 6,377	$ 47	$ 6,424
Loss from operations	(16,436)	(47)	(16,483)
Other income (expense), net	493	(1,328)	(835)
Total other expense, net	(5,079)	(1,328)	(6,407)
Loss before provision for income taxes	(21,515)	(1,375)	(22,890)
Net loss	(21,932)	(1,375)	(23,307)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(877)	(877)
Net loss attributable to common stockholders	$ (21,932)	$ (2,252)	$ (24,184)
Net loss per share:			
Basic and diluted	$ (0.10)	$ (0.01)	$ (0.11)

	Six Months Ended June 30, 2023

Condensed Consolidated Statements Of Operations And Comprehensive Loss	As Previously Reported	Adjustment	As Revised
General and administrative	$ 13,502	$ 211	$ 13,713
Loss from operations	(41,474)	(211)	(41,685)
Other income (expense), net	587	(2,225)	(1,638)
Total other expense, net	(6,081)	(2,225)	(8,306)
Loss before provision for income taxes	(47,555)	(2,436)	(49,991)
Net loss	(48,301)	(2,436)	(50,737)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(1,559)	(1,559)
Net loss attributable to common stockholders	$ (48,301)	$ (3,995)	$ (52,296)
Net loss per share:			
Basic and diluted	$ (0.23)	$ (0.02)	$ (0.25)

	Three Months Ended June 30, 2023		
Condensed Consolidated Statements of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**
General and administrative	$ 6,377	$ 47	$ 6,424
Loss from operations	(16,436)	(47)	(16,483)
Other income (expense), net	493	(1,328)	(835)
Total other expense, net	(5,079)	(1,328)	(6,407)
Loss before provision for income taxes	(21,515)	(1,375)	(22,890)
Net loss	(21,932)	(1,375)	(23,307)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(877)	(877)
Net loss attributable to common stockholders	$ (21,932)	$ (2,252)	$ (24,184)
Net loss per share:			
Basic and diluted	$ (0.10)	$ (0.01)	$ (0.11)

	Six Months Ended June 30, 2023		
Condensed Consolidated Statements of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**
General and administrative	$ 13,502	$ 211	$ 13,713
Loss from operations	(41,474)	(211)	(41,685)
Other income (expense), net	587	(2,225)	(1,638)
Total other expense, net	(6,081)	(2,225)	(8,306)
Loss before provision for income taxes	(47,555)	(2,436)	(49,991)
Net loss	(48,301)	(2,436)	(50,737)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(1,559)	(1,559)
Net loss attributable to common stockholders	$ (48,301)	$ (3,995)	$ (52,296)
Net loss per share:			
Basic and diluted	$ (0.23)	$ (0.02)	$ (0.25)

	Three Months Ended June 30, 2023		
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**	**Adjustment**	**As Revised**

Additional paid-in capital	$	564,197	$	3,597	$	567,794
Accumulated deficit		(550,403)		(3,776)		(554,179)
Net loss	$	(21,932)	$	(1,375)	$	(23,307)

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Six Months Ended June 30, 2023					
Condensed Consolidated Statements of Cash Flows		**As Previously Reported**		**Adjustment**		**As Revised**
Net loss	$	(48,301)	$	(2,436)	$	(50,737)
Adjustments to reconcile net loss to net cash used in operating activities:						
Loss on change in fair value of ELOC program		—		1,901		1,901
Changes in operating assets and liabilities						
Other non-current assets		628		(265)		363
Accrued liabilities		5,045		250		5,295
Net cash used in operating activities		(33,651)		(550)		(34,201)
Proceeds from sales of common stock under the ELOC program, net		70,905		550		71,455
Net cash provided by financing activities	$	154,008	$	550	$	154,558
Noncash financing activities:						
Accrued and unpaid debt issuance costs	$	16,461	$	(16,461)	$	—
Non-cash debt discount		4,315		(179)		4,136
Issuance of common stock to settle commitment shares related to the ELOC program	$	—	$	915	$	915

The following tables reflect the impact of these revisions on the Company's unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2023 (*dollars in thousands, except per share amounts*):

	March 31, 2023					
Condensed Consolidated Balance Sheet		**As Previously Reported**		**Adjustment**		**As Revised**
Other non-current assets	$	2,074	$	(432)	$	1,642
Total assets		72,803		(432)		72,371
Additional paid-in capital		505,889		1,969		507,858
Accumulated deficit		(528,471)		(2,401)		(530,872)
Total stockholders' deficit		2,382		(432)		1,950
Total liabilities and stockholders' deficit	$	72,803	$	(432)	$	72,371

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	Three Months Ended March 31, 2023		
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**	**Adjustment**	**As Revised**

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Condensed Consolidated Statements of Operations And Comprehensive Loss	As Previously Reported	Adjustment	As Revised
General and administrative	$ 7,125	$ 165	$ 7,290
Loss from operations	(25,038)	(165)	(25,203)
Other income (expense), net	94	(896)	(802)
Total other expense, net	(1,002)	(896)	(1,898)
Loss before provision for income taxes	(26,040)	(1,061)	(27,101)
Net loss	(26,369)	(1,061)	(27,430)
Less: accrual of Series A Preferred Stock paid-in-kind dividends	—	(682)	(682)
Net loss attributable to common stockholders	$ (26,369)	$ (1,743)	$(28,112)
Net loss per share:			
Basic and diluted	$ (0.13)	$ (0.01)	$ (0.14)

Condensed Consolidated Statement of Stockholders' Equity (Deficit)	Three Months Ended March 31, 2023 As Previously Reported	Adjustment	As Revised
Additional paid-in capital	$ 505,889	$ 1,969	$ 507,858
Accumulated deficit	(528,471)	(2,401)	(530,872)
Net loss	$ (26,369)	$ (1,061)	$ (27,430)

Condensed Consolidated Statements of Cash Flows	Three Months Ended March 31, 2023 As Previously Reported	Adjustment	As Revised
Net loss	$ (26,369)	$ (1,061)	$ (27,430)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on change in fair value of ELOC program	—	571	571
Changes in operating assets and liabilities			
Other non-current assets	19	167	186
Accrued liabilities	4,306	250	4,556
Net cash used in operating activities	(14,467)	(73)	(14,540)
Payment of financing costs associated with ELOC program	—	(250)	(250)

Proceeds from sales of common stock under the ELOC program, net		28,360		323		28,683
Net cash provided by financing activities	$	51,568	$	73	$	51,641
Noncash financing activities:						
Issuance of common stock to settle commitment shares related to the ELOC program	$	—	$	915	$	915

The following tables reflect the impact of these revisions on the Company's consolidated financial statements as of and for the year ended December 31, 2022 (*dollars in thousands, except per share amounts*):

SOUNDHOUND AI, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

	December 31, 2022					
Condensed Consolidated Balance Sheet	**As Previously Reported**		**Adjustment**		**As Revised**	
Other non-current assets	$	1,656	$	(265)	$	1,391
Total assets		38,251		(265)		37,986
Accrued liabilities		7,462		1,075		8,537
Total current liabilities		37,496		1,075		38,571
Additional paid-in capital		466,857		—		466,857
Accumulated deficit		(502,102)		(1,340)		(503,442)
Total stockholders' deficit		(35,225)		(1,340)		(36,565)
Total liabilities and stockholders' deficit	$	38,251	$	(265)	$	37,986

	Year Ended December 31, 2022					
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**		**Adjustment**		**As Revised**	
General and administrative	$	30,178	$	265	$	30,443
Loss from operations		(105,407)		(265)		(105,672)
Other income (expense), net		(184)		(1,075)		(1,259)
Total other expense, net		(7,077)		(1,075)		(8,152)
Loss before provision for income taxes		(112,484)		(1,340)		(113,824)
Net loss	$	(115,373)	$	(1,340)	$	(116,713)
Net loss per share:						
Basic and diluted	$	(0.73)	$	(0.01)	$	(0.74)

NOTE 19. SUBSEQUENT EVENTS

	Year Ended December 31, 2022					
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**		**Adjustment**		**As Revised**	
Accumulated deficit	$	(502,102)	$	(1,340)	$	(503,442)
Net loss	$	(115,373)	$	(1,340)	$	(116,713)

Equity Distribution Agreement

	Year Ended December 31, 2022					
Condensed Consolidated Statements of Cash Flows	**As Previously Reported**		**Adjustment**		**As Revised**	
Net loss	$	(115,373)	$	(1,340)	$	(116,713)
Adjustments to reconcile net loss to net cash used in operating activities:						
Loss on change in fair value of ELOC program		—		1,075		1,075
Changes in operating assets and liabilities						
Other non-current assets		(539)		265		(274)
Net cash used in operating activities	$	(94,019)	$	—	$	(94,019)

On April 9, 2024, the Company entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") with Citigroup Global Markets Inc., Barclays Capital Inc., Wedbush Securities Inc., Northland Securities, Inc. and Ladenburg Thalmann & Co. Inc. (each, a "Manager," and, collectively, the "Managers") with respect to an at-the-market equity program under which the Company may offer and sell aggregate gross sale proceeds up to $150,000,000 of shares of its Class A Common Stock from time to time through the Managers (the "ATM Offering"). Sales of Class A Common Stock, if any, under the Equity Distribution Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The following tables reflect Managers will be entitled to commission at a fixed rate of 2.5% of the impact of these revisions on the Company's condensed consolidated financial statements as of and for the three and nine months ended September 30, 2022 (*dollars in thousands, except gross sales price per share amounts*):for their services in acting as agent in the sale of the Company's Class A Common Stock. The Company will reimburse the Managers for certain specified expenses in connection with the execution of the Equity Distribution Agreement.

During April 2024, the Company sold 7,239,282 shares of our common stock under the Equity Distribution Agreement at an average price of $4.17 per share for $30.2 million of gross proceeds. The commissions and offering costs borne by the Company were approximately $0.8 million. Following this issuance, the Company has a remaining capacity to sell up to an additional $119.8 million of the Company's common stock under the Equity Distribution Agreement.

	September 30, 2022					
Condensed Consolidated Balance Sheet	**As Previously Reported**		**Adjustment**		**As Revised**	
Other non-current assets	$	1,071	$	(64)	$	1,007
Total assets		63,841		(64)		63,777
Accrued liabilities		7,242		1,075		8,317
Total current liabilities		38,299		1,075		39,374
Additional paid-in capital		457,025		—		457,025
Accumulated deficit		(471,422)		(1,139)		(472,561)
Total stockholders' deficit		(14,377)		(1,139)		(15,516)
Total liabilities and stockholders' deficit	$	63,841	$	(64)	$	63,777

	Three Months Ended September 30, 2022					
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**		**Adjustment**		**As Revised**	
General and administrative	$	9,587	$	64	$	9,651
Loss from operations		(27,008)		(64)		(27,072)
Other income (expense), net		116		(1,075)		(959)
Total other expense, net		(1,050)		(1,075)		(2,125)
Loss before provision for income taxes		(28,058)		(1,139)		(29,197)
Net loss	$	(28,922)	$	(1,139)	$	(30,061)
Net loss per share:						
Basic and diluted	$	(0.15)	$	—	$	(0.15)

	Nine Months Ended September 30, 2022					
Condensed Consolidated Statements Of Operations And Comprehensive Loss	**As Previously Reported**		**Adjustment**		**As Revised**	
General and administrative	$	22,952	$	64	$	23,016
Loss from operations		(76,655)		(64)		(76,719)
Other income (expense), net		(718)		(1,075)		(1,793)
Total other expense, net		(6,433)		(1,075)		(7,508)
Loss before provision for income taxes		(83,088)		(1,139)		(84,227)
Net loss	$	(84,693)	$	(1,139)	$	(85,832)
Net loss per share:						
Basic and diluted	$	(0.59)	$	(0.01)	$	(0.60)

	Three Months Ended September 30, 2022					
Condensed Consolidated Statement of Stockholders' Equity (Deficit)	**As Previously Reported**		**Adjustment**		**As Revised**	
Accumulated deficit	$	(471,422)	$	(1,139)	$	(472,561)
Net loss	$	(28,922)	$	(1,139)	$	(30,061)

(Unaudited)

Condensed Consolidated Statement of Stockholders' Equity (Deficit)	Nine Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Accumulated deficit	$ (471,422)	$ (1,139)	$ (472,561)
Net loss	$ (84,693)	$ (1,139)	$ (85,832)

Condensed Consolidated Statements of Cash Flows	Nine Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Net loss	$ (84,693)	$ (1,139)	$ (85,832)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on change in fair value of ELOC program	—	1,075	1,075
Changes in operating assets and liabilities			
Other non-current assets	46	64	110
Net cash used in operating activities	$ (73,605)	$ —	$ (73,605)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Operations

The following discussion and analysis of the financial condition and results of operations of SoundHound should be read together with our unaudited interim condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operation as of September 30, 2023 and for the three and nine months year ended September 30, 2023 and 2022, together with related notes thereto, and our audited financial statements December 31, 2023 ("2023") included in our Annual Report on Form 10-K, which was 10-K for 2023 filed with the SEC on March 28, 2023 March 1, 2024 ("Form 10-K"). Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to SoundHound's plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" and "Cautionary Statement Regarding Forward Looking Statements" section of this report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Unless otherwise indicated or the context otherwise requires, references in this section to "SoundHound," "we," "us," "our" and other similar terms refer to SoundHound AI, Inc.

The Company has We have revised the previously issued condensed consolidated statements of operations and comprehensive loss, condensed consolidated balance sheets, condensed consolidated statements of cash flows and redeemable convertible preferred stock and condensed consolidated statements of stockholders' deficit tables as of and for the year ended December 31, 2022, as of and for the three and nine months ended September 30, 2022, as of and for the three months ended March 31, 2023, and as of and for the three and six months ended June 30, 2023 to correct for such errors. errors as described in Note 18 of our notes to the condensed consolidated financial statements. All relevant prior period amounts affected by these revisions have been corrected in the Management's Discussion and Analysis of Financial Condition and Results of Operation in this Form 10-Q.

Company Overview

We are a global leader in conversational intelligence, offering independent Voice AI solutions that enable businesses to deliver high-quality conversational experiences to their customers. Built on proprietary technology, SoundHound's voice AI delivers best-in-class speed and accuracy in numerous languages to product creators across automotive, TV, and IoT, and to customer service industries via groundbreaking AI-driven products like Smart Answering, Smart Ordering, and Dynamic Interaction™, a real-time, multimodal customer service interface. Along with SoundHound Chat AI, a powerful voice assistant with integrated Generative AI, SoundHound powers millions of products and services, and processes billions of interactions each year for world class businesses.

We believe voice-enabled conversational user interface is a more natural interface for nearly all use cases, and product creators should have the ability to design, customize, differentiate, innovate and monetize the interface to their own product, as opposed to outsourcing it to a third-party assistant. For example, using SoundHound, businesses can voice-enable their products so consumers can say things like, "Turn off the air conditioning and lower the windows," while in their cars, "Find romantic comedies released in the last year," while streaming on their TV and even place food orders before arriving at a restaurant by talking to their cars, TVs or other IoT devices. Additionally, SoundHound's technology can address complex user queries such as, "Show me all restaurants within half a mile of the Space Needle that are open past 9pm on Wednesdays and have outdoor seating," and follow-on qualifications such as "Okay, don't show me anything with less than 3 stars or fast food."

The SoundHound developer platform, Houndify, is an open-access platform that allows developers to leverage SoundHound's Voice AI technology and a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more. SoundHound's Collective AI is an architecture for connecting domain knowledge that encourages collaboration and contribution among developers. The architecture is based on proprietary software engineering technology, CaiLAN (Conversational AI Language), and machine learning technology, CaiNET (Conversational AI Network) to ensure fast, accurate and appropriate responses.

Our market position is strengthened by the technical barriers to entry in the Voice AI space, which tend to discourage new market participants. Furthermore, our technology is backed by significant investments in intellectual property, with over 120 155 patents granted and over 140 115 patents pending, spanning multiple fields including speech recognition, natural language understanding, machine learning, monetization and more. We have achieved this critical momentum in part thanks to a long-tenured leadership team with deep expertise and proven ability to attract and retain talent. We believe that SoundHound has extensive technical expertise and a proven track record of innovation and value creation for us to continue to attract customers in the growing market for Voice AI transactions, which is estimated to grow to $160 billion over $140 billion per year by 2026. 2024.

We believe that SoundHound is well-positioned to fill the growing void and demand for an independent Voice AI platform. The Voice AI offerings from big tech companies are primarily an extension of their more core services and offerings. Rather than strengthening a customer's product, it can take over the entire experience, thus disintermediating the company's our brand, users and data. As a result, brands relying on big tech mostly may lose their ability to innovate, differentiate and customize. In some cases, these providers even compete with the products they support, making them increasingly less attractive as a choice for a voice interface.

The alternative options are generally legacy vendors tending to use what we consider to be dated technologies at a high price. Furthermore, many of these technologies still require significant effort by the product creators to turn them into solutions that can compete with the quality of the big tech offering, which in many cases is not practical. Due to the high barrier to entry in Voice AI, there are not many independent players.

This creates a great opportunity for SoundHound: we believe that we provide disruptive technologies that are superior to the alternatives, with better terms, allowing customers to maintain their brand, control the user experience, get access to the data and define their own privacy policies, while being able to customize, differentiate, innovate and monetize.

When it comes to criteria for adoption, our goal is to win on every dimension. The We believe that the first two criteria customers typically consider are technology and brand control. We strive to provide our customers with the best technology, and we provide a white label solution giving our customers control of their brands. In some industries you may have to choose between technology and brand control. In our case, we offer our customers the best of both, we enable enabling them to offer disruptive technologies to their users while maintaining control of their brand and user experience.

With our disruptive monetization strategy, we We also expect to provide an additional path to monetization for our customer base. By choosing our platform, product creators can generate additional revenue while making their product better by using Voice AI, providing further incentive to choose our platform.

We believe that we offer a superior ecosystem, benefiting from our Collective AI product architecture along with offering customers definable privacy controls, which are becoming increasingly important in the industry of Voice AI. Additionally, there is no conflict of interest between us and our partners and customers as we do not compete with them (as some other Voice AI vendors do). We also offer edge and hybrid solutions. This means our technology can optionally run without a cloud connection for increased flexibility and privacy. Our focus is on delivering We aim to deliver the most advanced Voice AI in the world and thus allowing our partners to differentiate and innovate their overall experiences for their brands.

We strongly believe that product creators know their product and users best. The idea of a single third-party assistant taking over their product is not reflective of our anticipated future. We envision that every product will have its own identity, and they will have Voice AI customized in different ways. They Product creators can each tap into a single Collective AI to access the ever-growing set of domains, but the product creators can innovate on top of Collective AI and create value for the end users in their own way. This is the future that we are focusing on enabling.

When a product is voice enabled, we see three stages of integration and value propositions. The first stage is to enable the core use cases case of the product. For example, the product could be a TV, a coffee machine, a car, a wearable device, a robot, a smart speaker, or an appliance or other devices, and with your voice you can control the functionality of the device and the product. On With a TV, you can ask it to change the channel, increase the volume, rewind by 30 seconds, search for movies and even add personalization by adding a TV show to your favorites. Note that this is different from adding a third-party voice assistant to the product. Our view is that every product needs to have an interface, and voice-AI is a natural and compelling interface that unlocks new use cases and potential. Consider just the simple example of rewinding or fast forwarding by a specific duration. That is a command that can be done with voice within a in only few seconds, but it can take many steps to do using use alternative interfaces such as a remote control or a companion app.

Once the core features of a product are voice-enabled, it can be further enhanced in the second stage of integration: the addition of third-party content and domains. SoundHound has extensive partnerships with content providers and, through these partnerships, can fulfill many needs of our customers. For example, your TV, car or even a coffee machine can answer questions about weather, sports scores, stock prices or flight status, and even search for a local businesses. business. The addition of these public domains further enhances the value proposition of the product.

Finally, as the third step, you enter the world of monetization where you can add features that deliver value to the end user, and also generate revenues that we share with the product creators. To summarize with an example, imagine walking up to your coffee machine and asking for a triple shot extra hot latte. While you are waiting for your drink, you can ask for weather and sports scores, and if you desire, you can even order bagels from your favorite nearby bakery.

There are three pillars to our revenue model. The first pillar is Product Royalties, where we voice enable a product and the product creator pays us a royalty based on volume, usage or duration. SoundHound collects royalties royalty revenue when Houndify our technology is placed in a car, smart speaker or an appliance, for example.

The second pillar is Service Subscription. This is when, for example, SoundHound enables customer service or food ordering for restaurants or content management, appointments and voice commerce. And, for that, we generate subscription revenue from the service providers. Pillars one and two can grow independently and they are proven, established business models.

The third pillar creates seeks to create a monetization ecosystem that brings the services from pillar two to the products in pillar one. When the users of a voice-enabled product in pillar one access the voice-enabled services of pillar two, these services generate new leads and transactions. SoundHound generates will generate monetization revenue from the services for generating these leads and transactions, and we will share the revenue with the product creators of pillar one.

For example, when the driver of a voice-enabled car places an order to a restaurant that is also voice enabled, we will have unlocked a seamless transaction. Accordingly, the restaurant will pay us for that order, and we will share that revenue with the product creator or the car manufacturer. In this example, each party receives value in the ecosystem.

The restaurant is happy because they generated a new lead and booked a sale. The user is happy because they have received value through a natural ordering process, simply by speaking to their car. And the car manufacturer is happy because they delivered value to the end user and generated additional revenue from the usage of their product.

During the periods presented in the condensed consolidated financial statements, we have not generated revenue from leads and transactions on voice-enabled products from voice-enabled services other than from the SoundHound music identification app. Going forward, SoundHound expects monetization revenue to be generated through a combination of advertising revenue from the music identification app and, over time, from leads and transactions on voice-enabled products from voice-enabled services. services, which we expect will provide much more seamless opportunities for consumers to access goods and services that they covet as we further build out and scale the voice-enabled ecosystem.

We expect this disruptive, three-pillar business model will create a monetization flywheel; as more products integrate into our platform, more users will use it and more services will choose to integrate as well. This creates even more usage, and results in a flow of revenue share to product creators, which further encourages even greater adoption and integration with our platform and the cycle will perpetually continue and expand. This ecosystem increases adoption and increases our addressable market. All While all three pillars contribute to our revenues today, in 2023. While the majority of the contribution is currently from our first pillar of royalties, over with only a small contribution from pillar three from our music identification app. Over time, the subscription and monetization portions are expected to grow and make a bigger contribution to our overall revenue.

Recent Developments

SYNQ3 Acquisition

In December 2023, we entered an Agreement and Plan of Merger (the "Acquisition") with a closing date of January 3, 2024 with Synq3, Inc. ("SYNQ3"), a leading provider of voice AI and other technology solutions to the restaurant industry, to acquire its issued and outstanding equity. The acquisition of SYNQ3 is expected to expand our AI customer service solutions and create the largest Voice AI provider for restaurants. We believe the acquisition will significantly extend our market reach to over 10,000 signed locations and accelerate the deployment of leading-edge generative AI capabilities to the industry — strengthening SoundHound's leadership as we move to rapidly roll out our proprietary AI solutions to restaurants across the U.S. and beyond. Together, with a total of more than 25 national and multinational chains, the highly complementary businesses will match nearly two decades of SoundHound AI innovation with decades of SYNQ3 industry expertise and established relationships. We have incurred certain significant costs relating to the Acquisition, such as legal, accounting, financial advisory, printing and other professional services fees, as well as other customary payments. Refer to the "Liquidity and Capital Resources" section for discussion on the purchase price and the Acquisition's impact on SoundHound's liquidity and refer to "Item 1A. Risk Factors" in our Form 10-K for a discussion regarding the risks associated with the Acquisition.

Equity Distribution Agreement

We entered into an Equity Distribution Agreement (the "Equity Distribution Agreement") on April 9, 2024 with Citigroup Global Markets Inc., Barclays Capital Inc., Wedbush Securities Inc., Northland Securities, Inc. and Ladenburg Thalmann & Co. Inc. (collectively, the "Managers") with respect to an at-the-market equity program. Under this program, we may offer and sell aggregate gross sale proceeds up to $150.0 million of shares of our Class A Common Stock ("Class A Common Stock") through the Managers. Refer to the "Liquidity and Capital Resources" section for more information.

Known Trends, Demands, Commitments, Events or Uncertainties Impacting Our Business

SoundHound believes We believe that its our performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including the following:

- ***Investments in Technology.*** Our business model since inception has been to invest significantly in our Houndify platform technology in the form of dedicated research and development. We will continue to invest in the development of our software platform to deliver consumers with continually improving value and delight. Our investments include continuous enhancements to our ASR and NLU models, technology we've developed over the last two decades, investments in data to help refine and improve our underlying algorithms and other costs to attract and retain a world-class technical workforce.

- ***Revenue Growth.*** Our commercial success, including acceptance and use of our applications, will depend on a number of factors, some of which are beyond our control, such as size of the market opportunity, successful integration with original equipment manufacturers ("OEM"), competition and demand from the public and members of the conversational AI community. Our product offerings have disruptive effects in the ways human interact with computers and we are developing new, innovative economic models that we believe will enhance value to customers, partners and shareholders. For our revenue growth to continue, we will need to invest in sales and marketing to ensure our messaging, capabilities and offerings are well understood and valued by customers. With our primary focus on enterprise customers, we also need to align with enterprise sales cycles, which can be longer than consumer cycles. Additionally, as As we build new customer relationships, we continually focus on maintaining and growing our existing relationships through long-term partnerships through significant upfront investment in customer specific engineering projects. Additionally, we may look to acquire other companies in the industry to develop synergies with our existing business.

- ***Cost of Revenues.*** The results of our business will depend in part on our ability to establish and increase our gross margins by scaling our business model and effectively managing our costs to produce our applications. Our revenue will be directly supported by data center investments in technology, both on premise and in the cloud. The associated workloads, along with supporting labor costs, will need to be managed effectively as we scale to improve our margins over time. Our Houndify platform is also powered by a library of over 100 content domains, including commonly used domains for points of interest, weather, flight status, sports and more.

- ***Seasonality.*** Our ability to accurately forecast demand for our technology could be negatively affected by many factors, including seasonal demand. We anticipate that we will experience fluctuations in customer and user demand based on seasonality. Given For example, in the past, we have seen approximately one third of our revenue in the first half of the year with the remaining two thirds in the second half. Additionally, given that we address markets across several different industry verticals, the associated overall seasonality impact to us may not be consistent year-to-year.

- ***Development of International Markets.*** We have rapidly expanded our capabilities and global reach. We For example, we have globalized our solution from 1 to include 25 languages. We view opportunities for conversational Voice AI to be global in reach, and we expect our growth to be fueled across multiple geographies.

- ***Industry Risks.*** The military conflict between Russia and Ukraine and the Israel-Hamas war have had an adverse impact on the global economy and financial markets. Although our business has not been materially impacted by the Russia-Ukraine conflict or the Israel-Hamas war, it is impossible to predict the extent to which our operations, or those of our customers' suppliers and manufacturers, will be impacted in the short and long term, or the ways in which the conflicts may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict but could be substantial. Further, inflation Inflation has risen significantly worldwide and the United States has recently experienced historically high levels of inflation. This inflation and government efforts to combat inflation, such as recent and future significant increases to benchmark interest rates and other related monetary policies, have and could continue to increase market volatility and have an adverse effect on the domestic and international financial markets and general economic conditions. Additionally, the military conflict between Russia and Ukraine and the Israel-Hamas war have had an adverse impact on the global economy and financial markets. Although our business has not been materially impacted by the Russia-Ukraine conflict or the Israel-Hamas war, it is impossible to predict the extent to which our operations, or those of our customers' suppliers and manufacturers, will be

Basis impacted in the short and long term, or the ways in which the conflicts may impact our business. The extent and duration of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with U.S. GAAP for the three military action, sanctions and nine months ended September 30, 2023 and 2022. resulting market disruptions are impossible to predict but could be substantial.

Components of Our Results of Operations

Revenues

SoundHound generates revenues through: (1) "Product Royalties," meaning royalties from voice-enabled products which are driven by volume, usage or life of applicable products and are affected by number of devices, users and units of usage, time, (2) "Service Subscriptions," meaning subscription revenues, derived from monthly fees based on usage-based revenue, revenue per query or revenue per user, and (3) "Monetization," meaning revenues generated from focused ad targeting to users of products and services that employ our technologies. Currently, our monetization revenue is derived only from our music identification application primarily in the form of ad impression revenue — revenue generated when an ad is shown in our music identification app — and, to a lesser extent, affiliate revenue for referrals to music stores for content sales and downloads of our premium music application.

"Houndified Products," meaning products of our customers that employ SoundHound technology, and "Houndified Services," meaning services provided to customers related to SoundHound technology, provide our customers with access to our Houndify platform over a contractual period without taking possession of the software. This generally includes revenues derived from up-front services ("professional services") that develop and customize the Houndify platform to fit customers' specific needs. These professional services are included in both our Product Royalties and Service Subscriptions revenues. Non-distinct professional services are recognized over the contractual life of the contract, whereas revenues from distinct professional services are recognized as the services are performed or when the services are complete depending on the arrangement.

We have and may continue to experience volatility for our remaining performance obligations and deferred revenue as a result of the timing for completing our performance obligations. We had remaining performance obligations in the amount of $13.9 million $11.8 million as of September 30, 2023, consisting March 31, 2024. Given the applicable contract terms, $6.3 million is expected to be recognized as revenue within one year, $3.4 million is expected to be recognized between 2 to 5 years and the remainder of both billed and unbilled consideration. $2.1 million is expected to be recognized after 5 years. Deferred revenue consists of billings or payments received in advance of revenue being recognized and can fluctuate with changes in billing frequency and other factors. As a result of these factors, as well as our mix of revenue streams and billing frequencies, we do not believe that changes in our remaining performance obligations and deferred revenue in a given period are directly correlated with our revenue growth in that period.

We anticipate that we will experience fluctuations in our revenues from quarter-to-quarter due to a variety of factors, including acquisitions, the supply and demand of end user products such as automobiles, the size and success of our sales force and the number of users who are aware of and use our applications. application. See Note 4 to our unaudited condensed consolidated financial statements included within this report for more information.

Operating Expenses

We classify our operating expenses into the following four seven categories, which are cost of revenues, sales and marketing, research and development, general and administrative, change in fair value of contingent acquisition liabilities, amortization of intangible assets and restructuring. With respect to sales and marketing, research and development, and general and administrative. Excluding cost of revenues, administrative, each expense category includes overhead, including rent and related occupancy costs, which is allocated based on headcount. We plan to continue investing to support our go-to-market strategies and customer engagement, develop our current and future applications and support our operations as a public company. While our gross margin may continue to fluctuate in the near-term due to revenue contributions from varying product mixes, as well as acquisitions, we expect it will stabilize as we continue to scale our business.

Cost of Revenues

SoundHound's cost of revenues are comprised of direct costs associated directly with SoundHound's revenue streams as described above. This primarily includes costs and depreciation related to hosting for cloud-based services, such as data centers, electricity charges, content fees and certain personnel-related expenses including personnel costs under call centers that are directly related to these revenue streams. While Additionally, our gross margin may continue to fluctuate in cost of revenues also includes the near-term due to revenue contributions amortization of developed technology acquired from varying product mixes, we expect it will stabilize SYNQ3 as we continue to scale our business. an intangible asset.

Sales and Marketing

Sales and marketing expenses consist of personnel-related expenses related costs of the sales and marketing team, promotional campaigns, advertising fees and other marketing related costs. Advertising costs are expensed to sales and marketing when incurred.

Research and Development

Our research and development expenses are our largest operating expense as we continue to develop our software platforms and produce new technological capabilities.

The costs of these activities consist primarily of personnel-related expenses, third-party consultants and costs associated with technological supplies and materials, along with other direct and allocated expenses such as facility costs, depreciation and other shared expenses. We expense research and development costs associated with the design and development of new products in the periods in which they are incurred.

General and Administrative

General and administrative expenses consist of personnel-related costs, accounting and legal expenses, third-party consulting costs, insurance and allocated overhead including rent, depreciation and utilities.

Change in Fair Value of Contingent Acquisition Liabilities

The change in fair value of contingent acquisition liabilities is related to contingent consideration from the Acquisition, The contingent consideration was determined to be liability classified and is remeasured as of each reporting period with a corresponding change in fair value recorded.

Amortization of Intangible Assets

Amortization of acquired customer relationships, tradename and conversation data is included within operating expenses and arises from the amortization of assets acquired through the Acquisition. We review intangible assets for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an evaluation of recoverability is required, the estimated undiscounted future cash flows directly associated with the asset are compared with the asset's carrying amount. If the estimated future cash flows from the use of the asset are less than the carrying value, an impairment charge would be recorded to write down the asset to its estimated fair value.

Restructuring

Restructuring expenses consisted of employee severance payments, employee benefits and share-based compensation related to reduced headcount from our restructuring plan ("Restructuring Plan") announced in January 2023. The Restructuring Plan was complete as of December 31, 2023.

Interest Expense

Interest expense consists of stated interest incurred on our outstanding convertible notes and term debt during the relevant periods, as well as the amortization of debt discounts and issuance costs over the life of the instruments or a shorter period if a lender can demand payment in the event certain events occur that are outside of the control of the Company. our control.

The issuance of debt instruments with direct transaction costs, and the bifurcation of embedded derivatives and warrant instruments has resulted in debt discounts. Direct transaction costs consist of various transaction fees and third-party costs, such as bank and legal fees, that are incurred upon issuance. Overall, the discounts from debt issuance costs result in an increased amount of interest expense over the amortization period.

Other Income (Expense), Net

Other income (expense), net consists of the change in fair value related to our derivative liability, interest income and other income (expense), net. .

Provision for Income Taxes

Income tax expense includes federal, state and foreign taxes and is based on reported income before income taxes. We are in a cumulative loss position for tax purposes based on historical earnings. As of December 31, 2022 December 31, 2023, the Company we had $395.5 million of U.S. federal and $109.4 million of state net operating loss carry forwards of approximately $344.6 million and $106.9 million carryforwards available to reduce future taxable income, if any, for both federal and state income tax purposes, respectively. income. The federal and state net operating loss carry forwards carryforwards will start to expire in 2025 and 2028, respectively, with the exception of $256.0 million in $306.8 million federal net operating loss carryforwards and $5.6 million state net operating loss carryforwards, which can be carried forward indefinitely.

The Company also We had federal and state research and development credit carry forwards carryforwards of approximately $11.4 million $14.4 million and $9.1 million, $10.9 million, respectively, at December 31, 2022 as of December 31, 2023. The federal credits will expire starting in 2029 if not utilized. State research and development tax The state credits can be carried forward indefinitely. We also had Canadian SR&ED tax credits of $1.7 million, which expire starting in 2038 if not utilized.

Under Sections 382 and 383 of the Internal Revenue Code of 1986 and similar state tax laws, utilization of net operating loss carryforwards and tax credits may be subject to annual limitations due to certain ownership changes. The Company's Our net operating loss carryforwards and tax credits could expire before utilization if subject to annual limitations.

Results of Operations

The following tables set forth the significant components of our results of operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 ($ in thousands):

	Three Months Ended September 30, 2023	2022	Change $	%
Revenues	$ 13,268	$ 11,186	$ 2,082	19 %
Operating expenses:				
Cost of revenues	3,590	2,583	1,007	39 %
Sales and marketing	4,471	6,672	(2,201)	(33)%
Research and development	12,806	19,352	(6,546)	(34)%
General and administrative	6,931	9,651	(2,720)	(28)%
Total operating expenses	27,798	38,258	(10,460)	(27)%
Loss from operations	(14,530)	(27,072)	12,542	(46)%
Other expense, net:				
Interest expense	(5,442)	(1,166)	(4,276)	367 %
Other income (expense), net	1,336	(959)	2,295	(239)%

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2024	2023		$	
Revenues	$ 11,594	$	$ 6,707	$	$ 4,887	73	
Operating expenses:							
Cost of revenues	4,669	1,976	1,976	2,693	2,693	136	
Sales and marketing	5,542	4,875	4,875	667	667	14	
Research and development	14,878	14,184	14,184	694	694	5	
General and administrative	10,267	7,290	7,290	2,977	2,977	41	
Change in fair value of contingent acquisition liabilities	4,162		—		4,162	100	
Amortization of intangible assets	605		—		605	100	
Restructuring	—		3,585		(3,585)		
Total operating expenses	40,123	31,910	31,910	8,213	8,213	26	
Loss from operations	(28,529)	(25,203)	(25,203)	(3,326)	(3,326)	13	
Other income (expense), net:							
Interest expense	(5,664)	(1,096)	(1,096)	(4,568)	(4,568)	417	
Other income (expense), net	1,479	(802)	(802)	2,281	2,281	(284)	

Total other expense, net	Total other expense, net	(4,106)	(2,125)	(1,981)	93 %	Total other expense, net	(4,185)	(1,898)	(1,898)	(2,287)	(2,287)	120
Loss before provision for income taxes	Loss before provision for income taxes	(18,636)	(29,197)	10,561	(36)%	Loss before provision for income taxes	(32,714)	(27,101)	(27,101)	(5,613)	(5,613)	21
Provision for income taxes	Provision for income taxes	1,561	864	697	81 %	Provision for income taxes	295	329	329	(34)	(34)	(10)
Net loss	Net loss	$(20,197)	$(30,061)	$ 9,864	(33)%	Net loss	$(33,009)	$	$ (27,430)	$	$(5,579)	20

* Not meaningful

	Nine Months Ended September 30,		Change	
	2023	2022	$	%
Revenues	$ 28,726	$ 21,628	$ 7,098	33 %
Operating expenses:				
Cost of revenues	7,396	6,844	552	8 %
Sales and marketing	14,424	13,623	801	6 %
Research and development	38,726	54,864	(16,138)	(29)%
General and administrative	20,644	23,016	(2,372)	(10)%
Restructuring	3,751	—	3,751	*
Total operating expenses	84,941	98,347	(13,406)	(14)%
Loss from operations	(56,215)	(76,719)	20,504	(27)%
Other expense, net:				
Interest expense	(12,110)	(5,715)	(6,395)	112 %
Other expense, net	(302)	(1,793)	1,491	(83)%
Total other expense, net	(12,412)	(7,508)	(4,904)	65 %
Loss before provision for income taxes	(68,627)	(84,227)	15,600	(19)%
Provision for income taxes	2,307	1,605	702	44 %
Net loss	$ (70,934)	$ (85,832)	$ 14,898	(17)%

The following table summarizes our gross profit and gross margin ($ in thousands):

* Not meaningful

	Three Months Ended March 31,		Change
	2024	2023	%
Revenues	$ 11,594	$ 6,707	73 %
Cost of revenues	4,669	1,976	136 %
Gross profit	$ 6,925	$ 4,731	46 %
Gross margin	60 %	71 %	(11)%

Revenues

The following tables summarize our revenues by type and geographic regions for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 ($ in thousands):

	Three Months Ended September 30,		Change	
	2023	2022	$	%

	Three Months Ended March 31,							Three Months Ended March 31,					Change		
	2024								2024	2023			$		%
Product royalties	Product royalties	$12,616	$10,265	$2,351	23 %	Product royalties	$ 7,889	$	$ 6,176	$	$ 1,713	28		28	%
Service subscriptions	Service subscriptions	491	696	(205)	(29)%	Service subscriptions	3,583	391	391	3,192		3,192	816	816	%
Monetization	Monetization	161	225	(64)	(28)%	Monetization	122	140	140	(18)		(18)	(13)	(13)	%
Total	Total	$13,268	$11,186	$2,082	19 %	Total	$ 11,594	$	$ 6,707	$	$ 4,887	73		73	%

	Nine Months Ended September 30,		Change	
	2023	2022	$	%
Product royalties	$ 26,972	$ 19,534	$ 7,438	38 %
Service subscriptions	1,291	1,442	(151)	(10)%
Monetization	463	652	(189)	(29)%
Total	$ 28,726	$ 21,628	$ 7,098	33 %

	Three Months Ended September 30,		Change	
	2023	2022	$	%
Korea	$ 9,550	$ 7,402	$ 2,148	29 %
Germany	196	1,070	(874)	(82)%
Japan	922	925	(3)	— %
France	1,012	650	362	56 %
United States	792	1,003	(211)	(21)%
Other	796	136	660	485 %
Total	$ 13,268	$ 11,186	$ 2,082	19 %

	Nine Months Ended September 30,		Change	
	2023	2022	$	%
Korea	$ 14,132	$ 9,609	$ 4,523	47 %
Germany	5,797	2,897	2,900	100 %
Japan	2,781	2,775	6	— %
France	2,589	2,947	(358)	(12)%
United States	2,282	2,695	(413)	(15)%
Other	1,145	705	440	62 %
Total	$ 28,726	$ 21,628	$ 7,098	33 %

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Asia	$ 4,455	$ 3,208	$ 1,247	39 %
Americas	3,734	786	2,948	375 %
EMEA	3,405	2,713	692	26 %
Total	$ 11,594	$ 6,707	$ 4,887	73 %

Total revenues increased by $2.1 million $4.9 million, or 19% 73%, in the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The increase of $3.2 million in service subscription revenue, primarily based in the Americas, was primarily attributable to driven by the contribution of SYNQ3 revenue. Other factors include an increase in product royalty revenue in connection with royalty increases of unit-based Product Royalties of $0.8 million from customers in Korea and professional services completed for a customer in Turkey. Asia. The increase was in the EMEA region is partially offset by a the decrease in product royalty revenue due to a contract modification with a large automotive company in Germany during the three months ended September 30, 2023. In the three months ended September 30, 2023 and 2022, licensing revenues of $5.5 million and $5.3 million, respectively, were recognized for the delivered Houndify Edge solution related to minimum guarantee units to be utilized over the life of the contract and resulted in a corresponding increase in our Contract assets balance.

Total revenues increased by $7.1 million, or 33%, in the nine months ended September 30, 2023 compared relation to the same period in 2022. The increase was primarily attributable to an increase in product royalty revenue in connection with the contract modification termination of a customer in Germany and royalty increases from customers in Korea. The increase was partially offset by a decrease in product royalty revenue due to a distinct customization service sold to a large automotive company in France during the nine months ended September 30, 2022.

In June 2023, the Company and a customer in Germany finalized an agreement to modify the scope of an existing hosting services contract without changing the contract price. This modification involved the addition of new professional services in lieu of a tail support obligation beyond the contractual period ending on December 31, 2023. On the modification date, the estimated remaining transaction price including the tail support fee of $1.9 million that was scheduled to be recognized after 2023, was reallocated to the remaining performance obligations and will be fully recognized as revenue in 2023 either at a point in time or over time depending on the nature of each performance obligation. contract.

Cost of Revenues

Cost of revenues increased by $1.0 million $2.7 million, or 39% 136%, in the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. The increase was primarily related 2023. Gross margin decreased to increased revenue 60% during the three months ended September 30, 2023 and partially offset by incurring additional data center and hosting costs due to system migrations in the three months ended September 30, 2022 in order to support our revenue growth. Gross margin decreased to 73% during the three months ended September 30, 2023 March 31, 2024 from 77% 71% during the same period in 2022 largely 2023 primarily due to elevated the Acquisition, which included a mix of lower margin call center agent business and amortization of acquired intangible assets. In the past, our gross margin has fluctuated and may continue to fluctuate from quarter to quarter due to revenue contributions from varying product mixes. However, we expect to gradually improve gross margins recognized on Houndify Edge licensing revenue during the three months ended September 30, 2022.

Cost of revenues increased by $0.6 million, or 8%, in the nine months ended September 30, 2023 compared to mid-term, especially as it relates the same period in 2022. The increase was primarily related to increased revenue during the nine months ended September 30, 2023 and partially offset by incurring additional data center and hosting costs due to system migrations in the nine months ended September 30, 2022 in order to support our revenue growth. Gross margin increased to 74% during the nine months ended September 30, 2023 from 68% during the same period in 2022 as our revenue continues to scale and we begin to benefit from efficiencies related to our data center and hosting migrations. The increase in gross margin during the nine months ended September 30, 2023 was partially offset by elevated margins recognized on Houndify Edge licensing revenue during the nine months ended September 30, 2022. integration of SYNQ3.

Sales and Marketing

Sales and marketing expenses decreased increased by $2.2 million $0.7 million, or 33% 14%, in the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. The decrease during the three months ended September 30, 2023 was 2023, primarily due to our restructuring efforts as we reduced sales increases in 2024 of $0.9 million in personnel-related costs and marketing headcount $0.1 million in consulting fees, which were partially offset by approximately 30% during the first quarter a decrease of 2023, which led to reduced compensation $0.3 million incurred for information technology and other benefits expense of approximately $1.6 million in the three months ended September 30, 2023 compared to the same period in 2022. facility allocations.

Sales and marketing expenses increased by $0.8 million, or 6%, in the nine months ended September 30, 2023 compared to the same period in 2022. The increase during the nine months ended September 30, 2023 was primarily due to increased compensation and other benefits expense of approximately $0.5 million and increased program spend to support a greater investment in go-to-market strategies and customer engagement and drive growth in our revenue from subscriptions and monetization in the nine months ended September 30, 2023 compared to the same period in 2022.

Research and Development

Research and development expenses decreased increased by $6.5 million $0.7 million, or 34% 5%, in the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The decrease increase in research and development expenses was primarily due to our restructuring efforts as we increased spending on cloud computing services of $1.2 million and personnel-related costs of $0.9 million. This is partially offset by the reduced information technology and facility allocations of $1.0 million, office expenses of $0.2 million, consulting fees of $0.1 million and legal and professional fees of $0.1 million. Included in the research and development headcount by approximately 40% during expense is an increase of $0.7 million arising from the first quarter of 2023, which led to reduced compensation and other benefits expense of approximately $5.7 million and was accompanied by reduced consulting fees of approximately $0.7 million in the three months ended September 30, 2023 compared to the same period in 2022.

Research and development expenses decreased by $16.1 million, or 29%, in the nine months ended September 30, 2023 compared to the same period in 2022. The decrease in research and development expenses was primarily due to our restructuring efforts as we reduced research and development headcount by approximately 40% during the first quarter of 2023, which led to reduced compensation and other benefits expense of approximately $13.2 million and was accompanied by reduced consulting fees of approximately $3.0 million in the nine months ended September 30, 2023 compared to the same period in 2022. SYNQ3 acquisition, stemming from increased personnel-related costs.

General and Administrative

General and administrative expenses decreased increased by $2.7 million $3.0 million, or 28% 41%, in the three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023. The decrease increase in general and administrative expenses was primarily due to an increase of $2.2 million in legal and professional fees, of which $0.2 million relate to the SYNQ3 Acquisition, $1.2 million in information technology and facility allocations and $1.1 million in personnel-related costs. The Acquisition led to increases in personnel-related costs, amortization expense and office expenses. This increase was offset by reductions of $0.9 million in office expenses, $0.5 million in insurance expense and property-related expenses of $0.1 million. We expect our restructuring efforts as we reduced general and administrative headcount expenses to increase in the short term as we invest in our control environment. However, in the long term, we expect general and administrative expenses to grow at a rate below that of our revenue, aligning with our strategic emphasis on cost effectiveness and sustainable financial performance.

Change in Fair Value of Contingent Acquisition Liabilities

The loss from the change in fair value of acquisition related liabilities, which is driven by approximately 35% during the first quarter increase in our stock price, is $4.2 million for the three months ended March 31, 2024.

Amortization of 2023, which led to reduced compensation Intangibles

Amortization of acquired developed technology is included within cost of revenues, while the amortization of other intangible assets, including acquired customer relationships, tradename and other benefits conversation data, are included within operating expenses. All intangible assets are amortized on a straight-line basis over their estimated useful lives.

The following table summarizes the amortization of intangible assets by operating expense of approximately $2.8 million category ($ in thousands):

	Three Months Ended March 31,		Change	
	2024	**2023**	**$**	**%**
Cost of revenues	$ 520	$ —	$ 520	100 %
Operating expenses	605	—	605	100 %
Total amortization	$ 1,125	$ —	$ 1,125	100 %

Restructuring

There were no restructuring expenses resulting from the Restructuring Plan recorded in the three months ended September 30, 2023 March 31, 2024 as the Restructuring Plan was complete as of December 31, 2023, compared to $3.6 million of expenses incurred in the same period in 2022.

General and administrative expenses decreased by $2.4 million, or 10%, in the nine months ended September 30, 2023 compared to the same period in 2022. The decrease in general and administrative expenses was primarily due to our restructuring efforts as we reduced general and administrative headcount by approximately 35% during the first quarter of 2023, which led to reduced compensation and other benefits expense of approximately $2.7 million in the nine months ended September 30, 2023 compared to the same period in 2022.

Restructuring

Restructuring expense was $3.8 million in the nine months ended September 30, 2023 as a result of the Restructuring Plan. See "Liquidity and Capital Resources - Restructuring" for additional information.

2023.

Interest Expense

Interest expense increased by $4.3 million $4.6 million, or 367%, and $6.4 million, or 112% 417%, in the three and nine months ended September 30, 2023, respectively, March 31, 2024 compared to the same periods period in 2022. 2023. The increase in interest expense was primarily attributable to the higher interest cost of $3.5 million resulting from increased interest rate and higher outstanding balance, and plus $1.1 million amortization of debt issuance costs and discounts on the Senior Secured Term Loan Credit Agreement with ACP Post OAK Credit II LLC (the "Term Loan") executed in April 2023 relative to those on the our 2021 note payable ("SVB March 2021 Note Note") and 2021 convertible note ("SCI June 2021 Note. Additionally, interest expense in Note"), which were terminated at the three and nine months ended September 30, 2023 includes a loss on debt extinguishment of $0.8 million related to time that the early repayment of the SVB March 2021 Note and SCI June 2021 Note. Term Loan was obtained.

Other Income (Expense), Net

The following tables summarize our other income (expense), net, by type ($ in thousands):

	Three Months Ended September 30,		Change	
	2023	2022	$	%
Interest income	$ 1,204	$ 186	$ 1,018	547 %
Loss on change in fair value of ELOC program	—	(1,075)	1,075	*
Other income (expense), net	132	(70)	202	*
Other income (expense), net	$ 1,336	$ (959)	$ 2,295	*

	Nine Months Ended September 30,		Change	
	2023	2022	$	%
Interest income	$ 2,075	$ 225	$ 1,850	822 %
Change in fair value of derivative liability	—	(606)	606	*
Loss on change in fair value of ELOC program	(1,901)	(1,075)	(826)	77 %
Other expense, net	(476)	(337)	(139)	41 %
Other expense, net	$ (302)	$ (1,793)	$ 1,491	(83)%

	Three Months Ended March 31,		Change	
	2024	2023	$	%
Interest income	$ 1,815	$ 157	$ 1,658	1056 %
Loss on change in fair value of ELOC program	—	(571)	571	*
ELOC commitment fees and reimbursement cost to Counterparty	—	(325)	325	*
Other income (expense), net	(336)	(63)	(273)	433 %
Other income (expense), net	$ 1,479	$ (802)	$ 2,281	(284)%

* Not meaningful

Interest Income

Interest income increased by $1.0 million $1.7 million, or 547%, and $1.9 million, or 822% 1,056%, in the three and nine months ended September 30, 2023, respectively, March 31, 2024 compared to the same periods period in 2022. 2023. The increase in interest income was primarily due attributable to additional interest earned on our higher cash greater money market and treasury bond balances during the three and nine months ended September 30, 2023 March 31, 2024, as we engaged in significant transactions that increased our liquidity. Refer to "Liquidity and Capital Resources" for a discussion of the changes in our business that led to an increase in cash for the period ended March 31, 2024.

Loss on Change in Fair Value of Equity Line of Credit Program

We recorded changes in the fair value of the derivative liability associated with the ELOC (as defined below) of $0.9 million for the three months ended March 31, 2023 as other income (expense), net on our consolidated statements of operations and comprehensive loss. There was no change in fair value of the derivative liability associated with the ELOC program decreased by $1.1 million and increased by $0.8 million, in for the three and nine months ended September 30, 2023, respectively, compared to March 31, 2024 as we sold the same periods in 2022, due to settlement entirety of the derivative liability from 25,000,000 shares under the issuance of common stock in ELOC during the respective periods. year ended December 31, 2023.

Provision for Income Taxes

The Company's recorded effective tax rate differs from the U.S. statutory rate primarily due to an increase

($ in thousands)	Three Months Ended March 31,		Change	
	2024	2023	$	%
Provision for income taxes	$ 295	$ 329	$ (34)	(10)%

Provision for income taxes decreased by $34 thousand, or 10%, in the domestic valuation allowance caused by tax losses, foreign withholding taxes and foreign tax rate differentials from three months ended March 31, 2024 compared to the U.S. domestic statutory tax rate. same period in 2023, remaining fairly consistent year on year.

Liquidity and Capital Resources

Total unrestricted cash and cash equivalents on hand as of September 30, 2023 March 31, 2024 was $96.1 million $211.7 million. Although the Company has we have incurred recurring losses each year since its our inception, the Company expects it we expect we will be able to fund its our operations for at least the next twelve months. The Company may seek funding We believe we will meet longer-term expected future cash requirements and obligations through additional debt or equity financing arrangements, implement incremental expense reduction measures or a combination thereof to continue financing its operations. The Company's of cash flows from operating activities, available cash balances and sales of common stock under our Equity Distribution Agreement (as defined below). Our condensed consolidated financial statements have been prepared assuming the Company that we will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Sources of Cash and Material Cash Requirements

Our principal sources of liquidity are our cash and cash equivalents, which are sourced primarily from the Term Loan and sale of marketable securities. The primary uses of cash include the funding of operating expenses, as well as debt service obligations. There were no material changes to our material cash requirements as disclosed in our audited consolidated financial statements for the fiscal year ended December 31, 2023 in our Annual Report on Form 10-K (our "Annual Report").

Equity Distribution Agreement

We entered into the Equity Distribution Agreement with the Managers on April 9, 2024 with regards to an at-the-market equity program. Under this program, we may offer and sell aggregate gross sale proceeds up to $150.0 million of shares of our Class A Common Stock from time to time through the Managers. Sales of Class A Common Stock, if any, under the Equity Distribution Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. The Managers will be entitled to commission at a fixed rate of 2.5% of the gross sales price per share for their services in acting as agent in the sale of our Class A Common Stock. We will reimburse the Managers for certain specified expenses in connection with the execution of the Equity Distribution Agreement.

During April 2024, we sold 7,239,282 shares of our common stock under the Equity Distribution Agreement at an average price of $4.17 per share for $30.2 million of gross proceeds. After this issuance, we have a remaining capacity to sell up to an additional $119.8 million of our common stock.

SYNQ3 Acquisition

On January 3, 2024 (the "Closing Date"), we acquired all of the issued and outstanding equity of SYNQ3, a leading provider of voice AI and other technology solutions to the restaurant industry, for total preliminary purchase consideration of $17.0 million (the "SYNQ3 Acquisition").

The total preliminary purchase consideration includes $3.9 million in cash paid and 5,755,910 in shares of our Class A Common Stock issued as of the Closing Date. We also withheld purchase consideration of $0.5 million in cash and 1,179,514 shares of our Class A Common Stock, subject to customary net working capital adjustments, to partially secure the indemnification obligations of SYNQ3's former stockholders under the merger agreement and agreed to pay up to $0.8 million in cash and 1,434,936 in shares of our Class A Common Stock to certain former stockholders of SYNQ3 based upon the achievement of specified future milestones. We also issued 2,033,156 restricted shares of our Class A Common Stock subject to time and performance-based vesting conditions at the Closing Date.

The preliminary purchase price allocation has not been finalized as of March 31, 2024 primarily due to the final assessment of the fair values of the intangible assets, contingent sales tax liability assumed, and fair value of the contingent acquisition liabilities. The fair value estimates of assets acquired and liabilities assumed is pending the completion of various items, including obtaining further information regarding the identification and valuation of all assets acquired and liabilities assumed. Any adjustments to the estimates of purchase price allocation will be made in the periods in which the adjustments are determined, and the cumulative effect of such adjustments will be calculated as if the adjustments had been completed as of the acquisition date. We expect to finalize the purchase price allocation within 12 months from the acquisition date.

We incurred $1.3 million in acquisition related expenses, of which $0.2 million was incurred during the three months ended March 31, 2024.

Holdback

The $0.5 million in cash and 1,179,514 shares of our Class A Common Stock is being withheld for a period of 15 months (the "Holdback Amount"). We determined that there are two components to the Holdback Amount related to deferred consideration and contingent consideration, each comprised of cash and shares.

The deferred cash holdback consideration of $0.1 million was recorded within other non-current liabilities at present value and the deferred share holdback consideration of 361,145 shares of our Class A Common Stock was recorded within stockholders' equity in the amount of $0.6 million based on the fair value of our Class A Common Stock as of the Closing Date (the "Deferred Consideration").

The contingent cash and share holdback consideration to be issued is variable ("Contingent Holdback Consideration"). Final amounts to be issued will be reduced based upon future actions and settlements with third parties to resolve assumed contingent sales tax liabilities in connection with the SYNQ3 Acquisition. We accounted for the Contingent Holdback Consideration as a liability within contingent acquisition liabilities on the condensed consolidated balance sheet. As of the Closing Date, the Contingent Holdback Consideration was estimated to be $1.0 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of our Class A Common Stock. The Contingent Holdback Consideration will be subsequently remeasured at each reporting date with changes in fair value recognized as a component of operating expense on our condensed consolidated statement of operations and comprehensive loss. For the three months ended March 31, 2024, we recognized a $1.6 million loss related to the Contingent Holdback Consideration.

Earnout

We also agreed to pay in aggregate up to $0.8 million in cash and 1,434,936 in shares of Class A Common Stock, to certain stockholders of SYNQ3 based on tiered annual revenue targets for each fiscal year 2024, 2025 and 2026 (the "Contingent Earnout Consideration"). We accounted for the Contingent Earnout Consideration as a liability within contingent acquisition liabilities on our condensed consolidated balance sheet and will subsequently remeasure the liability at each reporting date with changes in fair value recognized as a component of operating expense in our condensed consolidated statement of operations and comprehensive loss. As of the Closing Date, the Contingent Earnout Consideration was estimated to be $1.7 million in aggregate and to be settled in $0.2 million cash and the remainder in shares of our Class A Common Stock. For the three months ended March 31, 2024, we recognized a $2.6 million loss related to the Contingent Earnout Consideration, reflected in the change in fair value of contingent acquisition liabilities in the condensed consolidated statement of operations and comprehensive loss.

Restricted stock awards

The 2,033,156 restricted shares of our Class A Common Stock issued at the Closing Date to certain continuing employees of SYNQ3 subject to time and performance-based vesting conditions was determined to be a separate transaction from the SYNQ3 Acquisition and therefore is excluded from purchase consideration.

Restricted stock units

As a condition of the SYNQ3 Acquisition, we additionally granted certain employees awards with future vesting conditions. As a result, we determined that these awards should be accounted for separately from the SYNQ3 Acquisition and therefore are excluded from purchase consideration.

Sales Agreement

On July 28, 2023, the Company we entered into a Controlled Equity Offering the Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., H.C. Wainwright & Co., LLC, and D.A. Davidson & Co. (each a "Sales Agent" and collectively, the "Sales Agents"), pursuant to which the Company we may offer and sell up to $150,000,000$150.0 million of shares of our Class A common stock Common Stock from time to time through or to the Sales Agents acting as agent or principal. Sales of our Class A common stock, Common Stock, if any, under the Sales Agreement will be made at market prices by any method that is deemed to be an "at the market offering" as defined in Rule 415 under the Securities Act. We will pay the Sales Agents commission for their services in acting as agent in the sale of our Class A common stock. Common Stock. The Sales Agents are entitled to aggregate compensation at a fixed commission rate of 2.5% of the gross sales price per share sold under the Sales Agreement. We have also agreed to reimburse the Sales Agents for certain specified expenses, including the reasonable and documented fees and disbursements of its legal counsel in an amount not to exceed $75,000 $75 thousand in the aggregate in connection with the execution of the Sales Agreement. We have not

During the three months ended March 31, 2024, we sold any a total of 37,907,219 shares of our common stock under the ATM Program as Sales Agreement at a weighted-average price of $3.62 per share and raised $137.3 million of gross proceeds, which resulted in complete utilization of the date hereof. Sales Agreement. After deducting approximately $3.4 million of commissions and offering costs incurred by us, the net proceeds from sales of common stock was $133.8 million.

Term Loan Debt Financing

On April 14, 2023 (the "Term Loan Closing Date"), the Company we entered into a Senior Secured Term Loan Credit Agreement (the "Credit Agreement") with ACP Post Oak Credit II LLC, as Administrative Agent and Collateral Agent for the Lenders (the "Agent"), and the lenders from time to time party thereto (the "Lenders"). The Credit Agreement provides for a term loan facility in an aggregate principal amount of up to $100.0 million, (the "Term Loan"), the entirety of which was funded on the Term Loan Closing Date. The Credit Agreement also permits the Company to request additional commitments of up to $25.0 million in the aggregate, with funding of such commitments in the sole discretion of the Lenders, under certain circumstances and under the same terms as the Term Loan. On the Term Loan Closing Date, the Company also entered into that certain Guarantee and Collateral Agreement, dated as of April 14, 2023, by and among the Company, the other grantors named therein and the Agent (the "Guarantee and Collateral Agreement"). In addition, the Company is obligated to pay incremental lender fees, beginning on the Closing Date, equal to initially 3.5% of the principal amount of the Term Loans, decreasing to 2.5% after the 18-month anniversary, semi-annually (the "Lender Fees") to provide a collateral protection insurance policy on behalf of the Lenders. The Lender Fees are effectively additional fees payable to the Lenders as the Lenders are the sole beneficiary of the insurance policy and is therefore being recognized as interest expense over the term of the Term Loan based on the effective interest method.

The Company used the proceeds from the Term Loan to (i) repay outstanding amounts equal to approximately $30.0 million under the Company's existing loan facilities, (ii) fund an escrow account on the Term Loan Closing Date in the name of the Agent for an amount equal to the first four interest payments, (iii) pay certain fees and expenses incurred in connection with entering into the Credit Agreement, and (iv) fund the Lender Fee, together with related taxes, with the remaining proceeds to be used to fund growth investments and for general corporate purposes as permitted under the Credit Agreement.

The outstanding principal balance of the Term Loan bears interest at the applicable margin plus, at the Company's election, either (i) the secured overnight financing rate ("SOFR") plus 0.15% or (ii) the alternate base rate ("ABR"), which is a per annum rate equal to the greatest of (a) the Prime Rate (as defined in the Credit Agreement), (b) the NYFRB Rate (as defined in the Credit Agreement) plus 0.50% and (c) the Adjustable Rate (as defined in the Credit Agreement) plus 1.00%. The applicable margin under the Credit Agreement is 8.50% per annum with respect to SOFR loans, and 7.50% per annum with respect to ABR loans. As of September 30, 2023, March 31, 2024, the interest rate was approximately 14.0%.

Subject to certain exceptions as set forth in the Credit Agreement, interest on the Term Loan is payable quarterly in arrears on the last business day of each fiscal quarter. The Term Loan is set to mature on April 14, 2027 (the "Maturity Date"). The Credit Agreement provides for no scheduled principal payments prior to the Maturity Date.

Concurrently with Refer to Note 9 of the Company's entry into unaudited condensed consolidated financial statements for further information regarding the Credit Agreement, the Company used a portion and amortization of the proceeds to prepay in full all outstanding obligations under, debt issuance cost and terminated, the SCI June 2021 Note and the SVB March 2021 Note. In connection with the SCI June 2021 Note prepayment, the Company paid a total of approximately $11.7 million, which consisted of (i) the remaining principal amount outstanding of approximately $11.5 million, (ii) a prepayment premium of approximately $0.2 million and (iii) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the condensed consolidated statements of operations. In connection with the SVB March 2021 Note prepayment, the Company paid a total of $18.5 million, which consisted of (i) the remaining principal amount outstanding of $18.1 million, (ii) a prepayment premium of $0.3 million, (iii) accrued and unpaid interest of $0.1 million and (iv) a nominal amount for transaction expenses. The Company recorded a loss on debt extinguishment of $0.4 million related to the early repayment in interest expense in the condensed consolidated statements of operations. discount.

Equity Line of Credit (ELOC)

On August 16, 2022, the Company we entered into a common stock purchase agreement (the "Common Stock Purchase Agreement") and related registration rights agreement (the "CFPI Registration Rights Agreement") with CF Principal Investments LLC (the "Counterparty"). Pursuant to the Common Stock Purchase Agreement, the Company, has we have the right to sell to the Counterparty up to the lesser of (i) 25,000,000 shares of Class A Common Stock and (ii) the Exchange Cap (as defined in the Common Stock Purchase Agreement), subject to certain limitations and conditions set forth in the Common Stock Purchase Agreement (the "ELOC Shares"). On February 14, 2023, the Company's our Registration Statement on Form S-1 registering the resale of the ELOC Shares (the "ELOC Registration Statement") was declared effective. On March 31, 2023, a post-effective amendment to the ELOC Registration Statement was declared effective. The Company has We have utilized and expects expect to continue to utilize proceeds from the ELOC for working capital and other general corporate purposes. Through September 30, 2023 March 31, 2024, the Company had we sold the entirety of the 25,000,000 shares under the ELOC program for aggregate proceeds of approximately $71.7 million. $71.7 million.

Series A Preferred Stock

On or around January 20, 2023, the Company we entered into the Preferred Stock Purchase Agreements with the Investors, certain investors (the "Investors"), pursuant to which the Company we issued and sold to the Investors an aggregate of 835,011 shares of its our newly designated Series A Convertible Preferred Stock for an aggregate issue price of approximately $25.0 million.

Restructuring

In January 2023, Each share of Series A Preferred Stock is convertible, at the Company announced a restructuring plan (the "Restructuring Plan") intended to reduce operating costs, improve operating margins, improve cash flows and accelerate the Company's path to profitability. The Restructuring Plan included a reduction option of the Company's then-current workforce by approximately 40% or 180 positions globally.

Costs associated with the Restructuring Plan consist holder, into such number of employee severance payments, employee benefits and share-based compensation. The costs associated with the Restructuring Plan were recorded shares of Class A Common Stock equal to the restructuring expense line item within our condensed consolidated statements liquidation preference per share ("Liquidation Preference") at the time of operations as incurred. conversion divided by $1.00 (the "Conversion Price"). In addition, each share of Series A Preferred Stock will automatically convert into shares of Class A Common Stock at the Conversion Price on or after January 20, 2024 if and when the daily volume-weighted average closing price per share of Class A Common Stock is at least 2.5 times the Conversion Price for each of any 90 trading days during any 120 consecutive trading day period, which 120-trading day period may commence (but may not end) prior to January 20, 2024. During the nine three months ended September 30, 2023 March 31, 2024, we recorded $3.8 million certain Investors optionally converted 404,764 shares of restructuring expenses in connection Series A Preferred Stock into 14,070,854 shares of Class A Common Stock. The conversion was pursuant to the original terms of the agreement and therefore the carrying value of Series A Preferred Stock was converted into Class A Common Stock with no gain or loss upon conversion.

The holders of Series A Preferred Stock are entitled to cumulative dividends payable for such share at the Restructuring Plan, rate of which $1.4 million were cash payments. The Restructuring Plan was substantially complete 14% per annum, compounding semi-annually to Liquidation Preference on January 1 and July 1 of each year. Total cumulative dividends attributable to Series A Preferred Stock for the three months ended March 31, 2024 is $0.3 million. Additionally, as of September 30, 2023.

Business Combination

As a result March 31, 2024, the Series A Preferred Stock had accrued additional dividends since the last dividend payment date which has the effect of increasing the Business Combination in April 2022, we raised gross proceeds of $118.4 million including a combination of $5.4 million in cash held in trust by ATSP (following satisfaction of redemptions by public stockholders), and $113.0 million in aggregate gross proceeds from PIPE investors. The combined company incurred $27.7 million of expenses related Liquidation Preference to the transaction. approximately $35.32.

Contractual and Other Obligations

Because we expect to continue investing in software application and development, we enter into various contracts and agreements to increase our availability of capital. Cash that is received through these obligations is used to meet both short and long-term liquidity requirements as discussed above. These requirements generally include funding for the research and development of software, the development of applications that enable voice interaction, marketing programs and personnel-related costs. The primary types of obligations into which we enter include contractual obligations, operating and finance lease obligations and a diversified spread of debt instruments. The Term Loan was our only material debt facility as of September 30, 2023. Refer to Note 7 and Note 9 to the unaudited condensed consolidated financial statements for more information.

Cash Flows

The following table summarizes our cash flows ($ in thousands):

	Nine Months Ended September 30,	
	2023	**2022**

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net cash used in operating activities	Net cash used in operating activities	$ (54,395)	$(73,605)
Net cash used in investing activities	Net cash used in investing activities	(334)	(1,188)
Net cash provided by financing activities	Net cash provided by financing activities	155,175	85,613
		$100,446	$ 10,820
Effects of exchange rate changes on cash			
Net change in cash, cash equivalents, and restricted cash equivalents			

Cash Flows Used in Operating Activities

Net cash used in operating activities was $54.4 million $21.9 million during the nine three months ended September 30, 2023 March 31, 2024 compared to $73.6 million $14.5 million during the nine three months ended September 30, 2022 March 31, 2023. The $19.2 million decrease $7.4 million increase in cash used in operating activities was primarily due to our decreased increased net loss adjusted for non-cash expenses, including stock-based compensation of $5.6 million and depreciation and amortization and a net decrease in changes in operating assets and liabilities of $5.7 million. This was partially offset by an increase of $4.2 million in the fair value of contingent acquisition liabilities.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $0.3 million $3.8 million during the nine three months ended September 30, 2023 March 31, 2024 compared to $1.2 million $15 thousand during the nine three months ended September 30, 2022 March 31, 2023. The $0.9 million decrease $3.8 million increase in cash used in investing activities was primarily driven by a reduction in purchases of property and equipment. the Acquisition.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $155.2 million $142.7 million during the nine three months ended September 30, 2023 March 31, 2024 compared to $85.6 million $51.6 million during the nine three months ended September 30, 2022 March 31, 2023. The $69.6 million $91.1 million increase in cash provided by financing activities was primarily due to $85.1 million an additional $137.3 million in net proceeds from sales of Class A Common Stock under the issuance Sales Agreement during this quarter compared to $28.7 million in net proceeds from sales of Class A Common Stock under the Term Loan, $71.7 million ELOC program during the three months ended March 31, 2023. In addition, we experienced a net increase of $6.5 million in proceeds from the sales exercise of common stock under options during the ELOC program, three months ended March 31, 2024 when compared to the three months ended March 31, 2023. The increase was partially offset by $24.9 million in net proceeds from the one-time issuance of the Series A Preferred Stock during three months ended March 31, 2023 and a $5.0 million increase in proceeds from the issuance of common stock during the nine months ended September 30, 2023 and was partially offset by $90.7 million in net proceeds from the Business Combination and PIPE during the nine months ended September 30, 2022 and an increase decrease in payments on our notes payable and financing costs related to the ELOC program of $27.6 million $4.1 million and $0.3 million, respectively, during the nine three months ended September 30, 2023 March 31, 2023.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Indemnification Agreements

We enter into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, we indemnify, hold harmless and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual any time after the execution of the agreement. The maximum potential amount of future payments we could be required to make under these arrangements is not determinable. Additionally, we have, and may in the future, indemnify third parties in connection with our issuance of securities (including pursuant to our at-the-market offering program) and in connection with acquisitions of other companies (including SYNQ3). Our liability is generally limited to the aggregate amount of consideration actually received in these instances. We have never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, we believe the fair value of these agreements is minimal.

Critical Accounting Policies and Significant Management Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements included elsewhere in this report that have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported income (loss) generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

For a discussion of our critical accounting policies, see "Management's discussion and analysis of financial condition and results of operations" and the notes to the condensed consolidated financial statements included in our Form 10-K, which was filed with the SEC on March 28, 2023March 1, 2024. We have identified and disclosed new significant accounting policies related to the current period that we determined were critical accounting policies below.

Business Combinations and Contingent Consideration

Business combinations are accounted for using the acquisition method. We allocate the fair value of the purchase price of an acquisition to the assets acquired and liabilities assumed, based on their estimated fair values as of the date of acquisition. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable, but the estimates and assumptions are inherently uncertain and subject to refinement. The estimates and assumptions used in valuing intangible assets include, but are not limited to, the amount and timing of projected future cash flows and discount rate used to determine the present value of these cash flows and asset lives. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, we may make adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the measurement period's conclusion or final determination of the fair value of the purchase price of an acquisition, whichever comes first, any subsequent adjustments are recorded to our condensed consolidated statements of operations. Acquisition-related expenses are recognized separately from the business combination and expensed as incurred.

Certain business combinations include contingent consideration arrangements, which are generally based on achievement of future financial performance or future events. If it is determined the contingent consideration arrangement is not compensatory, we estimate fair value of contingent consideration payments as part of the initial purchase price and records the estimated fair value of contingent consideration as a liability in the condensed consolidated balance sheet. We review and assess the estimated fair value of contingent consideration each reporting period, and the updated fair value could differ materially from the initial estimates. Adjustments to estimated fair value related to changes in fair value are reported as change in fair value of contingent acquisition liabilities in our condensed consolidated statements of operations.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net assets acquired. Goodwill is not amortized but tested annually for impairment or when indicators of impairment are present. The test for goodwill impairment involves a qualitative assessment of impairment indicators. If indicators are present, a quantitative test of impairment is performed. Goodwill impairment, if any, is determined by comparing the reporting unit's fair value to its carrying value. An impairment loss is recognized in an amount equal to the excess of the reporting unit's carrying value over its fair value, up to the amount of goodwill allocated to the reporting unit. Our policy is to review goodwill for impairment annually on October 1st unless a triggering event requires an analysis sooner. There was no goodwill impairment for the three months ended March 31, 2024.

Intangible Assets with Definite Lives

Our intangible assets consist principally of developed technology, customer relationships, tradename, and conversation data. We assess the appropriate method of amortization of the intangible assets that reflects the pattern in which the economic benefits of the intangible assets are consumed. We determined that a straight-line method of amortization was appropriate for its intangible assets. The remaining useful lives of long-lived assets are re-assessed periodically at the asset group level for any events and circumstances that may change the future cash flows expected to be generated from the long-lived asset or asset group.

Intangible assets with definite lives are tested for impairment whenever events or changes in circumstances indicate the carrying value of a specific asset or asset group may not be recoverable. We assess the recoverability of intangible assets with definite lives at the asset group level. Asset groups are determined based upon the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For the purpose of the recoverability test, we compare the total undiscounted future cash flows from the use and disposition of the assets with its net carrying amount. When the carrying value of the asset group exceeds the undiscounted future cash flows, the asset group is deemed to be impaired. The amount of the impairment loss represents the excess of the asset or asset group's carrying value over its estimated fair value, which is generally determined based upon the present value of estimated future pre-tax cash flows that a market participant would expect from use and disposition of the long-lived asset or asset group. There were no intangible asset impairments in any of the periods presented.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required There have been no material changes in market risks from the information presented in Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K, except as disclosed below.

Interest Rate Risk

We have exposure to interest rate risk, primarily in the form of variable-rate borrowings. As of March 31, 2024, we had total borrowings of $100.0 million outstanding with an interest rate of 14.0%. With all other variables remaining constant, an increase in the short-term interest rate of 1 percent would result in an increase in the annual interest expense of approximately $1.0 million.

Foreign Exchange Risk

Our condensed consolidated financial statements are presented in U.S. dollars, which is also the functional currency for smaller reporting companies. our foreign operations. Where transactions may be denominated in foreign currencies, we are subject to market risk with respect to fluctuations in the relative value of currencies. We recorded exchange rate losses of approximately $253.9 thousand and $142.3 thousand during the three months ended March 31, 2024 and 2023, respectively. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management performed, Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Office and Chief Finance Officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of the our management, including our Chief Executive Office and Chief Finance Officer, (CEO) and the Chief Financial Officer (CFO), we conducted an evaluation of the effectiveness of the Company's our disclosure controls and procedures as (as such term is defined in Rules 13a-15(e) and 15d-15(e) of under the Securities Exchange Act of 1934 (the Exchange Act) as of and for the end of the period covered by this Quarterly Report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. three months ended March 31, 2024. Based on that this evaluation, the our Chief Executive Officer Office and Chief Financial Finance Officer have concluded that the Company's our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2023 due to the material weaknesses in its internal control over financial reporting, described below.

However, after giving full consideration to which were previously identified and reported in our 2023 Form 10-K as part of Management's report on Internal Control over Financial Reporting for the material weaknesses described below, and the year ended December 31, 2023. The elements of our remediation plan can only be accomplished over time. As a result, we performed additional analyses and other procedures management performed analysis as deemed necessary to ensure that its our condensed consolidated financial statements included in this quarterly report on Form 10-Q were prepared in accordance with U.S. GAAP, generally accepted accounting principles. Accordingly, management believes that the Company's management has concluded that its condensed consolidated financial statements included in the Quarterly Report present fairly, in all material respects, its our financial position, results of operations and cash flows for the periods disclosed in conformity presented.

In accordance with U.S. GAAP.

Material Weaknesses on Internal Control over Financial Reporting

A material weakness is a deficiency, or combination the Compliance and Disclosure Interpretations issued by SEC staff, companies are allowed to exclude acquired businesses from the assessment of deficiencies, in internal control over financial reporting such during the first year after completion of an acquisition and from the assessment of disclosure controls and procedures that there is a reasonable possibility are subsumed in the internal control over financial reporting. Based on this guidance, our assessment of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2024 excluded the portion of disclosure controls and procedures that a material misstatement are subsumed by internal control over financial reporting of a company's annual or interim financial statements may not be prevented or detected on a timely basis. SYNQ3. The Company did not design completed the acquisition of SYNQ3 on January 3, 2024. SYNQ3's total assets represented approximately 5% of the Company's consolidated total assets, excluding the effects of purchase accounting, and maintain effective controls its revenues represented approximately 26% of the Company's consolidated total revenues, as of and for the quarter ended March 31, 2024.

Previously Reported Material Weaknesses

As reported in response Part II, Item 9A. "Controls and Procedures" of our Form 10-K, we previously identified material weaknesses in our internal control over financial reporting related to the risks control environment as the Company lacked sufficient oversight of material misstatement. Specifically, activities related to its internal control over financial reporting due to a lack of appropriate level of experience and training commensurate with its financial reporting requirements; risk assessment as changes to existing controls or the implementation of new controls were have not been sufficient to respond to changes to the risks of material misstatement to financial reporting. This material weakness contributed to reporting; the following additional material weaknesses as of September 30, 2023:

- The Company did not design and maintain effective controls to verify appropriate accounting for complex financing transactions.
- The Company did not design and maintain effective controls to verify appropriate transactions, segregation of duties, including assessment of incompatible duties, identification of instances where incompatible duties were assigned to an individual, and addressing conflicts on a timely basis.
- The Company did not design and maintain effective controls over certain information technology (IT) general controls related to user access controls, program change management controls and computer operations controls over information systems that are relevant to the preparation of the Company's preparation of our financial statements. Specifically, the Company did not design and maintain: (i) user access controls to ensure appropriate segregation of duties and to adequately restrict user and

privileged access to appropriate personnel; (ii) program change management controls to ensure that program and data changes are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored.

The material weaknesses related to controls in response to the risks of material misstatement control environment, risk assessment and complex financing transactions resulted in the revision of the consolidated financial statements as of and for the periods ended September 30, 2022, December 31, 2022, March 31, 2023, and June 30, 2023. The material weaknesses related to segregation of duties and IT general controls did not result in a misstatement to our annual or interim consolidated financial statements. Additionally, the material weaknesses could result in additional misstatements to the annual or interim consolidated financial statements which substantially all of our accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation Efforts for Management's Plan to Remediate the Material Weaknesses

We The following remediation actions are currently being implemented and are in the process of designing and implementing controls and taking other actions to remediate the material weaknesses described above. Specifically, during the current quarter, we implemented measures designed to improve our internal control over financial reporting to remediate the material weaknesses, including the following: progress:

- Engaging Engaged a third party to perform a risk assessment that includes the identification and walkthrough of key business processes and conducting design and operational control testing to address key risks.
- Completing Completed a segregation of duties assessment identifying key conflicts and mitigating controls.
- As Initiated the design and implementation of September 2023, the Company has begun implementing a Segregation of Duties automated tool for our Enterprise Resource Planning (ERP) system. We will also Additionally, we have initiated the design and implement implementation of similar controls for the remaining financially relevant applications. Improvements have been implemented in tool utilization to strengthen the segregation of duties.
- Designing Initiated the design and implementing implementation of controls related to user access reviews and the review of Service Organization Control reports, which cover program change management and computer operations for many of the applications that we rely on for financial reporting.
- Developed policies and procedures for the quarterly user access review of all users with access to the financially relevant systems and then implemented the quarterly user access review for one design cycle.
- Initiated the design and implementation of the controls related to review and approval of complex financing transactions.
- Completed the implementation of an automated month and quarter-end accounting close workflow tool to facilitate the review and support of key financial close process controls.
- The Company plans to hire personnel with expertise in internal controls.

The material weaknesses will not be considered remediated until management completes the design and implementation of the measures described above, the controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are effective.

Changes in Internal Control over Financial Reporting

As described above

There were no changes in the section “Remediation Efforts for the Material Weaknesses,” there were changes in our Company’s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended September 30, 2023 three months March 31, 2024 that have materially affected, or is are reasonably likely to materially affect, our the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party The material set forth in the section titled “Legal Proceedings” in Note 7 of our Notes to any material pending legal proceedings, nor are we aware of any pending litigation or legal proceeding against us that would have a material adverse effect upon our results of operations or financial condition. condensed consolidated Financial Statements is incorporated herein by reference.

Item 1A. Risk Factors.

While not required for smaller reporting companies, the The risk factor factors described below should be considered along with the risk factors disclosed in our Form 10-K, which was filed with the SEC on March 28, 2023 March 1, 2024. Any of these risk factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Our use and provision of AI-powered solutions could lead to operational or reputational damage, competitive harm, legal and regulatory risk and additional costs.

Use and provision of AI, including generative AI, is a core part of our business. The Company use of generative AI, a relatively new and emerging technology in the early stages of commercial use, exposes us to additional risks, such as damage to our reputation, competitive position and business, legal and regulatory risks and additional costs. For example, generative AI has identified material weaknesses been known to produce false or "hallucinatory" inferences or output, and certain generative AI uses machine learning and predictive analytics, which can create inaccurate, incomplete or misleading output, unintended biases and other discriminatory or unexpected results, errors or inadequacies, any of which may not be easily detectable. Accordingly, while AI-powered applications may help provide more tailored or personalized user experiences, if the content, analyses or recommendations that AI-powered solutions assist in its internal control over financial reporting producing on our products and services are, or are perceived to be, deficient, inaccurate, biased, unethical or otherwise flawed, our reputation, competitive position and business may be materially and adversely affected.

Additionally, if any of our employees, contractors, vendors or service providers use any third-party AI-powered software in connection with our business or the services they provide to us, it may lead to the inadvertent disclosure of our confidential information, including inadvertent disclosure of our confidential information into publicly available third-party training sets, which may impact our ability to realize the benefit of, or adequately maintain, protect and enforce our intellectual property or confidential information, harming our competitive position and business. Our ability to mitigate risks associated with disclosure of our confidential information, including in connection with AI-powered software, will depend on our implementation, maintenance, monitoring and enforcement of appropriate technical and administrative safeguards, policies and procedures governing the use of AI in our business.

Additionally, any content created by us using generative AI tools may not be subject to copyright protection which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such content. In the United States, a number of civil lawsuits have been initiated related to the foregoing and other concerns, the outcome of any one of which may, amongst other things, require us to limit the ways in which we use AI in our business and may identify additional affect our ability to develop our AI-powered platform innovations and features. For example, the output produced by generative AI tools may include information subject to certain rights of publicity or privacy laws or constitute an unauthorized derivative work of the copyrighted material weaknesses used in training the underlying AI model, any of which could also create a risk of liability for us, or adversely affect our business or operations. In addition, the use of AI has resulted in, and may in the future result in, cybersecurity breaches or incidents that implicate the personal data of users of AI-powered applications. To the extent that we do not have sufficient rights to use the data or other material or content used in or produced by the generative AI tools used in our business, or if we experience cybersecurity breaches or incidents in connection with our use of AI, it could adversely affect our reputation and expose us to legal liability or regulatory risk, including with respect to third-party intellectual property, privacy, publicity, contractual or other rights. Further, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

As the utilization of AI becomes more prevalent, we anticipate that it will continue to present new or unanticipated ethical, reputational, technical, operational, legal, competitive and regulatory issues, among others. We expect that such utilization of AI will require additional resources, including the incurrence of additional costs, to develop and maintain our platform offerings, services and features to minimize potentially harmful or unintended consequences, to comply with applicable and emerging laws and regulations, to maintain or extend our competitive position and to address any ethical,

reputational, technical, operational, legal, competitive or regulatory issues which may arise as a result of any of the foregoing. As a result, the challenges presented with our use of AI could adversely affect our business, financial condition and results of operations.

Regulatory and legislative developments related to the use of AI could adversely affect our use and provision of AI-powered solutions in our products, services and business.

As the regulatory framework for machine learning technology, generative AI and automated decision making evolves, our business, financial condition and results of operations may be adversely affected. The regulatory framework for AI and similar technologies, and automated decision making, is changing rapidly. It is possible that new laws and regulations will be adopted in the United States and in non-U.S. jurisdictions, or that existing laws and regulations may be interpreted in ways that would affect our use and provision of AI-powered solutions in our products, services and business. We may not be able to adequately anticipate or respond to these evolving laws and regulations, and we may need to expend additional resources to adjust our offerings in certain jurisdictions if applicable legal frameworks are inconsistent across jurisdictions. In addition, because these technologies are themselves highly complex and rapidly developing, it is not possible to predict all of the legal or regulatory risks that may arise relating to our use of such technologies. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

For example, in Europe, on March 13, 2024, the European Parliament formally adopted a draft of the European Union's Artificial Intelligence Act (the "AI Act") which is currently expected to be enacted in mid-2024, pending formal endorsement by the Council of the European Union and publication in the Official Journal of the European Union. The current draft of the AI Act, if enacted, would establish, among other things, a risk-based governance framework for regulating AI systems operating in the European Union. This framework would categorize AI systems, based on the risks associated with such AI systems' intended purposes, as creating unacceptable or high risks, with all other AI systems being considered low risk. While the AI Act has not yet been enacted or enforced, there is a risk that our current or future AI-powered software or applications may obligate us to comply with the applicable requirements of the AI Act, which may impose additional costs on us, increase our risk of liability or adversely affect our business. For example, the AI Act would prohibit certain uses of AI systems and place numerous obligations on providers and deployers of permitted AI systems, with heightened requirements based on AI systems that are considered high risk. If enacted in this form or a similar form, this regulatory framework is expected to have a material impact on the way AI is regulated in the European Union and beyond, and, together with developing regulatory guidance and judicial decisions in this area, may affect our use of AI and our ability to provide and to improve our services, require additional compliance measures and changes to our operations and processes, result in material misstatements increased compliance costs and potential increases in civil claims against us and could adversely affect our business, financial condition and results of the Company's consolidated financial statements operations.

If our goodwill or cause the Company to fail to meet its periodic reporting obligations and the trading price of other intangible assets become impaired, our stock operating results could be negatively affected. impacted.

Since becoming a public company, our company has been classified as a non-accelerated filer, emerging growth company and smaller reporting company as disclosed on the cover page of this Form 10-Q. On June 30, 2023 (the annual measurement date for SEC filing status), our public float was in excess of $700 million, and accordingly we will become a large accelerated filer for the year ended December 31, 2023 and will be subject to the requirements of 404(b) of Sarbanes-Oxley Act of 2002 ("SOX") for the year ended December 31, 2023.

We have determined significant intangible assets, including goodwill and other intangible assets, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. The most significant intangible assets are goodwill and acquired developed technology. Acquired developed technology is amortized on a straight-line basis over its estimated useful life. We assess the following material weaknesses exist as potential impairment of September 30, 2023: goodwill on an annual basis. Whenever events or changes in circumstances indicate that the carrying value may not be recoverable, we will be required to assess the potential impairment of goodwill and other intangible assets. Factors that could trigger an impairment of such assets include the following:

- The Company did not design and maintain effective controls Changes in response to the risks of material misstatement. Specifically, changes to existing controls our organization or the implementation of new controls were not sufficient to respond to changes to the risks of material misstatement to financial reporting. This material weakness contributed to the following additional material weaknesses as of September 30, 2023:
    - The Company did not design and maintain effective controls to verify appropriate accounting for complex financing transactions.
    - The Company did not design and maintain effective controls to verify appropriate segregation of duties, including assessment of incompatible duties, identification of instances where those incompatible duties were assigned to an individual, and addressing conflicts on a timely basis.
    - The Company did not design and maintain effective controls over certain information technology (IT) general controls over information systems management reporting structure that are relevant to the preparation of the Company's financial statements. Specifically, the Company did not design and maintain: (i) user access controls to ensure appropriate segregation of duties and to adequately restrict user and privileged access to appropriate personnel; (ii) program change management controls to ensure that program and data changes are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that processing and transfer of data, and data backups and recovery are monitored.

The material weaknesses related to controls in response to the risks of material misstatement and complex financing transactions resulted in the revision of the consolidated financial statements as of and for the periods ended September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023. The material weaknesses related to segregation of duties and IT general controls did not result in a misstatement to our annual or interim consolidated financial statements. Additionally, the material weaknesses could result in additional misstatements reporting units, which may require alternative methods of estimating fair values or greater disaggregation or aggregation in our analysis by reporting unit;

- Significant under performance relative to the annual historical or interim consolidated financial statements which would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. projected future operating results;

Effective internal control over financial reporting is necessary to provide reliable financial reports and to assist • Significant changes in the effective prevention strategy for our overall business;

- Significant negative industry or detection of material misstatements due to error or fraud. Any inability to provide reliable financial reports or prevent or detect material misstatements due to error or fraud could harm our business. We regularly review and update our internal control over financial reporting, disclosure controls and procedures, and corporate governance policies. In addition, we are required under the rules and regulations of the SEC regarding compliance with SOX to report annually on the effectiveness of our internal control over financial reporting. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Accordingly, a material weakness increases the risk that the financial information we report contains material misstatements. economic trends;

While we are in the process of addressing our material weaknesses as disclosed herein, elements of our remediation plan can only be accomplished over time and we can offer no assurance that these initiatives will ultimately have the intended effects. Any failure to maintain effective internal control over financial reporting could adversely impact our ability to report our financial results on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations or may lose confidence in our reported financial information. Likewise, if our financial statements are not filed on a timely basis as required by the SEC and The NASDAQ Stock Market, we could face severe consequences from those authorities. In either case, it could result in a material adverse effect on our business or have a negative effect on the trading price of our common stock. Further, if we fail to remedy these deficiencies (or any other future deficiencies) or maintain effective internal control over financial reporting, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. We can give no assurance that the measures we have taken and plan to take in the future will remediate the material weaknesses identified or that any additional material weaknesses or restatements of our financial statements will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of those controls.

Further, in the future, if we cannot conclude that we have effective internal control over our financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified opinion regarding the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could lead to a• Significant decline in our stock price. price for a sustained period; and

- Our market capitalization declining to below net book value.

Based upon the results of the impairment test, no goodwill impairment was recorded as of March 31, 2024.

Future adverse changes in these or other unforeseeable factors could result in impairment charges that would impact our results of operations and financial position in the reporting period identified.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

There were no sales

Other than as described in Item 2.01 of equity securities during the period covered by this Quarterly Report that were not either registered under the Securities Act or were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K filed with the SEC on January 3, 2024, which is incorporated herein by the Company. reference, we did not make any sales of unregistered equity securities.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. Insider Trading Arrangements

During the fiscal quarter ended March 31, 2024, the following Section 16 officers and directors adopted, modified or terminated a “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K of the Exchange Act):

- Dr. Keyvan Mohajer, Chief Executive Officer and Director, adopted a new trading plan on March 20, 2024 (with the first trade under the new plan not to be made prior to June 19, 2024). The trading plan will be effective until November 30, 2024 and provides for the sale of up to 2,400,000 shares of Dr. Mohajer’s 14,139,064 shares of Class B common stock, up to 833,435 shares of Class A common stock issuable upon exercise of outstanding options, and up to 467,500 shares of Class A common stock issuable upon vesting and settlement of certain RSUs and PSUs, provided that certain conditions are met.

- James M. Hom, Chief Product Officer and Director, adopted a new trading plan on March 19, 2024 (with the first trade under the new plan not to be made prior to June 18, 2024). The trading plan will be effective until September 15, 2024 and provides for the sale of up to 200,000 shares of Mr. Hom’s 2,012,588 shares of Class B common stock and up to 97,706 shares of Class A common stock issuable upon vesting and settlement of certain RSUs and PSUs, provided that certain conditions are met.

- Michael Zagorsek, Chief Operating Officer, adopted a new trading plan on March 19, 2024 (with the first trade under the new plan not to be made prior to June 18, 2024). The trading plan will be effective until January 31, 2026 and provides for the sale of up to 416,719 shares of Class A common stock issuable upon vesting and exercise of certain stock options, provided that certain conditions are met.

- Timothy Stonehocker, Chief Technology Officer, adopted a new trading plan on March 6, 2024 (with the first trade under the new plan not to be made prior to June 5, 2024). The trading plan will be effective until August 12, 2024 and provides for the sale of up to 416,000 shares of Class A common stock, provided that certain conditions are met

There were no “non-Rule 10b5-1 trading arrangements” (as defined in Item 408 of Regulation S-K of the Exchange Act) adopted, modified or terminated during the fiscal quarter ended March 31, 2024 by our directors and Section 16 officers. Each of the Rule 10b5-1 trading arrangements are in accordance with our Insider Trading Policy and actual sale transactions made pursuant to such trading arrangements will be disclosed publicly in Section 16 filings with the SEC in accordance with applicable securities laws, rules and regulations.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this report.

No.	Description of Exhibit
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.1 101	Form of Controlled Equity OfferingSM Sales Agreement (incorporated by reference to Exhibit 10 of our Registration Statement The following financial information from SoundHound AI, Inc.'s Quarterly Report on Form S-3 as filed on July 24, 2023).
101.INS*	10-Q for the quarter ended March 31, 2024 formatted in Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.(Extensible Business Reporting Language) includes: (i) the condensed consolidated balance sheets, (ii) the condensed consolidated statements of operations and comprehensive loss, (iii) the condensed consolidated statements of stockholders' equity, (iv) the condensed consolidated statements of cash flows, and (vi) the notes to condensed consolidated financial statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUNDHOUND AI, INC.
SOUNDHOUND AI, INC

Date: November 15, 2023 May 10, 2024	By:	/s/ Dr. Keyvan Mohajer
	Name:	Dr. Keyvan Mohajer
	Title:	Chief Executive Officer
		(Principal Executive Officer)
Date: November 15, 2023 May 10, 2024	By:	/s/ Nitesh Sharan
	Name:	Nitesh Sharan
	Title:	Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Dr. Keyvan Mohajer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 15, 2023 May 10, 2024

	/s/ Dr. Keyvan Mohajer
Name:	Dr. Keyvan Mohajer
Title:	Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Nitesh Sharan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SoundHound AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 15, 2023 May 10, 2024

/s/ Nitesh Sharan

Name: Nitesh Sharan
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SoundHound AI, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Dr. Keyvan Mohajer, as Chief Executive Officer and principal executive officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Dr. Keyvan Mohajer

Dr. Keyvan Mohajer
Chief Executive Officer and Principal Executive Officer

Dated: November 15, 2023 May 10, 2024

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SoundHound AI, Inc. (the "Company's Quarterly Report") on Form 10-Q for the period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Nitesh Sharan, as Chief Financial Officer and principal financial officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned's knowledge and belief, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Nitesh Sharan

Nitesh Sharan
Chief Financial Officer and Principal Financial Officer

Dated: November 15, 2023 May 10, 2024

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.