Note: This transcript is provided for the convenience of investors only; for a full recording, please see our fourth quarter and Fiscal 2026 webcast.

SONOS

Fourth Quarter and Fiscal 2026 Conference Call Remarks
November 10, 2026 - 4:30 pm Eastern/1:30 pm Pacific

James Baglanis, Investor Relations
Good afternoon and welcome to Sonos' Fourth Quarter and Fiscal 2026 earnings conference call. I am James Baglanis, and with me today are Sonos' CEO, Tom Conrad, CFO, Saori Casey and Chief Legal Officer, Eddie Lazarus.

Before I hand it over to Tom, I would like to remind everyone that today's discussion will include forward-looking statements regarding future events and our future financial performance. These statements reflect our views as of today only and should not be considered as representing our views of any subsequent date. These statements are also subject to material risks and uncertainties that could cause actual results to differ materially from expectations reflected in the forward-looking statements. A discussion of these risk factors is fully detailed under the caption “Risk Factors” in our filings with the SEC. During this call, we will also refer to certain Non-GAAP financial measures. For information regarding our Non-GAAP financials and a reconciliation of GAAP to Non-GAAP measures, please refer to today's press release regarding our Fourth Quarter and Fiscal 2026 results posted to the Investor Relations portion of our website, investors.sonos.com.

After the call concludes, we will upload our revised supplemental earnings presentation, including our guidance, as well as the conference call transcript to the IR website.

I will now turn the call over to Tom.

Tom Conrad, Chief Executive Officer

Hi everyone, and thanks for joining us.

Fiscal 2026 is in the books. Saori will take you through our Q4 and full-year numbers in a few minutes, so I'll keep my part short on the arithmetic: we did what we said we were going to do. We returned Sonos to growth, including double digit growth in the fourth quarter. We held our discipline on cost. And we drove a very significant step up in profitability. I'm proud of these results, and I'm grateful to the people in every corner of our company who did the hard work to get us here.

Taking a step back, this marks my first full year as CEO, and I want to tell you how different a company Sonos is from the one I walked into.

The experience we deliver to our customers is different, and better. The way we explain Sonos to the world is different, and better. We shipped more new products in a single year than at any point in Sonos history, and I'll put each of them up against anything in its category. We built a platform for agentic AI that nobody else in home audio matches. We stripped layers out of how we work so decisions get made faster and ship new value to customers every month. And we extended our reach into new markets.

The list is longer than that. But all of it rolls up to one idea. From the day I took this job, my focus has been on Sonos as a system, not Sonos as a collection of just speakers. Now, the speakers are excellent, and they will continue to be excellent. But the thing that makes a Sonos home a Sonos home is what happens when all of those products work together as one. We're a year into this new journey and the system that is Sonos is taking flight.

In September we introduced Sonos 27. It's the next generation of our audio operating system, and it's the first time in 25 years that we've given our software platform a name. Sonos 27 is also the start of an annual release cadence. Every fall, you can expect a new generation of system capabilities from us. This is how we'll put further daylight between Sonos and everyone else in home audio.

Sonos 27 is built on four promises. An open platform for audio services, through the Sonos Ecosystem. Sound tuned to your specific home, through Sonos Trueplay. Seamless control, your way through Sonos 27app, 27web, and 27voice. And products that genuinely work better together, thanks to Sonos Fabric. Fabric is the piece that figures out where every Sonos product in your home is, what each one is best at in that moment, and stitches them into one coherent experience.

But Sonos 27 is more than a platform that turns your portables into surrounds for movie night, or unlocks Ace Ultra to pull movie audio off your soundbar and into your headphones.

Three other major improvements join these system tricks.

First, an improved Sonos app, with better performance, a simpler navigation and better everyday controls. We spent hundreds of hours watching real customers use the app, and we rebuilt the core of how you move through it.

Second, 27voice. This is our own, in-house voice assistant, built specifically to understand music, mood, and the way people actually talk to a speaker in a kitchen. You should just be able to just say what you want, however you want to say it. It should be fast. It should meet you where you live. And when you ask a big question, the answer should be there. 27voice launches in early access this month.

Third, 27mcp. 27mcp is an open interface that lets you invite any AI agent, whether that's Claude, ChatGPT, Gemini, or something you built yourself, to discover and control your Sonos system. It is up and running today in early access. If you haven't tried it, I'd encourage you to go play with it after this call – all the details are just a Google search away.

I want to pause on 27mcp, because it's a window into how we think about AI.

Last quarter I said that the enduring value of AI in the home is not going to be about who has the best model. Exceptional models are going to be everywhere. What is going to matter is the system that embeds those models in a real home. Hardware that customers love, in every room. A system that understands the shape of a home and the way a family lives in it. And the connectivity to turn a request into a coordinated action across speakers, services, and devices.

That is a description of Sonos. Millions of AI endpoints in millions of prized homes. Much of the industry is building walled gardens, where the ecosystem invites but one agent. We see an opportunity for user choice. We want the AI you chose – whoever it comes from – to work better on Sonos than it works anywhere else. 27mcp is the first step. And it will not be the last.

Of course none of the software matters without the hardware that brings it to life. And this was a banner year for hardware. We brought five new products to market this fiscal year: Sonos Play, Era 100 SL, Amp Multi, Beam Ultra, and Ace Ultra.

All five tell the same story. Each one makes every other Sonos product in the home more valuable. That is the system at work. Today, 62% of Sonos households own more than one

product, and every new product and software update we deliver gives our customers another reason to add the next one. That's why we think about a Sonos customer over years, not one sale at a time. 44% of this year's registrations came from homes that already own Sonos, and customers who joined us in 2020 are still adding to their systems five years later. The homes we bring in today keep paying off for years.

Amp Multi began shipping on August 25th, and the response from our installer partners has been overwhelmingly positive. It's doing exactly what we built it to do: letting them take on bigger, more ambitious projects with Sonos at the center. Customers who come to us through installers are also among our most valuable: they start with larger systems, keep adding to them longer, and stay more engaged with Sonos through the years.

And just in time for the holidays, Beam Ultra and Ace Ultra are now in customers' hands, and the reviews have been excellent.

TechRadar named Beam Ultra the Best Soundbar of 2026 in its Product of the Year awards, saying it "might just be the best compact Dolby Atmos soundbar [we've] tested."

And of Ace Ultra, T3 said, "Whether you're a Sonos user who's been waiting for a more integrated pair of Sonos headphones, or you're just looking for a class act where design and audio are concerned, Sonos is back with a bang in the Ace Ultra."

Reviewers are responding to the same things our customers experience every day: exceptional hardware, made even better by the system around it. That's the idea at the heart of our new brand campaign, "Love the Sound. Feel the System." As the campaign cheekily puts it: all of this, the combination of software and hardware this well made, and this good sounding, isn't magic. But it's not not magic.

But whatever you want to call it, it is the thing that will carry Sonos forward. It is what will bring new households into Sonos. It is what will convince our existing households to fill another room. And it is what will extend our progress in the growth markets we are penetrating.

These are big opportunities. On the order of $12 billion of potential inside our existing customer base alone. Our mission is to go get it, and I'm optimistic about our ability to do so. Our software and hardware roadmaps are deep. Our partnership conversations around the platform are accelerating. A year from now, when I come to you to recap fiscal 27, I expect to be talking about another year of growth, built on another leg of system improvement.

We'll pursue that opportunity with the same discipline that got us here. We're entering the holiday season with the strongest lineup we've had in years, and as Saori will share in a

moment, we expect strong growth in our first quarter. And we're doing it from a structurally stronger position. Over the last two years, we've built a business that earns meaningfully more on every dollar of revenue than it did before.

That foundation matters, because as we've noted before, memory and other component costs remain elevated industry-wide, driven by the AI buildout. Fiscal 2026 showed what this business can do even in that environment: we absorbed a significant increase in memory costs and still expanded gross margin.

Setting these conditions aside, Sonos has a long track record of delivering a healthy mid-40s gross margin, and that's the base we're managing from. How quickly we get back there will in part depend on when and by how much memory prices ease from today's unnaturally high levels.

In the meantime, we have a number of levers to improve our gross margin. Optimizing the memory footprint of our products is well under way, and we'll continue to take a thoughtful approach on pricing, balancing growth and margin over time. We're also focused on growing our installer channel, where Sonos is uniquely differentiated, and improving the performance of our direct-to-consumer business, where we have the closest relationship with our customers.

With that, I'll turn it over to Saori to walk you through our results.

Saori Casey, Chief Financial Officer

Thank you, Tom. Hi everyone.

We finished Fiscal 2026 with solid momentum as we delivered strong financial results in Q4 and returned to growth for the year while significantly improving our profitability. These results were made possible by the discipline we built across the business over the past few years.

Q4 revenue of $344 million was above the midpoint of our guidance range, growing 20% year over year, or 11% excluding the 14th week. Constant currency growth was in-line with reported growth, as foreign exchange had a negligible impact in Q4. We've now delivered nine consecutive quarters of disciplined execution, consistently meeting our commitments.

We saw strong growth across all three regions, with Americas delivering 17% growth year over year, a meaningful improvement from the pace we've seen over the last three quarters. APAC and EMEA continued to demonstrate strength, growing 29% and 24%, respectively. Our growth markets delivered another quarter of strong double digit growth, underscoring their importance to our long-term growth strategy.

On a product basis, we introduced Beam Ultra and Ace Ultra in September, following Amp Multi's general availability in late August. These three products made meaningful contributions to Q4 results, and we're encouraged by their early performance and the momentum they bring into Fiscal 2027.

Together, these introductions brought our total to five new products in Fiscal 2026. Sonos Play and Era 100 SL continued to generate solid demand in their second full quarter of availability, further contributing to our growth.

In Q4, we received the remaining $18 million in tariff refunds against the claims that we filed for prior duties paid under IEEPA, which led to Q4 GAAP Gross Profit dollars growing 26% year over year to $159 million, representing a GAAP Gross Margin of 46.1%.

Without the benefit of tariff refunds, GAAP Gross Profit would have been up 12% year over year, representing a margin of 40.9%, landing near the high end of our guidance range.

Q4 Non-GAAP Gross Profit of $145 million grew 11% year over year and landed at the high end of our guidance range, representing a margin of 42.1%.

Gross profit dollars benefited from higher revenue, partly offset by higher memory costs, which reduced gross margin by nearly 1,000 basis points year over year, in line with our expectation.

Q4 GAAP Operating Expenses of $169 million increased 6% year over year, driven by investments in future growth, including the spend related to new product launches, our new brand campaign, litigation spend and approximately $5 million from the extra week in the quarter. Excluding the extra week, GAAP Operating Expenses were up 3% year over year. Non-GAAP Operating Expenses of $147 million grew 9% year over year or 6% excluding the extra week in the quarter, consistent with our guidance.

Q4 Adjusted EBITDA of positive $6 million was roughly flat year over year, and a few million dollars better than the midpoint of our guidance range. Like we said last quarter, Q4 Adjusted EBITDA does not include any tariff refund benefit.

I am particularly proud of our team's performance in delivering positive Adjusted EBITDA despite absorbing $33 million of higher memory costs compared to prior year. Excluding this impact, Adjusted EBITDA would have grown over 5x to $39 million, representing a margin of 11.3%.

GAAP Loss Per Share was $0.04 and includes $0.16 of benefit from tariff refunds, an improvement from a loss of $0.31 last year. Non-GAAP Earnings Per Share of $0.04 also improved from a loss of $0.06 last year.

We spent $35 million on share repurchases in Q4 to buy back 2.2 million shares, reducing our share count by 1.9%.

We've maintained a strong balance sheet with a net cash and marketable securities balance of $227 million at quarter-end.

Our period-end inventory balance of $273 million was up 60% year over year driven by higher memory costs and new product launch timing. Our inventory consists of $227 million of finished goods and $46 million of components.

Q4 free cash flow was negative $5 million, a couple million dollars lower than last year. Improved cash earnings from higher revenue and $19 million of tariff refunds were offset by unfavorable working capital, primarily due to higher inventory as I previously noted as well as a $9 million cash outlay related to components.

I'll now quickly walk through our results for the full year. Revenue grew 7% to $1.55 billion, or 5% excluding the 53rd week. Our return to topline growth was supported by growth across all three regions, with meaningful contributions from the five new products we introduced during the year. We also saw growth across almost every category, including Home Theater, where we remained the #1 brand in premium home theater in the US.

Our installed base increased to 17.7 million households at the end of Fiscal 2026, up from 17.1 million last year. Multi-product households grew 5%, and now represent 62% of our installed base. Devices per multi-product household increased to 4.54, demonstrating our success in further penetrating our installed base.

While higher memory prices were a significant headwind in the year, GAAP Gross Margin came in at 46.9%, aided by 270bps of tariff refunds. Excluding tariff refunds, GAAP Gross Margin was 44.3%, up 60bps year over year.

Non-GAAP Gross Margin was 45.5%, up 30bps year over year. Absorbing 360 basis points of higher memory costs and still expanding gross margin speaks to the discipline of our team and the durability of the improvements we've made.

GAAP Operating Expenses were $637 million and Non-GAAP Operating Expenses were $554 million, down 7% and 3% year over year, respectively. That reflects continued cost discipline, even as we invested in the products, markets and brand that will drive our long-term growth.

Higher revenue, better gross margin and lower operating expenses drove Adjusted EBITDA up 39% to $184 million, with margin expanding 270 basis points to 11.9%. Higher memory prices reduced Adjusted EBITDA by $56 million year over year. Without that headwind, Adjusted EBITDA would have grown 81% to $240 million.

Adjusted EBITDA was positive in all four quarters of Fiscal 2026, something we have not achieved since Fiscal 2021. This is a direct result of our transformation work, which has made us a leaner, more focused organization with sharper financial discipline.

Non-GAAP Earnings per share roughly doubled to $1.23.

Coming back to capital allocation, we completed $130 million of shares repurchases, reducing our share count by 8.2 million shares and completing our $150 million share repurchase authorization. In early November, the Board of Directors approved a new $150 million share repurchase authorization, all of which remains available now.

Lastly, Fiscal 2026 free cash flow was $123 million, up 14% from $108 million in Fiscal 2025. We delivered that even with significantly higher memory costs, a clear sign that our business continues to generate healthy free cash flow in a challenging cost environment.

Guidance

Turning to our guidance, the Q1 outlook we're providing today is our best estimate and reflects the trends we have observed quarter-to-date.

Revenue

We expect Q1 revenue to be in the range of $570 million to $630 million, representing growth of 4% to 15% year over year, up 10% at the midpoint, or 11% on a constant currency basis, with continued contribution from new products entering the holiday season.

On a sequential basis, the midpoint of our guidance represents 74% growth from Q4, or 88% excluding the impact of Q4's extra week, consistent with last year's seasonality.

Gross Margin

Consistent with the color we provided last quarter, we expect our Q1 GAAP gross margin to be in the range of 36% to 37%, with non-GAAP gross margin approximately 90 basis points higher than GAAP.

Memory and component costs are tracking broadly in line with what we anticipated last quarter, at approximately 1,200 basis points of year-over-year headwind, however we now expect the stronger dollar to be a headwind of nearly 100 basis points to gross margin.

Operating Expenses

We expect Q1 GAAP Operating Expenses to be in the range of $152 million to $162 million. We expect Non-GAAP Operating Expenses to be lower than GAAP by approximately $17 million. The sequential decrease from Q4 is primarily attributable to Q1 being a normal, 13 week period compared to the 14 weeks in Q4.

Adjusted EBITDA

Bringing it all together, we expect Q1 Adjusted EBITDA to be in the range of $73 million to $111 million, or $92 million at the midpoint.

Without the impact of higher memory costs, we expect Adjusted EBITDA would have increased by 25% year over year to $165 million in Q1.

Looking ahead, we expect fiscal 2027 to be another year of revenue growth. Our memory mitigation actions remain on track to deliver approximately 500 basis points of annualized

gross margin improvement by the end of the year. We're also focused on the other levers Tom described, including pricing and channel mix, to further improve profitability and build on the underlying earnings power we demonstrated in fiscal 2026. We'll continue to update you as we progress through the year.

With that, I'd like to turn the call over for questions.

Question and Answer Session

Steve Frankel - Rosenblatt
Saori, on your comment regarding gross margin improvement, could you clarify if that 500 basis points of improvement is from the Q1 level or from what you did for the full year in fiscal '26?

Saori Casey - CFO, Sonos
The 60 basis points of improvement year-over-year is discussing the full year effect of the gross margin, GAAP and non-GAAP at a similar level. And we are proud of the fact that we were able to absorb 360 basis points of gross margin headwind from the memory and still be able to structurally improve our margin.

Steve Frankel - Rosenblatt
I was referring specifically to your guidance. Could you just clarify again what you said about gross margin improvement? And what's the base for that?

Saori Casey - CFO, Sonos
Yes. The gross margin year-over-year for our margin of 36.5% at the midpoint is a 1,000 basis point decline on a year-over-year basis. And that's driven by 1,200 basis points of memory cost impact.

Tom Conrad - CEO, Sonos
Steven, as I hear your question, you're asking about the 500 basis points of mitigations that we'll be enjoying as we work through the balance of the work on our margin levers. And we'll see that come on through the year, that's the total of the exit at the end of the year. Something more than about half of that is already contemplated in the results that we've seen as we continue, particularly to work on memory efficiency and our pricing levers, we'll see the rest of that materialize.

Saori Casey - CFO, Sonos
Yes, 500 basis points we mentioned is an annualized impact of the exit rate of FY '27 expected memory cost mitigation efforts that we have in flight. But as Tom mentioned, there are several other levers that we're also exploring and pursuing to ensure we are pulling all levers to navigate through this memory cost headwind.

Steve Frankel - Rosenblatt
And then switching gears, Tom, maybe give us some color on how you think about approaching the holiday season relative to things like new marketing campaigns and promotions and how it's going to be different this year than last year?

Tom Conrad - CEO, Sonos
Yes. One of the big changes, Steve, is that our new marketing organization led by Colleen DeCourcy has found its footing and has launched what is already an award-winning campaign under the theme of Love the Sound. Feel the System. And this is the first time in many, many years that we have a full stack articulation of reasons to understand and embrace our brand to consider us against the other options in the market and then, of course, a very strong sort of performance marketing dimension as well.

And so we're really excited about how all of that working together can help us deliver the double-digit growth that we're guiding to at the midpoint of our range in Q1. You've heard me say that a key dimension of growth for us is marketing excellence, and we're really seeing that start to show up in as a tailwind for the company as we go into the new year.

Steve Frankel - Rosenblatt
And if I could sneak one more in. DTC has ticked down as a percentage of the business over the last couple of years. Is that a conscious choice to try to invest in the channel and leverage the channel? Or do you think you need to work on the execution on that side to grab more share with your own DTC operation?

Tom Conrad - CEO, Sonos
Yes. As we've broadened the channels where you can access Sonos today, some of that has rebalanced away from DTC over the last 3 years, although you'll notice that there's a deceleration in that change over the course of this last year. We think some of that rebalancing is healthy. We're just meeting customers where they are. At the same time, we've got Frank Barbieri on as our COO, world-class e-commerce executive, and he's driving transformative change in our DTC execution.

So we're certainly looking to the company to improve from our current state of execution there. So exciting times on the DTC front for us.

Erik Woodring - Morgan Stanley
Tom, you've introduced several new products this year, obviously, and that follows a relatively limited launch where you guys are kind of getting your feet under yourselves in 2025. As we just think about your kind of high-level framework for fiscal '27 talking about revenue growth, how much of that growth opportunity do you believe would be attributable to new products coming this new fiscal year versus kind of persistent demand for the existing portfolio launch in '26? And just I guess, at a high level, what gives you the confidence that, that revenue growth can be sustained over the next 52 weeks? And then just a follow-up, please.

Tom Conrad - CEO, Sonos
Yes. I'm really excited about what's going to play out over the course of fiscal '27. As we've described, we've got strong growth coming out of Q4 and going into Q1, the biggest quarter for us in the year. And of course, I think that is materially benefits from the great new products that we have in market this year, Amp Multi, Beam Ultra, Ace Ultra, Sonos 27 and all of the differentiated systems that we're bringing to our customers.

Also really excited about the product road map moving into fiscal '27. We have many more great products to come. But you've heard me say for many quarters now that there are really 5 dimensions of growth for the company, product innovation, this return to customer advocacy that we're seeing more and more every day as our customers fall back in love with Sonos again, the incredible brand and product marketing work that Colleen and her team are doing, the geo expansion progress that our sales organization is driving and most recently, are sort of stepping into the spotlight with respect to the emerging trend around conversational and ambient AI in the home and our new products in those categories.

So I'm reluctant to pin the success that we'll see in '27 on any one of those things. Certainly, new product introductions will be a piece, but it's really the cumulative impact of those tailwinds that I think are really going to drive the success we'll see.

Erik Woodring - Morgan Stanley
Okay. No, that's awesome. I appreciate that color. And then maybe since you mentioned it earlier, I love a lot a question to Eddie, Eddie the Bull Lazarus, which is we've seen a few wins in the ITC over the last few weeks. Just curious what that means for Sonos and the

patent portfolio going forward. Did that mean anything for potential patent monetization? Just high-level views after a number of positive headlines for you guys, please.

Eddie Lazarus - Chief Legal Officer, Sonos

We have scored a very nice victory in the Federal Circuit just recently defeating one of Google's cases against us. We're very much looking forward to getting the trial in our big case in the Central District of California against Google, where many of those patents have already been through the ITC, where we had findings of validity and infringement. And we have a case in Northern California, where we're waiting for the judge to, knock wood, affirm the jury verdict that came in, in our favor.

Overall, there's a lot of work at the company thinking about how to do more with our wonderful patent portfolio, but I don't have anything specific to say about that just yet.