

Q3 Fiscal Year 2025 Financial Results

SONOS

August 6, 2025



Forward Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding our outlook for the fiscal quarter ending September 27, 2025; our long-term outlook; our long-term focus, financial, growth, and business strategies and opportunities; our transformational cost initiative; tariffs; growth metrics and targets; go forward run rate operating expenses; our ability to manage operating expenses; our business model; product mix, new products, product categories and services; our ability to expand our footprint with existing customers; profitability and gross margins; changing component costs and related inventory balances; market growth and our market share; our total addressable market; our incremental revenue opportunity; our operating model and cost structure, our expectations with respect to restructuring and related charges and the timing and amounts of such charges; and other factors affecting variability in our financial results.

These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors, including, but not limited to: difficulties in and effect of implementing improvements to our operating model and cost structure; the risk that restructuring and related charges may be greater than anticipated or not occur in the expected time frame; local law requirements in various jurisdictions regarding elimination of positions; our ability to accurately forecast product demand and effectively forecast and manage owned and channel inventory levels; our ability to introduce software updates to our redesigned app on a timely basis and otherwise deliver on our action plan to address issues caused by our redesigned app and our customer commitments; our ability to maintain, enhance, and protect our brand image; the impact of global economic, market, and political events, including tariffs, global trade tensions, continued inflationary pressures, high interest rates and, in certain markets, foreign currency exchange rate fluctuations; changes in consumer income and overall consumer spending as a result of economic or political uncertainty or conditions, including tariffs; changes in consumer spending patterns; our ability to successfully introduce new products and services and maintain or expand the success of our existing products; the success of our efforts to expand our direct-to-consumer channel; the success of our financial, growth, and business strategies; our ability to compete in the market and maintain or expand market share; our ability to maintain relationships with our channel, distribution and technology partners; our ability to meet product demand and manage any product availability delays; supply chain challenges, including shipping and logistics challenges and component supply-related challenges; our ability to protect our brand and intellectual property; our use of artificial intelligence; and the other risk factors identified in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K and subsequent filings. Copies of our SEC filings are available free of charge at the SEC's website at www.sec.gov, on our investor relations website at <https://investors.sonos.com/reports-and-filings/default.aspx> or upon request from our investor relations department.

All forward-looking statements herein reflect our opinions only as of the date of this presentation, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events, except to the extent required by law.

Non-GAAP Measures

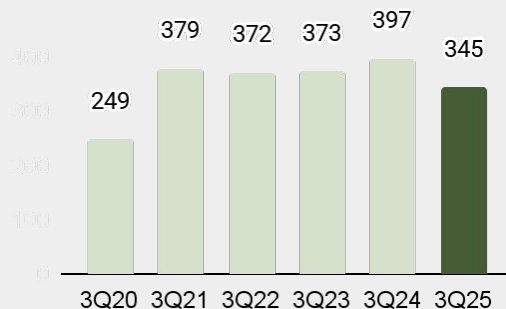
We have provided in this presentation financial information that has not been prepared in accordance with US generally accepted accounting principles ("GAAP"). We use these Non-GAAP financial measures to evaluate our operating performance and trends and make planning decisions. We believe that these Non-GAAP financial measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses and other items that we exclude in these Non-GAAP financial measures. Accordingly, we believe that these Non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to a key financial metric used by our management in its financial and operational decision-making. Non-GAAP financial measures should not be considered in isolation of, or as an alternative to, measures prepared in accordance with US GAAP.

We define Adjusted EBITDA as net (loss) income adjusted to exclude the impact of depreciation and amortization, stock-based compensation expense, interest income, interest expense, other income, income taxes, restructuring and other charges, legal and transactional related fees and other items that we do not consider representative of our underlying operating performance. We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue. We define free cash flow as net cash from operations less purchases of property and equipment. We define non-GAAP gross margin as GAAP gross margin, excluding stock-based compensation and amortization of intangible assets. We define Non-GAAP Operating Expenses as operating expenses less stock-based compensation expense, legal and transaction related costs, amortization of intangibles, and restructuring and other charges. We calculate constant currency growth percentages by translating our current period financial results using the prior period average currency exchange rates other charges as net income (loss) less stock-based compensation, legal and transaction related fees, amortization of intangibles and restructuring and other charges. We calculate non-GAAP diluted earnings per share excluding stock-based compensation, legal and transaction related fees, amortization of intangibles and restructuring and other charges as net (loss) income less stock-based compensation, legal and transaction related fees, amortization of intangibles and restructuring and other charges divided by our number of shares at fiscal year end.

We do not provide a reconciliation of forward-looking Non-GAAP financial measures to their comparable GAAP financial measures because we cannot do so without unreasonable effort due to unavailability of information needed to calculate reconciling items and due to the variability, complexity and limited visibility of the adjusting items that would be excluded from the Non-GAAP financial measures in future periods. When planning, forecasting, and analyzing future periods, we do so primarily on a Non-GAAP basis without preparing a GAAP analysis as that would require estimates for certain items such as stock-based compensation, which is inherently difficult to predict with reasonable accuracy. Stock-based compensation expense is difficult to estimate because it depends on our future hiring and retention needs, as well as the future fair market value of our common stock, all of which are difficult to predict and subject to constant change. In addition, for purposes of setting annual guidance, it would be difficult to quantify stock-based compensation expense for the year with reasonable accuracy in the current quarter. As a result, we do not believe that a GAAP reconciliation would provide meaningful supplemental information about our outlook.

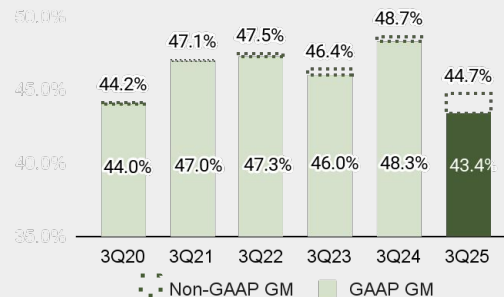
Fiscal Q3 Financial Summary

NET REVENUE



3Q25 revenue decrease of (13%) y/y driven by comping launch of Ace in 3Q24 (June 2024) and softer demand due to challenging market conditions, partially offset by home theater strength (Arc Ultra launch)

GROSS MARGIN

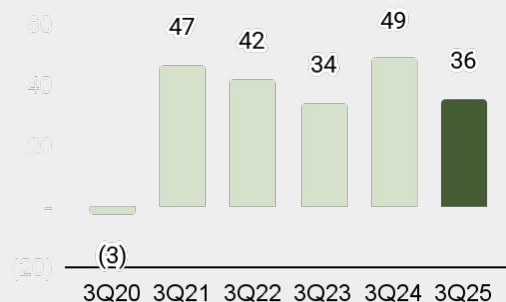


3Q25 GAAP GM declined (490 bps) y/y primarily due to higher inventory reserves, the impact of reorganization efforts, and deleverage, partially offset by lower product and material costs

3Q25 Non-GAAP GM decreased (400 bps) y/y due to same reasons as GAAP GM

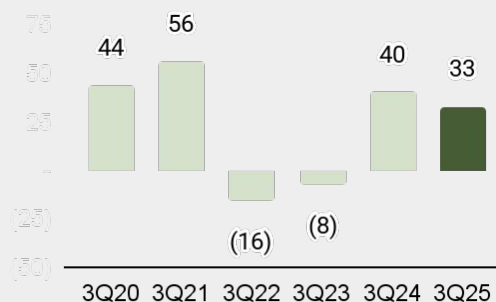
Tariffs reduced 3Q25 GAAP and NG GM by 60bps (\$2.1M)

ADJUSTED EBITDA



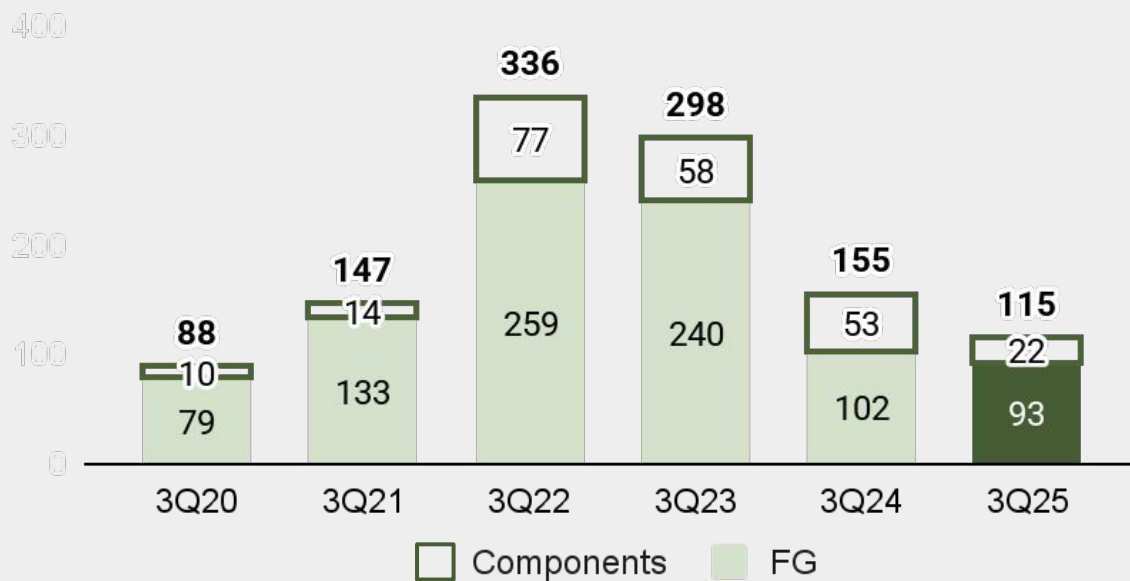
3Q25 Adjusted EBITDA decreased by (\$13M) y/y due to lower revenue and gross profit, partially offset by lower expenses

FREE CASH FLOW



3Q25 FCF decline driven by working capital, partially offset by lower capex and higher cash earnings

Inventory Trends



- Inventories decreased by \$39M, (25%) y/y driven primarily by workdown of component inventory
 - Finished goods inventory decreased by \$9M, (9%) y/y
 - Components balance decreased by \$30M, (58%) y/y

Note: In \$ millions (unless noted), unaudited.
Percentages and comparisons have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

Cash Flow & Balance Sheet Highlights

	3Q25	3Q24
Cash flow from operations	\$ 37.4	\$ 63.5
Capital expenditures	\$ (4.8)	\$ (23.2)
<i>% of revenue</i>	<i>(1.4)%</i>	<i>(5.8)%</i>
Free cash flow	\$ 32.7	\$ 40.3
<i>Free cash flow / Adj EBITDA</i>	<i>91.8%</i>	<i>82.3%</i>
Ending cash & cash equivalents	\$ 201.3	\$ 227.1
Marketable securities	52.7	49.5
Total cash, cash equivalents and marketable securities	\$ 254.0	\$ 276.6
Total debt	\$ -	\$ -

- **Cash, cash equivalents & marketable securities of \$254M**
 - Includes \$53M cash deployed into short duration treasury bills
- **Total liquidity of \$352M, includes \$97.6M borrowing capacity¹ under \$100M undrawn revolving credit facility**
- **3Q25 cash flow from operations of \$37M, (\$26M) y/y from \$64M in 3Q24**
 - Driven by primarily by lower accounts payable and accrued expenses partially offset higher cash earnings
- 3Q25 capex of \$5M, down (\$18M) y/y due to launch of Ace in 3Q24
- **3Q25 free cash flow of \$33M, (\$7M) y/y from \$40M in 3Q24**
 - 3Q25 FCF reduced by \$3.5M of cash tariff payments
- \$150M remaining on our \$150M share repurchase authorization as of end of 3Q25

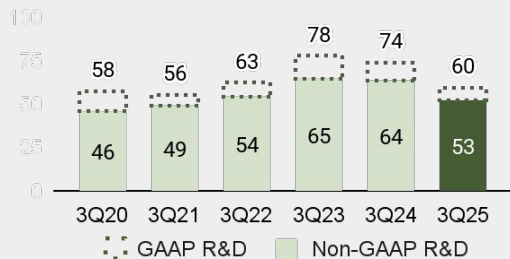
Note: \$ in millions (unless noted), unaudited. Free cash flow and Adjusted EBITDA are Non-GAAP measures.

See appendix for reconciliation of GAAP to Non-GAAP measures. Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

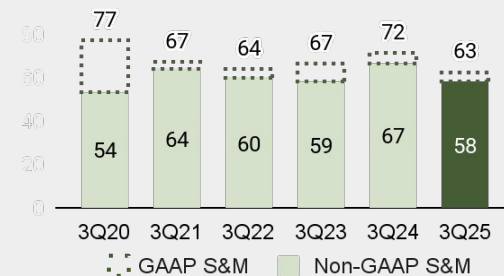
¹ Borrowing capacity net of \$2.4M undrawn letters of credit.

Fiscal Q3 Operating Expense Trends

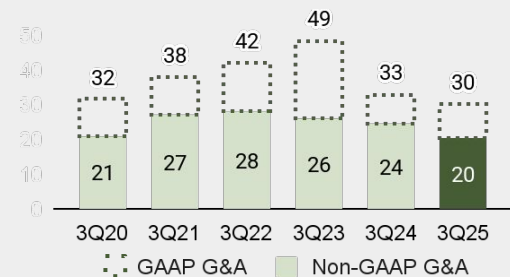
Research and Development



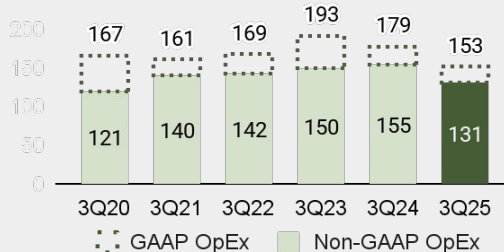
Sales and Marketing



General and Administrative



Total Operating Expenses



Note: In \$ millions (unless noted). Non-GAAP R&D, Non-GAAP S&M, Non-GAAP G&A and Non-GAAP Operating Expenses are each Non-GAAP measures. See Appendix for reconciliation of GAAP to Non-GAAP measures.

¹Non-GAAP R&D exclude stock-based compensation, amortization of intangible assets and restructuring and other charges included in the corresponding GAAP measure. Non-GAAP G&A, Non-GAAP S&M and Non-GAAP OpEx exclude stock-based compensation, amortization of intangible assets, legal and transaction related costs and restructuring and other charges included in the corresponding GAAP measure. Normalization adjustments include: variable compensation, payroll tax true up, and restructuring.

4Q25 Outlook



Fiscal Q4 Outlook

	4Q24	3Q25	4Q25 Outlook
Revenue	\$255.4M	\$344.8M	\$260M to \$290M
% y/y	(16%)	(13%)	+2% to +14%
% q/q	(36%)		(25%) to (16%)
GAAP Gross Margin	40.3%	43.4%	42.0% to 44.0%
Adjustments ¹	0.7%	1.3%	1.5% to 1.7%
Non-GAAP Gross Margin¹	41.0%	44.7%	43.7% to 45.5%
<i>Tariff Headwind to GAAP and Non-GAAP Gross Margin</i>	<i>N/A</i>	<i>60 bps</i>	<i>~180 bps</i>
GAAP Operating Expenses	\$172M	\$153M	\$150M to \$155M
% y/y	+10%	(15%)	(13%) to (10%)
Non-GAAP Operating Expenses¹	\$143M	\$131M	\$130M to \$135M
% y/y	+5%	(15%)	(9%) to (6%)
Adjusted EBITDA	(\$22.6M)	\$35.6M	(\$10M) to \$14M
Adjusted EBITDA Margin	(8.9%)	10.3%	(3.7%) to 4.7%

Note: Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP Gross Margin and Non-GAAP Operating Expenses are Non-GAAP measures. We do not provide a reconciliation of forward-looking Non-GAAP measures to their comparable GAAP financial measures. See "Non-GAAP Measures" for more information. 4Q25 outlook only as of the date of this presentation. See "Forward-Looking Statements" for more information.

¹ Non-GAAP gross margin excludes stock-based compensation, amortization of intangible assets and restructuring and other charges included in GAAP gross margin. Non-GAAP Operating Expenses exclude stock-based compensation, amortization of intangible assets, legal and transaction related costs and restructuring and other charges included in GAAP Operating Expenses.

Overview of Sonos Tariff Exposure

A few years ago, we undertook a significant effort to diversify our supply chain, which resulted in manufacturing of nearly all of our U.S.-bound products shifting to Vietnam and Malaysia. Our reliance on China for U.S.-bound products is limited to a few accessories like speaker stands and our Sonance co-branded products which are a very small part of our total business

3Q25 Tariff Breakdown

- **Cost of Revenue:** \$2.1M expense (60bps GM drag)
- **Cash:** \$3.5M outlay

Expected 4Q25 Tariff Breakdown

- **Cost of Revenue:** ~\$5M expense (~180bps GM drag)
- **Cash:** \$8-10M outlay

Timing of cash payments for tariffs differs from when we see the Cost of Revenue impact, as the cash outlay happens at the time of receipt of inventory whereas the Cost of Revenue impact is incurred when we sell the inventory

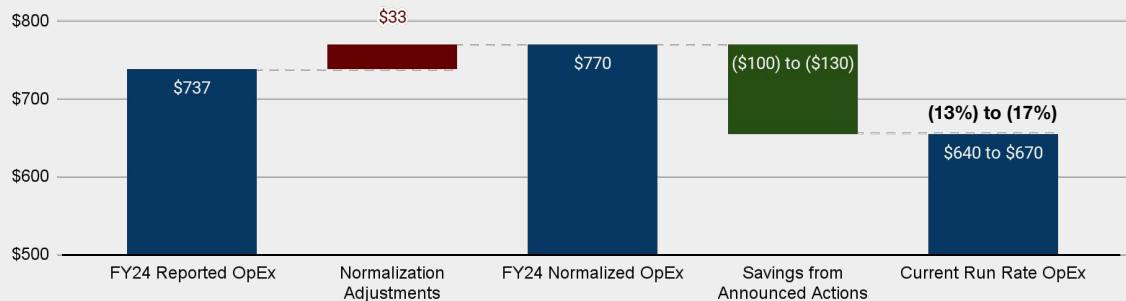
Above scenario for 4Q25 primarily reflects the previous tariff rate of 10% due to in-transit inventory arriving through end of the quarter. These figures are best estimates as of today and future quarters beyond 4Q25 may differ

Mitigation Efforts - working to minimize tariff impact to Adjusted EBITDA

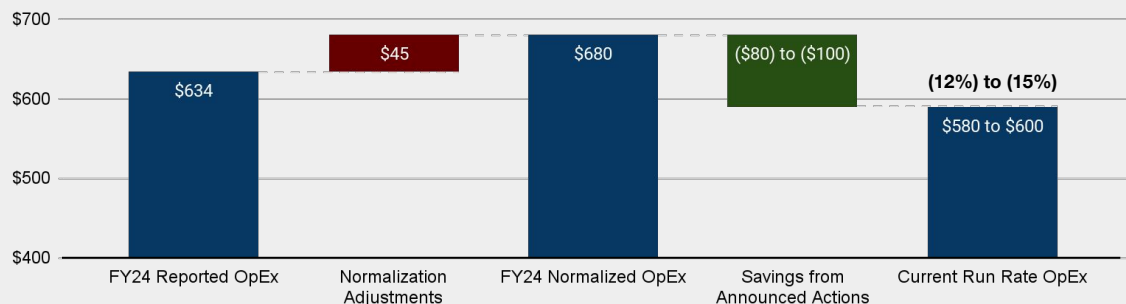
- **Pricing adjustments:** later this year we plan to raise prices across our portfolio of products
- **Promotional strategy:** we are actively evaluating what, if any, changes we may need to make to our promotional strategies
- **Manufacturing flexibility:** we have flexibility to move production between Vietnam and Malaysia
- **Vigilant expense management:** we will continue to progress with our transformational cost initiatives, as evidenced by our strong y/y expense discipline (slide 6, reported NG OpEx -15% y/y, Normalized -23% y/y)
- **Geographic expansion:** we continue to invest in diversifying our geographic footprint. While our key growth markets represent a small share of revenue today, expanding our presence in these markets will be a key driver of our growth in the years to come

Year-to-Date Transformation Overview

GAAP OPERATING EXPENSES



NON-GAAP OPERATING EXPENSES



- We continue to work on rationalizing our operating expenses, as evidenced by our y/y OpEx declines in 3Q25
- Relative to FY24 Normalized OpEx, our run-rate cost savings targets are:
 - **\$100-130 million (GAAP)**, +\$40-60M vs prior update
 - **\$80-100 million (Non-GAAP)**, +\$20-30M vs prior update
- **Resulting Run Rate Operating Expenses are estimated to be in the range of \$640-670M (GAAP) and \$580-600M (Non-GAAP)**
 - Assume \$60 to \$70 million of Non-GAAP adjustments, primarily stock-based compensation

Note: \$ in millions (unless noted), unaudited. Non-GAAP Operating Expenses are defined as GAAP Operating Expenses less stock-based compensation expense, legal and transaction related costs, amortization of intangibles, and restructuring and other charges. Normalization adjustments include: variable compensation, payroll tax true up, app recovery investments and restructuring. Current Run Rate OpEx only as of the date of this presentation. See "Forward-Looking Statements" for more information.

The Sonos Story



Sonos at a Glance

SONOS

\$1.52B

FY24 Revenue

45%

FY24 GAAP Gross Margin

16M+

Household Install Base

3.08

FY24 products per Household

44%

Products Registered to Existing
Household Install Base

18

Flagship Products

6

Categories

#4 Patent Power

Per IEEE
4,300+ US Patents and Applications

Broad Product Portfolio Spanning Variety of Price Points and Use Cases

Home Theater



Ray
\$199



Beam
\$499



Arc Ultra
\$999



Arc
\$899



Sub Mini
\$429



Sub
\$799

Speakers



Era 100
\$199



Era 100 Pro
Available Through
Select Installer Partners



Era 300
\$449



Five
\$549



Amp
\$699



Port
\$449



Sonos and Sonance
8" In-Ceiling
\$999



Sonos and Sonance
6" In-Ceiling
\$659



Sonos and Sonance
In-Wall
\$659



Sonos and Sonance
Outdoor
\$879

Components and Architectural

Headphones



Ace
\$399

Portables



Roam 2
\$179



Move 2
\$449

Partnerships



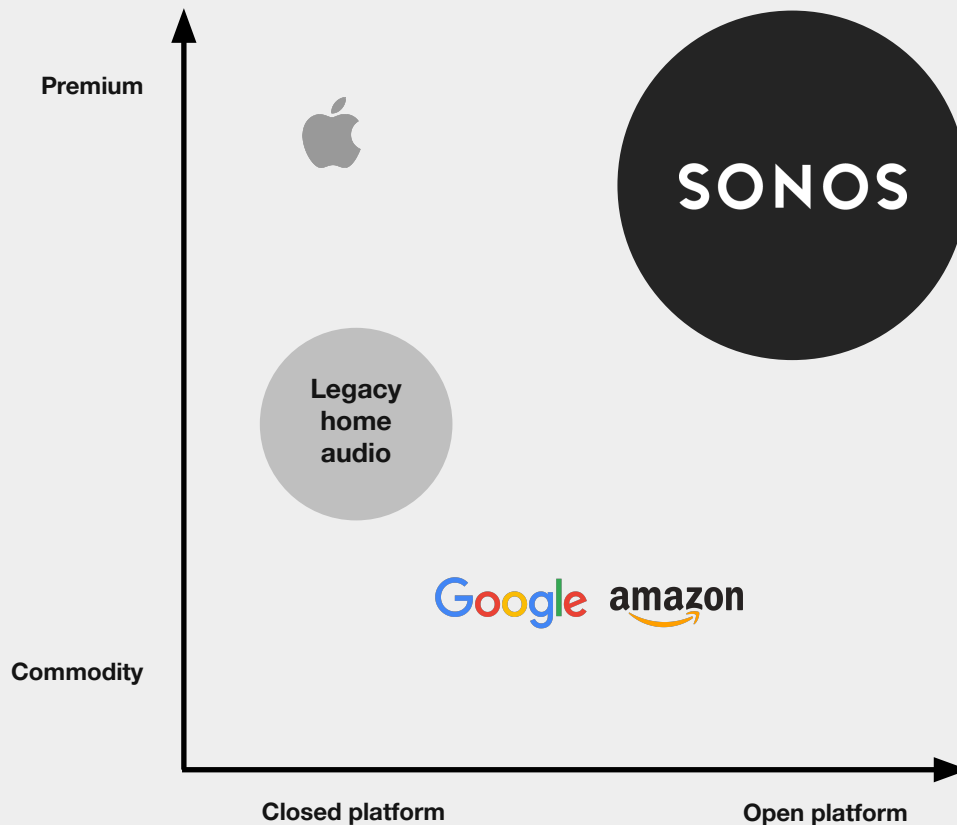
Market Position

Sonos is differentiated by our unique combination of an open content and control platform with high-quality, premium hardware that spans a variety of form factors, use cases, and price points.

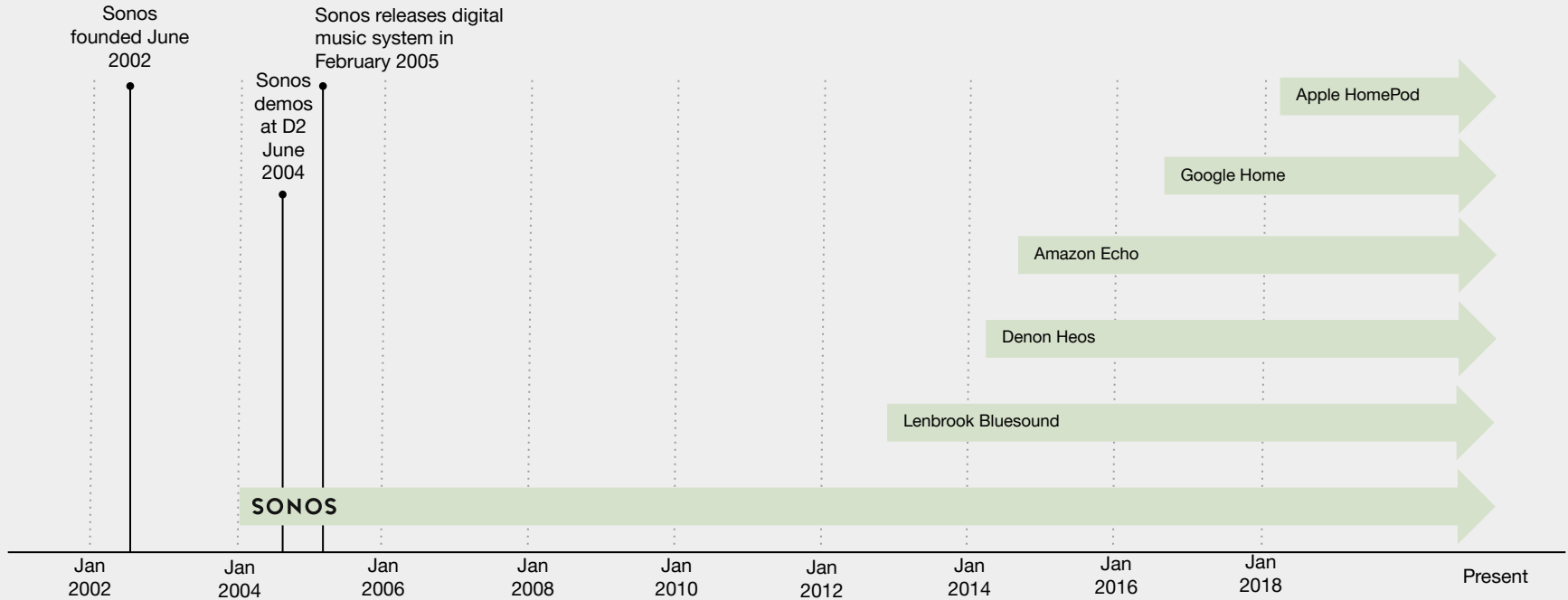
No other company has created an interoperable suite of products serving customers in the home and beyond.

“Big tech” has historically focused on the adoption of their voice assistants through a range of household devices, including more commoditized audio devices that compromise on privacy, design, and sound experience. More recently, we have seen these players reduce their levels of investment here and focus their efforts elsewhere.

Legacy companies have been focused on acoustics and hardware for decades, offering single-product solutions. They lack the software and networking capabilities to compete in the future of audio.



Sonos Audio Innovation Is Widely Adopted



... Yet We Remain the Leader

FY24 Top Ranked Models (by \$ share)

United States

\$200+ Home Theater²

Brand Rank: #1

Top Products in Category

Sonos Arc

Sonos Sub

Sonos Beam

\$150+ Streaming Audio

Brand Rank: #2

Top Products in Category

Sonos Era 100

Sonos Amp

Sonos Era 300

EMEA¹

\$200+ Home Theater²

Brand Rank: #1

Top Products in Category

Sonos Arc

Sonos Beam

Sonos Sub

\$150+ Streaming Audio

Brand Rank: #2

Top Products in Category

Sonos Era 100

Sonos Era 300

Sonos Move 2

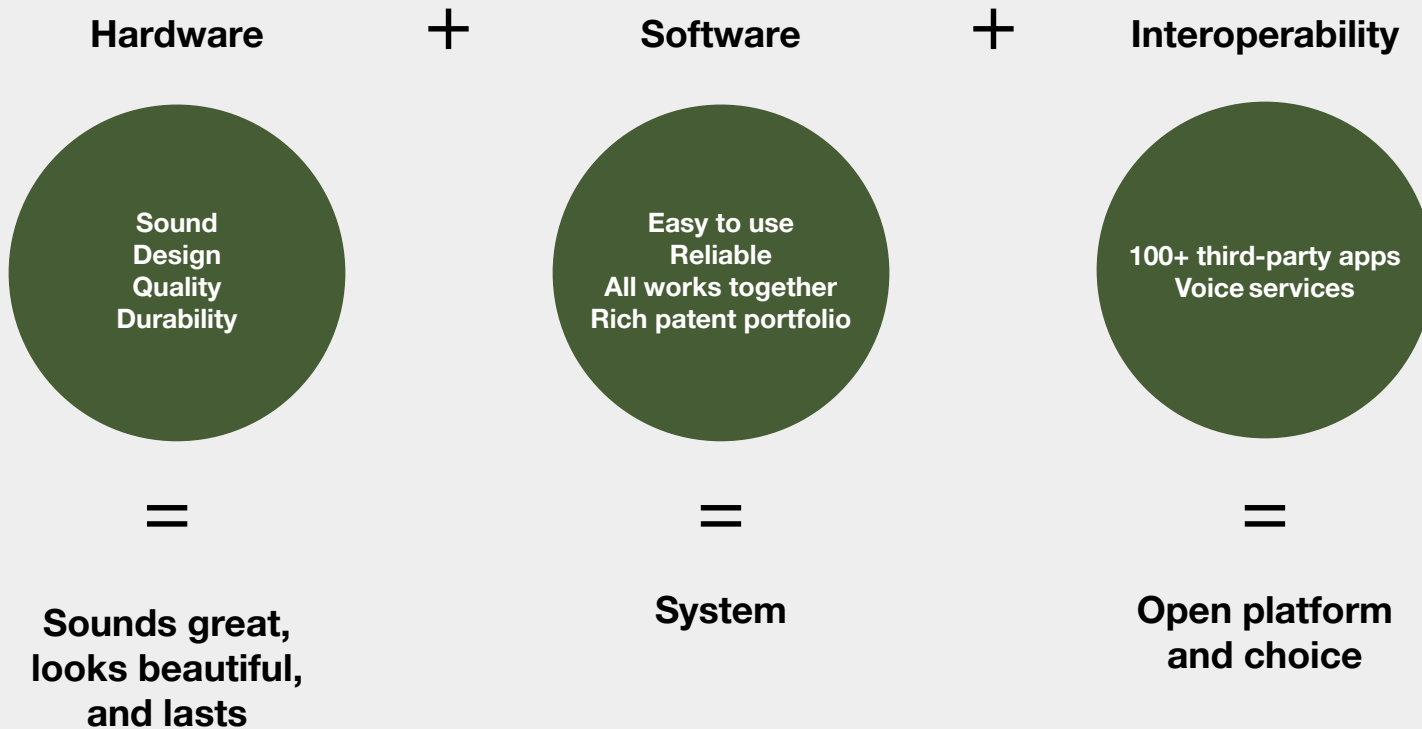
Source: Circana for US, GfK UK and DE

Notes:

1 - EMEA is UK and DE

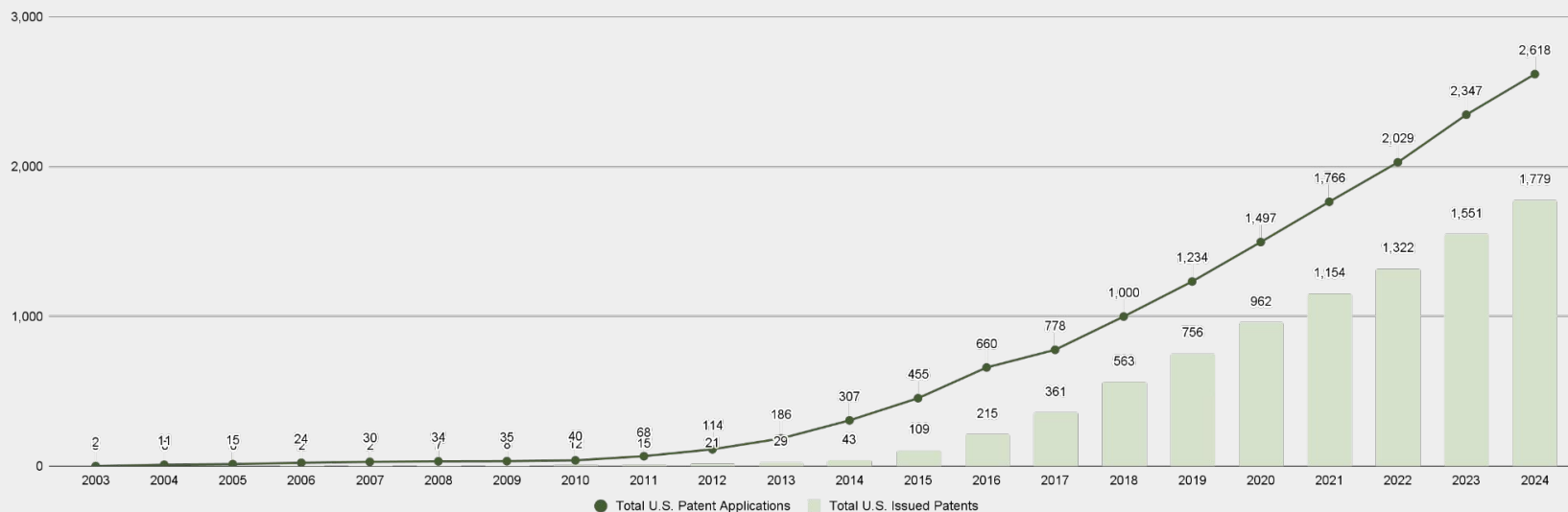
2 - Home Theater includes soundbars and wireless subwoofers

Why the Sonos Platform Wins



Our Innovation Is Protected by a Robust and Growing Patent Portfolio

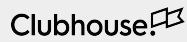
Total Sonos U.S. Patents and Patent Applications
(filed over time, cumulative)



Open Platform Enables Freedom of Choice

100+ Content Partners

SONOS Radio



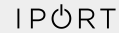
Home Automation & Home Control Partners



SONANCE



brilliant



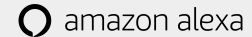
SE\IC

SAVANT



hansgrohe

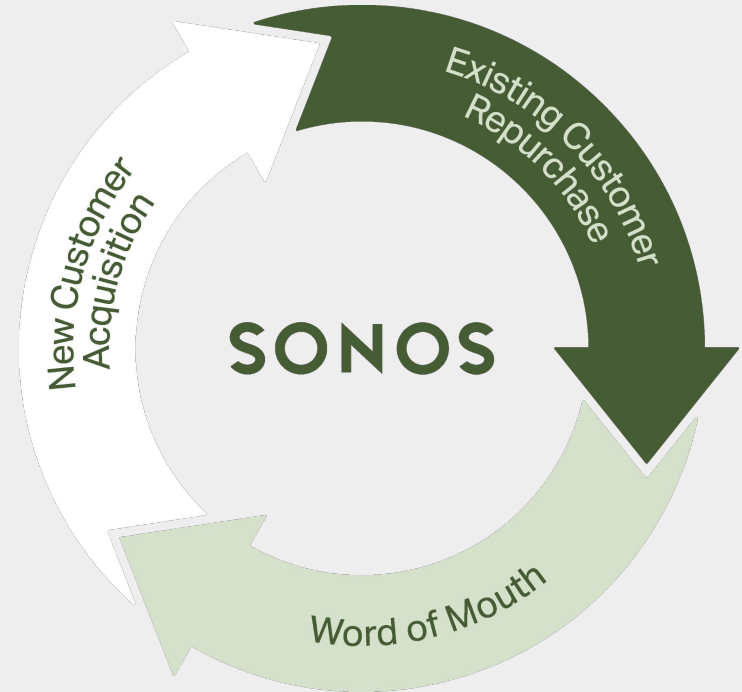
Voice Assistants



Key Drivers of Long Term Growth: The Sonos Flywheel

New households enter the Sonos ecosystem, and existing households purchase additional products at a steady rate

- 1 Improve the Sonos core experience
- 2 Continue raising the bar in existing product categories and enter new product categories
- 3 Expand geographic reach
- 4 Professional opportunities



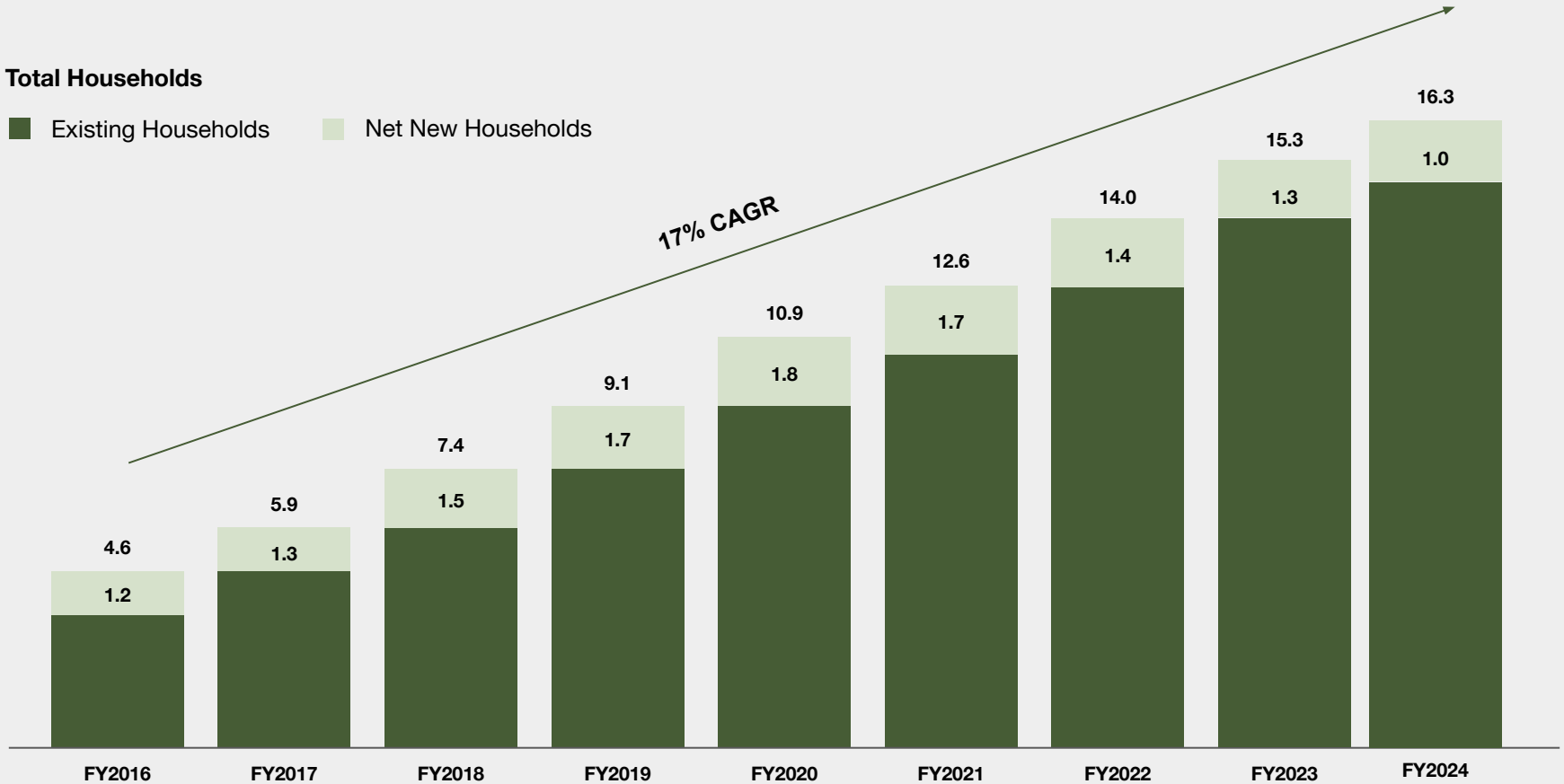
Large and Growing Install Base

Total Households

Existing Households

Net New Households

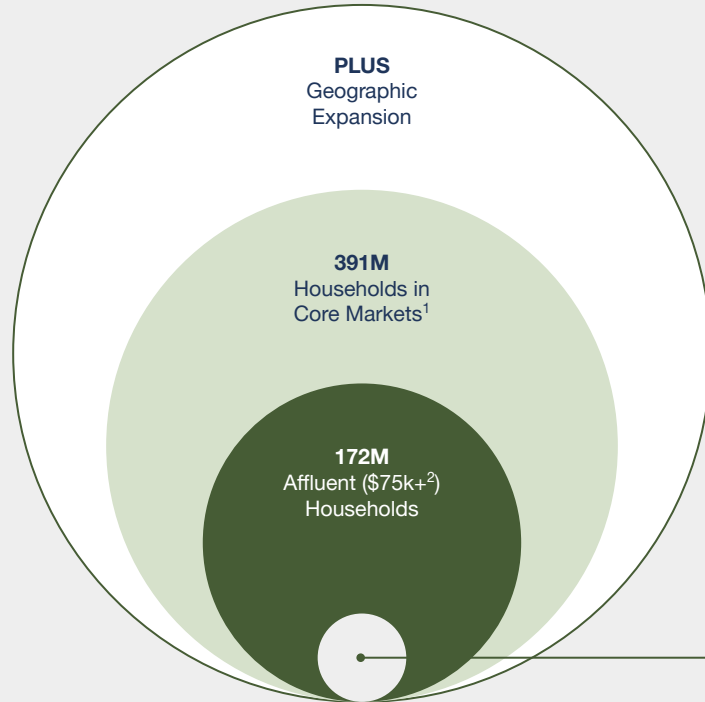
17% CAGR



Source: Internal Data

Note: Unaudited.

Framing Our Long Term Opportunity: Households



~9%
Current penetration of
total affluent households

Source: Euromonitor 2023

1. Core Markets include the United States, Canada, Mexico, Australia, New Zealand, United Kingdom, Germany, Netherlands, Sweden, Denmark, France, Switzerland, Norway, Belgium, Italy, Austria, Spain, Ireland, Finland, Poland and Luxembourg

2. Represents disposable income as defined by the OECD

Our Install Base Continues to Purchase Additional Sonos Products

A significant portion of our annual product registrations come from our existing households (HHs), many of which start with just one product.

Lifetime value of customers grows as products per HH increases

	2018	2019	2020	2021	2022	2023	2024
Products registered (M)	21.0	26.1	31.6	37.1	41.8	46.6	50.4
% to existing households	36%	36%	41%	46%	44%	44%	44%
Sonos households (M)	7.4	9.1	10.9	12.6	14.0	15.3	16.3
New households		1.7	1.8	1.7	1.4	1.3	1.0
Products per HH	2.82	2.87	2.90	2.95	2.98	3.05	3.08
Increase		0.04	0.03	0.05	0.03	0.06	0.04
Single product households (M)	2.8	3.5	4.2	5.0	5.6	6.1	6.4
% of total	38%	38%	39%	40%	40%	40%	39%
Multi-product households (M)	4.6	5.6	6.6	7.5	8.4	9.2	10.0
% of total	62%	62%	61%	60%	60%	60%	61%
Products per >1 household	3.94	4.01	4.11	4.25	4.30	4.41	4.42
Increase		0.07	0.10	0.14	0.05	0.11	0.01

Incremental revenue opportunity: single product HH we have today

$$\begin{array}{ccccc}
 6.4\text{M} & \times & 3.42 & \times & \$304 \\
 \text{Single product} & & \text{Additional products} & & \text{FY24 revenue per} \\
 \text{households} & & \text{to reach 4.42} & & \text{product sold} \\
 & & & & \\
 & & & & = \\
 & & & & >\$6 \text{ billion} \\
 & & & & \text{Incremental revenue opportunity}
 \end{array}$$

In addition to converting single product HHs, we believe there is significant room to grow average multi-product HH size beyond 4.42 products

Source: Internal Data

Note: Unaudited. Products per household defined as total registrations divided by total households. Products per >1 household defined as products registered less single product households divided by households with >1 product. Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

A Detailed Look at Customer Behavior and Install Base Monetization Over Time

Consistent repurchase behavior across larger cohorts and greater monetization of products sold underscores our conviction to deliver our long term financial targets

Cohorts behave similarly over time, regardless of when first purchased



Cohort LTV amplified by higher average revenue per product

$$\begin{array}{ccc} \$220 & & \$272 \\ \text{Average revenue per} & & \text{Average revenue per} \\ \text{product, FY17-19} & & \text{product, FY20-24} \\ & & + \\ & & 1.45\text{M} \\ & & \text{Average net new HH,} \\ & & \text{FY20-24} \end{array}$$

Steady repurchase participation: after 3 years, over one-third of customers have repurchased

% of customers who have repurchased	6mo	12mo	18mo	24mo	30mo	36mo
2017-2019	17%	25%	29%	33%	36%	38%
2020-2024	15%	22%	26%	29%	31%	34%

Greater LTV per Cohort

Source: Internal Data.

Note: Unaudited. Cohort defined as average customer/household across respective fiscal year periods.

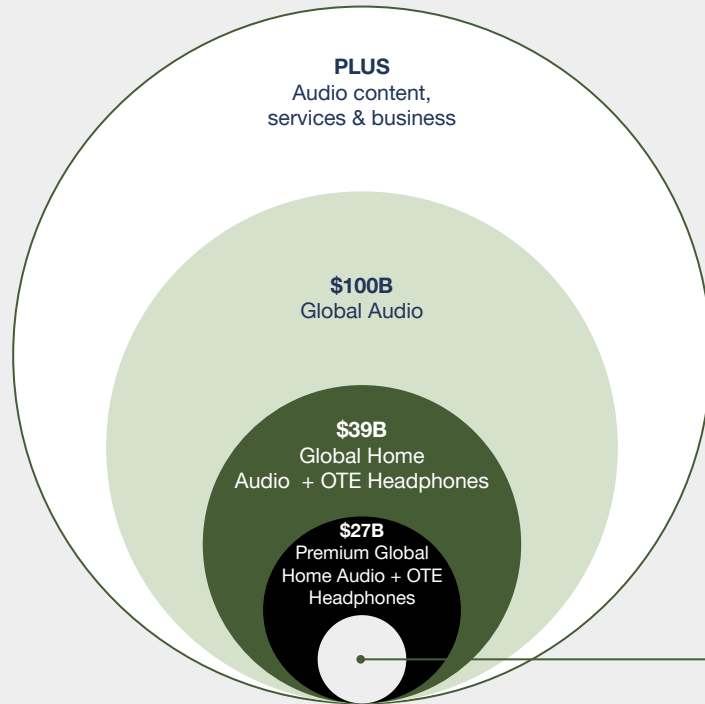
New Product Innovation Drives Household Acquisition & Repurchase Activity

We continue to launch new products across our six current categories

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 to date
Home Theater	-Beam (Gen 1)		-Arc -Sub (Gen 3)		-Beam (Gen 2) -Ray	-Sub Mini		-Arc Ultra -Sub (Gen 4)
Speakers	-Sonos One	-One SL	-Five			-Era 100 -Era 300		-Era 100 Pro
Portables			-Move	-Roam	-Roam SL -Roam Colors	-Move 2	-Roam 2	
Components and Architectural	-Amp	-Port -Sonos and Sonance Trio					-Sonos and Sonance 8" In-Ceiling	
Headphones							-Sonos Ace	
Services/Other		-SYMFONISK Table Lamp & Bookshelf	-Sonos Radio -Sonos S2	-Sonos Radio HD -SYMFONISK Picture Frame	-Sonos Voice Control	-Sonos Pro -SYMFONISK Floor Lamp	-Reimagined Sonos App	-Improved Core Experience & New Features

Framing Our Long Term Opportunity: Revenue

Launch of our new premium over-the-ear (OTE) headphones unlocks an incremental \$5bn core Premium OTE headphones TAM, +23% increase



$$\begin{array}{rcl} \$22\text{bn} & + & \$5\text{bn} \\ \text{Premium Global} & & \text{Premium Global} \\ \text{Home Audio TAM} & & \text{over-the-ear (OTE)} \\ & & \text{headphones TAM} \\ & = & \\ \$27\text{bn} & & \\ \text{New core TAM for Sonos products} & & \\ \text{between Premium Global Home Audio} & & \\ \text{and OTE Headphones} & & \end{array}$$

\$1.52B
Sonos FY24 Revenue

Differentiated Channel Distribution

Channel mix in FY24 remained relatively flat y/y

	2018	2019	2020	2021	2022	2023	2024
Retail and Other	830	930	838	1,011	987	918	842
% yoy		12%	(10%)	21%	(2%)	(7%)	(8%)
DTC	131	154	284	416	395	394	348
% yoy		17%	84%	47%	(5%)	(0%)	(12%)
Installer Solutions (IS)	176	176	205	290	371	343	329
% yoy		0%	16%	41%	28%	(7%)	(4%)
Total Revenue	1,137	1,261	1,326	1,717	1,752	1,655	1,518
% yoy		11%	5%	29%	2%	(6%)	(8%)

% of revenue

Retail & Other	73%	74%	63%	59%	56%	55%	55%
DTC	12%	12%	21%	24%	23%	24%	23%
IS	15%	14%	15%	17%	21%	21%	22%
% DTC + IS	27%	26%	37%	41%	44%	45%	45%

- **Retail & Other (55% of revenue, +0 bps), -8% y/y**
- **DTC (23% of revenue, -100 bps), -12% y/y**
- **Installer Solutions (22% of revenue, +100 bps), -4% y/y**

Summary Financial Overview

	2018	2019	2020	2021	2022	2023	2024
Americas	603	678	756	981	1,044	1,048	1,005
% y/y		12%	11%	30%	6%	0%	(4%)
EMEA	479	485	471	618	578	518	430
% y/y		1%	(3%)	31%	(7%)	(10%)	(17%)
APAC	55	98	100	117	130	89	83
% y/y		78%	2%	18%	11%	(32%)	(7%)
Total Revenue	1,137	1,261	1,326	1,717	1,752	1,655	1,518
% y/y		11%	5%	29%	2%	(6%)	(8%)
% y/y - CC		13%	6%	26%	5%	(3%)	(9%)
GAAP Gross Profit	489	527	572	810	796	716	689
% GAAP gross margin	43.0%	41.8%	43.1%	47.2%	45.4%	43.3%	45.4%
Non-GAAP Gross Profit	490	528	573	812	800	723	696
% Non-GAAP gross margin	43.1%	41.9%	43.2%	47.3%	45.7%	43.7%	45.8%
Non-GAAP Operating Expenses							
R&D	128	154	185	204	222	257	259
% of revenue	11%	12%	14%	12%	13%	16%	17%
S&M	255	235	229	261	265	246	270
% of revenue	22%	19%	17%	15%	15%	15%	18%
G&A	77	88	85	100	119	108	105
% of revenue	7%	7%	6%	6%	7%	7%	7%
Total Operating Expenses	460	476	499	565	607	612	634
% of revenue	40%	38%	38%	33%	35%	37%	42%
Adjusted EBITDA	69	89	109	279	227	154	108
% margin	6.1%	7.0%	8.2%	16.2%	12.9%	9.3%	7.1%
Cash From/(Used in) Operations	31	121	162	253	(28)	100	190
Capex	(36)	(23)	(33)	(46)	(46)	(50)	(55)
Free Cash Flow	(5)	97	129	208	(74)	50	135
% of Adjusted EBITDA	(7%)	110%	119%	75%	(33%)	33%	125%

Note: \$ in millions (unless noted), CC = constant currency, unaudited. Non-GAAP gross profit/margin exclude stock-based compensation and amortization of intangibles allocated to cost of revenue. Non-GAAP Operating Expense figures exclude stock-based compensation, legal and transaction related fees, amortization of intangibles, and restructuring and other charges. Non-GAAP gross margin excludes amortization of intangible assets and stock-based compensation allocated to GAAP cost of revenue.

Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely. Adjusted EBITDA, Adjusted EBITDA margin and free cash flow are non-GAAP measures. *See appendix for reconciliation of GAAP to Non-GAAP measures.

Appendix



Reconciliation of GAAP to Non-GAAP Gross Margin

	3Q20	3Q21	3Q22	3Q23	3Q24	3Q25
Reconciliation of GAAP gross profit						
GAAP gross profit	\$ 109,791	\$ 177,861	\$ 175,848	\$ 171,762	\$ 191,641	\$ 149,724
Stock-based compensation expense	306	248	448	450	655	1,633
Amortization of intangibles	-	230	213	973	973	3,278
Restructuring and other charges	-	-	-	-	-	(514)
Non-GAAP gross profit	\$ 110,097	\$ 178,339	\$ 176,509	\$ 173,185	\$ 193,269	\$ 154,121
GAAP gross margin	44.0%	47.0%	47.3%	46.0%	48.3%	43.4%
Non-GAAP gross margin	44.2%	47.1%	47.5%	46.4%	48.7%	44.7%

Note: \$ in thousands (unless noted), unaudited. Percentages and sums have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely. Non-GAAP gross margin is a Non-GAAP measure

Reconciliation of Certain GAAP to Non-GAAP Operating Expenses

	3Q20	3Q21	3Q22	3Q23	3Q24	3Q25
GAAP R&D	\$ 57,770	\$ 55,578	\$ 62,522	\$ 77,758	\$ 74,223	\$ 59,750
Less: Stock-based compensation expense	\$ 6,154	\$ 6,125	\$ 7,858	\$ 8,637	\$ 9,735	\$ 7,944
Less: Amortization of intangibles	\$ 475	\$ 260	\$ 641	\$ 496	\$ 496	\$ 20
Less: Restructuring and other charges	\$ 4,949	\$ -	\$ -	\$ 3,686	\$ 478	\$ (824)
Non-GAAP R&D	\$ 46,192	\$ 49,193	\$ 54,023	\$ 64,939	\$ 63,514	\$ 52,610
GAAP S&M	\$ 77,273	\$ 67,231	\$ 63,993	\$ 66,600	\$ 71,643	\$ 62,576
Less: Stock-based compensation expense	\$ 3,710	\$ 3,277	\$ 3,826	\$ 3,590	\$ 4,510	\$ 3,466
Less: Amortization of intangibles	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Restructuring and other charges	\$ 19,788	\$ -	\$ -	\$ 4,422	\$ 185	\$ 1,038
Non-GAAP S&M	\$ 53,775	\$ 63,954	\$ 60,167	\$ 58,588	\$ 66,948	\$ 58,072
GAAP G&A	\$ 31,662	\$ 38,323	\$ 42,373	\$ 48,665	\$ 33,186	\$ 30,327
Less: Stock-based compensation expense	\$ 4,871	\$ 5,897	\$ 6,647	\$ 5,652	\$ 7,030	\$ 6,309
Less: Legal and transaction related costs	\$ 4,132	\$ 5,351	\$ 7,459	\$ 14,699	\$ 1,062	\$ 1,306
Less: Amortization of intangibles	\$ 5	\$ -	\$ 24	\$ 24	\$ 24	\$ 24
Less: Restructuring and other charges	\$ 1,423	\$ -	\$ -	\$ 2,220	\$ 630	\$ 2,281
Non-GAAP G&A	\$ 21,231	\$ 27,075	\$ 28,243	\$ 26,070	\$ 24,440	\$ 20,407
GAAP Total Operating Expenses	\$ 166,705	\$ 161,132	\$ 168,888	\$ 193,023	\$ 179,052	\$ 152,653
Less: Stock-based compensation expense	\$ 14,735	\$ 15,299	\$ 18,331	\$ 17,879	\$ 21,275	\$ 17,719
Less: Legal and transaction related costs	\$ 4,132	\$ 5,351	\$ 7,459	\$ 14,699	\$ 1,062	\$ 1,306
Less: Amortization of intangibles	\$ 480	\$ 260	\$ 665	\$ 520	\$ 520	\$ 44
Less: Restructuring and other charges	\$ 26,160	\$ -	\$ -	\$ 10,328	\$ 1,293	\$ 2,495
Non-GAAP Operating Expenses	\$ 121,198	\$ 140,222	\$ 142,433	\$ 149,597	\$ 154,902	\$ 131,089

Note: \$ in thousands (unless noted), unaudited. Percentages and sums have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely. Non-GAAP R&D, Non-GAAP S&M, Non-GAAP G&A, and Non-GAAP Operating Expenses are each Non-GAAP measures

Reconciliation of Operating (Loss) Income to Adjusted EBITDA

	3Q20	3Q21	3Q22	3Q23	3Q24	3Q25
Operating (Loss) Income (GAAP)	\$ (56,914)	\$ 16,729	\$ 6,960	\$ (21,261)	\$ 12,589	\$ (2,929)
Stock-based compensation	15,041	15,547	18,779	18,329	21,930	19,352
Legal and transaction related costs (1)	4,132	5,351	7,459	14,699	1,062	1,306
Amortization of intangibles	480	490	878	1,493	1,493	3,322
Restructuring and other charges (2)	26,160	-	-	10,328	1,293	1,981
Adjusted Operating (Loss) Income (Non-GAAP)	\$ (11,101)	\$ 38,117	\$ 34,076	\$ 23,588	\$ 38,367	\$ 23,032
Depreciation	8,381	8,575	8,029	10,716	10,539	12,557
Adjusted EBITDA (Non-GAAP)	\$ (2,720)	\$ 46,692	\$ 42,105	\$ 34,304	\$ 48,906	\$ 35,589

Notes: \$ in thousands, unaudited

1 - Legal and transaction related costs consist of expenses related to our intellectual property litigation against Alphabet Inc. and Google LLC as well as legal and transaction costs associated with our acquisition activity, which we do not consider representative of our underlying operating performance.

2 - On February 5, 2025, we initiated a restructuring plan to reduce our cost base involving 12% of our employees (the "2025 restructuring plan"). Restructuring and other charges for the three months ended June 28, 2025, primarily reflect costs associated with our cost transformation initiatives including the 2025 restructuring plan and rationalization of our product roadmap, as well as non-recurring CEO transition costs related to modifications to equity awards.

Reconciliation of Net (Loss) Income to Adjusted EBITDA

	3Q20	3Q21	3Q22	3Q23	3Q24	3Q25
(In thousands, except percentages)						
Net (loss) income	\$ (56,980)	\$ 17,826	\$ (597)	\$ (23,571)	\$ 3,709	\$ (3,379)
Add (deduct):						
Depreciation and amortization	8,861	9,065	8,907	12,209	12,032	15,879
Stock-based compensation expense	15,041	15,547	18,779	18,329	21,930	19,352
Interest income	(81)	(34)	(429)	(2,391)	(2,629)	(1,572)
Interest expense	360	77	196	274	106	117
Other expense (income), net	(365)	(1,998)	9,858	(1,424)	2,464	(661)
Provision for (benefit from) income taxes	152	858	(2,068)	5,851	8,939	2,566
Legal and transaction related costs (1)	4,132	5,351	7,459	14,699	1,062	1,306
Restructuring and other charges (2)	26,160	-	-	10,328	1,293	1,981
Adjusted EBITDA	\$ (2,720)	\$ 46,692	\$ 42,105	\$ 34,304	\$ 48,906	\$ 35,589
Revenue	\$ 249,310	\$ 378,672	\$ 371,783	\$ 373,356	\$ 397,146	\$ 344,764
Net (loss) income margin	-22.9%	4.7%	-0.2%	-6.3%	0.9%	-1.0%
Adjusted EBITDA margin	-1.1%	12.3%	11.3%	9.2%	12.3%	10.3%

Notes: \$ in thousands, unaudited

1 - Legal and transaction related costs consist of expenses related to our intellectual property litigation against Alphabet Inc. and Google LLC as well as legal and transaction costs associated with our acquisition activity, which we do not consider representative of our underlying operating performance.

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Reconciliation of Cash Flows Provided by (Used in) Operating Activities to Free Cash Flow

	3Q20	3Q21	3Q22	3Q23	3Q24	3Q25
Cash flows provided by (used in) operating activities	\$ 47,783	\$ 70,786	\$ (6,717)	\$ 8,887	\$ 63,483	\$ 37,441
Less: Purchases of property and equipment	(4,105)	(14,865)	(9,281)	(16,682)	(23,214)	(4,756)
Free cash flow	\$ 43,678	\$ 55,921	\$ (15,998)	\$ (7,795)	\$ 40,269	\$ 32,685

Note: \$ in thousands, unaudited.

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