

Investor Event

SONOS

March 9, 2021

Patrick Spence

SONOS

Chief Executive Officer

Our Purpose

Inspire the world
to listen better

Our Ambition

Be the world's
leading sound
experience company

Our Ambition

Build an adaptable,
admired, and enduring
company where people
can do their best work
and everyone feels
welcome and included

“Software Eats Audio”

32M

Products
Registered

11M

Homes

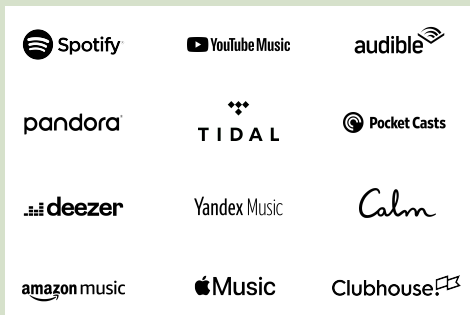
3B

Listening
Hours

Trends Fueling Our Growth

#1

The Golden Age
of Audio



#2

Homes Becoming
Movie Theaters

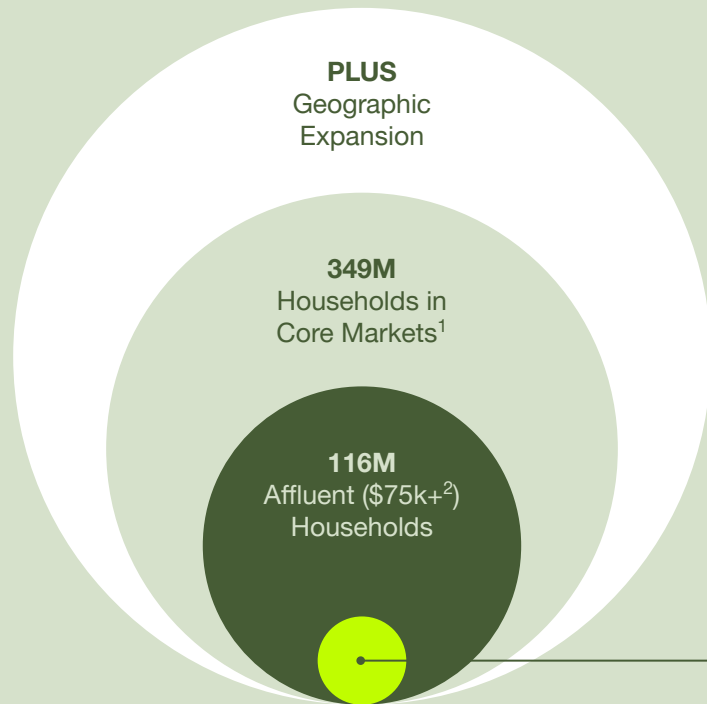


#3

The Great
Reshuffling



Our Opportunity: Homes



~9%

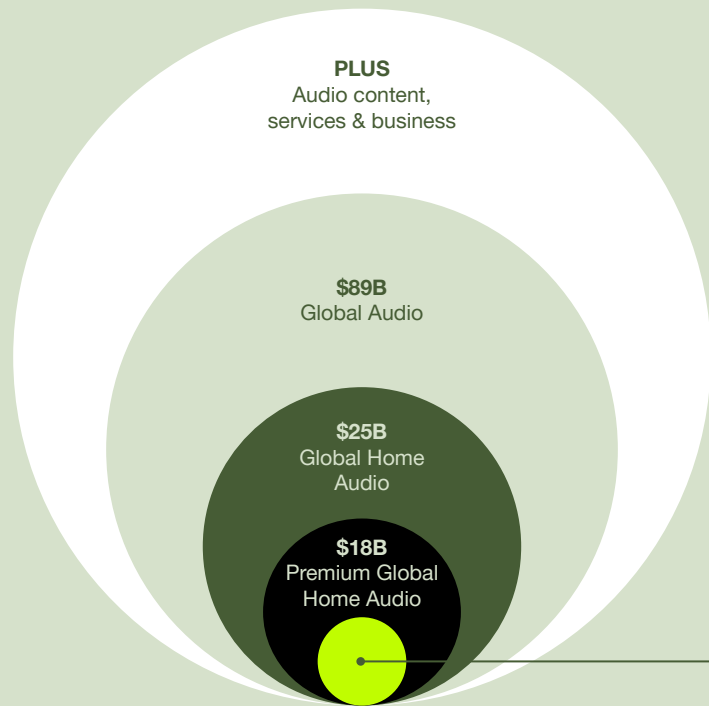
Current Penetration of Target \$75K+ Households in Core Markets²

Source: Euromonitor

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

2. Represents disposable income as defined by the OECD

Our Opportunity: Revenue



~7%

Current Penetration of
Premium Home Audio Market

\$1.3B
Sonos FY20 Revenue

Source: Futuresource CY2020, Premium defined as \$100+ wireless speakers, \$200+ soundbars, \$300+ Hi-Fi systems, \$250+ in-wall/in-ceiling speakers, \$250+ bookshelf speakers (pairs), and all AV receivers, Floor-standing speakers, home theater speakers and home theater in a box products and Hi-Fi separates

Our Experience

Connected

Easy

Joyful

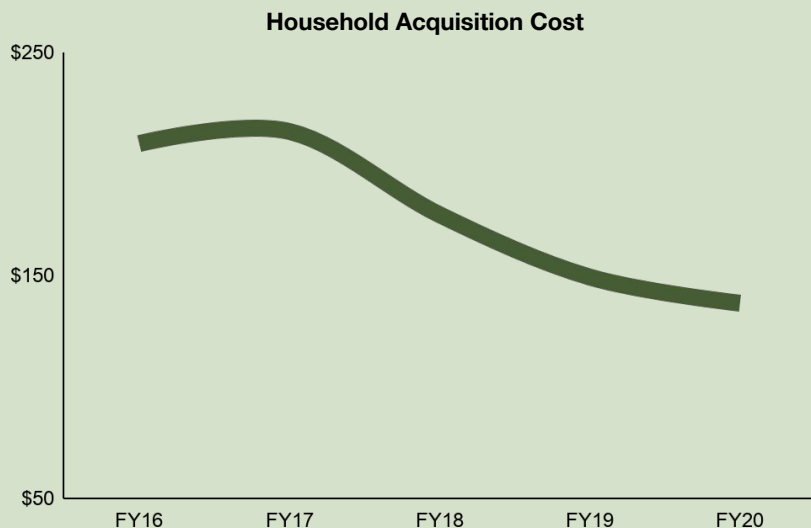
Signature

Curated

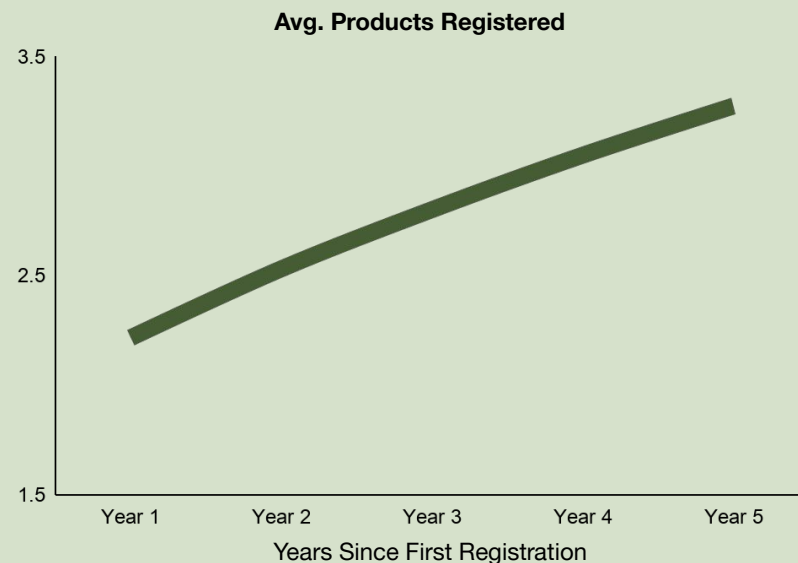
Premium

Our Model

We are continuing to become more efficient in reaching new customers



... while existing customers continue to expand their Sonos system



Notes: Household acquisition cost is calculated by dividing our sales and marketing expenses by the number of net new households added during the fiscal year. FY20 excludes restructuring costs.

Avg. Products Registered represents the weighted avg. new registrations per owner (the best proxy for households) for owners who joined Sonos FY13 and later. Fiscal year cohorts are only included when they have had the full year of data available.

Lifetime Value & Household Acquisition Cost

Today:

2.9 Products per Household

\$270

LTV / HAC: ~2X

**Potential as customers mature &
we deliver on our roadmap:**

4-6 Products per Household

~\$400 to ~\$600

Implied LTV / HAC: ~3X to 4X

Our Aspiration

100M+

Customers Using Our Products and Services



Our Strategic Initiatives

Expand our Brand

Expand our Offerings

Drive Operational Excellence

Pete Pedersen

SONOS

VP, Marketing

Meet the Culture Seeker

Content Omnivores

They are passionate about music, movies, podcasts, and other forms of entertainment.

Value Quality

They are willing to pay for better experiences and well-designed products that appeal to their evolved aesthetic tastes.

Into Tech But Not Techies

They expect a superior experience that is seamless, frictionless, and fun.

Influencers & Tastemakers

They are trusted gatekeepers who define trends and shape attitudes, frequently sharing their experiences (good and bad) with their social networks.



Meet the Culture Seeker

Mean Age: 38

Discretionary Income: \$75K



96% have a college education



70% are married



48% have children



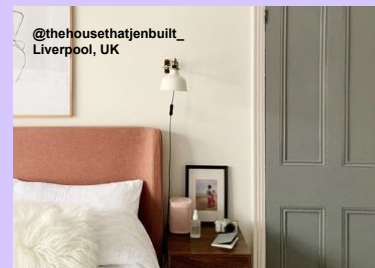
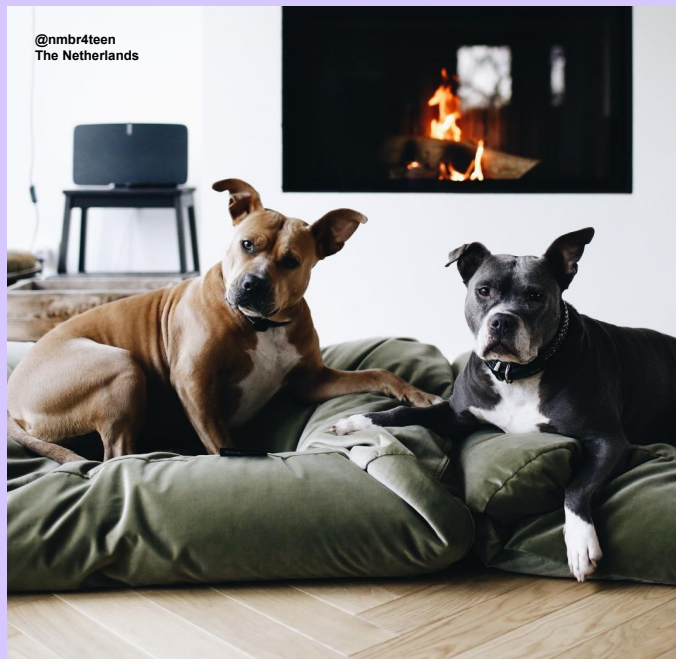
71% own a home



45% live in urban areas

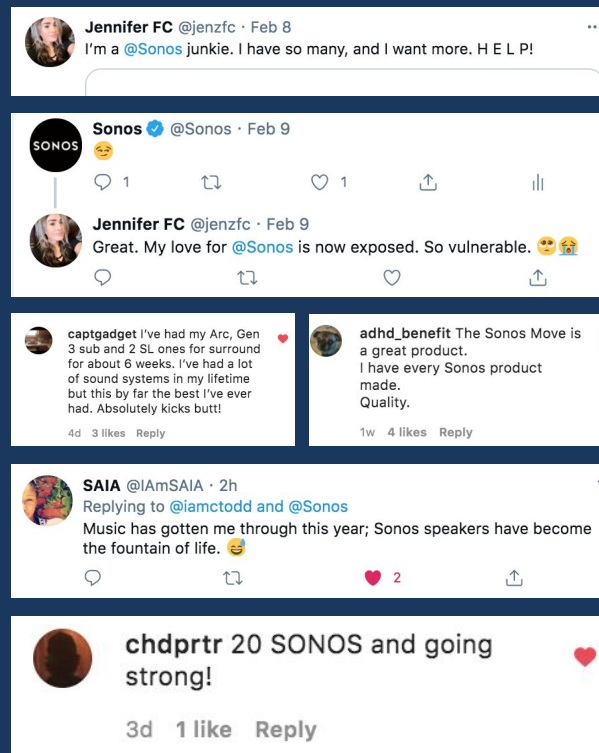
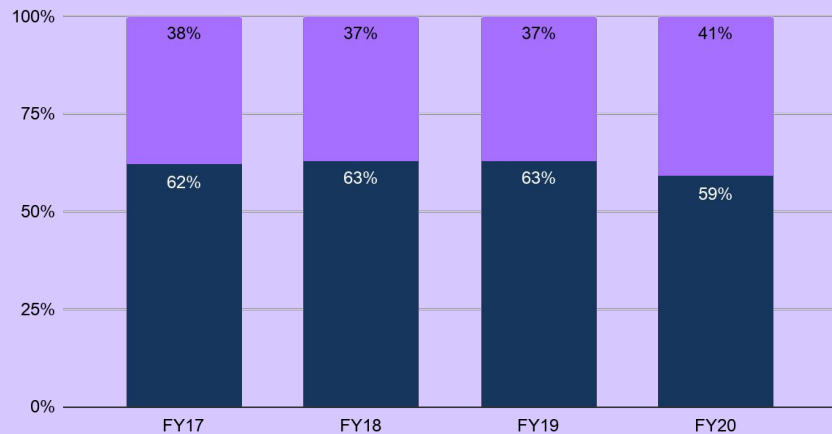


Our owners are passionate about Sonos



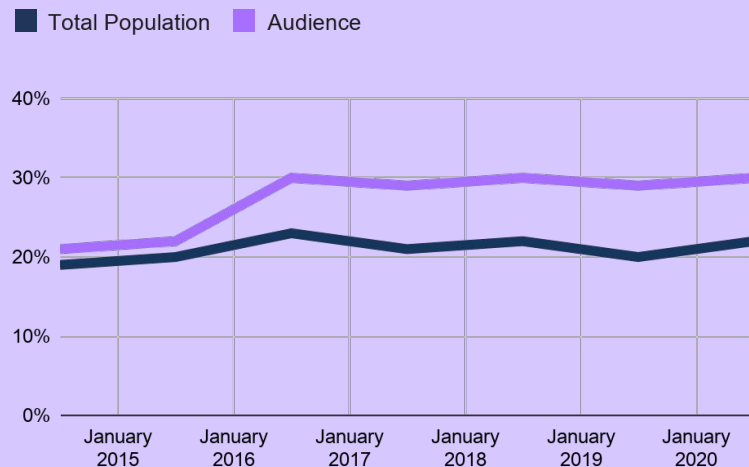
They buy more Sonos

Existing Owner Registrations New Owner Registrations



And tell their friends about Sonos

WOM as Source of Awareness Trend



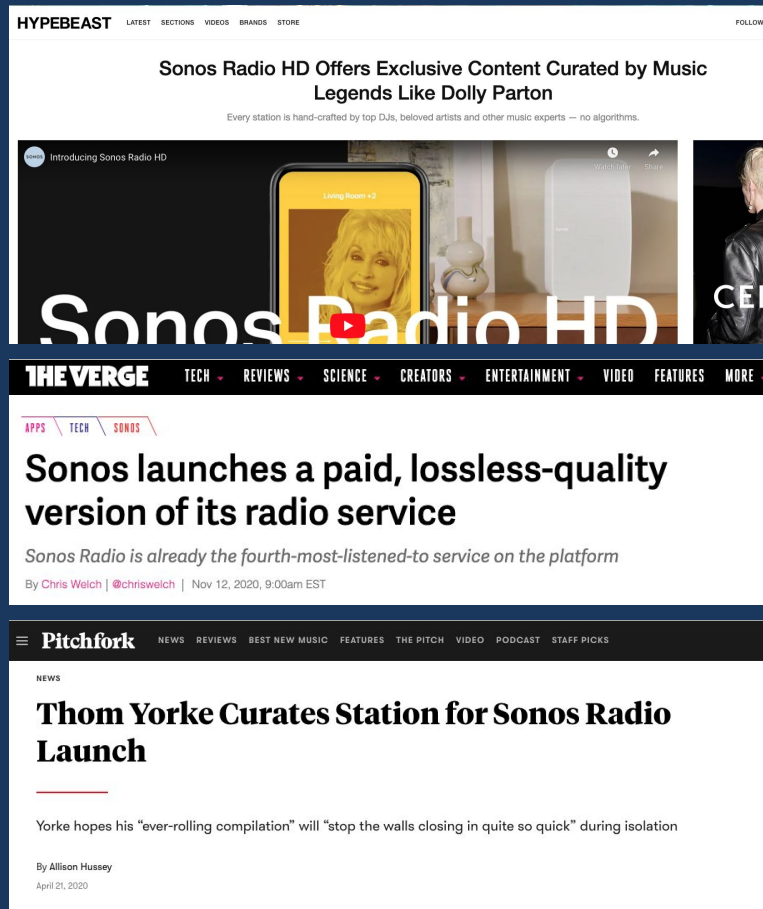
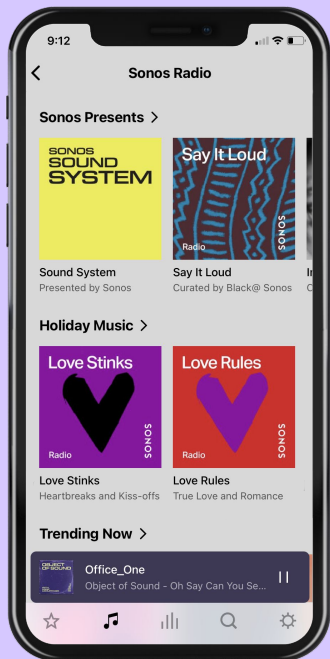
WOM = Word of Mouth)



The Sonos Experience



Now we're earning our place in culture



Innovative brand partnerships to reach new audiences

Disney & Sonos: The perfect union of premium sound and premium content

Triggering major brand buzz through association with the cult-hit The Mandalorian

Enriched by an integrated global brand campaign, including a Sonos Radio station curated by The Mandalorian's Grammy-winning composer Ludwig Göransson

Underpinned by Disney+ On Us offer exclusive to sonos.com and tied to the purchase of Arc or Beam in select markets



The Results

12% uplift in web traffic

27% offer code redemption

735m paid media impressions globally

Above benchmark engagement and sentiment across email, blog and owned social platforms (Instagram and Twitter)

118 editorial stories across 11 countries

130M+ earned impressions



And pushing beyond tech into lifestyle

We are working with The North Face to create an integrated marketing partnership that reinforces the spirit of exploration and brings authenticity to Sonos' place beyond the home.

We are also leveraging our expanded product portfolio to broaden our reach beyond traditional tech outlets and into more specialty retailers popular with Culture Seekers.



Complementing our digital advertising strategy

SONOS

Shop Now



SONOS

Roam

SONOS

Roam



The portable smart speaker for all your listening adventures

Shop Now

SONOS

Roam

The portable smart speaker for all your listening adventures

Shop Now



Feels like

Roam
Creative



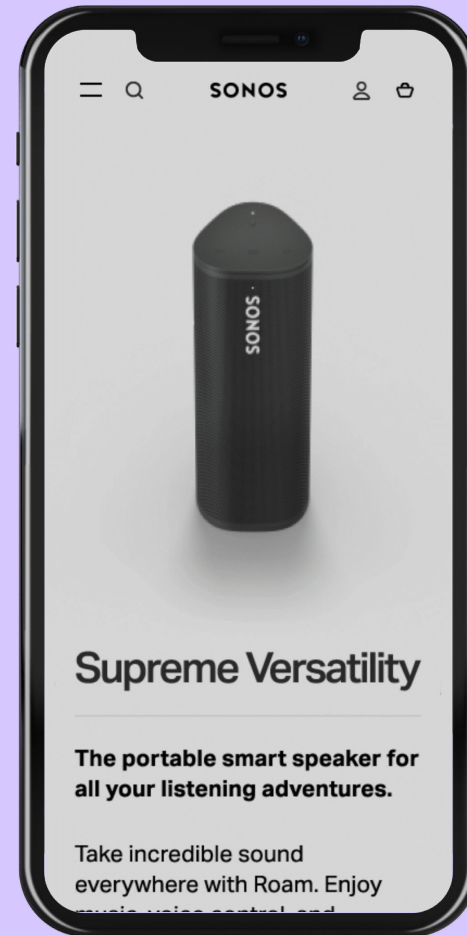
Ultimately landing customers on sonos.com

DTC Growth (FY20)

29% increase in qualified traffic

84% increase in revenue

48% increase in conversion rate



And at third-party retail partners

Costco in North America

- 699 warehouses in US, CA and MX
- #2 TV retailer in US

Yodobashi Camera in Japan

- Third largest CE retailer in Japan by revenue (\$7B), but revenue by store is 12x the next competitor
- Launched in top 6 stores toward the end of 2020
- Sonos Experiential stores in Akihabara, Yokohama and Umeda (end of April).



Where customers become
owners, and the advocacy
cycle starts again



Ted Dworkin

SONOS

SVP, Product Management & Customer Experience

Expanding Our Offerings

Engaged, Loyal Customers

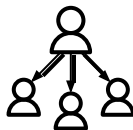
Daily usage



33% growth in audio content hours in FY20

More than 1B app sessions in last quarter

Long-term engagement



Existing households represent 41% new product registrations

92% of products registered since 2005 still active

Loyalty



Average home has 2.9 products

The Sonos System



A Strong Foundation

Wireless



One
\$199



Move
\$399



Roam
\$169



Five
\$499



Ikea Symphonisk
\$99



Ikea Symphonisk
\$169

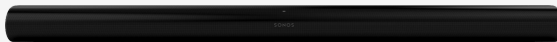
Home Theater



Beam
\$399



Sub
\$699



Arc
\$799

Components and Architectural



Amp
\$649



Port
\$449



Sonance
\$599



Sonance
\$599



Sonance
\$799

Category Leadership

FY 2020 Consistently Ranked Top 3 Models

\$200+ Home Theater Category (by dollars - US, UK, DE)

Sonos Beam

Sonos Sub

Sonos Playbar

\$100+ Wireless Speaker Category (by dollars - US, UK, DE)

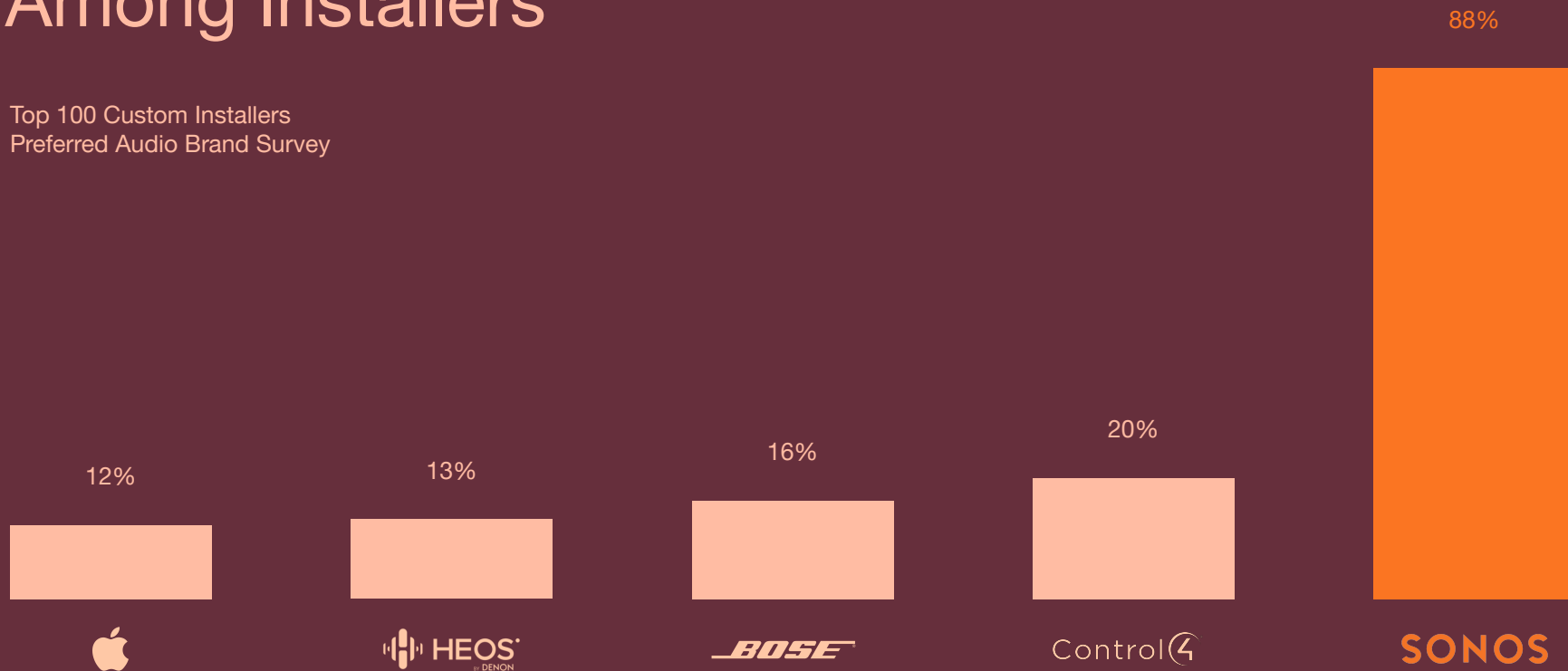
Sonos One

Sonos Move

Sonos One SL

Top Choice Among Installers

Top 100 Custom Installers
Preferred Audio Brand Survey



Open Platform Enables Choices

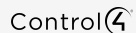
130+ Content Partners



Home Automation & Home Control Partners



SONANCE



brilliant



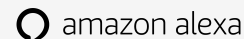
SENIC

SAVANT



hansgrohe

Voice Assistants



Our Experience

Connected

Easy

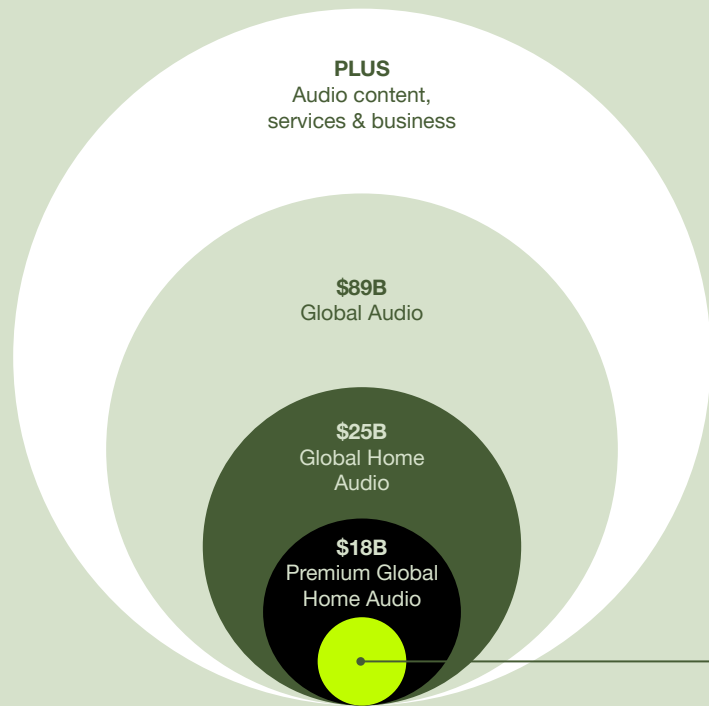
Joyful

Signature

Curated

Premium

The Opportunity: Revenue



~7%

Current Penetration of
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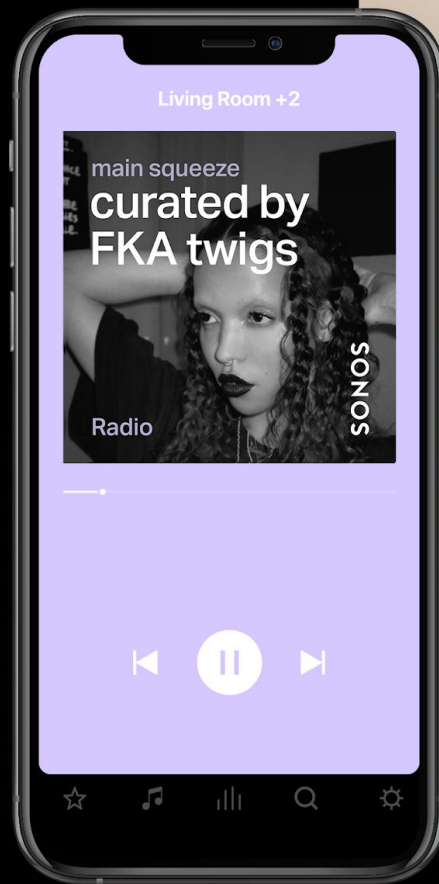
The Hardware Opportunity



The Consumer Services Opportunity

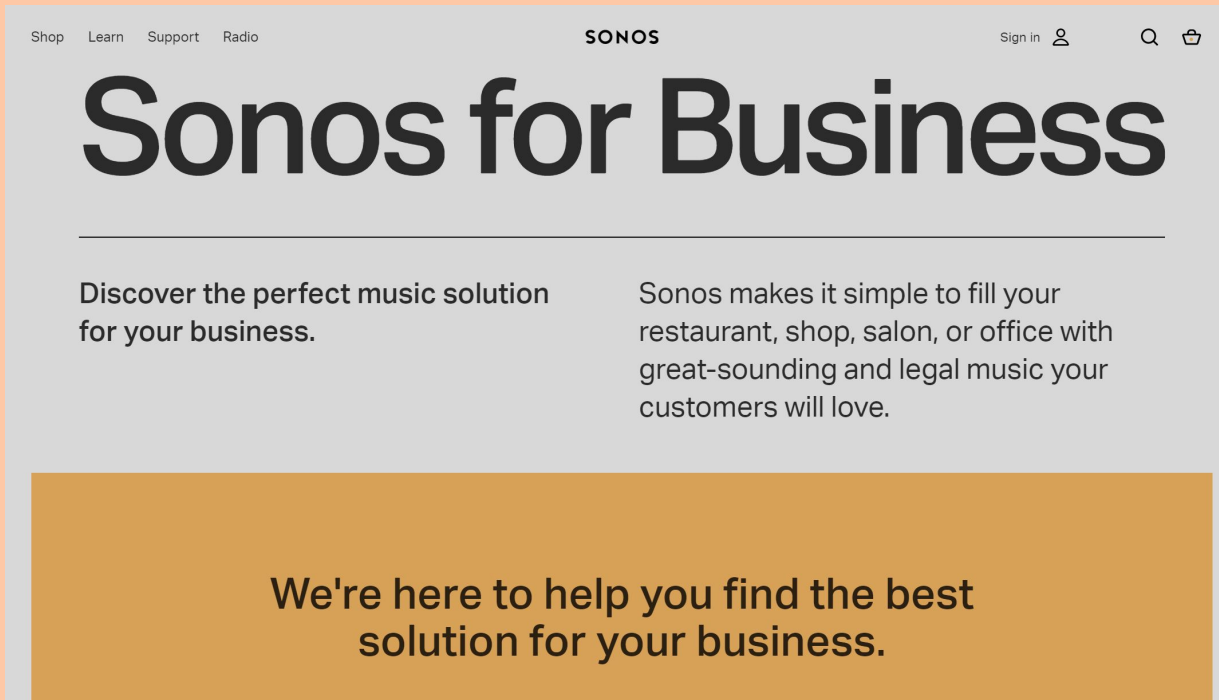
500K

paid subscribers



The Business Opportunity




Retail
Leisure
Wellness
Healthcare
Hospitality
Enterprise



The image is a screenshot of the Sonos for Business website. The header is light gray and contains navigation links: 'Shop', 'Learn', 'Support', and 'Radio'. The Sonos logo is centered in the header. On the right side of the header, there are links for 'Sign in' with a user icon, a search icon, and a shopping cart icon. Below the header, the main content area has a large, bold title 'Sonos for Business'. Underneath the title, there are two columns of text. The left column says 'Discover the perfect music solution for your business.' and the right column says 'Sonos makes it simple to fill your restaurant, shop, salon, or office with great-sounding and legal music your customers will love.' At the bottom of the page, there is a dark orange banner with the text 'We're here to help you find the best solution for your business.'

Shop Learn Support Radio

SONOS

Sign in   

Sonos for Business

Discover the perfect music solution for your business.

Sonos makes it simple to fill your restaurant, shop, salon, or office with great-sounding and legal music your customers will love.

We're here to help you find the best solution for your business.

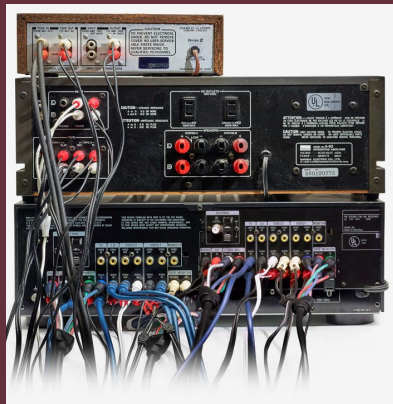
Eddie Lazarus

SONOS

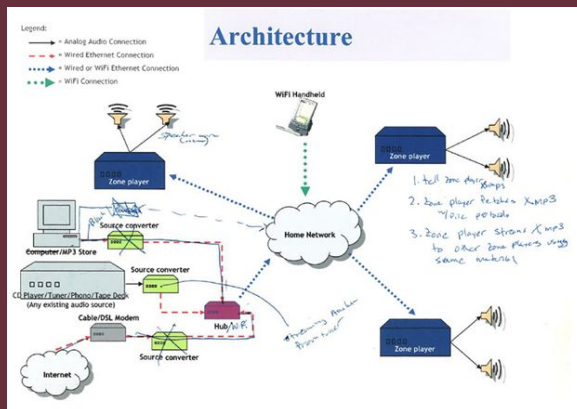
Chief Legal Officer

Initial Disruption

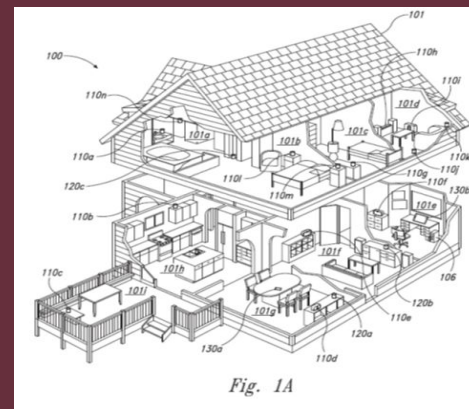
Before Sonos



Sonos Vision



Patented Sonos Platform

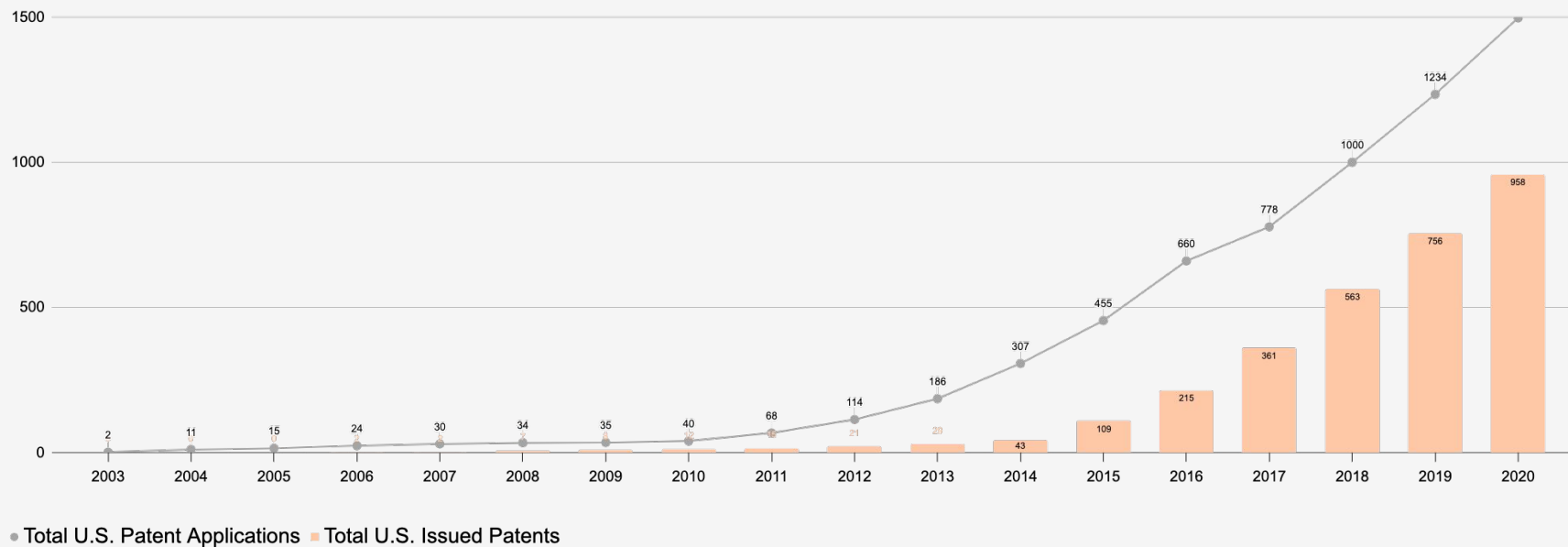


Ongoing Disruption

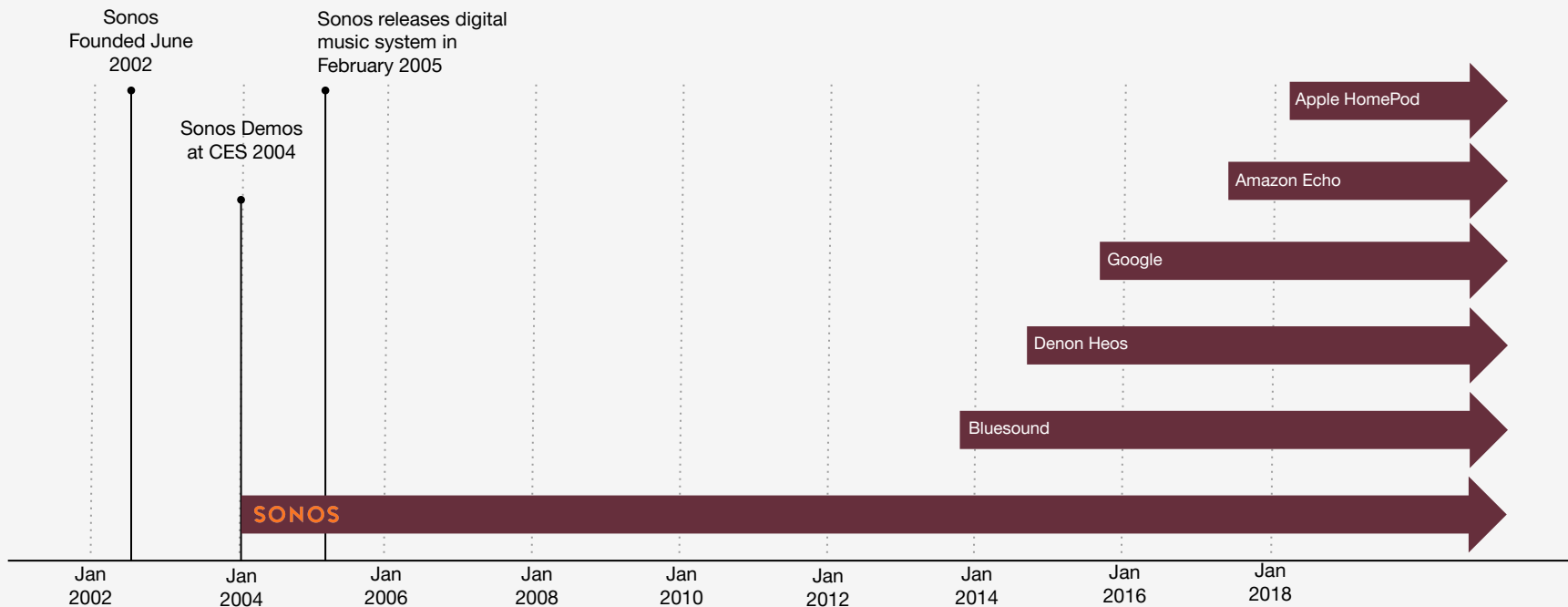


Protecting Our Inventive Disruption

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



Sonos Innovation Widely Adopted



Protecting Our Inventions



Brittany Bagley

SONOS

Chief Financial Officer

Why We Win

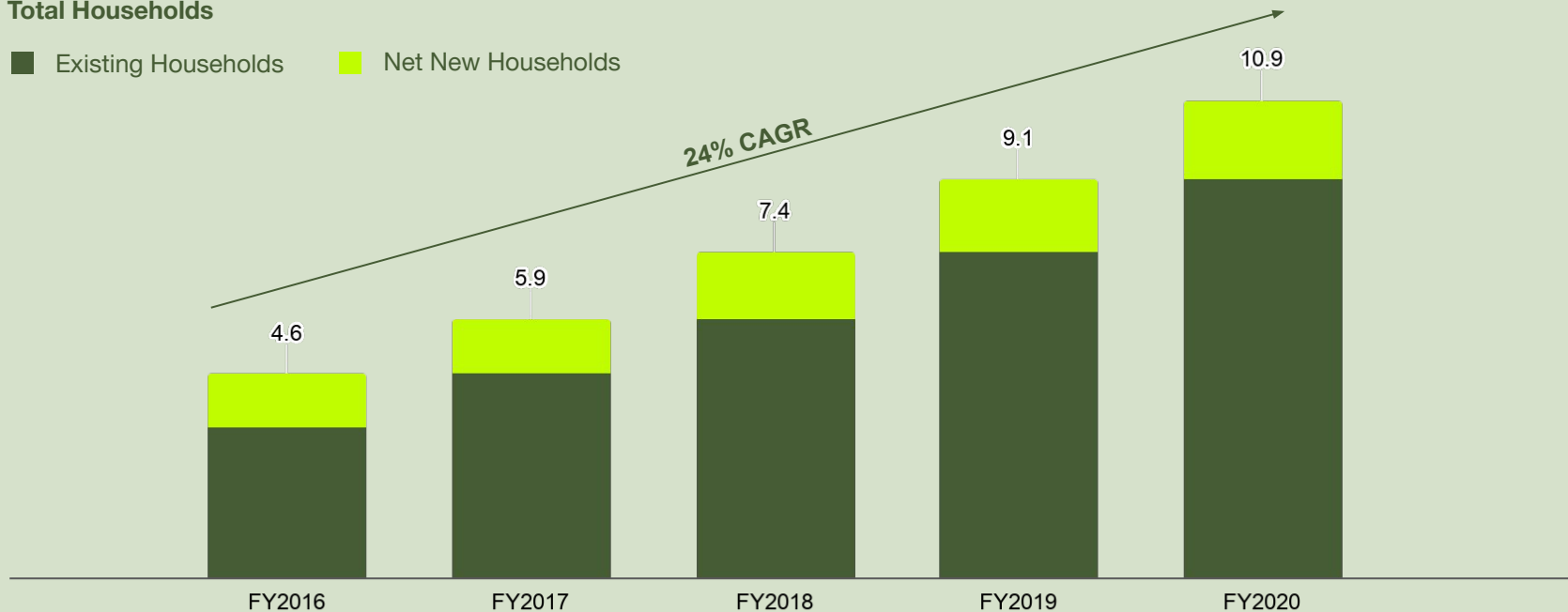


Powerful Business Model:

Large and Growing Household Base

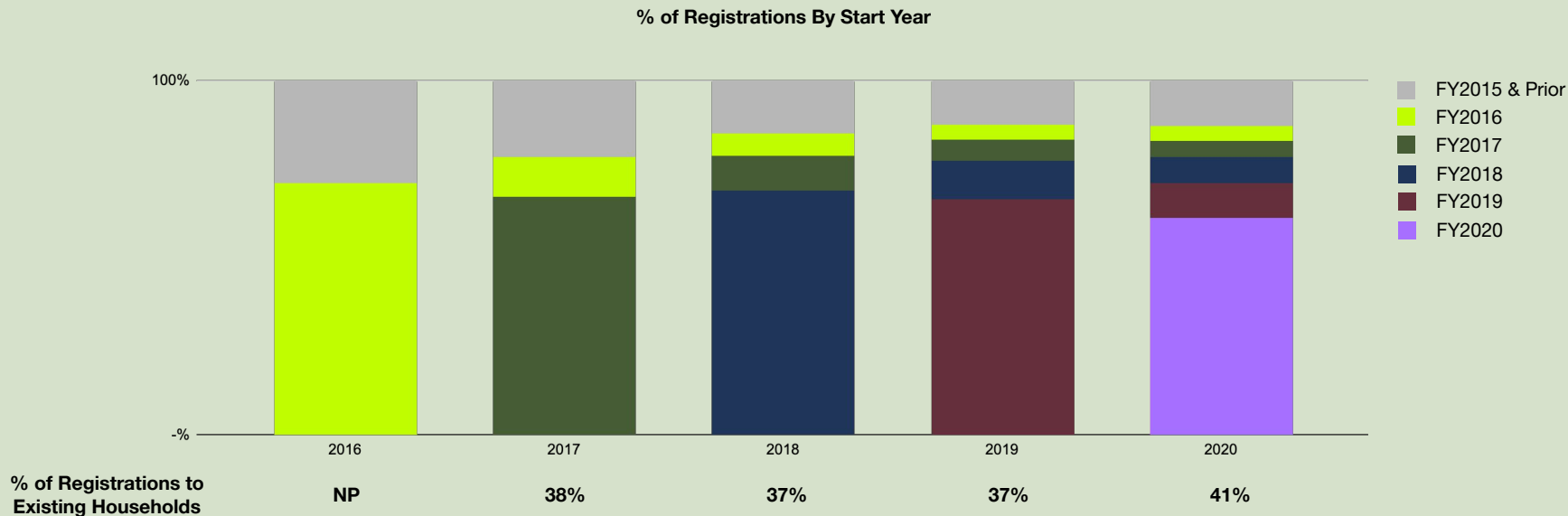
Total Households

■ Existing Households ■ Net New Households



Powerful Business Model:

Our Customers Continue to Repurchase Over Time



Powerful Business Model:

Our System Expands, Start with One and Buy More

2.9

Products across all HH

39%

Own 1 Product

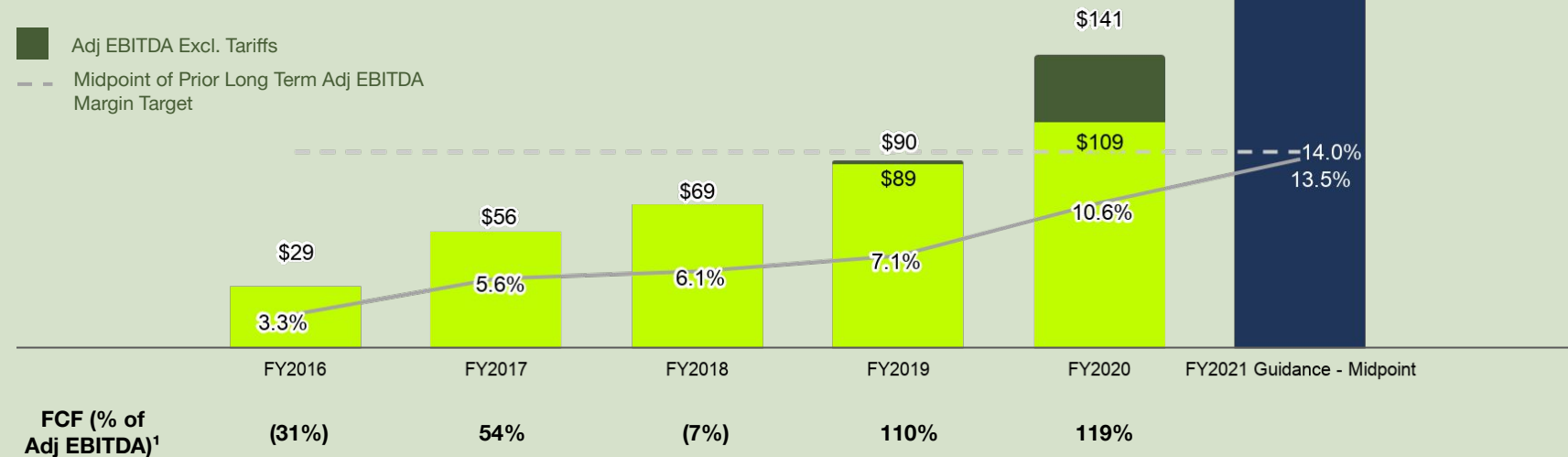
61%

Own 4.1 Products on Average

Proven Track Record:

Adjusted EBITDA Expansion

Reaching prior adjusted EBITDA target ahead of expectations



1. Includes tariffs.

Adjusted EBITDA margin excludes tariffs.

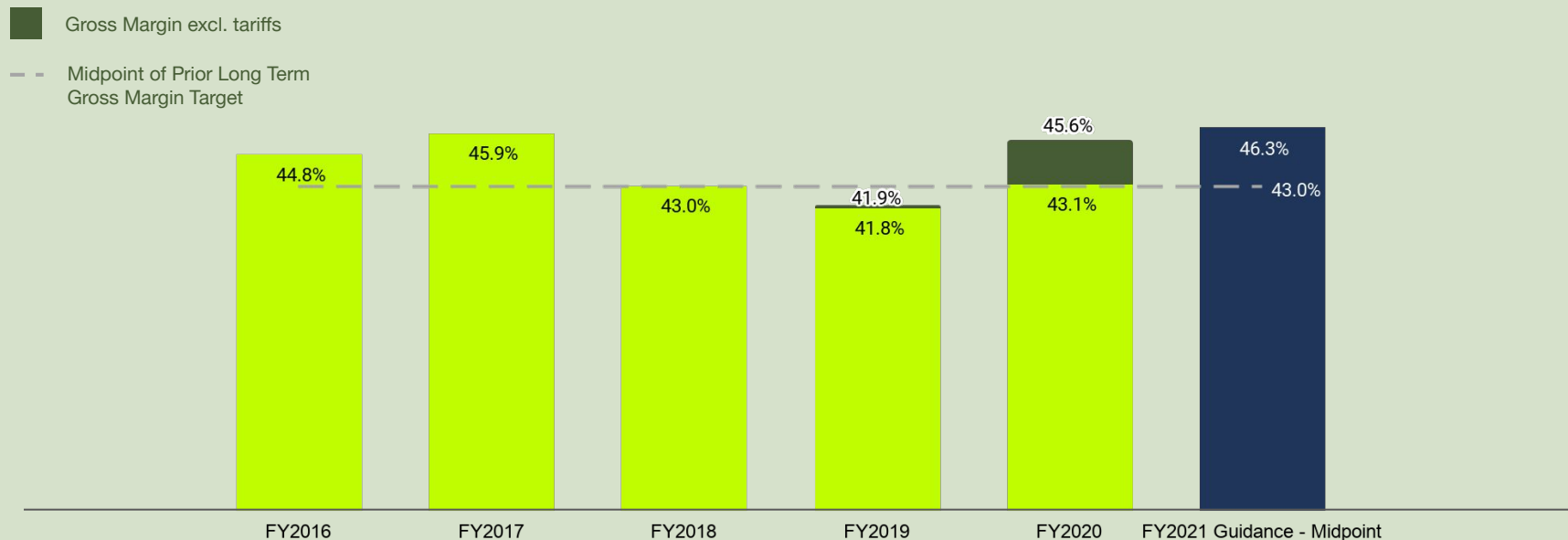
Adjusted EBITDA is a non-GAAP measure. See appendix for reconciliation of GAAP to non-GAAP measures. We do not provide a reconciliation of forward-looking non-GAAP measures to their comparable GAAP financial measures.

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

Proven Track Record:

Gross Margin Expansion

Industry-leading gross margins

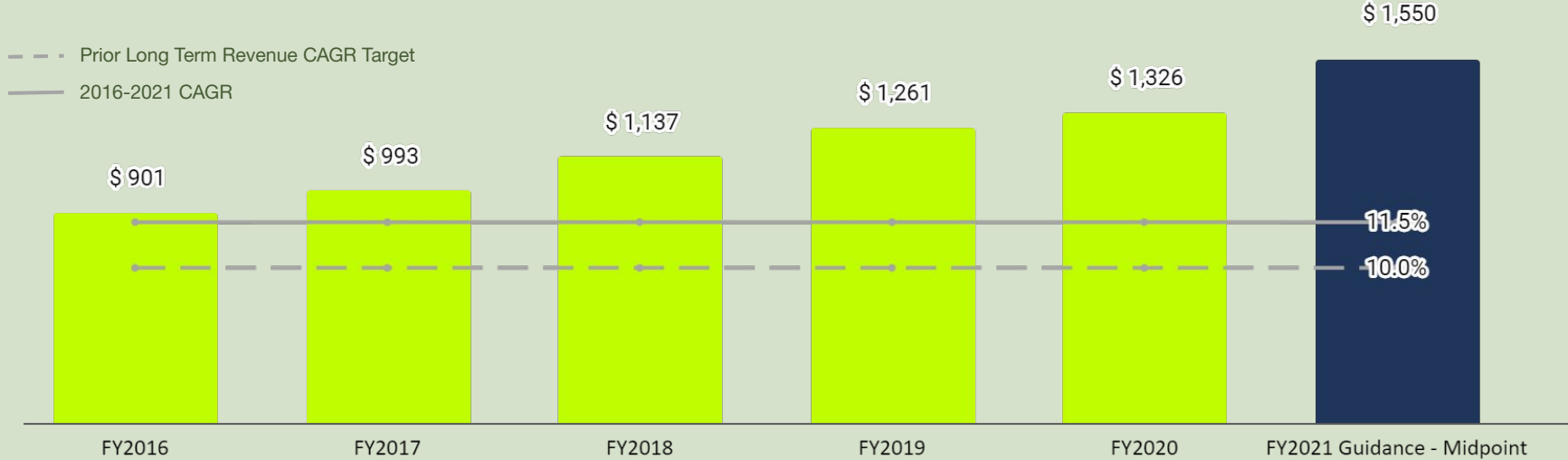


Gross Margin excluding tariffs is a non-GAAP measure. See appendix for reconciliation of GAAP to non-GAAP measures. We do not provide a reconciliation of forward-looking non-GAAP measures to their comparable GAAP financial measures. See appendix for reconciliation of GAAP to non-GAAP measures. Percentages and sums have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

Proven Track Record:

Consistent Revenue Growth

On track for 16th consecutive year of revenue growth



Growth Drivers:

Continued Revenue Growth

- **Accelerated new product introductions**
- **Continued expansion of our offerings**
- **Market penetration**
 - Growing faster than our \$25B market
- **Adding new households and benefitting from existing household repurchases**
 - FY20 and FY21 have large new household cohorts to support future growth
- **Global expansion**



Growth Drivers:

Driving Operational Excellence

- Diversified manufacturing
- Supply chain efficiencies
- Efficient sales and marketing leverage
- Ongoing investment in R&D to support new product roadmap
- Supporting other investments to scale the business



Growth Drivers:

Strong Balance Sheet

- **\$653mm net cash¹ as of Q1 2021**
- **Invest in the Business**
 - Organically invest to drive profitable growth
 - Pursue M&A to support our roadmap, innovation and accelerate growth strategy
- **Return cash to shareholders via share repurchases**
executed \$50M repurchase in FY20, additional \$50M authorized in November 2020

1. Net cash defined as cash and cash equivalents less outstanding debt



Our FY 2024 Financial Targets

Revenue

\$2.25B

Gross Margin

45-47%

Adjusted EBITDA Margin

15-18%

Growth Drivers:

Expanding Profitability Through Continued Operational Excellence

- Continued expansion of our offerings
- Maintain industry-leading gross margins, including supporting our ongoing direct-to-consumer channel initiatives
- New households, with attractive household acquisition costs, and existing household repurchases
- Continued investment in research and development
- Scale G&A while investing in systems for the future, including a new ERP system and tools to support recurring revenue and other services
- **Delivering adj. EBITDA CAGR of 20%+ through FY24**



Our Strategic Initiatives

Expand Our Brand

Expand Our Offerings

Drive Operational Excellence

SONOS

Appendix

Non-GAAP Measures

We have provided in this presentation financial information that has not been prepared in accordance with 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 U.S. GAAP.

We define adjusted EBITDA as net income adjusted to exclude the impact of depreciation, stock-based compensation expense, interest income, interest expense, other income (expense), income taxes 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 calculate gross margin excluding the impact of tariff duties and refunds as gross profit dollars removing the impact of tariffs imposed on goods imported to the U.S. from China and any tariffs refunds subject to a tariff refund claim approved by U.S. Customs and Border Protection divided by revenue. We define free cash flow as net cash from operations less purchases of property and equipment. We calculate adjusted EBITDA excluding the impact of tariffs as net income excluding the impact of tariffs imposed on goods manufactured in China and any tariffs refunds subject to a tariff refund claim approved by U.S. Customs and Border Protection and adjusted to exclude the impact of depreciation, stock-based compensation expense, interest income, interest expense, other income (expense), income taxes and other items that we do not consider representative of our underlying operating performance.

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.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

	FY20	FY19	FY18	FY17	FY16
Net loss	(20,115)	(4,766)	(15,604)	(14,217)	(38,214)
Add (deduct):					
Depreciation and amortization	36,426	36,415	39,358	35,014	34,323
Stock-based compensation expense	57,610	46,575	38,645	36,550	25,963
Interest income	(1,998)	(4,349)	(731)	(120)	(14)
Interest expense	1,487	2,499	5,242	4,380	2,503
Other (income) expense, net	(6,639)	8,625	1,162	(3,361)	2,208
Provision for (benefit from) income taxes	32	3,690	1,056	(2,291)	2,644
Restructuring and related expenses	26,285	-	-	-	-
Legal and transaction related costs (1)	15,455	-	-	-	-
Adjusted EBITDA	\$ 108,543	\$ 88,689	\$ 69,128	\$ 55,955	\$ 29,413
Revenue	\$ 1,326,328	\$ 1,260,823	\$ 1,137,008	\$ 992,526	\$ 901,284
Adjusted EBITDA margin	8.2 %	7.0 %	6.1 %	5.6 %	3.3 %

(1) Legal and transaction related costs consist of expenses related to our intellectual property ("IP") 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.

Note: \$ in thousands, unaudited.

Reconciliation of Cash Flows Provided by Operating Activities to Free Cash Flow

	FY20	FY19	FY18	FY17	FY16
Cash flows provided by operating activities	\$ 161,986	\$ 120,636	\$ 30,570	\$ 63,960	\$ 43,294
Less: purchases of property and equipment and intangible assets	(33,035)	(23,222)	(35,747)	(33,553)	(52,520)
Free cash flow	\$ 128,951	\$ 97,414	\$ (5,177)	\$ 30,407	\$ (9,226)

Note: \$ in thousands, unaudited.

Gross Profit and Margin Excluding the Impact of Tariffs

	FY20	FY19	FY18	FY17	FY16
Revenue	\$ 1,326,328	\$ 1,260,823	\$ 1,137,008	\$ 992,526	\$ 901,284
Reported gross profit	571,956	527,343	489,308	456,065	403,399
Add/deduct:					
Net tariff impact	32,342	1,371	-	-	-
Adjusted gross profit	\$ 604,298	\$ 528,714	\$ 489,308	\$ 456,065	\$ 403,399
Gross margin	43.1 %	41.8 %	43.0 %	45.9 %	44.8 %
Adjusted gross margin	45.6 %	41.9 %	43.0 %	45.9 %	44.8 %

Note: \$ in thousands, unaudited.

Prior Long Term Targets vs. Current Long Term Targets

	Prior ¹	Current ²
Revenue Target	10% CAGR	\$2.25B
Gross Margin	42%-44%	45%-47%
Adj. EBITDA Margin	13%-15%	15%-18%

¹ Long-term targets provided in 2018 in conjunction with Sonos' initial public offering.

² Outlook for Fiscal Year 2024.

Note: Adjusted EBITDA Margin is a non-GAAP measure. We do not provide a reconciliation of forward-looking non-GAAP measures to their comparable GAAP measures. See "Non-GAAP Measures" appendix for more information.

SONOS