

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of report (Date of earliest event reported): August 9, 2023

**SONDER HOLDINGS INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)  
  
**500 E 84th Ave., Suite A-10**  
**Thornton, Colorado**  
(Address of principal executive offices)

**001-39907**  
(Commission  
File Number)

**85-2097088**  
(I.R.S. Employer  
Identification No.)

**80229**  
(Zip Code)

**(617) 300-0956**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	SOND	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Common Stock at an exercise price of \$11.50 per share	SONDW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

## Item 2.02 Results of Operations and Financial Condition

On August 9, 2023, Sonder Holdings Inc. (the “**Company**”) issued a Shareholder Letter announcing its financial results for the quarter ended June 30, 2023. A copy of the Shareholder Letter is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in this Item 2.02, including the Shareholder Letter attached as Exhibit 99.1 to this Current Report on Form 8-K, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. The information contained in this Item 2.02 and in the accompanying Exhibit 99.1 shall not be incorporated by reference into any registration statement or other document filed by the Company with the Securities and Exchange Commission (“**SEC**”), whether made before or after the date of this Current Report on Form 8-K, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

## Item 7.01 Regulation FD Disclosure

Investors and others should note that the Company announces material financial information using its investor relations website (investors.sonder.com), filings made with the SEC, press releases, public conference calls, and webcasts. The Company intends to also use the following channels to provide updates to the public about its business, financial performance, activities, personnel-related matters, market and industry developments, and other related matters:

- Sonder’s LinkedIn: <https://www.linkedin.com/company/sonder-inc/>
- Sonder’s Twitter Feed: <https://twitter.com/sonderstays>
- Francis Davidson’s Personal Twitter Feed: <https://twitter.com/fdaidsont>

The Company uses these channels to expedite public access to time-critical information regarding the Company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information. The information that the Company posts on these channels could be deemed to be material information. As a result, the Company encourages investors, the media, and others interested in Sonder to review the information that the Company posts on these channels. This list of channels may be updated from time to time on Sonder’s investor relations website and/or filings made with the SEC.

## Item 9.01 Financial Statements and Exhibits

### (d) Exhibits

Exhibit No.	Description
99.1	<a href="#">Shareholder Letter dated August 9, 2023</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sonder Holdings Inc.

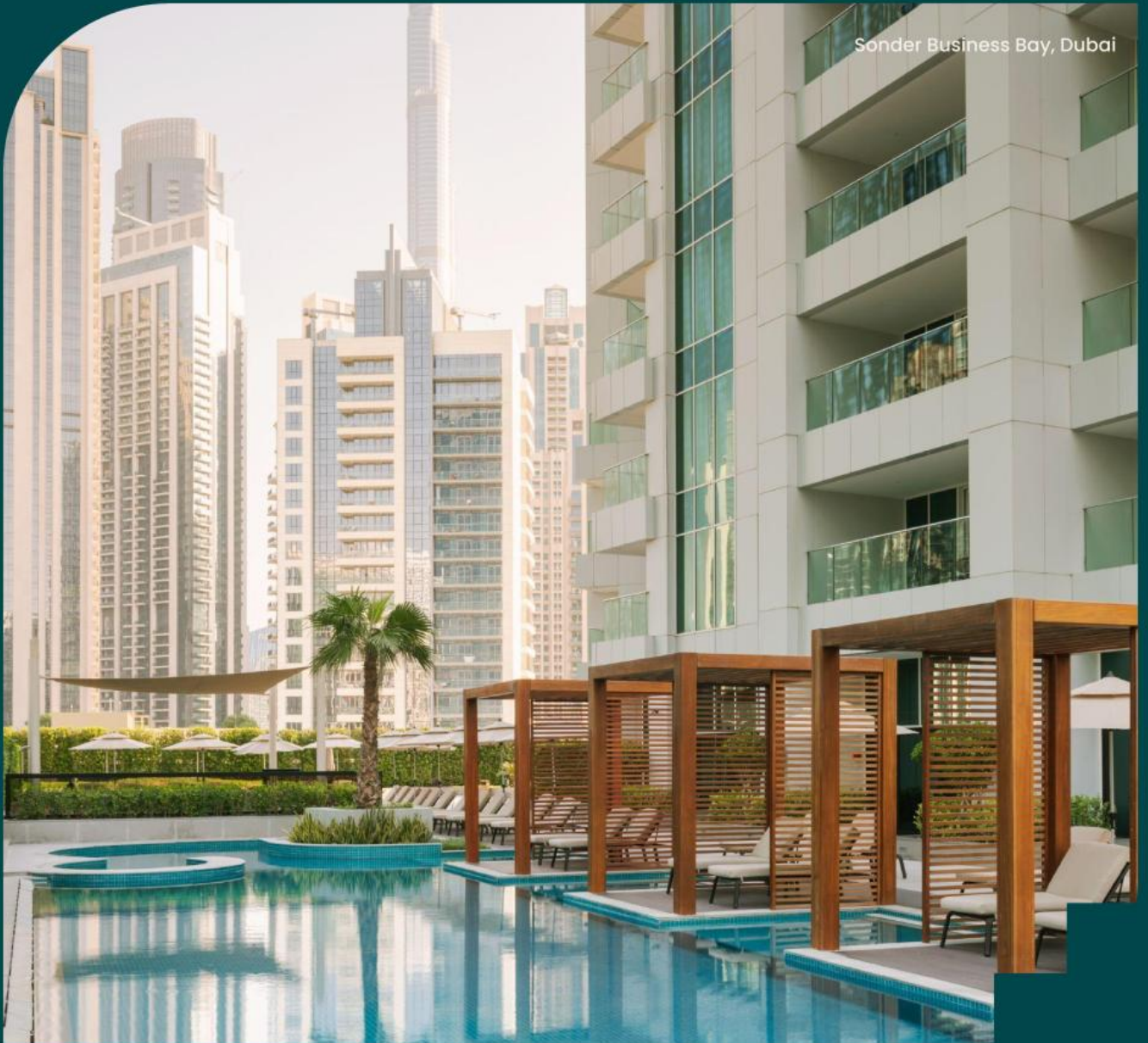
Date: August 9, 2023

By: /s/ Chris Berry

Name: Chris Berry

Title: Senior Vice President and Chief Accounting Officer

Sonder Business Bay, Dubai



# Shareholder Letter

Q2 2023

August 9, 2023

## Fellow Sonder shareholders,

Our cash flow positive plan is in full swing, with reduced cash Free Cash Flow<sup>1</sup> (FCF) burn of \$18M y/y this past quarter and rapidly improving FCF margins<sup>1</sup> from (37)% to (17)%. So far this year, our efforts to improve costs have been notable – in both direct costs and overhead – with much of our improvement in free cash flow coming from those efforts.

We also proudly launched Powered By Sonder – a collection of boutique hotels which has allowed us to add rapid-payback, profitable supply with short lead times and to strengthen our brand offering in North America and Europe. Openings last quarter were significant, with approximately 850 new live units now welcoming guests and contributing to our top goal of sustainable positive free cash flow.

Thank you for your continued support – we commit to keep working tirelessly to deliver value to all of our shareholders.



Francis Davidson  
Co-founder and CEO

## Second quarter 2023 key results

### Revenue

**\$157M**

30% y/y improvement

### Average Daily Rate (ADR)

**\$200**

(1)% y/y decline

### Operating Cash Flow <sup>1</sup>

**\$(25)M**

Operating Cash Flow margin improvement to (16)% in Q2 2023 from (34)% in Q2 2022

### Cash Contribution <sup>2</sup>

**\$24M**

Cash Contribution margin decline to 15% in Q2 2023 from 18% in Q2 2022

### RevPAR

**\$164**

(2)% y/y decline

### Occupancy Rate

**82%**

0 bps y/y improvement

### Free Cash Flow <sup>2</sup>

**\$(27)M**

Free Cash Flow margin improvement to (17)% in Q2 2023 from (37)% in Q2 2022

### Live Units | Total Portfolio<sup>3</sup>

**11.1K | 17.4K**

32% y/y growth | (7)% y/y decline

(1) Operating Cash Flow includes the impact of restructuring and other charges related to reductions in force. Operating Cash Flow is equivalent to cash provided by (used in) operating activities. Operating Cash Flow Margin is defined as Operating Cash Flow as a percentage of revenue.

(2) This is a Non-GAAP Financial Measure. Refer to section titled Non-GAAP Reconciliations & Other Supplemental Data for the reconciliation of our Non-GAAP Financial Measures to the most directly comparable GAAP Financial Measure. Cash provided by (used in) operating activities includes the benefit of FF&E Allowance Realized, and therefore, Cash Contribution and Cash Contribution Margin include the benefit of FF&E Allowance Realized.

(3) Certain signed leases have contingencies or conditions that must be satisfied before we take over the units, and from time to time, we exclude some of these leases from our Contracted Units total based on our judgment about the likelihood that the contingencies or conditions will be satisfied.

# Improving Cash Flow Metrics

**\$(25)M**

Q2 2023 Operating Cash Flow<sup>1</sup>  
(16)% Operating Cash Flow Margin

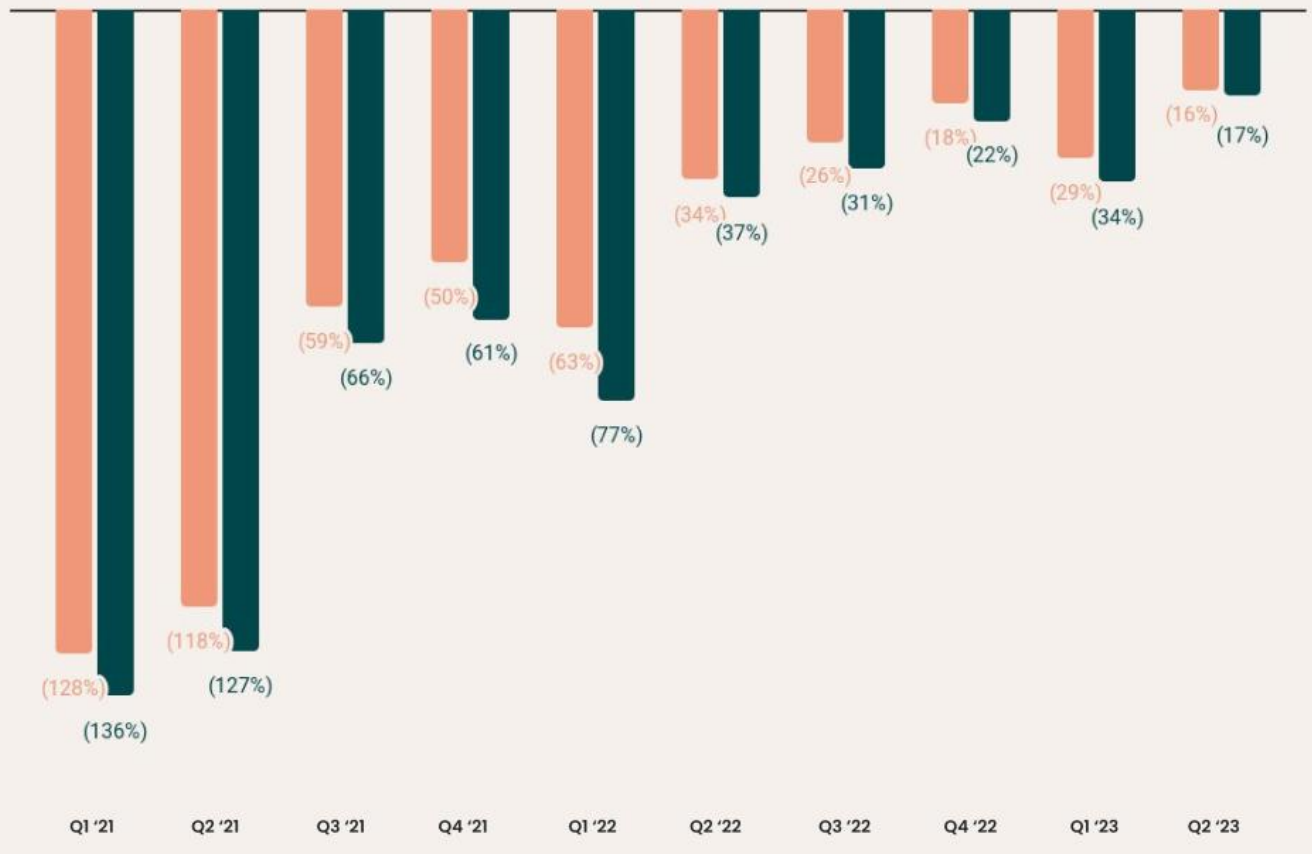
**\$(27)M**

Q2 2023 Free Cash Flow<sup>2</sup>  
(17)% Free Cash Flow Margin

## Quarterly Operating Cash Flow Margin and Free Cash Flow Margin

Operating Cash Flow Margin<sup>1</sup>

Free Cash Flow Margin<sup>2</sup>



	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23
Revenue (\$M)	\$32	\$47	\$67	\$87	\$80	\$121	\$125	\$135	\$121	\$157
y/y growth	(25%)	151%	155%	204%	155%	157%	85%	56%	50%	30%

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# Q2 2023 Results



Sonder The Monarch, Phoenix



Q2 2023 business performance

**11.1K**

Live Units

+32% y/y

**957K**

Bookable Nights

+32% y/y

**789K**

Occupied Nights

+32% y/y

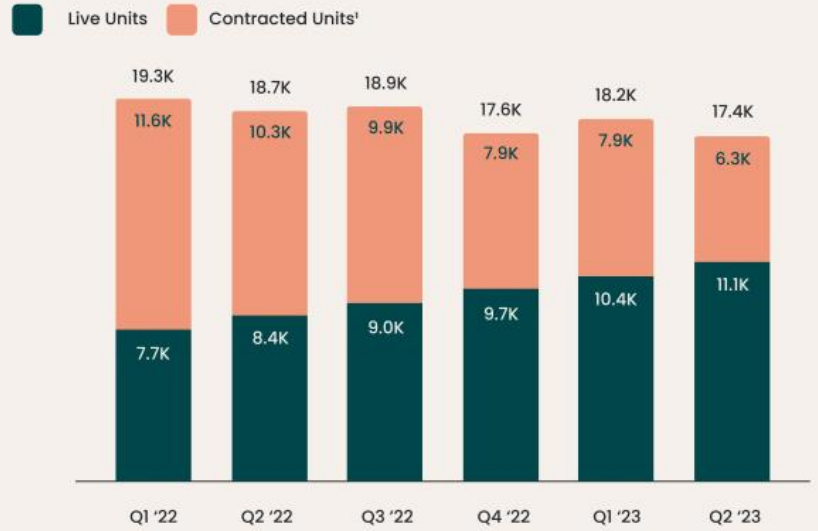
82% Occupancy Rate

**\$164**

RevPAR

(2)% y/y

Quarterly Total Portfolio (End of Period)



Quarterly Bookable Nights | Occupancy Rate



Quarterly RevPAR | ADR



(1) Certain signed leases have contingencies or conditions that must be satisfied before we take over the units, and from time to time, we exclude some of these leases from our Contracted Units total based on our judgment about the likelihood that the contingencies or conditions will be satisfied.

Q2 2023 financial performance

**\$157M**

**Revenue**

30% y/y improvement

**\$(25)M**

**Operating Cash Flow<sup>1</sup>**

Operating Cash Flow margin improvement to (16)% in Q2 2023 from (34)% in Q2 2022

**\$(27)M**

**Free Cash Flow<sup>2</sup>**

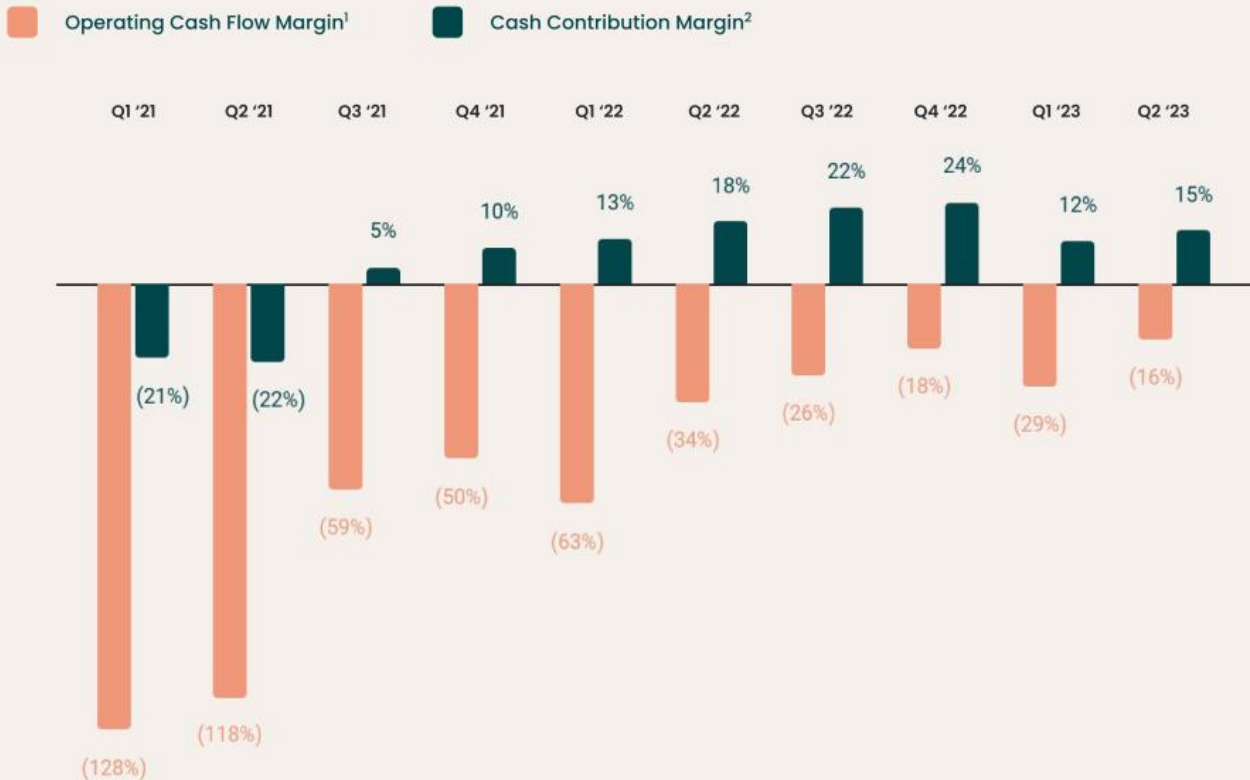
Free Cash Flow margin improvement to (17)% in Q2 2023 from (37)% in Q2 2022

**\$24M**

**Cash Contribution<sup>2</sup>**

Cash Contribution margin decline to 15% in Q2 2023 from 18% in Q2 2022

Quarterly Operating Cash Flow Margin and Cash Contribution Margin



(1) Operating Cash Flow includes the impact of restructuring and other charges related to reductions in force. Operating Cash Flow is equivalent to cash provided by (used in) operating activities. Operating Cash Flow Margin is defined as Operating Cash Flow as a percentage of revenue.

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## Guidance

For the third quarter of 2023, we expect revenue between \$160 million and \$170 million and Free Cash Flow<sup>1</sup> excluding one-time restructuring costs between \$(25) million and \$(15) million, which at the midpoint is a \$19 million, or nearly 50%, improvement versus the third quarter of 2022.

For the second half of 2023, based on our current projections of RevPAR and live unit growth, we expect revenue between \$335 million and \$355 million.

For Free Cash Flow, we expect between \$(55) million and \$(35) million in the second half of 2023. At the midpoint of the guidance ranges provided, this translates to a 36% Y/Y improvement for the full year of 2023, or a \$63 million improvement.

Illustrative Free Cash Flow<sup>1</sup> Based on Guidance (\$M)



<sup>(1)</sup> This is a Non-GAAP Financial Measure. Refer to section titled Non-GAAP Reconciliations & Other Supplemental Data for the reconciliation of our Non-GAAP Financial Measures to the most directly comparable GAAP Financial Measure.

# Financial Statements



Sonder Ovation, Philadelphia

# Sonder Holdings Inc. and Subsidiaries

## Consolidated balance sheets

(In thousands)

	(Unaudited) June 30, 2023	(Unaudited) December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 177,444	\$ 246,624
Restricted cash	42,069	42,562
Accounts receivable, net of allowance	14,042	5,613
Prepaid expenses	8,786	8,066
Other current assets	11,516	10,065
Total current assets	253,857	312,930
Property and equipment, net	31,616	34,926
Operating lease right-of-use ("ROU") assets	1,308,719	1,209,486
Other non-current assets	13,667	16,270
Total assets	<u>\$ 1,607,859</u>	<u>\$ 1,573,612</u>
<b>Liabilities and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	19,878	16,082
Accrued liabilities	18,555	20,131
Taxes payable	15,476	14,418
Deferred revenue	59,858	41,664
Current operating lease liabilities	183,487	158,346
Total current liabilities	297,254	250,641
Non-current operating lease liabilities	1,259,207	1,166,538
Long-term debt, net	186,884	172,950
Other non-current liabilities	1,106	3,430
Total liabilities	1,744,451	1,593,559
Stockholders' deficit:		
Common stock	21	21
Additional paid-in capital	968,047	947,601
Cumulative translation adjustment	7,652	12,985
Accumulated deficit	(1,112,312)	(980,554)
Total stockholders' deficit	(136,592)	(19,947)
Total liabilities and stockholders' deficit	<u>\$ 1,607,859</u>	<u>\$ 1,573,612</u>

Note: Effective January 1, 2022, Sonder adopted new leasing accounting standard ASC 842 / IFRS 16, which recognizes right-of-use assets and lease liabilities on our balance sheet for all operating leases, increasing both assets and liabilities.

# Sonder Holdings Inc. and Subsidiaries

## Condensed consolidated statements of operations and comprehensive loss (1/2)

(In thousands, except for number of shares information and per share amounts)

	(Unaudited)	(Unaudited)
	Three months ended June 30,	
	2023	2022
Revenue	\$ 157,403	\$ 121,322
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	93,244	79,187
Operations and support	52,208	54,003
General and administrative	30,169	31,277
Research and development	5,563	8,088
Sales and marketing	18,231	12,414
Restructuring and other charges	—	4,033
Total costs and operating expenses	199,415	189,002
Loss from operations	(42,012)	(67,680)
Interest expense, net	6,155	4,382
Change in fair value of SPAC Warrants	(508)	(9,419)
Change in fair value of Earn Out Liability	(435)	(23,345)
Other (income) expense, net	(2,079)	6,251
Total non-operating expense (income), net	3,133	(22,131)
Loss before income taxes	(45,145)	(45,549)
Provision for income taxes	182	117
Net loss	\$ (45,327)	\$ (45,666)
Weighted average basic and diluted common shares outstanding	218,027,496	215,085,516
Basic and diluted net loss per common share	\$ (0.21)	\$ (0.21)
Other comprehensive loss:		
Net loss	\$ (45,327)	\$ (45,666)
Change in foreign currency translation adjustment	(2,696)	5,085
Comprehensive loss	\$ (48,023)	\$ (40,581)

# Sonder Holdings Inc. and Subsidiaries

## Condensed consolidated statements of operations and comprehensive loss (2/2)

(In thousands, except for number of shares information and per share amounts)

	(Unaudited)	
	Six months ended June 30,	
	2023	2022
Revenue	\$ 278,141	\$ 201,788
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	185,277	153,083
Operations and support	108,365	102,270
General and administrative	62,914	68,258
Research and development	12,143	15,713
Sales and marketing	34,067	21,875
Restructuring and other charges	2,130	4,033
Total costs and operating expenses	<u>404,896</u>	<u>365,232</u>
Loss from operations	<u>(126,755)</u>	<u>(163,444)</u>
Interest expense, net	11,862	12,584
Change in fair value of SPAC Warrants	(398)	(24,314)
Change in fair value of Earn Out Liability	(1,933)	(96,522)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(29,512)
Other (income) expense, net	(4,791)	8,875
Total non-operating expense (income), net	<u>4,740</u>	<u>(128,889)</u>
Loss before income taxes	<u>(131,495)</u>	<u>(34,555)</u>
Provision for income taxes	263	148
Net loss	<u>\$ (131,758)</u>	<u>\$ (34,703)</u>
Weighted average basic and diluted common shares outstanding	<u>217,630,938</u>	<u>197,658,542</u>
Basic and diluted net loss per common share	<u>\$ (0.61)</u>	<u>\$ (0.18)</u>
Other comprehensive loss:		
Net loss	\$ (131,758)	\$ (34,703)
Change in foreign currency translation adjustment	(5,333)	7,084
Comprehensive loss	<u>\$ (137,091)</u>	<u>\$ (27,619)</u>

# Sonder Holdings Inc. and Subsidiaries

## Consolidated statements of cash flows (1/2)

(In thousands)

	(Unaudited)	
	Three months ended June 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (45,327)	\$ (45,666)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,978	5,996
Stock-based compensation	8,258	5,054
Amortization of operating lease ROU assets	37,372	32,582
(Gain) loss on foreign exchange	(2,067)	4,079
Capitalization of paid-in-kind interest on long-term debt	6,790	4,253
Amortization of debt issuance costs	2	290
Amortization of debt discounts	429	367
Change in fair value of SPAC Warrants	(508)	(9,419)
Change in fair value of Earn Out Liability	(435)	(23,345)
Other operating activities	406	493
Changes in:		
Accounts receivable, net	(7,312)	(6,174)
Prepaid expenses	(3,593)	4,531
Other current and non-current assets	1,644	(1,112)
Accounts payable	5,663	(373)
Accrued liabilities	140	2,153
Taxes payable	(859)	1,288
Deferred revenue	1,260	3,836
Operating lease ROU assets and operating lease liabilities, net	(33,015)	(19,064)
Other current and non-current liabilities	(206)	(691)
Net cash used in operating activities	<u>(25,380)</u>	<u>(40,922)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,875)	(5,606)
Capitalization of internal-use software	(135)	(1,159)
Net cash used in investing activities	<u>(2,010)</u>	<u>(6,765)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	—	574
Net cash provided by financing activities	<u>—</u>	<u>574</u>
Effects of foreign exchange on cash	499	826
Net change in cash, cash equivalents, and restricted cash	<u>(26,891)</u>	<u>(46,287)</u>
Cash, cash equivalents, and restricted cash at beginning of period	246,404	407,031
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 219,513</u>	<u>\$ 360,744</u>



# Sonder Holdings Inc. and Subsidiaries

## Consolidated statements of cash flows (2/2)

(In thousands)

	(Unaudited)	
	Six months ended June 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (131,758)	\$ (34,703)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,026	11,626
Stock-based compensation	20,438	11,734
Amortization of operating lease ROU assets	82,999	70,228
(Gain) loss on foreign exchange	(4,378)	6,458
Capitalization of paid-in-kind interest on long-term debt	13,135	4,253
Amortization of debt issuance costs	4	9,040
Amortization of debt discounts	797	(2,640)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes <sup>(1)</sup>	—	(29,512)
Change in fair value of SPAC Warrants	(398)	(24,314)
Change in fair value of Earn Out Liability	(1,933)	(96,522)
Other operating activities	1,028	1,175
Changes in:		
Accounts receivable, net	(9,274)	(2,941)
Prepaid expenses	(538)	(4,877)
Other current and non-current assets	1,976	3,317
Accounts payable	3,637	(22,382)
Accrued liabilities	(1,920)	6,895
Taxes payable	1,161	4,251
Deferred revenue	17,963	19,089
Operating lease ROU assets and operating lease liabilities, net	(66,710)	(24,264)
Other current and non-current liabilities	(127)	2,474
Net cash used in operating activities	<u>(60,872)</u>	<u>(91,615)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(8,799)	(16,145)
Capitalization of internal-use software	(689)	(2,236)
Net cash used in investing activities	<u>(9,488)</u>	<u>(18,381)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Delayed Draw Notes <sup>(1)</sup>	—	159,225
Repayment of debt and payment of early termination fees	—	(27,745)
Proceeds from business combination and PIPE Investment <sup>(1)</sup>	—	325,928
Common stock issuance costs <sup>(1)</sup>	—	(58,555)
Proceeds from exercise of stock options	8	1,447
Net cash provided by financing activities	<u>8</u>	<u>400,300</u>
Effects of foreign exchange on cash	679	499
Net change in cash, cash equivalents, and restricted cash	<u>(69,673)</u>	<u>290,803</u>
Cash, cash equivalents, and restricted cash at beginning of period	289,186	69,941
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 219,513</u>	<u>\$ 360,744</u>

(1) These line items relate to pre-SPAC or SPAC related transactions. As such, there is no activity in 2023.

# Non-GAAP Reconciliations & Other Supplemental Data



## Reconciliation of Cash used in operating activities to Free Cash Flow

Sonder supplements its consolidated financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP") by providing additional financial measures that are not prepared in accordance with GAAP. Sonder's management uses these non-GAAP financial measures, collectively, to evaluate ongoing operations and for internal planning and forecasting purposes. Sonder believes that these non-GAAP financial measures are useful in evaluating its operating performance, and may assist investors in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. However, Sonder's definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar measures. These non-GAAP financial measures should not be viewed in isolation or as a substitute for, or superior to, measures prepared in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

**Free Cash Flow ("FCF")** is defined as cash provided by (used in) operating activities plus cash provided by (used in) investing activities, excluding the impact of restructuring charges, if any. **Free Cash Flow Margin** is defined as Free Cash Flow as a percentage of revenue. The most directly comparable GAAP financial measure is cash provided by (used in) operating activities.

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Cash used in operating activities</b>	\$ (40,308)	\$ (55,945)	\$ (39,690)	\$ (43,448)	\$ (50,693)	\$ (40,922)	\$ (32,477)	\$ (24,923)	\$ (35,492)	\$ (25,380)
Cash used in investing activities	(2,676)	(4,224)	(4,952)	(9,735)	(11,616)	(6,765)	(7,708)	(4,904)	(7,478)	(2,010)
<b>FCF, including restructuring costs</b>	\$ (42,984)	\$ (60,169)	\$ (44,642)	\$ (53,183)	\$ (62,309)	\$ (47,687)	\$ (40,185)	\$ (29,827)	\$ (42,970)	\$ (27,390)
Cash paid for restructuring costs	—	—	—	—	—	2,363	1,114	235	1,597	553
<b>FCF, excluding restructuring costs</b>	\$ (42,984)	\$ (60,169)	\$ (44,642)	\$ (53,183)	\$ (62,309)	\$ (45,324)	\$ (39,071)	\$ (29,592)	\$ (41,373)	\$ (26,837)
Revenue	\$31,558	\$47,269	\$67,454	\$86,663	\$80,466	\$121,322	\$124,526	\$134,769	\$120,738	\$157,403
FCF Margin	(136)%	(127)%	(66)%	(61)%	(77)%	(37)%	(31)%	(22)%	(34)%	(17)%

## Reconciliation of Cash used in operating activities to Cash Contribution

**Cash Contribution** is defined as operating cash flow before non-property level operating expenses, excluding the impact of restructuring charges, if any. **Cash Contribution Margin** is defined as Cash Contribution as a percentage of revenue. The most directly comparable GAAP financial measure is cash provided by (used in) operating activities. Cash provided by (used in) operating activities includes the benefit of FF&E Allowance Realized, and therefore, Cash Contribution and Cash Contribution Margin include the benefit of FF&E Allowance Realized.

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Non-property level sales and marketing:</b>										
Sales and marketing	\$ 2,511	\$ 4,888	\$ 6,724	\$ 9,367	\$ 9,461	\$ 12,414	\$ 13,372	\$ 15,977	\$ 15,836	\$ 18,231
(-) Property level sales and marketing <sup>1</sup>	(1,592)	(3,052)	(4,638)	(6,634)	(6,814)	(9,535)	(10,566)	(11,837)	(11,672)	(13,369)
<b>Non-property level sales and marketing</b>	<b>\$ 919</b>	<b>\$ 1,836</b>	<b>\$ 2,086</b>	<b>\$ 2,733</b>	<b>\$ 2,647</b>	<b>\$ 2,879</b>	<b>\$ 2,806</b>	<b>\$ 4,140</b>	<b>\$ 4,164</b>	<b>\$ 4,862</b>
<b>Non-property level operations and support:</b>										
Operations and support	\$ 25,423	\$ 34,889	\$ 36,592	\$ 45,824	\$ 48,267	\$ 54,003	\$ 55,586	\$ 53,225	\$ 56,157	\$ 52,208
(-) Property level operations and support <sup>2</sup>	(9,921)	(13,308)	(14,795)	(19,855)	(22,104)	(24,814)	(26,967)	(27,272)	(31,486)	(29,369)
<b>Non-property level operations and support</b>	<b>\$ 15,502</b>	<b>\$ 21,581</b>	<b>\$ 21,797</b>	<b>\$ 25,969</b>	<b>\$ 26,163</b>	<b>\$ 29,189</b>	<b>\$ 28,619</b>	<b>\$ 25,953</b>	<b>\$ 24,671</b>	<b>\$ 22,839</b>
<b>Non-property level operating expenses:</b>										
General and administrative	\$ 32,149	\$ 24,615	\$ 21,694	\$ 27,677	\$ 36,981	\$ 31,277	\$ 33,016	\$ 31,171	\$ 32,745	\$ 30,169
(+) Research and development	3,319	4,066	5,443	6,263	7,625	8,088	6,936	6,247	6,580	5,563
(+) Non-property level sales and marketing	919	1,836	2,086	2,733	2,647	2,879	2,806	4,140	4,164	4,862
(+) Non-property level operations and support	15,502	21,581	21,797	25,969	26,163	29,189	28,619	25,953	24,671	22,839
(-) Stock based compensation	(14,153)	(2,448)	(3,573)	(5,073)	(6,680)	(5,054)	(6,405)	(4,818)	(12,180)	(8,258)
(-) Depreciation and amortization	(4,119)	(4,213)	(4,357)	(5,025)	(5,630)	(5,996)	(6,175)	(6,110)	(7,048)	(5,978)
<b>Non-property level operating expenses</b>	<b>\$ 33,617</b>	<b>\$ 45,437</b>	<b>\$ 43,090</b>	<b>\$ 52,544</b>	<b>\$ 61,106</b>	<b>\$ 60,383</b>	<b>\$ 58,797</b>	<b>\$ 56,583</b>	<b>\$ 48,932</b>	<b>\$ 49,197</b>
<b>Cash contribution:</b>										
Cash used in operating activities	\$ (40,308)	\$ (55,945)	\$ (39,690)	\$ (43,448)	\$ (50,693)	\$ (40,922)	\$ (32,477)	\$ (24,923)	\$ (35,492)	\$ (25,380)
(+) Cash paid for restructuring costs	—	—	—	—	—	2,363	1,114	235	1,597	553
(+) Non-property level operating expenses	33,617	45,437	43,090	52,544	61,106	60,383	58,797	56,583	48,932	49,197
<b>Cash contribution<sup>3</sup></b>	<b>\$ (6,691)</b>	<b>\$ (10,508)</b>	<b>\$ 3,400</b>	<b>\$ 9,096</b>	<b>\$ 10,413</b>	<b>\$ 21,824</b>	<b>\$ 27,434</b>	<b>\$ 31,895</b>	<b>\$ 15,037</b>	<b>\$ 24,370</b>
Revenue	\$ 31,558	\$ 47,269	\$ 67,454	\$ 86,663	\$ 80,466	\$ 121,322	\$ 124,526	\$ 134,769	\$ 120,738	\$ 157,403
<b>Cash contribution margin</b>	<b>(21)%</b>	<b>(22)%</b>	<b>5 %</b>	<b>11 %</b>	<b>13 %</b>	<b>18 %</b>	<b>22 %</b>	<b>24 %</b>	<b>12 %</b>	<b>15 %</b>

(1) Composed of channel fees. (2) Composed of customer service, laundry/consumables, maintenance and utilities and insurance included in operations and support. (3) Excludes restructuring costs.

## Historical Data: Revenue Measures

(In thousands, except \$ and %)	2021				2022				2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Live Units	5.0	5.5	6.3	7.6	7.7	8.4	9.0	9.7	10.4	11.1
Contracted Units	8.0	9.2	10.0	10.5	11.6	10.3	9.9	7.9	7.9	6.3
<b>Total Portfolio</b>	<b>13.0</b>	<b>14.7</b>	<b>16.3</b>	<b>18.1</b>	<b>19.3</b>	<b>18.7</b>	<b>18.9</b>	<b>17.6</b>	<b>18.2</b>	<b>17.4</b>
Bookable Nights	411	473	536	611	689	725	786	852	898	957
Occupied Nights	274	321	366	420	503	598	661	704	722	789
<b>Occupancy Rate</b>	<b>66%</b>	<b>68%</b>	<b>68%</b>	<b>69%</b>	<b>73%</b>	<b>82%</b>	<b>84%</b>	<b>83%</b>	<b>80%</b>	<b>82%</b>
Average Daily Rate	\$115	\$147	\$184	\$206	\$160	\$203	\$189	\$191	\$167	\$200
<b>RevPAR</b>	<b>\$77</b>	<b>\$100</b>	<b>\$126</b>	<b>\$142</b>	<b>\$117</b>	<b>\$167</b>	<b>\$158</b>	<b>\$158</b>	<b>\$134</b>	<b>\$164</b>

Note: Certain signed leases have contingencies or conditions that must be satisfied before we take over the units, and from time to time, we exclude some of these leases from our Contracted Units total based on our judgment about the likelihood that the contingencies or conditions will be satisfied.

## Use of non-GAAP financial measures

Sonder supplements its consolidated financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP") by providing additional financial measures that are not prepared in accordance with GAAP, including Free Cash Flow, Free Cash Flow Margin, Cash Contribution, and Cash Contribution Margin. Further information about these measures appears under "Key Terms" below. Sonder's management uses these non-GAAP financial measures, collectively, to evaluate ongoing operations and for internal planning and forecasting purposes. Sonder believes that these non-GAAP financial measures are useful in evaluating its operating performance, and may assist investors in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. However, Sonder's definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar measures. These non-GAAP financial measures should not be viewed in isolation or as a substitute for, or superior to, measures prepared in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures. Sonder has not reconciled consolidated Free Cash Flow guidance to projected consolidated GAAP cash provided by (used in) operating activities because we do not provide guidance on GAAP cash provided by (used in) operating activities or the reconciling items between Free Cash Flow and GAAP cash provided by (used in) operating activities, as a result of the uncertainty regarding, and the potential variability of, certain of these items. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measure is not available without unreasonable effort.

## Key Terms

### Total Portfolio

**Total Portfolio** represents Live Units plus Contracted Units. This includes any unit that has a signed real estate contract, regardless of whether or not the unit is available for guests to book. This excludes any units that have been exited (i.e., the lease was terminated or allowed to expire). **Live Units** are defined as units which are available for guest bookings on Sonder.com, the Sonder app and other channels. Sonder pays rent (or utilizes pre-negotiated abatement) and is able to generate revenue from these units. **Contracted Units** are units for which Sonder has signed real estate contracts, but are not yet available for guests to book. Sonder is not yet able to generate revenue from these units. Certain signed leases have contingencies or conditions that must be satisfied before we take over the units, and from time to time, we exclude some of these leases from our Contracted Units total based on our judgment about the likelihood that the contingencies or conditions will be satisfied.

### Occupancy Rate

**Occupancy Rate** is defined as Occupied Nights divided by Bookable Nights, expressed as a percentage. **Bookable Nights** represent the total number of nights available for stays across all Live Units. This excludes nights lost to full building closures of greater than 30 nights. **Occupied Nights** represent the total number of nights occupied across all Live Units.

### Revenue per Available Room

**Revenue Per Available Room** ("RevPAR") represents the average revenue earned per available night, and is calculated either by dividing revenue by Bookable Nights, or by multiplying Average Daily Rate by Occupancy Rate. **Average Daily Rate** ("ADR") represents the average revenue earned per night occupied and is calculated as revenue divided by Occupied Nights.

### Free Cash Flow

**Free Cash Flow** ("FCF") is defined as cash provided by (used in) operating activities plus cash provided by (used in) investing activities, excluding the impact of restructuring charges, if any. **Free Cash Flow Margin** is defined as Free Cash Flow as a percentage of revenue. Reconciliation of Free Cash Flow to the most comparable GAAP measure can be found on pg 16.

### Cash Contribution

**Cash Contribution** is defined as operating cash flow before non-property level operating expenses, excluding the impact of restructuring charges, if any. **Cash Contribution Margin** is defined as Cash Contribution as a percentage of revenue. Reconciliation of Cash Contribution to the most comparable GAAP measure can be found on pg 17.

## Webcast Details

Sonder will host a webcast Wednesday, August 9, 2023 at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss these financial results and business highlights and guidance. To listen to a live audio webcast, please visit the "Events" section of Sonder's Investor Relations website at [investors.sonder.com](https://investors.sonder.com). The archived webcast will be available on Sonder's Investor Relations website shortly after the call.

## About Sonder

Sonder is revolutionizing hospitality through innovative, tech-enabled service and inspiring, thoughtfully designed accommodations combined into one seamless managed experience. Launched in 2014, Sonder provides a variety of accommodation options — from spacious rooms to fully-equipped suites and apartments — found in over 40 markets spanning ten countries and three continents. The Sonder app gives guests full control over their stay. Complete with self-service features, simple check-in and 24/7 on-the-ground support, amenities and services at Sonder are just a tap away, making a world of better stays open to all.

To learn more, visit [www.sonder.com](https://www.sonder.com) or follow Sonder on [Facebook](#), [Twitter](#) or [Instagram](#). Download the Sonder app on [Apple](#) or [Google Play](#). The information that can be accessed through hyperlinks or website addresses included herein is deemed not to be incorporated in or part of this Shareholder Letter.

## Forward-Looking Statements

This Shareholder Letter contains a number of "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements about Sonder's forecasted revenue growth, costs, and cash flow (including Sonder's guidance for revenue and Free Cash Flow for Q3 2023 and 2H 2023, and statements about potential cash flow margin), statements about Sonder's total addressable market, anticipated numbers of Live and Contracted Units, the statements regarding "Cash Flow Positive Plan," including anticipated cost reductions, targeted capital light signings and potential cash flow improvements, anticipated travel demand, booking patterns, and other trends, expectations, and objectives discussed in the sections of this Shareholder Letter titled "A note from Francis," "Improving Cash Flow Metrics," and "Guidance," potential new markets, and market penetration, innovation plans and initiatives, the success of Sonder's corporate travel efforts and other RevPAR initiatives, anticipated unit economics, expected seasonalities, and other information concerning Sonder's possible or assumed future financial or operating results and measures, business strategies, competitive position, industry environment, potential growth opportunities, and future operations. These forward-looking statements are based on Sonder's management's current expectations, estimates, projections and beliefs, as well as a number of assumptions concerning future events. When used in this Shareholder Letter, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "proposed," "guidance," and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside Sonder's management's control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. These risks, uncertainties, assumptions and other important factors include, but are not limited to: potential negative impacts on Sonder's financial results as a result of changes in travel, hospitality, and real estate markets, including the possibility that travel demand and pricing do not recover to the extent anticipated, particularly in the current geopolitical and macroeconomic environment; potential inability to continue meeting the listing standards of Nasdaq; potential inability to negotiate satisfactory leases or other arrangements to operate new properties, onboard new properties in a timely manner, or renew or replace existing properties on attractive terms, and the possibility of lease terminations prior to scheduled expirations or the failure of lease contingencies; possible delays in real estate development and construction projects related to Sonder's leases, or other delays in generating revenues from new properties; the possibility that Sonder may not benefit from any market recovery to the extent it anticipates; risks and uncertainties associated with Sonder's Cash Flow Positive Plan announced in June 2022, including the possibility that Sonder will not realize the anticipated cost savings, capital light signings or cash flow improvements from this plan or any future cost-saving initiatives, or will need to engage in additional fundraising, and the risk that the plan or any future cost-saving initiatives will adversely affect employee retention, effectiveness and hiring or other aspects of Sonder's business; the possibility that RevPAR initiatives will not achieve the desired results and that future pricing and/or occupancy will be lower than anticipated; the possibility of higher than expected capital expenditures, property-related costs or other operating expenses and unanticipated conditions or incidents at leased properties; risks associated with Sonder's relationships with and reliance upon real estate owners, OTAs and other third parties, and their performance of their obligations; changes in applicable laws or regulations, including legal, tax or regulatory developments, and the impact of any litigation or other legal or regulatory proceedings; the possibility that Sonder may be adversely affected by other economic, business and/or competitive factors, including the additional risks associated with operating internationally; the possibility that Sonder will be unable to effectively manage its growth; Sonder's success in retaining or recruiting officers, other employees and directors; potential delays or difficulties introducing new or upgraded amenities, services or features, including enhancements to the Sonder app; risks related to the impact of the COVID-19 pandemic; and other risks and uncertainties described under the heading "Risk Factors" in Sonder's most recent Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023, Annual Report on Form 10-K filed with the SEC on March 16, 2023, and subsequent SEC filings. You are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Except as required by law, Sonder does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this Shareholder Letter. Additional risks and uncertainties are identified and discussed in Sonder's reports filed and to be filed with the SEC and available on the SEC's website at [www.sec.gov](https://www.sec.gov).

## CONTACTS

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