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

SONOS

Third Quarter Fiscal 2026 Conference Call Remarks
July 29, 2026 - 4:30 pm Eastern/1:30 pm Pacific

James Baglanis, Investor Relations

Good afternoon and welcome to Sonos' Third Quarter 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 Third Quarter 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. I'm very pleased to report that Sonos had another strong quarter.

We continued our positive growth trajectory, with revenue coming in at $375 million, up 9% year over year and near the high end of our guidance range. We saw strong growth across all of our regions, and our efforts to penetrate new markets are driving excellent results.

Non-GAAP Gross Margin was 45.5%, near the high end of our guidance range. Non-GAAP Gross Profit dollars grew 11% year over year, 2 points faster than revenue. Please note that these non-GAAP numbers do not include the benefit of tariff refunds we received in the quarter. Saori will provide those details in a moment.

We also continued to control our expenses effectively in Q3. As a result, we generated $44 million of Adjusted EBITDA, an improvement of 24% year over year, and also near the high end of our guidance.

These Q3 numbers bear out the inflection in our business that I named on our last earnings call. As anticipated, revenue growth accelerated this quarter to 9%, up from the 2% growth we achieved in the first half of the year. As Saori will detail shortly, we expect strong growth in the fourth quarter as well.

Our results through the first three quarters of the year demonstrate that we're maintaining strong fiscal discipline and working with greater efficiency and effectiveness. We've held operating expenses steady through the year, which has yielded a 6% year over year decline in year-to-date Non-GAAP Operating Expenses all while we’re still investing in future growth. Putting together these savings with our revenue growth and our strong gross margin, year-to-date we have achieved a 41% increase in Adjusted EBITDA year over year.

To close on Q3: growth accelerated, gross margin held near the top of our range, operating expenses came down, and Adjusted EBITDA grew 24%. We did that while returning $30 million to shareholders in the quarter and continuing to invest in the products and markets that will drive our next chapter. This is what disciplined, profitable growth looks like at Sonos, and it sets us up for a strong finish to the year.

These are very encouraging numbers, and yet we are just beginning to reach for our potential.

I've talked on recent earnings calls about the five dimensions through which we'll drive profitable growth: product innovation, customer advocacy, more intentional marketing, geo-expansion, and tapping emerging trends. We're making progress on all of them.

We are driving hardware and software roadmaps that are full of innovative products and experiences that will further reinforce our position as the leader in whole home audio.

Let me update you on some of our progress since the last earnings call.

First, Amp Multi. Last week we announced to our installer partners that Sonos Amp Multi will ship August 25th. Built for our installer and integrator partners, Amp Multi combines flexible, best-in-class multi-zone amplification with simpler installation, configuration, and tuning. It is a clear expression of our system strategy: products that make our platform more compelling, more differentiated, and more deeply integrated into the very fabric of the home. The relationships we've built with professional installers over two decades are a unique Sonos advantage, and Amp Multi lets our partners take on larger projects with Sonos at the center.

Second, the Sonos app. We've spent the last months watching real customers use the app in their everyday life, from brand-new owners to people who've been with us for years. We've taken those learnings and rebuilt the basics of how you navigate Sonos: familiar tabbed navigation, genuinely better core controls like volume, and smart mechanisms for how players show up just when you need them. This isn't a new app but it is a new way of navigating the app our customers already have. Just as important is how we did it: we brought customers into the process through in-home research, beta programs and public previews, and their feedback shaped every iteration. These acts of co-creation are a core ingredient driving a return to customer advocacy that continues to show up in our own measurements and across social media.

There's much more coming this fall and beyond, and we'll be bringing all of it to market with compelling new marketing that is the clearest expression in a decade of what makes Sonos singular in the world. I can't wait for you to see what Colleen and her team have been cooking.

Here's what's coming next. In September we'll be hosting a product launch event. This will be the first opportunity for me to publicly introduce some of the work we've been doing on the product side over the last year. I'll save the news for the event but let me say this today: conversational computing and predictive intelligence are moving into the home, and Sonos brings to this moment twenty years of solving the hard problems the home uniquely creates: sound, form, systemness, and intelligence. That combination, of where we already excel and where computing is going next, meaningfully expands the opportunity in front of us.

Much of the industry conversation about AI in the home is about who has the best model. We think that's the wrong question. Access to exceptional models is going to be everywhere, and the differences between them will narrow. The lasting value is going to be in what surrounds the model in a real home: the hardware that can converse with quality across every room, the system that already knows the shape of a home and the way a family lives in it, the connectivity to reach the speakers, services, and devices that turn a request into coordinated action. That's the operating environment for AI in the home, and Sonos has spent twenty years building it.

Alongside the Sonos operating environment sits a physical product portfolio unlike anything else in home audio. Speakers sized for a kitchen counter, and speakers built to fill a living room. Soundbars optimized for home theater and subwoofers to make your heart go “thump!”. Amplifiers that run dozens of zones in a custom home. Small speakers you can throw in a teenager's backpack. Portables at home in the den and also on the patio. Headphones for personal listening and movie theater theatrics without waking the baby. Every form sound takes in a home, made by one company, designed to belong together and built to work in unison. No one else in this category covers that range.

Our installed base is more than 53 million connected devices, across more than 17 million homes. It's a competitive advantage, and as more intelligence moves into the home, the trust and experience we've spent two decades earning is exactly what these new experiences will require.

All of this makes me extremely optimistic about what lies ahead for Sonos even as we navigate transitory macro challenges.

It will come as no surprise that a significant headwind we face today is the dramatic escalation in computer memory and associated component costs and, despite the strong results I just walked through, the impact of the memory cost environment is already here in our numbers.

Memory costs impacted Q3 Adjusted EBITDA by approximately $14 million year over year. Absent that headwind, our profit growth this quarter would have been 64% year over year rather than 24%. That’s the weight our team absorbed while still delivering results near the top of our guidance range. The industry dynamics driving these prices are not yet easing, and we do not expect meaningful near-term relief, so let me speak to how we're approaching the memory situation as a business.

We’re tackling the challenge across four workstreams:

- First, **Supply.** Ensuring we have the chip supply we need to build our products and meet the demand we see in the market.
- Second, **Cost.** Securing that supply at the best possible terms.
- Third, **Efficiency.** Optimizing memory use in our products to reduce our per-device memory footprint.
- And finally, **Pricing balance.** Weighing whether and when to adjust pricing, balancing near-term profitability against our focus on attracting new customers to Sonos and driving household lifetime value.

Let me say a bit more on the last two.

On efficiency, this dramatic rise in memory costs has served as a catalyst to apply our hardware and software engineering expertise to improve the memory efficiency of our products. By optimizing the memory requirements of our operating system, without compromising the performance of our products, the customer experience, or future optionality, we can alleviate some of the cost pressure. We’re deep in this work and its impact will continue to grow in Fiscal 2027.

On pricing, this remains one of the important levers available to us, and we’ll be thoughtful and disciplined about how we use it. Some prominent consumer electronics brands have recently announced price increases on existing products, but notably, no company competing directly in audio categories has moved materially on price for existing products, and neither have we. Our focus as we head into the holidays is on welcoming as many new Sonos households as we can. Our thinking is informed by the full picture of our success: households growing, lifetime value expanding, and our competitive leadership compounding. We’re driving against all of these dimensions in concert with an eye on healthy gross profit dollars too.

As these higher memory prices fully take hold, we will face margin headwinds in Q4 and 2027. I want to underscore that we're entering this moment from a position of underlying strength. Setting aside these transitory conditions, this business operates at a healthy mid-40s gross margin. That's the base we're managing from, and it's what gives us the room to prioritize customer growth through this cycle. How we get back to these gross margin levels in 2028 and beyond will depend on where memory prices go. Beyond 2027, our expectation is that they ease from today's unnaturally high levels, though the timing and the pace are hard to predict. If instead they stay elevated, we'd expect the industry to move to higher pricing over time, and we would adapt along with it. We'd prefer the first path, since delivering the greatest possible value to our customers is always our goal.

Either way the destination is the same: after working through these pressures in 2027, we expect our profitability to improve in 2028 and beyond. The structural improvements we've made over the last two years underpin our conviction that Sonos can operate at meaningfully higher Adjusted EBITDA margins over time which, when combined with consistent revenue growth, creates a strong long term financial outlook.

Before turning the call over to Saori, I'm delighted to share one last update: Chris Shackelton, Co-Founder and Managing Partner of Coliseum Capital Management, Sonos' largest investor, is joining our board. Over the last 18 months, I've gotten to know Chris well, and we've bonded over a shared enthusiasm for what Sonos can become, and the value we can build for shareholders.

This is the latest step in the evolution of our board, adding skills and expertise aligned with Sonos’ future. In my time as CEO, we’ve added Hugo, Joe, Carmine and Mandy, who bring product and AI, hardware and supply-chain, consumer and media experience, as well as public company CEO and CFO governance alongside operational and financial rigor. Today we are adding Chris’ deep investment, capital allocation and director experience. This is a board built for the opportunity ahead.

With those thoughts, Saori, I turn it over to you.

Saori Casey, Chief Financial Officer

Thank you, Tom. Hi everyone.

Q3 was another strong quarter for Sonos, as revenue of $375 million was at the high end of our guidance range, growing 9% year over year. This marks our eighth consecutive quarter of disciplined execution against our commitments and structurally improving our business.

We saw continued strength in APAC and EMEA, up 27% and 17%, respectively, while the Americas grew 4% year over year. Our growth markets delivered another quarter of strong double digit growth, further validating our view that this will be a key driver of our growth in the years to come.

Foreign exchange was about a 1 point tailwind to our year over year growth. On a constant currency basis, APAC grew 21%, EMEA grew 14%, and the Americas grew 3.5%. Total constant currency revenue growth of 7% year over year represents a 3 point acceleration from Q2, consistent with what we outlined last quarter.

On a product basis, Q3 marked the first full quarter of Sonos Play and Era 100 SL available in the market and both contributed meaningfully to our results.

As we noted last quarter, we filed for refunds of prior duties paid under IEEPA. Of the $41 million in claims we filed, we received $24 million in Q3. Of that amount, $23 million was principal recovery and recorded as a benefit to GAAP Gross Profit, and the remaining $1 million was recorded as interest income. We expect to collect the remaining $18 million in claims we filed, though the timing of cash receipt is uncertain thus we have not recognized any of the remaining claims as a receivable on our balance sheet.

As a reminder, the Q3 guidance we provided last quarter did not include any tariff refund benefit. So as I walk through the rest of our results, I'll give three figures for each applicable profitability metric: the reported GAAP number which includes the tariff refund benefit, then the GAAP number excluding the tariff refund benefit for comparability to guidance, and finally the Non-GAAP number, which, as you may have seen in our press release, also excludes the tariff refund benefit.

GAAP Gross Profit dollars grew 26% year over year to $189 million, representing a GAAP Gross Margin of 50.4%.

Without the benefit of tariff refunds, GAAP Gross Profit would have been $166 million, up 11% year over year, representing a margin of 44.3%. Both dollars and margin landed at the high end of our guidance range.

Non-GAAP Gross Profit of $171 million also grew 11% year over year and landed at the high end of our guidance range, representing a margin of 45.5%.

This strong growth was driven by higher revenue, partially offset by the impact of higher memory costs. Higher memory costs were about $14 million or a 380 basis point impact on gross margin year over year, close to what we had expected. Despite this impact, GAAP Gross Margin without tariff refunds increased 90 bps year over year, due to last year's tariff mitigation actions and leverage from sales growth.

Q3 GAAP Operating Expenses of $158 million increased 3% year over year primarily due to employee compensation costs and litigation spend and $4 million of restructuring charges. Non-GAAP Operating Expenses of $135 million also grew 3% year over year, and were a bit below the level of Q1 and Q2 of this year.

Stock-based compensation was $17 million, down 20% year over year.

Q3 Adjusted EBITDA grew 24% year over year and came in near the high end of our guidance range at positive $44 million, which, as previously noted, does not include any tariff refund benefit. At a margin of 11.7%, this is the second-highest Q3 Adjusted EBITDA we have reported in the past 5 years, despite higher memory prices reducing it by $14 million year over year. Without this impact, Adjusted EBITDA would have grown 64% year over year, to $58 million, representing a margin of 16%.

GAAP Earnings Per Share was $0.25 and includes $0.20 of benefit from tariff refunds, a significant improvement from a loss of $0.03 last year. Non-GAAP Earnings Per Share of $0.27 grew 52% from $0.18 last year. Please note GAAP EPS also includes a $2 million gain on sale of excess components, which has been recorded in the other income line and does not benefit Non-GAAP EPS nor Adjusted EBITDA.

We spent $30 million on share repurchases in Q3 to buy back 2.0 million shares, reducing our share count by 1.7%, which leaves us with $35 million remaining on our current share repurchase authorization.

Our balance sheet remains strong as our net cash and marketable securities balance increased to $261 million at quarter-end, up modestly from Q3 of last year as well as the previous quarter. We view our balance sheet strength as a competitive advantage as we build value over the coming years.

Our period-end inventory balance of $158 million was up 37% year over year driven by higher memory costs, new product launches and capitalized tariffs. Our inventory consists of $137 million of finished goods and $21 million of components.

Q3 free cash flow was $40 million, an improvement of $8 million year over year. Two unusual items largely offset each other in the quarter: the $24 million of tariff refunds and interest we received, and a $20 million cash outlay related to components, which shows up in the "other current assets" line on our balance sheet.

Guidance

Turning to our guidance, the Q4 outlook we're providing today is our best estimate and reflects the trends we have observed quarter-to-date. Consistent with last quarter, our guidance does not include any tariff refund benefit, so that our outlook reflects the underlying trends in the business rather than the timing of refund receipts.

Revenue

We expect Q4 revenue to be in the range of $325 million to $355 million, representing growth of 13% to 23% year over year, up 18% at the midpoint. Please note that Q4 is a 14 week fiscal period with one extra week of sales, as noted in our SEC filings. The extra week represents approximately $24 million of sales, contributing 8 points of year over year growth. Excluding this, our Q4 guidance represents year over year growth of 4% to 15%, up 10% at the midpoint, an improvement from our 7% Q3 growth on a constant currency basis. FX is expected to have a slightly unfavorable impact to our Q4 revenue growth.

Gross Margin

We expect Q4 GAAP Gross Margin to be in the range of 39% to 41%, with Non-GAAP Gross Margin approximately 120 bps higher than GAAP. As previously mentioned, please note that our Q4 GAAP Gross Margin guidance does not include the benefit of any tariff refunds.

Our Q4 guidance embeds the latest announced tariff rates of 10% and 12.5% for goods imported from Malaysia and Vietnam, respectively.

Higher memory prices are expected to be a $35 million headwind to Q4 Gross Profit year over year, representing a headwind of approximately 1,000 basis points, which is approximately 600 basis points greater year over year impact than Q3.

As Tom mentioned, we are actively working to mitigate some of this industry-wide cost pressure, however, the Q4 Gross Margin guidance I just provided only reflects a small portion of the mitigation benefit, as our actions will take effect progressively through Fiscal 2027. We are focused on managing this challenge thoughtfully without losing sight of the larger opportunity to drive topline growth and maximize long term value.

Operating Expenses

We expect Q4 GAAP Operating Expenses to be in the range of $160 million to $170 million. We expect Non-GAAP Operating Expenses to be lower than GAAP by approximately $20 million. Please note that the extra week in Q4 results contributes approximately $5 million of additional Non-GAAP Operating Expenses in the quarter. Excluding this, the midpoint of our guidance implies that Non-GAAP Operating Expenses grow by 4% year over year, mainly attributable to program expenses related to new product introductions.

Adjusted EBITDA

Bringing it all together, we expect Q4 Adjusted EBITDA to be in the range of negative $11 million to positive $18 million, or positive $3 million at the midpoint.

As previously noted, we expect higher memory prices to reduce our Q4 Adjusted EBITDA by $35 million. Excluding higher memory prices, the midpoint of our guidance range implies Adjusted EBITDA would have increased from $6 million last year to $38 million or nearly 6X last year.

Fiscal 2026 Guidance and Fiscal 2027 Color

Taking our year to date results and the Q4 guidance I just outlined, I'll now walk through what we expect for Fiscal 2026 as well as some directional color for Fiscal 2027.

Revenue

We expect Fiscal 2026 revenue to grow 6% to 8%, or 4% to 6% excluding the 53rd week. After 3 years of declining topline, this return to growth represents a pivotal moment for Sonos. We expect the momentum we've built in Fiscal 2026 to carry into Fiscal 2027 and beyond, as we continue to execute on the five growth dimensions Tom has spoken about.

Gross Margin

Tariff refunds and higher memory costs distort the gross margin improvement we achieved in Fiscal 2026. For the full year GAAP Gross Margin excluding tariff refunds is expected to be 44.1%, up 40 basis points year over year. And we expect to get there while absorbing $58 million or 370 basis point headwind from higher memory costs year over year.

Looking ahead to Fiscal 2027, we expect higher memory prices to further weigh on our Gross Margin. On an annualized basis, we expect our mitigation actions should drive around 500bps of improvement, though because this work will take effect progressively through the year, we will not see the full benefit in Fiscal 2027. As a result, we expect the lower end of our Q4 Gross Margin guidance range is a reasonable way to think about the year ahead, as the flow-through of higher-priced memory is partially offset by our mitigation efforts, with the first half running lower, and some improvement in the second half as our mitigation actions begin to phase in.

Adjusted EBITDA

The combination of growing topline, expanding gross margin, and disciplined management of our cost base has a compounding effect on our Adjusted EBITDA in Fiscal 2026. We expect Adjusted EBITDA to be $181 million, up 37% year over year, representing a 11.7% margin. Excluding the $58 million of memory cost pressure we expect to face year over year, Fiscal 2026 Adjusted EBITDA would have been up 80% year over year to $239 million, a 15.5% margin, up from 9% in Fiscal 2025. While this math is illustrative, it reinforces that the earnings power of this business has structurally improved.

Looking ahead to Fiscal 2027, we are comfortable with our level of investment and expect to stay very disciplined on Operating Expenses.

So to summarize, although the spike in memory costs weighs on our profitability in the near term, the significant improvements we've made in our topline and profitability in Fiscal 2026, along with the meaningful mitigation actions that are currently underway, position this company to emerge from this cycle stronger. This is an important lens through which to view the Company’s potential over the next few years.

We've built real momentum and returned this business to growth. Our cash position is strong, we're generating healthy cash flow, and we remain committed to returning capital to shareholders over time, balancing buybacks against the ongoing investment needs of the business.

After the call, we will update our earnings slides to reflect our Q4 guidance as well as the Fiscal 2026 math I just walked through.

Before I close, I would like to take this opportunity to share that I have decided to retire after a rewarding 35-year career in finance. I will remain in my role as CFO at Sonos until a successor is identified, and I am very committed to ensuring a seamless transition over the coming quarters. Having helped lead the transformation and stabilization of Sonos these past three years, I am incredibly proud of the work, confident in the company's future and excited about the momentum we have built. The company is in very capable hands with Tom and our executive leadership team.

I'm going to hand things back to Tom, who has a few more remarks before we go to questions.

Tom Conrad, Chief Executive Officer

Thank you, Saori.

To pause a moment on Saori's personal news, this is a bittersweet moment for Sonos. I am so pleased that this is not yet a goodbye and that Saori will be staying through our CFO search and transition. But it is not too soon to say what a vital contribution she's made to Sonos and to my own thinking about what excellence looks like. Saori has baked into the bones of Sonos true financial rigor through both her leadership and through the processes she's established. We will miss her tremendously when her tenure ends, but the discipline she modeled and built here will certainly endure.

Ok, before we open the line, I want to close with one final thought.

The memory situation Saori walked through is real and we have the operating structure and talent to manage through it – but it is a transitory condition in a much larger story about this company.

More than 17 million homes and 53 million devices already operate inside the Sonos system. Our product portfolio spans every shape sound takes in a home. And behind all of it is twenty years of engineering the parts of the home that are actually hard: sound, form, systemness, and soon intelligence. Those are precisely the capabilities the next era of the home will require, and no other company has the IP, expertise and track record we have in the category that we invented.

The next few months will begin to make more of this visible. Amp Multi ships in August. Our fall launch event follows in September. And there is much more beyond that which I look forward to sharing in the quarters ahead.

I have never been more convinced of the opportunity in front of Sonos, or of this company's ability to reach for it.

With that, operator, please open the line for questions.

Question and Answer Session

Steve Frankel - Rosenblatt

Good afternoon. So, let's revisit the RAM situation again for a moment. You spoke to making engineering changes to perhaps reduce the load per product. Is that something that takes a product refresh to accomplish or is this something, as next year rolls out, where you might be doing this midstream?

Tom Conrad - CEO, Sonos

Hi, Steven. Thanks for taking time to be with us today. As it relates to the efficiency work that our hardware and software teams are doing to optimize our operating system to more efficiently use memory, those are changes that we can introduce as running changes to the product lines over time without any impact to the capability of the products or their future optionality or customer experience. So, you can expect to see us make those changes through the year as more and more of those technology investments land through the supply chain.

Steve Frankel - Rosenblatt

Great. And I appreciate the timing update on Amp Multi. How should we think of the margin profile of that product?

Tom Conrad - CEO, Sonos

Well, as with all of our professional products, the margins are excellent on Amp Multi and we're really excited about the early response we're seeing from installers and can't wait to get it into customers' hands.

Steve Frankel - Rosenblatt

Okay. Great. And would you shed any more light on this fall launch event and where, when, is it you and a host of partners, is it Sonos alone?

Tom Conrad - CEO, Sonos

Yeah. Well, we'll have to send you an invite for it to give you all the details, but it will be early in September. And let me say a bit more while saving the big news for the day. As I said in our prepared remarks, this moment will be the first opportunity for me to publicly introduce some of the work that we've been doing on the product side over the course of the last year and it's really about conversational computing and predictive intelligence moving into the home. And in this moment, Sonos brings 20 years of solving the hard problems that are uniquely created in the home across four dimensions.

The first dimension is what I would call excellence in form. Sonos is every dimension of sound, big speakers, little speakers, with microphones, without microphones, optimized for music, optimized for home theater, on the go, in your ears, installed in the very architecture of your home and no one else in the category covers this range. It's also about excellence in systemness, which means every product seamlessly integrated and better together, where really the whole is much more than the sum of the parts. But it also means that all of the products are deeply integrated with all of the outside ecosystems that customers expect, AirPlay, Bluetooth, Spotify Connect, even Line-In.

The third dimension is excellence and sound and we have state-of-the-art audio from the best digital and analog sound engineers in the world and they tune all of our products to the unique requirements of each individual home through technology like Trueplay.

And then finally, the fourth dimension is about excellence and intelligence, which is where conversational computing and predictive intelligence that are built on a deep understanding of the context of the home and how the family lives and it finally come to life.

And on intelligence, I really think that the lasting value is going to be in what surrounds AI models in the home. Hardware that can converse with quality across every room, the system that understands the shape of your home and how you live in it, the connectivity to reach the speakers and to combine them together in powerful ways, the services and devices that turn our request into a coordinated action across a broad ecosystem, that's the operating environment for AI in the home and we've spent 20 years building it.

And so, it's that combination of where we all ready excel and where computing is going next that I think really meaningfully expands the opportunity in front of it. So, you mix that together with 53 million connected devices, 17 million homes. We have this incredible competitive advantage as intelligence moves into the home, building on the trust and experience that we spent all of these years earning. I think that's exactly what these new experiences are going to require and I can't wait to tell you more about it in September.

Steve Frankel - Rosenblatt

Great. And Saori, congratulations. It's been a great run. Now, I'll jump back in the queue.

Saori Casey - CFO, Sonos

Thank you, Steven.

Erik Woodring - Morgan Stanley
Hey, guys. Thank you very much for taking my and congrats on the nice results and guide here. Tom, in the prepared remarks or in the press release, you attribute some of Sonos' recent success to the system strategy that you have implemented. Just at the surface, it's kind of hard to necessarily see that kind of like on the headline number. So, can you maybe just help us understand, for example, how devices per household as of June 30 differ from the end of your last fiscal year or for example, how much incremental revenue growth in 3Q versus the first half of the year came from some of those existing households adding products versus new household acquisition. Just any color that you can share to help us better understand how that system strategy is working?

Tom Conrad - CEO, Sonos
Yeah, I don't think I'm going to get into the specifics of those intra-year results on the dimensions that you're highlighting. But I can say that we're really building the business around the full picture of our success. Households growing, lifetime value expanding, seeing our competitive leadership compound and we're working all of these dimensions in concert, while we keep an eye, of course, on healthy gross profit dollars, too. And you've heard me talk about the growth levers that we're activating against product innovation. Earlier this year, we launched Sonos Play and Era 100 SL, both of which contributed nicely to not only our results in the quarter, but our intention to grow the footprint of Sonos in new households around the world. We're launching Amp Multi on August 25, a completely unique product that is a core demonstration of how the system is incredibly powerful in this moment. We've launched improved software that we're really proud of, that our customers love. It's driving a return to advocacy and across every mechanism that we measure. And of course, we have this launch event coming in September that we just couldn't be more excited about.

On customer advocacy, you heard us talk about the way that we've been working directly with our customers on Reddit and our customers in our beta program and all of our constituencies to understand how they're using our products and improve them based on their real world feedback. You heard me talk about what Colleen is building around phenomenal new storytelling about the Sonos system and what the brand can be in the world. You'll start to see that land in the fall as well. You heard us talk about double-digit growth around the world on our geo expansion countries. And of course, we're saying more and more about how we're integrating with emerging trends like conversational computing and predictive intelligence and I'm really, really proud of how the company is executing across all of these levers to drive the results that we saw in the quarter, which I just couldn't be more proud of.

Erik Woodring - Morgan Stanley

Okay. I appreciate that added color. And then, Saori, I'm not going to say goodbye yet, you're still on board. So, just – an early congrats. But maybe just to clarify your comments on fiscal 2027, I realize these are all directionally but two clarifications. Just first, when you see the momentum from 2026 will flow into 2027, are you implicitly telling us to expect growth to accelerate from the fiscal 2026 run rate? I just want to make sure we understand that comment correctly. And then beyond that, I think what you're kind of implying to us is non-GAAP gross margins for fiscal 2027 will be around 40% kind of that low end of the 4Q range with like flattish OpEx as you remain disciplined. Just – is that how I should interpret your comments? Again, realize it's not a guide but just want to make sure I'm understanding your comments properly. Thank you so much.

Saori Casey - CFO, Sonos

Thank you, Erik. Great questions. Yeah. So, when we say momentum, we talk about how we return to growth and the type of growth that we shared in our Q3 fiscal quarter that we just reported and Q4 normalized for the extra week and we have the Amp Multi that we're launching happily at the end of August, so we're certainly getting boosts from that. But we're talking not necessarily continued ongoing accelerated growth, but momentum of growth in general. So, just a bit of a color as opposed to an explicit number. And I think you're in the ballpark there as far as a non-GAAP gross margin, based on what we're saying that's what we're looking at based on what we can see today during – in the current memory price dynamics and then your read on OpEx being flattish is basically what we're saying as far as the investments that we feel comfortable with from today.

Erik Woodring - Morgan Stanley

Okay. Super helpful. And then maybe just last one for me, Tom, going back to you, I'm sure you're anticipating getting this question, but just obviously some of the, let's call them AI labs or maybe looking to get into part of your world, right, maybe not the focus on sound, but a focus maybe on using similar form factors to what you guys produce to again try to do something like conversational AI. Just would love your high level thoughts. Obviously, I don't want you to spill the beans on anything you'll tell us in September unless you want to, but just high level thoughts there please. Thanks so much.

Tom Conrad - CEO, Sonos

Yeah, I guess, I'll just start by reminding everyone on the call that we've been competing with the biggest of big tech for customers in the home for nearly a decade. And customers continue to choose Sonos again and again. And why do they choose Sonos? Well, when they ask their installer or they ask a retail associate or they ask a friend that they hear that Sonos is the best solution for whole home audio. It's comprehensive. It's – it has exceptional sound and increasingly will be delivering these intelligence experiences that I think will be really unique to the Sonos platform.

So, I always tell the team in every company I've ever been in, frankly, if you're doing something interesting, the biggest players in tech will see the same opportunity. And so, our job is to win on the field and I'm really confident in the products and services and system that we're building for this next chapter in computing.

Erik Woodring - Morgan Stanley

Awesome. I love to hear it. Congrats again, guys. Good luck.