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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from ______ to ______

Commission file number 001-39907

SONDER HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	85-2097088
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
447 Sutter St. Suite 405, #542 San Francisco, California	94108
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	SOND	The Nasdaq Stock Market LLC
Warrants, each 20 whole warrants exercisable for one share of Common Stock at an exercise price of $230.00 per share	SONDW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The registrant had 11,585,625 shares of common stock outstanding as of October 29, 2024.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to future events or our expected future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations.

Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our focus on achieving positive free cash flow ("FCF");
- our financial, operating and growth forecasts and projections, including our focus on cost reductions and our anticipated reductions in cash burn, including the estimated annualized cost savings from reductions in force and our portfolio optimization program;
- expectations for our business, revenue, expenses, results of operations, financial condition, and cash flows;
- our license agreement (the "Marriott Agreement") with Marriott International, Inc. and Global Hospitality Licensing S.À R.L (together, "Marriott") announced on August 19, 2024, including the timing of the integration of our properties, the anticipated benefits of the agreement, and other plans and expectations related to the Marriott relationship;
- management's conclusion regarding its substantial doubt about the Company's ability to continue as a going concern, and the related mitigation plans, including any impact on our key stakeholder relationships;
- our portfolio optimization program, including lease renegotiation efforts, potential lease amendments, and the scope and timing of property exits, and their potential effects on our portfolio, results of operations, and cash flow, including any anticipated cost savings;
- our ability to achieve or maintain profitability in the future;
- trends in the travel and hospitality industries;
- our pricing and revenue management strategies, pricing and occupancy forecasts and anticipated trends, and expectations about demand elasticity;
- our expectations concerning future transaction structures and the anticipated rent, rent abatement, capital expenditure provisions, and other terms of our future leases;
- potential ancillary revenue opportunities and our ability to improve our revenue management capabilities;
- anticipated capital expenditure obligations, including expectations for real estate owners' funding of capital expenditures and other pre-opening costs at our leased properties;
- the expected adequacy of our capital resources, the availability of future financing or other capital resources, and the anticipated use of proceeds from any financings;
- trends in corporate travel and the potential for additional group and corporate travel revenue;
- anticipated occupancy rates and expectations about guests' average length of stay;
- our ability to anticipate and satisfy guest demands, including through the introduction of new features, amenities or services;
- expectations about our geographic market mix and product mix between hotels and apartments, and their impact on our financial results;
- expectations about employee relations and our ability to attract and retain qualified personnel;
- our plans to roll out additional features, amenities and technologies, and our beliefs about the positive impact of our technology investments on our brand and financial results;
- our competitive advantage and anticipated differentiation in cost structure and guest experience compared to other accommodation providers;
- expectations for increased cost efficiencies and technological improvements;
- expectations and plans for expanding in existing and new markets and accommodation categories;
- the anticipated growth in our portfolio of units that are available for guests to book ("Live Units") and units for which we have signed real estate contracts but which are not yet available for guests to book ("Contracted Units"), including the anticipated scope and timing of any removals of units from our portfolio;
- expectations about our relationships with third-party distribution channels and indirect channels, and the percentage of future revenue attributable to bookings through indirect channels;

- anticipated seasonality and other variations in our results of operations from period-to-period, including statements about anticipated Revenue per Available Room (“RevPAR”) in specified quarters;
- the anticipated effects of public health crises;
- our ability to continue meeting the listing standards of Nasdaq;
- our assessments and beliefs regarding the timing and outcome of pending legal proceedings and any liability that we may incur as a result of those proceedings;
- our assessments and estimates that determine our effective tax rate and regarding any tax-related audits or other tax proceedings; and
- other expectations, beliefs, plans, strategies, anticipated developments, and other matters that are not historical facts.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control. Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

For a discussion of our risk factors, see the section entitled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the “Annual Report”) and our subsequent SEC filings. Additional factors that could cause results or performance to materially differ from those expressed in our forward-looking statements are detailed in other filings we may make with the Securities and Exchange Commission (the “SEC”), copies of which are available from us at no charge. Please consider our forward-looking statements in light of those risks as you read this report. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in thousands)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 17,542	$ 95,763
Restricted cash	51,581	40,734
Accounts receivable, net of allowance of $6,679 and $6,196 at June 30, 2024 and December 31, 2023, respectively	9,567	7,999
Prepaid expenses	5,795	5,366
Other current assets	11,440	11,345
Total current assets	95,925	161,207
Property and equipment, net	14,284	22,775
Operating lease right-of-use (“ROU”) assets	1,085,581	1,322,135
Other non-current assets	14,593	15,150
Total assets	$ 1,210,383	$ 1,521,267
Liabilities and stockholders’ deficit		
Current liabilities:		
Accounts payable	$ 32,145	$ 23,560
Accrued liabilities	38,722	38,626
Taxes payable	15,566	14,005
Deferred revenue	76,556	61,971
Current portion of long-term debt	1,000	168,710
Current operating lease liabilities	166,798	199,364
Total current liabilities	330,787	506,236
Non-current operating lease liabilities	1,074,553	1,389,580
Long-term debt, net	191,652	1,500
Other non-current liabilities	750	652
Total liabilities	1,597,742	1,897,968
Commitments and contingencies (Note 11)		
Stockholders’ deficit:		
Common stock	1	1
Additional paid-in capital	983,779	977,503
Cumulative translation adjustment	5,782	4,976
Accumulated deficit	(1,376,921)	(1,359,181)
Total stockholders’ deficit	(387,359)	(376,701)
Total liabilities and stockholders’ deficit	$ 1,210,383	$ 1,521,267

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands, except share data)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	$ 164,601	$ 157,403	$ 298,080	$ 276,906
Costs and operating expenses:				
Cost of revenue (excluding depreciation and amortization)	94,652	94,760	195,015	186,573
Operations and support	46,411	50,540	96,391	104,050
General and administrative	29,272	29,918	53,557	62,389
Research and development	4,393	5,563	9,064	11,945
Sales and marketing	21,572	18,231	40,821	33,898
Restructuring and other charges	—	(23)	2,592	2,107
Total costs and operating expenses	196,300	198,989	397,440	400,962
Loss from operations	(31,699)	(41,586)	(99,360)	(124,056)
Interest expense, net	8,016	6,155	15,339	11,862
Change in fair value of SPAC Warrants	64	(508)	(17)	(398)
Change in fair value of Earn Out Liability	—	(435)	(16)	(1,933)
Lease adjustment gains, net	(71,123)	(665)	(95,024)	(8,437)
Other (income) expense, net	(1,640)	(1,945)	(2,326)	847
Total non-operating (income) expense, net	(64,683)	2,602	(82,044)	1,941
Income (loss) before income taxes	32,984	(44,188)	(17,316)	(125,997)
Provision (benefit) for income taxes	237	(4)	424	52
Net income (loss)	$ 32,747	$ (44,184)	$ (17,740)	$ (126,049)
Basic and diluted net income (loss) per common share	$ 2.94	$ (4.05)	$ (1.59)	$ (11.58)
Other comprehensive income (loss):				
Net income (loss)	$ 32,747	$ (44,184)	$ (17,740)	$ (126,049)
Change in foreign currency translation adjustment	1,395	(3,381)	806	(6,794)
Comprehensive income (loss)	$ 34,142	$ (47,565)	$ (16,934)	$ (132,843)

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash flows from operating activities:		
Net loss	$ (17,740)	$ (126,049)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,965	13,026
Stock-based compensation	4,788	19,058
Amortization of operating lease ROU assets	89,252	91,436
Lease adjustment gains, net	(95,024)	(8,437)
Gain on foreign exchange	(1,058)	(4,378)
Capitalization of paid-in-kind interest on long-term debt	13,385	13,135
Amortization of debt issuance costs	11	4
Amortization of debt discounts	1,614	797
Change in fair value of SPAC Warrants	(17)	(398)
Change in fair value of Earn Out Liability	(16)	(1,933)
Other operating activities	1,857	1,028
Changes in:		
Accounts receivable, net	(3,003)	(8,599)
Prepaid expenses	(203)	(538)
Other current and non-current assets	(224)	1,098
Accounts payable	9,283	3,248
Accrued liabilities	929	1,097
Taxes payable	1,639	948
Deferred revenue	14,843	17,963
Operating lease ROU assets and operating lease liabilities, net	(103,560)	(71,928)
Other current and non-current liabilities	192	(127)
Net cash used in operating activities	(73,087)	(59,549)
Cash flows from investing activities:		
Purchase of property and equipment	(2,092)	(8,661)
Capitalization of internal-use software	(117)	(689)
Net cash used in investing activities	(2,209)	(9,350)
Cash flows from financing activities:		
Repayment of debt	(505)	—
Proceeds from debt financing	10,000	—
Payment of debt issuance costs	(578)	—
Proceeds from exercise of stock options and common stock warrants	—	8
Net cash provided by financing activities	8,917	8
Effects of foreign exchange on cash	(995)	(782)
Net change in cash, cash equivalents, and restricted cash	(67,374)	(69,673)
Cash, cash equivalents, and restricted cash at beginning of period	136,497	289,186
Cash, cash equivalents, and restricted cash at end of period	$ 69,123	$ 219,513

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (Unaudited)
Three and six months ended June 30, 2024
(in thousands, except share data)

	Common Stock		Post-Combination Exchangeable Common Stock		Additional Paid-in Capital	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	10,380,725	$ 1	712,982	$ —	$ 977,503	$ 4,976	$ (1,359,181)	$ (376,701)
Vesting of restricted stock units	28,422	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	3,009	—	—	3,009
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(50,487)	(50,487)
Change in cumulative translation adjustment	—	—	—	—	—	(589)	—	(589)
Balance at March 31, 2024	10,409,147	$ 1	712,982	$ —	$ 980,512	$ 4,387	$ (1,409,668)	$ (424,768)
Conversion of exchangeable stock	161,910	—	(161,910)	—	—	—	—	—
Issuance of delayed draw warrants	—	—	—	—	1,488	—	—	1,488
Stock-based compensation	—	—	—	—	1,779	—	—	1,779
Components of comprehensive income (loss):								
Net income	—	—	—	—	—	—	32,747	32,747
Change in cumulative translation adjustment	—	—	—	—	—	1,395	—	1,395
Balance at June 30, 2024	10,571,057	$ 1	551,072	$ —	$ 983,779	$ 5,782	$ (1,376,921)	$ (387,359)

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (*continued*) (Unaudited)
Three and six months ended June 30, 2023
(in thousands, except share data)

	Common Stock		Post-Combination Exchangeable Common Stock		Additional Paid-in Capital	Accumulated Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	9,919,716	$ 1	1,019,460	$ —	$ 949,001	$ 13,026	$ (1,063,513)	$ (101,485)
Exercise of common stock options	463	—	—	—	8	—	—	8
Vesting of restricted stock options	25,780	—	—	—	—	—	—	—
Conversion of exchangeable stock	46,525	—	(46,525)	—	—	—	—	—
Stock-based compensation	—	—	—	—	10,800	—	—	10,800
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(81,865)	(81,865)
Change in cumulative translation adjustment	—	—	—	—	—	(3,413)	—	(3,413)
Balance at March 31, 2023	9,992,484	$ 1	972,935	$ —	$ 959,809	$ 9,613	$ (1,145,378)	$ (175,955)
Exercise of common stock options	6	—	—	—	—	—	—	—
Vesting of restricted stock units	48,606	—	—	—	—	—	—	—
Conversion of exchangeable stock	9,892	—	(9,892)	—	—	—	—	—
Stock-based compensation	—	—	—	—	8,258	—	—	8,258
Components of comprehensive loss:								
Net loss	—	—	—	—	—	—	(44,184)	(44,184)
Change in cumulative translation adjustment	—	—	—	—	—	(3,381)	—	(3,381)
Balance at June 30, 2023	10,050,988	$ 1	963,043	$ —	$ 968,067	$ 6,232	$ (1,189,562)	$ (215,262)

See accompanying notes to unaudited condensed consolidated financial statements.

SONDER HOLDINGS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Basis of Presentation

Nature of Operations

Sonder Holdings Inc. (collectively with its wholly owned subsidiaries, the "Company") provides short and long-term accommodations to travelers in various cities across North America, Europe, and the Middle East. The units in each apartment-style building and each hotel property are selected, designed, and managed directly by the Company. The Company also provides accommodations to travelers through boutique hotels that are designated as Powered by Sonder properties, each with its own unique design elements and features.

On January 18, 2022, the Company consummated the previously announced business combination by and among Gores Metropoulos II, Inc. ("GMII"), two subsidiaries of GMII, and Sonder Operating Inc., a Delaware corporation formerly known as Sonder Holdings Inc. ("Legacy Sonder") (the "Business Combination"). Refer to Note 16, *Business Combination*, of the Annual Report for details of the transaction.

Basis of Financial Statement Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP", "U.S. GAAP", or "generally accepted accounting principles"). The condensed consolidated financial statements present the results of operations, financial position, and cash flows of the Company in accordance with consolidation accounting guidance. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial position at June 30, 2024 and December 31, 2023, results of operations and comprehensive income (loss) and stockholders' deficit for the three and six months ended June 30, 2024 and 2023, and cash flows for the six months ended June 30, 2024 and 2023. The Company's condensed consolidated results of operations and comprehensive income (loss) and stockholders' deficit for the three and six months ended June 30, 2024 and cash flows for the six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year.

The Company qualifies as an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, and as a "smaller reporting company" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, and, as such, may take advantage of specified reduced reporting requirements and deferred accounting standards adoption dates, and is relieved of other significant requirements that are otherwise generally applicable to other public companies.

Going Concern

The accompanying condensed consolidated financial statements are prepared in accordance with general accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a history of net losses and negative operating cash flows and expects to continue to incur additional losses in the future. The Company's liquidity may be insufficient to meet its obligations for at least one year from the date of issuance of these financial statements, which raises substantial doubt about the Company's ability to continue as a going concern.

As a result, management has concluded that there is substantial doubt, which is not alleviated, about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

Management's plans to address these conditions include: i) meet the requirements and milestones described in Note 14, *Subsequent Events*, to obtain additional funds through recent arrangements, including $28.6 million from convertible preferred stock and $15 million from the Marriott Agreement, ii) realize improved operations, including anticipated improvements from integration through the Marriott Agreement, iii) renegotiate lease terms, including possible terminations, of certain properties, and iv) implement cost-cutting initiatives.

There can be no assurances of the Company's ability to realize these plans. As a result, these conditions raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company manages the credit risk associated with cash and cash equivalents by investing in lower risk money market funds and by maintaining operating accounts that are diversified among various institutions with good credit quality. The Company maintains cash accounts that, at times, exceed federally insured limits. The Company has not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that the Company is not exposed to any significant risks on its cash and cash equivalent accounts.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expense during the reporting periods. Examples of management's estimates and assumptions include, but are not limited to, the fair value of share-based awards, estimated useful life of long-lived assets, bad-debt allowances, valuation of intellectual property and intangible assets, contingent liabilities, valuation allowance for deferred tax assets, ROU asset impairment and valuation of non-routine complex transactions, such as recognition of the Earn Out Liability and SPAC Warrants (each as defined below), among others. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from those estimates.

Supplemental Cash Flow Information

The following table shows supplemental cash flow information (in thousands):

	Six months ended June 30,	
	2024	2023
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 544	$ 321
Cash paid for interest	$ 772	$ 1,347
Supplemental disclosures of non-cash investing and financing activities		
Accrued purchases of property and equipment	$ 40	$ 222
Operating ROU assets obtained in exchange for operating lease liabilities, net of adjustments	$ (137,811)	$ 112,763
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 17,542	$ 177,444
Restricted cash	51,581	42,069
Cash, cash equivalents, and restricted cash at end of period	$ 69,123	$ 219,513

Note 2. Recently Issued Accounting Standards

Recently Adopted Accounting Standards

The Company has not adopted any recent accounting pronouncements that are expected to have a material impact on its results of operations, financial position, or cash flows.

Recently Issued Accounting Standards Not Yet Adopted

On November 27, 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. Among other new disclosure requirements, ASU 2023-07 requires companies to disclose significant segment expenses that are regularly provided to the chief operating decision maker. ASU 2023-07 will be effective for annual periods beginning on January 1, 2024 and interim periods beginning on January 1, 2025. ASU 2023-07 must be applied retrospectively to all prior periods presented in the financial statements. We are evaluating the disclosure impact of ASU 2023-07; however, the standard will not have a material impact on the Company's consolidated financial statements.

On December 14, 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures. ASU 2023-09 requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires companies to disclose additional information about income taxes paid. ASU 2023-09 will be effective for annual periods beginning January 1, 2025 and will be applied on a prospective basis with the option to apply the standard retrospectively. We are evaluating the disclosure impact of ASU 2023-09 and its impact on the Company's consolidated financial statements.

In March 2024, the SEC adopted final rules requiring public entities to provide certain climate-related information in their registration statements and annual reports. As part of the disclosures, entities will be required to quantify certain effects of severe weather events and other natural conditions in a note to their audited financial statements. The rules will be effective for annual periods beginning in calendar 2025. In April 2024, the SEC voluntarily stayed implementation of the final rules pending certain legal challenges. We are assessing the effect of the new rules on our consolidated financial statements and related disclosures.

Note 3. Revenue

The Company generates revenues primarily by providing accommodations to its guests. Direct revenue is generated from stays booked through Sonder.com, the Sonder app, or directly through the Company's sales personnel. Indirect revenue is generated from stays booked through third party online travel agencies ("OTAs").

The following table sets forth the Company's total revenues disaggregated between direct and indirect (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Direct revenue	$ 77,893	$ 78,514	$ 136,148	$ 135,934
Indirect revenue	86,708	78,889	161,932	140,972
Total revenue	$ 164,601	$ 157,403	$ 298,080	$ 276,906

No individual guest represented over 10% of revenues for the three and six months ended June 30, 2024 and 2023.

Two OTAs represented approximately 22% and 18% of revenues for the three months ended June 30, 2024.
Three OTAs represented approximately 21%, 14%, and 11% of revenues for the three months ended June 30, 2023. Three OTAs represented approximately 23%, 18%, and 10% of revenues for the six months ended June 30, 2024. Three OTAs represented approximately 21%, 14%, and 12% of revenues for the six months ended June 30, 2023.

One OTA represented approximately 13% of the gross accounts receivable balance at June 30, 2024, and one OTA represented approximately 17% of the gross accounts receivable balance as of December 31, 2023.

Note 4. Balance Sheet Details

Other current assets

Other current assets consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Non-income-related tax assets	$ 10,587	$ 10,030
Deposits due from landlords	63	844
Other current assets	790	471
Total other current assets	$ 11,440	$ 11,345

Other non-current assets

Other non-current assets consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Long-term deposits due from landlords	$ 12,261	$ 12,667
Deferred tax assets	1,684	1,738
Debt issuance costs on undrawn credit facilities	428	518
Other non-current assets	220	227
Total non-current assets	$ 14,593	$ 15,150

Accrued liabilities

Accrued liabilities consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Accrued legal expenses	$ 16,715	$ 15,219
Accrued compensation	4,245	4,395
Accrued direct costs [(1)]	3,588	3,754
Deferred FF&E allowances	1,800	2,459
Accrued other liabilities	12,374	12,799
Total accrued liabilities	$ 38,722	$ 38,626

[(1)] Direct costs include utilities, maintenance, insurance, cleaning, and other expenses related to the Company's properties.

Note 5. Fair Value Measurement and Financial Instruments

Fair Value Hierarchy

Accounting standards require the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

A financial instrument's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

SPAC Warrants

As part of the GMII initial public offering, GMII issued 9,000,000 public warrants (the “Public Warrants”) and 5,500,000 private placement warrants (the “Private Placement Warrants”), of which, every 20 warrants are exercisable for one share of common stock at a price of $230.00 per share (collectively, the “SPAC Warrants”).

Management has determined that the SPAC Warrants issued in the GMII initial public offering, which remained outstanding at consummation of the Business Combination and became exercisable for shares of the Company’s common stock, are subject to accounting treatment as a liability. At the consummation of the Business Combination and at June 30, 2024, the Company used the Public Warrants stock price to value the Public Warrants.

At consummation of the Business Combination, the Company used a Monte Carlo simulation methodology to value the Private Placement Warrants using Level 3 inputs, as the Company did not have observable inputs for the valuation. At December 31, 2022, the Company used the Black-Scholes option-pricing model to estimate the fair value of the Private Placement Warrants using Level 3 inputs. During the three months ended March 31, 2022, the Private Placement Warrants were transferred by the original holders and, in accordance with the contractual terms of the Private Placement Warrants, became Public Warrants upon transfer. As such, at June 30, 2024, the Company used the Public Warrants stock price to value all SPAC Warrants.

At June 30, 2024, the SPAC Warrants were valued at $0.01 per warrant.

Refer to Note 8, *Warrants and Stockholders’ Deficit,* for additional information about the SPAC Warrants.

Earn Out Liability

In addition to the consideration paid at consummation of the Business Combination, certain investors may receive their pro rata share of up to an aggregate of 725,000 additional shares of the Company’s common stock as consideration upon the common stock achieving certain benchmark share prices, as set forth in the merger agreement (the “Earn Out”). Management has determined that the Earn Out is subject to treatment as a liability (the “Earn Out Liability”).

At June 30, 2024, the Company used a Monte Carlo simulation methodology to value the Earn Out using Level 3 inputs. The key assumptions used in the Monte Carlo simulation are related to expected share-price volatility of 80.0%, expected term of 3.04 years, risk-free interest rate of 4.5%, and dividend yield of 0%. The expected volatility at June 30, 2024 was derived from the volatility of comparable public companies.

Delayed Draw Warrants

The fair value of the Delayed Draw Warrants (as defined in Note 6, *Debt*) was estimated by separating the Delayed Draw Notes (as defined in Note 6, *Debt*) into the debt and warrants components and assigning a fair value to each component. The value assigned to the debt component was the estimated fair value as of the issuance date of similar debt without the warrants. The value assigned to the Delayed Draw Warrants component was estimated using the Black-Scholes option-pricing model using Level 3 inputs and was considered to be non-recurring in nature, in accordance with ASC 820, *Fair Value Measurement*. The warrants component was recorded as a debt discount, which is amortized using the effective interest method over the period from the date of issuance through the maturity date. Upon consummation of the Business Combination, the fair value of the Delayed Draw Warrants was $5.6 million and was included in additional paid-in capital in the condensed consolidated balance sheet.

Recurring Fair Value Measurements

At June 30, 2024, the Earn Out Liability and Public Warrants liability were included in other non-current liabilities in the condensed consolidated balance sheets. The following table presents fair value information for liabilities measured at fair value on a recurring basis as of June 30, 2024 (in thousands):

	Level 1	Level 3	Total
Earn Out Liability	$ —	$ 29	$ 29
Public Warrants	273	—	273
Total liabilities measured at fair value	$ 273	$ 29	$ 302

At December 31, 2023, the Earn Out Liability and Public Warrants liability were included in other non-current liabilities in the condensed consolidated balance sheets. The following table presents fair value information for liabilities measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

	Level 1	Level 3	Total
Earn Out Liability	$ —	$ 45	$ 45
Public Warrants	290	—	290
Total liabilities measured at fair value	$ 290	$ 45	$ 335

The following table represents changes in the Company's Level 3 liabilities measured at fair value on a recurring basis for the six months ended June 30, 2024 (in thousands):

	Level 3
Beginning balance, at January 1, 2024	$ 45
Change in fair value of Earn Out Liability	(16)
Ending balance, at June 30, 2024	$ 29

The following table presents changes in the Company's Level 3 liabilities measured at fair value on a recurring basis for the year ended December 31, 2023 (in thousands):

	Level 3
Beginning balance, at January 1, 2023	$ 2,417
Change in fair value of Earn Out Liability	(2,372)
Ending balance, at December 31, 2023	$ 45

There were no transfers of financial instruments between valuation levels during the six months ended June 30, 2024 and the year ended December 31, 2023.

Management estimates that the fair values of its cash equivalents, restricted cash, accounts receivable, prepaid expenses, other current assets, accounts payable, accrued liabilities, sales tax payable, deferred revenue, and other current liabilities approximates their carrying values due to the relatively short maturity of the instruments. The carrying value of the Company's long-term debt approximates its fair value because it bears interest at a market rate and all other terms are also reflective of current market terms.

These assumptions are inherently subjective and involve significant management judgment. Any change in fair value is recognized as a component of non-operating (income) expense, net, on the condensed consolidated statements of operations and comprehensive income (loss).

Note 6. Debt

Delayed Draw Notes Purchase Agreement

On December 10, 2021, the Company entered into a note and warrant purchase agreement (the "Delayed Draw Notes Purchase Agreement") with certain private placement investors (the "Purchasers") for the sale of delayed draw notes in aggregate of $165.0 million to be available to the Company following the consummation of the Business Combination (the "Delayed Draw Notes"). The Delayed Draw Notes Purchase Agreement also provided for the issuance of warrants to purchase an aggregate of 123,750 shares of the Company's common stock, with an exercise price of $250.00 per share (the "Delayed Draw Warrants").

In November 2023, the Delayed Draw Note Purchase Agreement was amended to (i) extend the ability to pay interest in kind on the Delayed Draw Notes through July 19, 2024, (ii) provide for the repayment by the Company of $30.0 million of the outstanding principal amount of the Delayed Draw Notes, plus a prepayment premium of approximately $4.3 million, and (iii) add a minimum liquidity covenant and a minimum FCF covenant.

On June 10, 2024, the Delayed Draw Notes Purchase Agreement was further amended to provide for (i) a permanent waiver of any non-compliance resulting from the NPA Waived Matters (as defined below), (ii) the limited forbearance of certain rights and remedies available under the transaction documents, (iii) the amendment of certain financial covenants, and (iv) additional commitments with an aggregate principal amount of $10.0 million. In addition, purchasers of the Delayed Draw Notes also received detachable warrants (the "Warrants") to purchase an aggregate of 475,264 shares of the Company's common stock, each with an exercise price of $0.01 per share and an expiration date five years after the issuance date, and previously issued warrants to Delayed Draw Notes purchasers were canceled. The purchasers of Delayed Draw Notes were also provided with customary registration rights for shares issuable upon exercise of the newly issued Warrants. Subsequently on June 10, 2024, the Company issued the $10.0 million of Delayed Draw Notes, together with the Warrants. The Company used the proceeds from this issuance for general corporate purposes.

On July 12, 2024, the Delayed Draw Notes Purchase Agreement was further amended to provide for additional commitments with an aggregate principal amount of up to $6.0 million issuable at the Company's election. Subsequently on July 12, 2024, the Company issued the $6.0 million of Delayed Draw Notes. The Company used the proceeds from this issuance for general corporate purposes.

On August 13, 2024, the Delayed Draw Notes Purchase Agreement was further amended to (i) extend the maturity date of all outstanding Delayed Draw Notes to December 10, 2027, (ii) extend the Payment-in-Kind ("PIK") interest payments through March 31, 2025, and at the option of the Purchasers, further extend the PIK interest payments through December 31, 2026, and (iii) provide for additional commitments with an aggregate principal amount of up to $4.0 million. Subsequently on August 13, 2024, the Company issued the $4.0 million of Delayed Draw Notes. The Company used the proceeds from this issuance for general corporate purposes.

On October 28, 2024, the Company entered into a limited waiver and consent agreement (the "NPA Waiver") to the Delayed Draw Notes Purchase Agreement to provide for (a) a permanent waiver of any non-compliance resulting from (x) the Company entering into certain lease modification agreements to that certain Lease with respect to certain premises located in the building known as and located at 23-20 Jackson Avenue, Long Island City, New York 11101, as amended, and (y) the Company's failure to deliver the 2023 Audit and/or the 2024 Audit without a "going concern" or like qualification (the "NPA Waived Matters"), and (b) the Company's commitment to, on the date that the Company files its Current Report on Form 8-K disclosing the voting results of the Company's 2024 annual meeting of stockholders (the "2024 Annual Meeting"), (1) if the Share Increase Proposal (as defined in the NPA Waiver) is approved at the 2024 Annual Meeting, issue warrants to the Investors to purchase an aggregate of (A) 500,000 shares of the Company's common stock, if the Company elects to issue warrants with an exercise price of $0.01 or (B) 625,000 shares of the Company's common stock, if the Company elects to issue warrants with an exercise price of $1.00, or (2) if the Share Increase Proposal is not approved at the 2024 Annual Meeting, make a payment to the Investors in the aggregate amount of $3,000,000. As a result of the NPA Waiver, the debt balances associated with the Delayed Draw Notes have been reclassified from current portion of long-term debt to long-term debt, net as of June 30, 2024.

At both June 30, 2024 and December 31, 2023, the effective interest rate of the Delayed Draw Notes was 17.4%.

Equipment Financing Agreement

On July 25, 2023, the Company entered into a master equipment financing agreement (the “EFA”), which is accounted for as debt. In accordance with the agreement, the Company received approximately $3.0 million in exchange for conveying an interest in certain furniture, fixtures, and equipment (“FF&E”). The EFA contains customary terms and events of default and provides for 12 quarterly payments with an effective interest rate of approximately 12.8% at both June 30, 2024 and December 31, 2023, which includes a balloon payment at the end of the term. The agreement matures in July 2026. Upon maturity, all interest in the subject FF&E will revert back to the Company.

Long term debt, net consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Delayed Draw Notes Purchase Agreement, including capitalized PIK interest	$ 203,872	$ 180,199
EFA	2,000	2,500
Less: debt discount related to Delayed Draw Warrants, net of amortization	(4,913)	(3,908)
Less: unamortized deferred issuance costs	(8,307)	(8,581)
Total debt, net	$ 192,652	$ 170,210
Less: current portion of long-term debt	(1,000)	(168,710)
Total long-term debt, net	$ 191,652	$ 1,500

At June 30, 2024 the current portion of long-term debt consisted of $1.0 million in principal on the EFA. At December 31, 2023 the current portion of long-term debt consisted of $167.7 million in principal on the Delayed Draw Notes Purchase Agreement and $1.0 million in principal on the EFA.

2022 Loan and Security Agreement

In December 2022, the Company entered into a loan and security agreement with Silicon Valley Bank (“SVB”) (now, a division of First Citizens Bank & Trust Company) (the “2022 Loan and Security Agreement”) for a revolving line of credit in an aggregate principal balance of $60.0 million with a maturity date of December 21, 2025. The facility may be utilized for revolving loans or letter of credit issuances subject to the terms of the agreement. As of June 30, 2024, all letters of credit under this facility are fully cash collateralized, and as a result, the Company may not draw against the facility pursuant to the terms of the agreement. The 2022 Loan and Security Agreement includes: (i)(x) a letter of credit fee for each letter of credit equal to 1.5% per annum of the dollar equivalent of the face amount of each letter of credit issued and (y) a letter of credit fronting fee equal to 0.25% per annum of the dollar equivalent of the face amount of each letter of credit issued, and (ii) an unused revolving line fee equal to 0.25% per annum of the average unused portion of the revolving line of credit.

In April 2023, the Company amended the 2022 Loan and Security Agreement. Among other things, the amendment (i) reduced the required cash holdings account balances in the Company’s operating accounts, securities accounts, and depository accounts at or through SVB or its affiliates, (ii) amends the minimum consolidated adjusted EBITDA financial covenant, and (iii) provided additional flexibility to the Company under certain of the negative covenants in the agreement.

In November 2023, the Company further amended the 2022 Loan and Security Agreement. The amendment (i) removed the adjusted quick ratio financial covenant to which the Company was previously subject, (ii) updated certain financial reporting requirements, (iii) reduced the letter of credit sublimit from $60.0 million to $45.0 million, and (iv) permitted a prepayment of the Company’s existing subordinated secured notes.

At June 30, 2024, and as of the date the condensed consolidated financial statements were issued, the Company is in compliance with all financial covenants related to the 2022 Loan and Security Agreement, as amended. Additionally, at June 30, 2024 , there were no revolving borrowings outstanding under the 2022 Loan and Security Agreement. Outstanding letters of credit at June 30, 2024 and December 31, 2023 were permitted under the 2022 Loan and Security Agreement and totaled $48.6 million and $37.6 million, respectively.

On September 26, 2024, the Company entered into a Waiver Agreement with SVB, pursuant to which SVB waived any Default or Event of Default (each as defined in the 2022 Loan and Security Agreement) related to covenant non-compliance resulting from management’s conclusion that there is substantial doubt, which is not alleviated, about the

Company’s ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

Credit Facility

2020 Québec Credit Facility: In December 2020, a Canadian subsidiary of the Company entered into an agreement with Investissement Québec, a Quebecois public investment entity, that provides a loan facility of CAD $25.0 million and an additional loan, referred to as a conditional-refund financial contribution (“CRFC”), of CAD $5.0 million (the “2020 Québec Credit Facility”). The loan and the CRFC bear interest at a fixed rate of 6.0% per annum for a period of 10 years starting from the first date of the loan disbursement. At December 31, 2023, the Company was in compliance with all financial covenants related to the 2020 Québec Credit Facility, but had not yet met the drawdown requirements, and as such, there have been no borrowings against the 2020 Québec Credit Facility. On July 29, 2024, the Company received formal notification from Investissement Québec that, at the Company’s request, the 2020 Québec Credit Facility had been terminated.

Restricted Cash

During the six months ended June 30, 2024 and 2023, the Company entered into multiple cash collateral agreements in connection with the issuance of letters of credit and corporate credit card programs. At June 30, 2024 and December 31, 2023, the Company had $51.6 million and $40.7 million, respectively, of cash collateral which is reported as restricted cash on the condensed consolidated balance sheets.

Note 7. Leases

The Company leases buildings or portions of buildings for guest usage and warehouses to store furniture under noncancellable operating lease agreements, which expire through 2045. The Company is required to pay property taxes, insurance, and maintenance costs for certain of these facilities.

The Company has lease agreements with lease and non-lease components and has elected to utilize the practical expedient to account for lease and non-lease components together in the condensed consolidated statements of operations and comprehensive income (loss).

Operating lease ROU assets are included within operating lease right-of-use assets in the condensed consolidated balance sheets. The corresponding operating lease liabilities are included within current operating lease liabilities and non-current operating lease liabilities in the condensed consolidated balance sheets. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease.

Lease expense for fixed operating lease payments is recognized on a straight-line basis over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

Components of lease expense are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Operating lease cost	$ 72,266	$ 75,437	$ 154,380	$ 148,616
Short-term lease cost (benefit)	3	(201)	38	421
Variable lease cost	2,176	3,369	2,441	6,819
Total operating lease cost	$ 74,445	$ 78,605	$ 156,859	$ 155,856

Supplemental information related to operating leases is as follows (in thousands):

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash payments for operating leases	$ 77,474	$ 71,687	$ 158,980	$ 136,260
Operating ROU assets obtained in exchange for operating lease liabilities, net of adjustments[1]	$ (55,925)	$ 77,163	$ (137,811)	$ 112,763
Early lease terminations gains[1]	$ 71,123	$ 665	$ 95,024	$ 8,437

[1] Operating ROU assets declines and early lease termination gains are primarily related to the impact of lease terminations. We undertook an initiative in 2024 to renegotiate or exit certain properties where there exists unfavorable lease terms.

At June 30, 2024 and December 31, 2023, the weighted-average remaining lease term was 7.1 years and 7.3 years, and the weighted-average discount rate used to determine the net present value of the lease liabilities was 9.4% and 9.6%, respectively.

At June 30, 2024, remaining maturities for operating lease liabilities are as follows (in thousands):

	June 30, 2024
Remaining 2024	$ 135,466
2025	271,254
2026	262,115
2027	232,096
2028	202,056
Thereafter	609,159
Gross lease payments	$ 1,712,146
Less: imputed interest	470,795
Total operating lease liabilities, net	$ 1,241,351

Note 8. Warrants and Stockholders' Deficit

Preferred Stock Warrants

Upon consummation of the Business Combination, (i) the Company's then existing Series A and Series B preferred stock warrants were converted into 7,761 post-combination shares of the Company's common stock for a value of $1.2 million, and (ii) the Company's then existing Series C and Series D preferred stock warrants automatically converted into warrants to purchase shares of the Company's common stock. The Series C and Series D preferred stock warrants are accounted for as equity in accordance with ASC 815-40, *Derivatives and Hedging – Contracts on an Entity's Own Equity* ("ASC 815-40").

Common Stock Warrants

Former Series C and D Preferred Stock Warrants: In connection with the Business Combination, the Company had outstanding warrants to purchase 21,281 shares of common stock as June 30, 2024 and December 31, 2023.

Delayed Draw Issuance: On June 10, 2024, in connection with the amendment to the Delayed Draw Notes Purchase Agreement, the Purchasers also received Warrants to purchase an aggregate of 475,264 shares of the Company's common stock, each with an exercise price of $0.01 per share and an expiration date five years after the issuance date. The Purchasers were also provided with customary registration rights for the shares issuable upon exercise of the Warrants. The Warrants are accounted for as equity in accordance with ASC 815-40, *Derivatives and Hedging – Contracts on an Entity's Own Equity* ("ASC 815-40").

Delayed Draw Warrants: The Delayed Draw Warrants which were outstanding as of December 31, 2023 were issued to the initial Purchasers and were accounted for as equity-classified warrants in accordance with ASC 815-40. Upon consummation of the Business Combination, the value of the Delayed Draw Warrants was $5.6 million and was recorded within additional paid-in capital in the consolidated balance sheets. The Purchasers were also provided with customary registration rights for the shares issuable upon exercise of the Delayed Draw Warrants. Such warrants were canceled in connection with the June 10, 2024 amendment to the Delayed Draw Notes Purchase Agreement.

SPAC Warrants: The SPAC Warrants are accounted for as liabilities, as there are certain terms and features of the warrants that do not qualify for equity classification in accordance with ASC 815-40. The fair value of the SPAC Warrants at June 30, 2024 and December 31, 2023 was a liability of $0.1 million and $0.3 million, respectively, which were recorded in other non-current liabilities in the consolidated balance sheet. The change in fair value of $0.2 million for the six months ended June 30, 2024 is reflected as non-operating income in the condensed consolidated statements of operations and comprehensive (loss) income.

At June 30, 2023, the fair value of the SPAC Warrants was $0.5 million and was recorded in other non-current liabilities in the condensed consolidated balance sheets. The change in fair value of $0.4 million for the six months ended June 30, 2023 is reflected as non-operating income in the condensed consolidated statements of operations and comprehensive (loss) income.

Exchangeable Stock

Upon consummation of the Business Combination on January 18, 2022, each share of Sonder Canada Inc. ("Legacy Sonder Canada") exchangeable common stock ("Legacy Sonder Canada Exchangeable Stock" and collectively, "Legacy Sonder Canada Exchangeable Shares") was exchanged into a new series of the same class of virtually identical Legacy Sonder Canada Exchangeable Common Stock ("Post-Combination Exchangeable Common Stock" and collectively, "Post-Combination Exchangeable Shares") exchangeable for the Company's common stock. On that date, all the Legacy Sonder Canada Exchangeable Shares were automatically converted into 1,616,767 Post-Combination Exchangeable Shares for a value of $49.7 million.

The Company had the following authorized and outstanding Post-Combination Exchangeable Common Stock (in thousands, except per share amounts):

	June 30, 2024	December 31, 2023
Shares authorized	2,000,000	2,000,000
Shares issued and outstanding	551,072	712,982
Issuance price per share	$ 30.80	$ 30.80
Net carrying value	$ 16,973	$ 21,960
Aggregate liquidation preference	$ 16,973	$ 21,960

The net carrying value of the Post-Combination Exchangeable Shares is included in additional paid-in capital in the condensed consolidated balance sheets.

Common and Preferred Stock

On September 20, 2023, the Company effected a 1-for-20 reverse stock split of the outstanding shares of the Company's common stock (including special voting common stock) (the "Reverse Stock Split"). The Company's amended and restated certificate of incorporation following the Business Combination and the Reverse Stock Split authorizes the issuance of 272,000,000 shares, consisting of: (a) 22,000,000 shares of general common stock, including: (i) 20,000,000 shares of common stock, and (ii) 2,000,000 shares of Special Voting Common Stock, and (b) 250,000,000 shares of preferred stock, par value $0.0001 per share.

The Company had reserved the following shares of common stock for future issuance:

	June 30, 2024	December 31, 2023
Post-Combination Exchangeable Common Shares	551,072	712,982
Outstanding stock options	2,463,538	2,685,922
Outstanding restricted stock units ("RSUs")	271,450	359,175
Outstanding market stock units ("MSUs")	554,001	567,500
Outstanding Public Warrants liability	724,997	724,997
Shares issuable pursuant to Earn Out Liability	725,000	725,000
Outstanding Delayed Draw Notes warrants liability	—	123,750
Outstanding penny warrants	475,264	—
Outstanding former Series C and D preferred stock warrants liability	21,281	21,281
Shares available for grant under the Employee Stock Purchase Plan	463,930	353,024
Shares available for grant under the 2021 Equity Incentive Plan	1,391,933	569,715
Shares available for grant under the 2023 Inducement Equity Incentive Plan	158,310	141,800
Total common stock reserved for future issuance	7,800,776	6,985,146

Note 9. Equity Incentive Plans and Stock-Based Compensation

Stock-based Compensation Expense

Total stock-based compensation expense is as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Operations and support	$ 771	$ 2,140	$ 1,629	$ 4,975
General and administrative	705	4,980	2,550	11,283
Research and development	264	938	527	2,349
Sales and marketing	39	200	82	451
Total stock-based compensation expense	$ 1,779	$ 8,258	$ 4,788	$ 19,058

Stock Options: The Company measures stock-based compensation expense for stock options at the grant date fair value of the award and recognizes the expense on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of stock options is estimated using the Black-Scholes option-pricing model. During the three and six months ended June 30, 2024, the Company recorded stock-based compensation expense from stock options of approximately $0.4 million and $1.5 million, respectively. During the three and six months ended June 30, 2023 the Company recorded stock-based compensation expense from stock options of approximately $5.9 million and $14.4 million, respectively.

The Company recognizes only the portion of the option award granted that is ultimately expected to vest as compensation expense and elects to recognize gross share-based compensation expense with actual forfeitures as they occur.

Fair Value of Stock Options: The fair value of each stock option award is estimated using the Black-Scholes option-pricing model, which uses the fair value of the Company's common stock and requires the input of the following subjective assumptions:

Expected term. The expected term for options granted to employees, officers, and directors is based on the historical pattern of option exercise behavior and the period of time they are expected to be outstanding.

Expected volatility. The expected volatility is based on the average volatility of similar public entities within the Company's peer group as the Company's stock has not been publicly trading for a long enough period to rely on its own expected volatility.

Expected Dividends. The dividend assumption is based on the Company's historical experience. To date, Company has not paid any dividends on its common stock.

Risk-Free Interest Rate. The risk-free interest rate used in the valuation is the implied yield currently available on the United States Treasury zero-coupon issues, with a remaining term equal to the expected life term of the Company's options.

The following table summarizes the key assumptions used to determine the fair value of the Company's stock options granted to employees, non-employees, officers, and directors:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Expected term (in years)	6.09 - 6.22	6.21 - 6.22	6.09 - 6.22	6.21 - 6.22
Expected volatility	50.4% - 51.2%	50.5% - 50.6%	50.4% - 51.2%	50.4% - 50.6%
Dividend yield	— %	— %	— %	— %
Risk-free interest rate	3.50% - 4.40%	3.50% - 3.58%	3.50% - 4.40%	3.50% - 3.99%
Weighted-average grant-date fair value per share	$1.35 - $13.69	$5.80 - $6.40	$1.35 - $13.69	$5.80 - $13.60

Performance and Market-Based Equity Awards

The Company maintains certain performance and market-based equity awards. Refer to Note 11, *Equity Incentive Plans and Stock-Based Compensation*, of the Annual Report for details of the awards. From the awards, the Company recognized $0.2 million and $0.6 million for the three and six months ended June 30, 2024, respectively, and $0.5 million and $1.0 million for the three and six months ended June 30, 2023, respectively.

RSUs

The fair value of the Company's RSUs is expensed ratably over the vesting period. The Company's RSUs generally vest over four years, with a cliff equal to one-fourth of the award after the first year, and then quarterly thereafter over the remaining service period. For the three and six months ended June 30, 2024, the Company recorded stock-based compensation expense from RSUs of approximately $1.0 million and $2.3 million, respectively. For the three and six months ended June 30, 2023, the Company recorded stock-based compensation expense from RSUs of approximately $1.6 million and $3.3 million, respectively.

MSUs

In May 2022, the Company issued MSUs to certain key executives in accordance with the Company's 2021 Management Equity Incentive Plan. One-sixth of the MSUs vest upon (including prior to but contingent on) the occurrence of each of six distinct triggering events, including if certain share price targets are met, within the five-year period ending July 17, 2027.

The Company determined the grant-date fair value of the MSUs using a Monte Carlo simulation. The Company recognizes stock-based compensation for the MSUs over the requisite service period, which is approximately four years, using the accelerated attribution method. During the three and six months ended June 30, 2024, the Company did not grant any MSUs. During the three and six months ended June 30, 2024, the Company recognized approximately $0.2 million and $0.4 million, respectively, in stock-based compensation expense from MSUs. For the three and six months ended June 30, 2023, the Company recognized approximately $0.2 million and $0.4 million, respectively, in stock-based compensation expense from MSUs.

Note 10. Net Income (Loss) per Common Share

Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding during the period, less weighted-average shares subject to repurchase. The diluted net income (loss) per share is computed by giving effect to all potentially dilutive securities outstanding for the period. For periods in which the Company reports net losses, diluted net income (loss) per share attributable to common stockholders is the same as basic net income (loss) per share attributable to common stockholders, because potentially dilutive common shares are anti-dilutive.

The following tables set forth the computation of basic and diluted net income (loss) per share (in thousands, except number of shares and per share data):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	$ 32,747	$ (44,184)	$ (17,740)	$ (126,049)
Denominator:				
Weighted average basic and diluted common shares outstanding	11,150,682	10,901,375	11,167,172	10,881,547
Net income (loss) per common share:				
Basic and diluted	$ 2.94	$ (4.05)	$ (1.59)	$ (11.58)

The following potential common shares outstanding were excluded from the computation of diluted net income (loss) per share because including them would have been anti-dilutive:

	June 30,	
	2024	2023
Options to purchase common stock	2,463,538	2,306,995
Common stock subject to repurchase or forfeiture	75,390	82,660
Outstanding RSUs	554,001	602,998
Outstanding MSUs	271,450	496,168
Exchangeable shares	551,072	963,042
Total common stock equivalents	3,915,451	4,451,863

Note 11. Commitments and Contingencies

Surety Bonds

A portion of the Company's leases are supported by surety bonds provided by affiliates of certain insurance companies. At June 30, 2024, the Company had commitments from six surety providers in the amount of $38.3 million, of which $17.9 million was outstanding. The availability, terms and conditions, and pricing of bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity, and the Company's corporate credit rating.

Legal and Regulatory Matters

The Company has been and expects to continue to become involved in litigation or other legal proceedings from time to time, including the matter described below. Except as described below, the Company is not currently a party to any litigation or legal proceedings that, in the opinion of management, is likely to have a material adverse effect on the Company's business. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, possible restrictions on the business as a result of settlement or adverse outcomes, and other factors.

In February 2020, the Company was informed about an investigation underway by the New York City Department of Health and Mental Hygiene relating to possible Legionella bacteria contamination in the water supply at the Company's property located at 20 Broad Street, New York, NY (the "Broad Street Property"). Due to the failure of the owner of the Broad Street Property (the "Broad Street Landlord") to address the Legionella bacteria contamination and the associated health risks posed to guests, the Company withheld payment of rent to the Broad Street Landlord on grounds of, among other reasons, constructive eviction. On July 30, 2020, the Broad Street Landlord sued Sonder USA Inc., Sonder Canada Inc., and Sonder Holdings Inc. for breach of the lease, seeking no less than $3.9 million in damages. The Company filed counterclaims against the Broad Street Landlord and the property management company for breach of contract, seeking significant damages. The Broad Street Landlord filed a motion for summary judgment. The hearing and oral argument for the summary judgment motion occurred on December 21, 2021. On October 13, 2023, the court issued an order granting the summary judgment motion with respect to liability for the claim for breach of guaranty against Sonder Canada Inc., the claim for breach of contract against Sonder USA Inc., and reasonable attorney's fees; dismissing Sonder's counterclaims; and ordering a trial for the amount of damages. On November 13, 2023, Sonder filed a notice of appeal of the October 13, 2023 court order on liability. On May 9, 2024, the appellate court affirmed the trial court's order as to liability, but directed the trial court to allow Sonder the right to conduct discovery concerning the amount of the Broad Street Landlord's alleged damages. Discovery has commenced in the trial court regarding the Broad Street Landlord's alleged damages. The Broad Street Landlord has provided information in discovery indicating that through June 2024, it is seeking $36.9 million in alleged damages. A trial date to determine damages has not yet been set. On June 12, 2024, Sonder filed a motion in the appellate court seeking leave to reargue aspects of the appellate court's order, or alternatively, for leave to appeal the order. On September 26, 2024, the appellate court granted Sonder's motion to reargue and issued an order reversing the trial court's decision to dismiss Sonder's breach of contract claim related to the Broad Street Landlord's failure to maintain the plumbing systems in good repair for the period prior to when Sonder began withholding payment of rent.

The Company establishes an accrued liability for loss contingencies related to legal matters when a loss is both probable and reasonably estimable. These accruals represent management's best estimate of probable losses. The Company recorded an estimated accrual of $18.9 million and $17.3 million in the condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively. Management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop. Until the final resolution of legal matters, there may be an exposure to losses in excess of the amounts accrued. With respect to outstanding legal matters, based on management's current knowledge, the amount or range of reasonably possible loss will not, either individually or in the aggregate, have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

Tax Contingencies

The Company is subject to audit or examination by various domestic and foreign tax authorities with regards to tax matters. Income tax examinations may lead to ordinary course adjustments or proposed adjustments to the Company's taxes or net operating losses with respect to years under examination as well as subsequent periods. Indirect tax examinations may lead to ordinary course adjustments or proposed adjustments to transaction taxes which may increase operating expenses. The Company establishes an accrued liability for loss contingencies related to tax matters when a loss is both probable and reasonably estimable. These accruals represent management's best estimate of probable losses. The Company recorded estimated accruals of $6.7 million and $6.8 million, respectively in the taxes payable line item of the condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023, respectively, for such matters.

Changes in tax laws, regulations, administrative practices, principles, and interpretations may impact the Company's tax contingencies. Due to various factors, including the inherent complexities and uncertainties of the judicial, administrative, and regulatory processes in certain jurisdictions, the timing of the resolution of income tax controversies is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next twelve months the Company will receive additional assessments by various tax authorities or possibly reach resolution of tax controversies in one or more jurisdictions. These assessments or settlements could result in changes to the Company's contingencies related to positions on prior years' tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements, and the range of possible outcomes is not currently estimable.

Indemnifications

The Company has entered into indemnification agreements with all of its directors. The indemnification agreements and the Company's Amended and Restated Bylaws (the "Bylaws") require the Company to indemnify these individuals to the fullest extent not prohibited by Delaware law. Subject to certain limitations, the indemnification agreements and Bylaws also require the Company to advance expenses incurred by its directors. No demands have been made for the Company to provide indemnification under the indemnification agreements or the Bylaws, and thus, there are no claims that management is aware of that could have a material adverse effect on the Company's business, results of operations, financial condition, and cash flows.

In the ordinary course of business, the Company has included limited indemnification provisions under certain agreements with parties with whom it has commercial relations of varying scope and terms with respect to certain matters, including losses arising out of its breach of such agreements or out of intellectual property infringement claims made by third parties. It is not possible to determine the maximum potential loss under these indemnification provisions due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, no material costs have been incurred, either individually or collectively, in connection with the Company's indemnification provisions.

Note 12. Income Taxes

The provision for income taxes the three months ended June 30, 2024 was $0.2 million and was a benefit of $4 thousand for the three months ended June 30, 2023. The provision for income taxes for the six months ended June 30, 2024 and 2023 was $0.4 million and $0.1 million, respectively. The difference between the Company's effective tax rate and the U.S. statutory rate of 21.0% for both periods was primarily due to a full valuation allowance related to the Company's net deferred tax assets.

Note 13. Restructuring Activities

On March 1, 2023, the Company announced a further restructuring affecting approximately 14.0% of the corporate workforce. As part of this restructuring, the Company incurred $2.1 million in one-time restructuring costs for the year ended December 31, 2023, all of which had been paid out as of December 31, 2023.

On February 20, 2024, the Company announced a reduction in force affecting 106 corporate roles, or 17% of the corporate workforce. The Company substantially completed these efforts during the first quarter of 2024. Total costs and cash expenditures were approximately $3 million, primarily related to employee severance and benefits costs, and were recognized and substantially paid in the first quarter of 2024.

These restructuring costs are included in restructuring and other charges in the condensed consolidated statements of operations and comprehensive income (loss).

Note 14. Subsequent Events

Delayed Draw Notes Purchase Agreement Amendments

On July 12, 2024, the Delayed Draw Notes Purchase Agreement was amended to provide for additional commitments with an aggregate principal amount of up to $6.0 million issuable at the Company's election. Subsequently on July 12, 2024, the Company issued the $6.0 million of Delayed Draw Notes. The Company used the proceeds from this issuance for general corporate purposes.

On August 13, 2024, the Delayed Draw Notes Purchase Agreement was further amended to (i) extend the maturity date of all outstanding Delayed Draw Notes to December 10, 2027, (ii) extend the PIK interest payments through March 31, 2025, and at the option of the Purchasers further extend the PIK interest payments through December 31, 2026, and (iii) provide for additional commitments with an aggregate principal amount of up to $4.0 million. Subsequently on August 13, 2024, the Company issued the $4.0 million of Delayed Draw Notes. The Company used the proceeds from this issuance for general corporate purposes.

Limited Waiver and Consent Agreement to Note and Warrant Purchase Agreement

On October 28, 2024, the Company entered into the NPA Waiver to provide for (a) a permanent waiver of any non-compliance resulting from the NPA Waived Matters and (b) the Company's commitment to, on the date that the Company files its Current Report on Form 8-K disclosing the voting results of the Company's 2024 Annual Meeting, (1) if the Share Increase Proposal is approved at the 2024 Annual Meeting, issue warrants to the Investors to purchase an aggregate of (A) 500,000 shares of the Company's common stock, if the Company elects to issue warrants with an exercise price of $0.01 or (B) 625,000 shares of the Company's common stock, if the Company elects to issue warrants with an exercise price of $1.00, or (2) if the Share Increase Proposal is not approved at the 2024 Annual Meeting, make a payment to the Investors in the aggregate amount of $3,000,000.

2022 Loan and Security Agreement Amendments and Waiver

On July 12, 2024, the 2022 Loan and Security Agreement was further amended to provide, among other things, for SVB's consent to the amendment to the Delayed Draw Notes Purchase Agreement.

On September 26, 2024, the Company entered into a Waiver Agreement with SVB, pursuant to which SVB waived any Default or Event of Default (each as defined in the 2022 Loan and Security Agreement) related to covenant non-compliance resulting from management's conclusion that there is substantial doubt, which is not alleviated, about the Company's ability to continue as a going concern for at least one year from the date of issuance of these financial statements.

On October 28, 2024, the Company entered into a waiver agreement (the "SVB Waiver"), by and among the Company, certain of its domestic subsidiaries party thereto, as co-borrowers (together with the Company, the "Borrowers"), and Silicon Valley Bank, a division of First-Citizens Bank & Trust Company ("SVB"), as lender, which waived certain provisions under the Loan and Security Agreement dated as of December 21, 2022, as amended by that certain First Amendment to Loan and Security Agreement dated as of April 28, 2023, as further amended by that certain Second Amendment to Loan and Security Agreement dated as of November 6, 2023, as further amended by that certain Waiver and Third Amendment to Loan and Security Agreement dated as of June 10, 2024, as further amended by that certain Fourth Amendment to Loan and Security Agreement dated as of July 12, 2024, as further amended by that certain Fifth Amendment to Loan and Security Agreement dated as of August 13, 2024, and as further affected by that certain Waiver Agreement dated as of September 26, 2024. Among other things, the SVB Waiver provides for a waiver of any non-compliance resulting from the Waived Matters (as defined therein).

SVB and its affiliates have engaged in, and may in the future engage in, banking and other commercial dealings in the ordinary course of business with Borrowers or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Lawsuit Settlements

On July 24, 2024, the Company favorably settled two lawsuits related to certain property leases for a total of $7.5 million payable in three tranches of $2.5 million each. The Company received the first tranche in July 2024 with the remaining two payments forthcoming in 2025. The Company will recognize the settlement income when it is realized and earned accordingly in the periods of payment receipt.

Marriott License Agreement

On August 13, 2024, the Company entered into the Marriott Agreement, whereby the Company's portfolio of properties is expected to join the Marriott system under a newly-created collection called "Sonder by Marriott Bonvoy." Under the Marriott Agreement, the Company's properties will become available for booking on Marriott's digital platforms, including Marriott.com and the Marriott Bonvoy mobile app, and the Company will also gain access to Marriott's global sales and marketing capabilities and distribution platform.

The initial term of the Marriott Agreement will expire 20 years after the Initial Onboarding Date, the date upon which our properties are integrated into the Marriott platform and systems, and is expected to be in the first quarter of 2025, and provides for extensions for two consecutive five-year renewal terms. The Marriott Agreement also includes other rights and provisions related to the term of the agreement.

The Company must comply with certain Marriott standards, including, among others, those related to data privacy, cyber security, fire protection and life safety, third-party distributions and use of intellectual property, and customary franchise terms, conditions and requirements, but our properties will otherwise generally follow the Company's design, maintenance, renovation, and operating standards.

In consideration of the services and the license provided to the Company by Marriott, beginning on the Initial Onboarding Date, the Company will pay Marriott a royalty fee that increases over the first few years, up to a specified maximum, and various other fees, charges, and costs. The Company and Marriott will each pay its own technology and systems integration and launch costs.

Subject to the Company providing Marriott with reasonably satisfactory evidence that the Company has funded the Holistic Capital Solution (as defined in the Marriott Agreement) and there being no monetary, bankruptcy related or exclusivity default by the Company under the Marriott Agreement, Marriott will provide the Company with $15 million of Key Money in two tranches by March 31, 2025. If the Marriott Agreement is terminated for any reason, the Company must reimburse Marriott, before the effective date of the termination, the Unamortized Key Money.

During the first two years of the Marriott Agreement term, Marriott has agreed not to open any properties pursuant to an agreement for a Platform Transaction with certain specified Company competitors, subject to certain exclusions. For the duration of the term, subject to standard terms and processes, Marriott has agreed that it will designate the Company as an approved operator for the Apartments by Marriott Bonvoy brand worldwide. Also for the duration of the Marriott Agreement term, the Company has agreed not to open any Lodging Facility, unless the Company first proposes that it be included under the Marriott Agreement and Marriott confirms it is restricted from being included, in which case, the exclusivity will not apply so long as any third-party that the Company contracts with regarding such opening is not a Marriott Competitor.

Following the five year anniversary of the Marriott Agreement, the Company and Marriott will each have the right to terminate the agreement upon notice to the other party and payment of a termination fee and unamortized key money upon any transfer (or series of transfers) of: (i) 50% of more of the direct or indirect ownership interests in the Company to any Non-Controlled Person; (ii) 50% or more of the Company's direct or indirect ownership interests in all of the Properties to any Non-Controlled Person; or (iii) the right to control the day-to-day management or operations of the Company or each Company party that owns, leases or operates a Property to any Non-Controlled Person.

Capitalized terms used but not defined in the foregoing description of the Marriott Agreement have the meanings ascribed to them in the agreement.

Series A Preferred Stock Issuance and Related Agreements

Securities Purchase Agreements

On August 13, 2024, the Company entered into Securities Purchase Agreements (the "Securities Purchase Agreements") with certain qualified institutional buyers or accredited investors (collectively, the "Purchasers") (the "Private Placement") of an aggregate of 43.3 million newly issued shares of Series A Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), in exchange for cash consideration in an aggregate amount of approximately $43.3 million. The sale of the Series A Preferred Stock pursuant to the Securities Purchase Agreements will take place in two tranches, with the first tranche, comprised of approximately 14.7 million shares of preferred stock for an aggregate purchase price of approximately $14.7 million, that closed on August 13, 2024 and the second tranche, comprised of approximately 28.6 million shares of preferred stock for an aggregate purchase price of approximately $28.6 million, closing upon the satisfaction of certain closing conditions set forth in the Securities Purchase Agreements, including the filing of the Annual Report and the Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2024 and June 30, 2024 (collectively, the "SEC Documents").

The shares of Series A Preferred Stock issued and sold in the Private Placement are being issued and sold in reliance upon an exemption from the registration requirements of the Securities Act pursuant to Section 4(a)(2) thereof and Rule 506(b) thereunder.

A portion of the Series A Preferred Stock is immediately convertible into approximately 2.2 million shares of the Company's common stock. Following receipt of Stockholder Approval (as defined below), all 43.3 million shares of the Series A Preferred Stock will be convertible into shares of common stock.

The Securities Purchase Agreements require the Company to hold a special meeting of stockholders within 30 calendar days of the filing of the SEC Documents for the purpose of obtaining stockholder approval of proposals to issue shares of common stock to the Purchasers in connection with the conversion of the Series A Preferred Stock into common stock that would, absent such approval, violate Nasdaq Rules 5635(b), (c) and (d) (the "Stockholder Approval"). The Securities Purchase Agreements also require the Company to file a registration statement under the Securities Act within 30 calendar days of the filing of the SEC Documents with respect to the resale of shares of common stock receivable upon conversion of the Series A Preferred Stock. At the Special Meeting of Stockholders held on September 30, 2024, the Company obtained the Shareholder Approval.

Francis Davidson, the Company's Chief Executive Officer and Chairman of the Company's Board of Directors, and Sanjay Banker, a member of the Company's Board of Directors, are parties to Securities Purchase Agreements, with commitments of approximately $1,500,000, and $100,000, respectively, in the Private Placement. Mr. Davidson and Mr. Banker have each agreed that they may not convert any shares of Series A Preferred Stock to common stock prior to the Company's receipt of Stockholder Approval.

The Securities Purchase Agreements grant the Purchasers the right to purchase up to 25% of any equity offering within the next five years (a "Subsequent Financing"). The Purchasers are entitled to participate on a pro-rata basis (determined by their proportionate participation in the Private Placement) at a purchase price equal to 75% of the purchase price of any other investor in such Subsequent Financing.

The Securities Purchase Agreements contain other representations, warranties and covenants of the Company and the Purchasers.

Voting Agreements

On August 13, 2024, the Company entered into agreements with holders of approximately 53% of its then-outstanding shares of common stock pursuant to which the stockholder parties thereto agreed to vote in favor of the Stockholder Approval.

Certificate of Designation; Other Terms of Preferred Stock

In connection with the Private Placement, the Company filed the Certificate of Designation (the "Certificate of Designation") creating the Series A Preferred Stock and establishing the rights, preferences and other terms of the Series A

Preferred Stock. The Series A Preferred Stock ranks senior to the common stock with respect to the payment of dividends and distribution of assets upon liquidation, dissolution and winding up, and has a liquidation preference equal to the original issue price of $1.00 per share of Series A Preferred Stock, as adjusted for any stock dividends, splits, combinations and similar events on the Series A Preferred Stock.

Holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by the board of directors of the Company, cumulative dividends in cash (subject to certain conditions), at a rate of (a) fifteen percent (15.00%) from August 13, 2024 through August 13, 2025, (b) ten percent (10.00%) from August 14, 2025 through August 13, 2027, and (c) five percent (5.00%) from August 14, 2027 through August 13, 2028 on the sum of (i) the liquidation preference per share of Series A Preferred Stock and (ii) all accumulated and unpaid dividends (if any), payable quarterly, in arrears. Dividends accumulate on a daily basis from the most recent date as to which dividends have been paid, or, if no dividends have been paid, from the date of issuance of such shares of Series A Preferred Stock (whether or not (i) any of the Company's agreements prohibit the current payment of dividends, (ii) there shall be earnings or funds of the Company legally available for the payment of such dividends or (iii) the Company declares the payment of dividends), until the earlier of: (i) the date that the Company publicly reports that it has realized at least $87 million of FCF (representing cash used in operating activities plus cash used in investing activities) over a twelve month period; or (ii) August 13, 2028.

The Series A Preferred Stock has no stated maturity and will remain outstanding indefinitely unless converted into common stock. The Series A Preferred Stock will be convertible at the holders' option into common stock at an initial conversion price of the lower of (i) $1.00 and (ii) a ten percent (10%) discount to the lowest daily VWAP of the common stock on the principal trading market therefor in the seven (7) trading days prior to the date of delivery of an Optional Conversion Notice (as defined in the Certificate of Designation); provided that the conversion price will not be less than $0.50, as adjusted for any stock dividends, splits, combinations or other similar events on the common stock or Series A Preferred Stock.

In the event of a Fundamental Change (as defined in the Certificate of Designation), any holder of Series A Preferred Stock may require the Company to redeem all or any portion of its Series A Preferred Stock at a price per share equal to the greater of (i) the liquidation preference, plus an amount equal to all accumulated and unpaid dividends on such shares (including dividends accrued and unpaid on previously unpaid dividends) or (ii) the amount that such holder would have received in the Fundamental Change on an as-converted basis.

Until the Company has obtained the requisite Stockholder Approval, the holders of the Series A Preferred Stock will not have any right to vote together with any other class of stock on any matters. Once the Stockholder Approval is obtained, holders of the Series A Preferred Stock will be entitled to vote on an as-converted-to-common-stock basis as provided in the Certificate of Designation, have full voting rights and powers equal to the voting rights and powers of the holders of the common stock, and will be entitled to vote together with the common stock with respect to any question upon which holders of common stock have the right to vote. In addition, approval of holders of 70% of the shares of Series A Preferred Stock is required to among other things (i) alter or change the terms of the Series A Preferred Stock or of any other capital stock of the Company so as to affect adversely the Series A Preferred Stock, (ii) create, authorize the creation of, or issue any Senior Securities or Parity Securities (as such terms are defined in the Certificate of Designation) to the Series A Preferred Stock as to dividend, redemption or distribution of assets upon a Fundamental Change, (iii) increase or decrease the authorized number of shares of Series A Preferred Stock, (iv) other than in connection with the Stockholder Approval, prior to July 1, 2025 increase the number of authorized shares of common stock, (v) issue more than a number of shares of common stock set forth in the Certificate of Designation prior to July 1, 2025, or (vi) issue any Series A Preferred Stock except pursuant to the terms of the Securities Purchase Agreements.

Limited Waiver and Consent Agreement to Certificate of Designation of Powers, Preferences and Rights of Series A Convertible Preferred Stock

On or about October 24, 2024, the Company entered into a Limited Waiver and Consent Agreements (the "COD Waiver"), by and among the Company and each of the holders party thereto (the "Preferred Stockholders") of the Company's Series A Convertible Preferred Stock, par value $0.0001 per share (the "Preferred Stock"), to the Certificate of Designation of Powers, Preferences and Rights of the Series A Convertible Preferred Stock of the Company, dated as of August 13, 2024 (the "Certificate of Designation"). Among other things, the COD Waiver provides for (a) the consent by the Preferred Stockholders, which constitute in the aggregate the Requisite Holders (as defined in the Certificate of Designation) as required by the Certificate of Designation, to increase the Company's authorized shares of Common Stock pursuant to the Share Increase Proposal and (b) the waiver by the Preferred Stockholders, which constitute in the aggregate at least a majority of the outstanding shares of Preferred Stock as required by the Certificate of Designation, of the anti-dilution provisions described in the Certificate of Designation in connection with the issuance of warrants pursuant to the NPA Waiver.

Amendment to Articles of Incorporation

On October 1, 2024, the Company filed a certificate of amendment to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to effect an increase in the number of authorized shares (the "Authorized Shares Increase") of common stock of the Company, par value $0.0001 per share, effective as of 4:01 p.m., Eastern Time, on October 1, 2024 (the "Effective Time").

The Company's stockholders approved the Authorized Shares Increase at a Special Meeting of Stockholders held on September 30, 2024.

As of the Effective Time, the Company's total number of authorized shares of all classes of capital stock will be increased from 272,000,000 to 401,809,144. The number of authorized shares of common stock will increase from 20,000,000 shares to 149,809,144 shares. The number of authorized shares of special voting common stock will remain unchanged, with 2,000,000 shares authorized. The number of authorized shares of preferred stock will remain unchanged with 250,000,000 shares authorized.

Notice of Delisting

On October 1, 2024, the Company received a letter (the "Staff Determination Letter") from the Staff of the Listing Qualifications Department ("Staff") of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it had filed the Annual Report with the U.S. Securities and Exchange Commission (the "SEC"), but that the Company had not filed its Quarterly Report on Form 10-Q for the quarters ended June 30, 2024 (the "Q2 2024 Form 10-Q") and March 31, 2024 (the "Q1 2024 Form 10-Q," and collectively, the "Delinquent Filings") by September 30, 2024, the deadline by which the Company was to file its Delinquent Filings in order to regain compliance with Nasdaq Listing Rule 5250(c)(1) (the "Rule"). The Staff Determination Letter stated that the Staff had determined that the Company's common stock and warrants would be suspended from The Nasdaq Global Select Market at the opening of business on October 10, 2024, and a Form 25-NSE would be filed with the SEC, which would remove the Company's securities from listing and registration on The Nasdaq Stock Market. The Staff Determination Letter further noted that the Company may appeal the Staff's determination to a Hearings Panel (the "Hearings Panel"), pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series.

On October 2, 2024, the Company submitted an appeal to Nasdaq requesting a hearing before the Hearings Panel at which it intends to present its plan to regain and thereafter maintain compliance with all applicable listing requirements. The appeal automatically suspends any potential delisting through at least October 23, 2024, 15 calendar days from the date the request for hearing was due. In connection with its request for a hearing, however, the Company has also requested a stay of the suspension of trading and delisting of its common stock and warrants, pending the later hearing and decision of the Hearings Panel. The Company has been informed that hearings are typically scheduled to occur approximately 30-45 days after the date of the hearing request. Although the Company will use all reasonable efforts to regain compliance with the Rule, there can be no assurance that the Company will be able to regain compliance with that rule or will otherwise be in compliance with other Nasdaq listing criteria.

On October 23, 2024, the Company received a letter from the Staff notifying the Company that the Hearings Panel had granted the Company's request to stay the suspension of trading and delisting pending a hearing on the merits scheduled to occur on November 14, 2024, and the subsequent decision of the Hearings Panel after the hearing. Nasdaq information states that the Hearings Panel typically issues a decision within 30 days of the hearing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Sonder Holdings Inc. ("Sonder," "we," "us" or "our") should be read together with Sonder's condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and related notes thereto included in the Annual Report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Sonder's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors" herein or in the Annual Report and our subsequent SEC filings. Sonder's historical results are not necessarily indicative of the results that may be expected for any period in the future. Except as otherwise noted, all references to 2023 refer to the year ended December 31, 2023.

Overview

We are a leading global brand of premium, design-forward apartments and intimate boutique hotels serving the modern traveler. Launched in 2014, Sonder offers inspiring, thoughtfully designed accommodations and innovative, tech-enabled service combined into one seamless experience. Sonder properties are found in prime locations 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. In summer 2024, the company announced a strategic licensing agreement with Marriott. As of June 30, 2024, we had approximately 10,300 units available for guests to book at over 200 properties in 46 cities in 10 countries.

The Company's Business Model

We lease properties that meet our standards, furnish and decorate them to provide a design-led, technology-enabled experience, and then make them available for guests to book directly (through the Sonder app, our website, or our sales personnel) or through indirect channels (such as Airbnb, Expedia, and Booking.com). Additionally, we operate boutique hotels designated as Powered by Sonder properties, each with its own unique design elements and features, and which are available for guests to book in the same manner as our other properties. We manage our properties using proprietary and third-party technologies and deliver services to guests via the Sonder app and 24/7 on-the-ground support. Incorporating technology into all aspects of the business, we offer consistent quality at a compelling value to our guests.

Our accommodations come in a variety of shapes and sizes to suit guests' needs – from a multiple-bedroom apartment with fully-equipped kitchen and private laundry facilities, to a hotel room or suite. Our guests include leisure travelers, families, digital nomads, and business travelers.

We currently lease all of our properties. In many of our leases, we have negotiated an upfront allowance paid by the real estate owner to help offset the capital invested to prepare and furnish a building and the individual units.

Recent Developments

Portfolio Optimization - In November 2023, we implemented a portfolio optimization program to mitigate losses related to certain underperforming properties and to assess the Company's portfolio of rents relative to current operations and existing market rents. As described in the Company's Current Report on Form 8-K filed with the SEC on June 11, 2024, as of June 10, 2024, we had signed agreements to exit or reduce rent for approximately 105 buildings, or 4,300 units. Of the approximately 80 buildings, or 3,200 units, with finalized exit agreements, we had already exited approximately 60 buildings, or 2,300 units, as of June 10, 2024. We expect to exit the remaining buildings throughout the remainder of 2024. As of June 30, 2024, we had approximately 10,300 Live Units and 1,800 Contracted Units, and we leased and operated properties in 46 cities and 10 countries.

Restructuring - On February 20, 2024 we announced a reduction in force plan affecting 106 corporate roles, or 17% of the corporate workforce, which is estimated to lead to approximately $11 million in annualized cost savings. We substantially completed these efforts during the first quarter of 2024. Total costs and cash expenditures were approximately $3 million, primarily related to employee severance and benefits costs, and were recognized and substantially paid in the first quarter of 2024.

Notes and Warrants - On June 11, 2024 and July 15, 2024, we announced that we had issued $10.0 million and $6.0 million, respectively, of Delayed Draw Notes, and issued Warrants to purchase 475,264 shares of common stock to the Purchasers, pursuant to amendments to the Delayed Draw Note Purchase Agreement. The Warrants to purchase 123,750 shares of our common stock that were originally issued to the Purchasers were canceled in connection with such amendments.

Management Discussion Regarding Opportunities, Challenges and Risks

Cash Flow Positive Plan

Our primary focus is to put the business on a solid path to achieving sustainable positive FCF, adjusted, as soon as possible. FCF, adjusted is a non-GAAP measure, and the most directly comparable GAAP measure is cash used in operating activities, which was $(73.1) million for the six months ended June 30, 2024 compared to $(59.5) million for the six months ended June 30, 2023. We have continued to make progress toward this goal as our FCF, adjusted, of $(53.2) million for the six months ended June 30, 2024 was a $13.5 million improvement compared to the six months ended June 30, 2023.

As part of our efforts to reach positive FCF, adjusted, we have undertaken a portfolio optimization program, which involves discussions with landlords about renegotiating the terms of our leases at certain properties. This process has resulted and may result in contract modifications resulting in changes to rent amounts, lease durations, or other provisions of our lease agreements and has resulted and may result in the termination of certain leases leading to the transition of certain properties over time and the incurrence of certain expenses including but not limited to termination fees and impairment charges, which could be material. The goal of this initiative is to reduce those properties' impact on our profitability and cash flow through mutually agreeable solutions. The scope of the initiative can be expected to change over time, and we cannot predict the number or product mix of the units that may be ultimately affected. Although we are optimistic about reaching mutually beneficial outcomes in many of these continuing discussions, the terms, scope, and timing of any additional changes to our lease obligations, as well as any other effects on our landlord relationships or reputation with future real estate owners and guests who are affected by property transitions, are uncertain.

Our ability to reach our FCF, adjusted, goal is subject to certain risks, including potential changes in travel demand due to macroeconomic factors or other developments affecting travel; inflation; uncertainties associated with the timing and scope of new property openings; uncertainties associated with the portfolio optimization program described above; our ability to achieve our other intended cost reductions and efficiencies; and other risks and uncertainties described under Part I, Item 1A, "Risk Factors" in the Annual Report.

Supply Growth

A key driver of our revenue growth is our ability to convert units for which we have signed real estate contracts but are not yet available for guests to book ("Contracted Units") into units available for guest booking ("Live Units") and, to a lesser extent, to continue signing properties with favorable terms. Certain signed leases have contingencies or conditions that we or the landlord must satisfy 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.

As part of our Cash Flow Positive Plan, we slowed our planned pace of new unit signings to focus on growth primarily through the conversion of our Contracted Units into Live Units. Our Live Units grew by (7.2)% from June 30, 2023 to June 30, 2024 to approximately 10,300 units, driven by strong conversion of our Contracted Units to Live Units. We are also focused on targeting high quality, 100% capital light deals (as defined in the section entitled "Non-GAAP Financial Measures" below) for incremental unit signings. While we continue to sign high quality, capital light units, development cost uncertainty and augmented risk around financing and landlord sentiment surrounding our stock price performance began to slow the pace of signings starting in the second half of 2022. These challenges were more acute in the second, third, and fourth quarters of 2023, resulting in fewer units signed in these periods than in prior quarters, and persisted in 2024. Despite these challenges, we continue to meaningfully scale the business, primarily by continuing to convert our Contracted Units into Live Units.

Ability to Attract and Retain Guests

Another key driver of our revenue growth is our ability to bring back repeat guests and to attract new guests through various channels. We source demand from a variety of channels, including directly, through Sonder.com, the Sonder app, or our sales personnel, and indirectly, through online travel agencies ("OTAs") such as Airbnb, Booking.com, and Expedia. While bookings made through OTAs incur channel transaction fees, they allow us to attract new guests who may not be familiar with the Sonder brand. In general, direct bookings are more advantageous to us as they do not incur channel transaction fees and also allow us to have a more direct relationship with our guests. Direct revenue as a percentage of total revenue has fluctuated in recent years due to the COVID-19 pandemic but has stabilized above 40% (47.3% for the three months ended June 30, 2024). Additionally, we continue to focus on expanding our corporate sales business.

Technology

We have invested, and will continue to invest, resources in our technology architecture and infrastructure and in integrating our properties and systems into Marriott's platform and systems pursuant to the Marriott Agreement. Technology is essential to our user experience, as it leads guests through their entire Sonder stay, from booking through check-out. Technology also underpins our hospitality operations, from underwriting and supply growth, to building openings, pricing and revenue management, demand generation, interior design, and day-to-day operations. By leveraging technology, our goal is to reduce operating costs and provide a better guest experience at a compelling value.

Key Business Metrics

We track the following key business metrics to evaluate our performance, identify trends, formulate financial projections, and make strategic decisions. Accordingly, we believe these key business metrics provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key business metrics may be different from similarly titled metrics presented by other companies.

The following table provides the key metrics (rounded):

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	No.	%	2024	2023	No.	%
Live Units (end of period)	10,300	11,100	(800)	(7.2)%	10,300	11,100	(800)	(7.2)%
Bookable Nights	1,011,000	957,000	54,000	5.6 %	2,092,000	1,855,000	237,000	12.8 %
Occupied Nights	801,000	789,000	12,000	1.5 %	1,622,000	1,511,000	111,000	7.3 %
Total Portfolio[(1)]	12,200	17,400	(5,200)	(29.9)%	12,200	17,400	(5,200)	(29.9)%
RevPAR	$ 163	$ 164	$ (1)	(0.6)%	$ 142	$ 149	$ (7)	(4.7)%
ADR	$ 205	$ 199	$ 6	3.0 %	$ 184	$ 183	$ 1	0.5 %
Occupancy rate	79.3 %	82.4 %	(3.1)%	(3.8)%	77.5 %	81.5 %	(4.0)%	(4.9)%

(1) Total Portfolio consists of Live Units and Contracted Units at the end of the period noted.

Live Units

Live Units generate Bookable Nights (as defined below) which generate revenue. Live Units are a key driver of revenue, and a key measure of the scale of our business, which in turn drives our financial performance.

Growth in Live Units is driven by the number of units contracted in prior periods, and the lead time and opening period associated with making those units available to guests. The time from contract signing to building opening varies widely, ranging from relatively short periods for hotels that already meet our brand standards and/or that are already live hotels operating under another brand, to many months or even years for projects under renovation or construction. The number of Live Units at the end of a period is also affected by the number of units that were removed from our portfolio during that same period, which we refer to as dropped units.

The decrease in Live Units from June 30, 2023 to June 30, 2024 was driven by our portfolio optimization program and reduction of Live Units thereof. As of June 30, 2024, our five largest cities (New York City, Dubai, Los Angeles, London, and Montreal) accounted for approximately 37.2% of our Live Units, and our 10 largest cities accounted for approximately 59.4% of our Live Units.

Bookable Nights / Occupied Nights

Bookable Nights represent the total number of nights available for stays across all Live Units. Occupied Nights represent the total number of nights occupied across all Live Units. Occupancy Rate (“OR”) is calculated as Occupied Nights divided by Bookable Nights. Bookable Nights, Occupied Nights, and OR are key drivers of revenue, which in turn drives financial performance.

The increase in Bookable Nights and Occupied Nights from the three months ended June 30, 2023 to the three months ended June 30, 2024 and from the six months ended June 30, 2023 to the six months ended June 30, 2024 was largely driven by a greater overall number of Live Units during the period despite termination of units closer to the end of the quarter which resulted in an overall point-in-time decline of Live Units.

RevPAR and Average Daily Rate

RevPAR represents the average revenue earned per available night and can be calculated either by dividing revenue by Bookable Nights, or by multiplying ADR by OR. ADR represents the average revenue earned per night occupied and is calculated as Revenue divided by Occupied Nights. RevPAR and ADR are key drivers of revenue, and key measures of our ability to attract and retain guests, which in turn drives financial performance.

Several factors may explain period-to-period RevPAR variances, including:

- Live Units that became live in recent months and have not yet reached mature economics. Typically, new Live Units take several months to achieve mature ADR and OR as buildings stabilize and drive organic bookings. If a period has a significant increase in Live Units, this may reduce the portfolio’s RevPAR.
- Market mix represents the composition of our portfolio based on geographic presence. Certain markets such as New York or London typically earn higher RevPARs, while certain other markets such as Houston or Phoenix typically earn lower RevPARs. Therefore, if the market mix shifts toward lower RevPAR markets, it may adversely impact the portfolio’s RevPAR.
- Product mix represents the composition of our portfolio between apartment and hotel style units. In general, apartments are higher RevPAR bookings because they typically offer more amenities (e.g., kitchen, in-unit washer/dryer) and have higher square footage compared to hotel units. Therefore, if the product mix shifts towards hotel units, it may reduce the average portfolio-wide RevPAR.
- Seasonality drives typical period-to-period variances in a particular property’s RevPAR depending upon seasonal factors (e.g., weather patterns, local attractions and events, holidays) as well as property location and type. Based on results prior to the COVID-19 pandemic, RevPAR tends to be lower across our portfolio in the first quarter and fourth quarters of each year due to seasonal factors such as weather and holidays and the market mix and product mix of our portfolio at the time. However, the effect of seasonality will vary as our market mix and product mix continues to evolve.

The decrease in RevPAR from the three months ended June 30, 2023 to the three months ended June 30, 2024 was driven by moderate pressure on pricing for our apartment product during the quarter, partially offset by relative strength in pricing for our hotel units. The decrease in RevPAR from the six months ended June 30, 2023 to the six months ended June 30, 2024 was driven by a 4.9% decrease in Occupancy Rate.

Reverse Stock Split

On September 20, 2023, the Company effected the Reverse Stock Split. The par value of one share of common stock and one share of special voting stock remained unchanged as a result of the Reverse Stock Split. All share and per share information within the condensed consolidated financial statements have been retroactively restated to reflect the Reverse Stock Split.

Results of Operations

Three months ended June 30, 2024 compared to three months ended June 30, 2023

The following table sets forth our results of operations as a percentage of revenue (in thousands, except percentages):

	Three months ended June 30,			
	2024		2023	
Revenue	$ 164,601	100.0 %	$ 157,403	100.0 %
Cost of revenue (excluding depreciation and amortization)	94,652	57.5 %	94,760	60.2 %
Operations and support	46,411	28.2 %	50,540	32.1 %
General and administrative	29,272	17.8 %	29,918	19.0 %
Research and development	4,393	2.7 %	5,563	3.5 %
Sales and marketing	21,572	13.1 %	18,231	11.6 %
Restructuring and other charges	—	— %	(23)	— %
Total costs and operating expenses	$ 196,300	119.3 %	$ 198,989	126.4 %
Loss from operations	$ (31,699)	(19.3)%	$ (41,586)	(26.4)%
Total non-operating (income) expense, net	(64,683)	(39.3)%	2,602	1.7 %
(Income) loss before income taxes	32,984	20.0 %	(44,188)	(28.1)%
Provision (benefit) for income taxes	237	0.1 %	(4)	— %
Net income (loss)	$ 32,747	19.9 %	$ (44,184)	(28.1)%
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	$ 1,395	0.8 %	$ (3,381)	(2.1)%
Comprehensive income (loss)	$ 34,142	20.7 %	$ (47,565)	(30.2)%

Revenue

The following table sets forth our revenue (in thousands, except percentages):

	Three months ended June 30,		Change	
	2024	2023	$	%
Revenue	$ 164,601	$ 157,403	$ 7,198	4.6 %

Revenue increased, primarily due to a 1.5% increase in Occupied Nights and a 3.0% increase in ADR as a result of broader travel industry trends, product mix between hotels and apartments, geographic mix, cohort mix and the impact of corporate sales and pricing strategies.

Costs and Operating Expenses

The following table sets forth our total costs and operating expenses (in thousands, except percentages):

	Three months ended June 30,		Change	
	2024	2023	$	%
Cost of revenue (excluding depreciation and amortization)	$ 94,652	$ 94,760	$ (108)	(0.1)%
Operations and support	46,411	50,540	(4,129)	(8.2)%
General and administrative	29,272	29,918	(646)	(2.2)%
Research and development	4,393	5,563	(1,170)	(21.0)%
Sales and marketing	21,572	18,231	3,341	18.3 %
Restructuring and other charges	—	(23)	23	(100.0)%
Total costs and operating expenses	$ 196,300	$ 198,989	$ (2,689)	(1.4)%

Cost of Revenue (excluding depreciation and amortization): Cost of revenue decreased, primarily due to: (i) a $1.7 million decrease in rent expense was primarily due to the decrease in Live Units, (ii) a $0.9 million increase in cleaning expenses as a result of an increase in the number of checkouts, and (iii) a $0.1 million increase in credit card fees due to an increase in bookings.

Operations and support: The decrease in operations and support was primarily due to: (i) a $2.0 million decrease in unit-related expenses primarily smaller non-capitalized items for the units such as bedding, decor, furniture and lighting (ii) a $1.3 million decrease in pre-opening costs due primarily to the timing of costs related to onboarding new units in the three months ended June 30, 2024 compared to the three months ended June 30, 2023, and (iii) a $1.3 million decrease in employee compensation cost, due to a decrease in average headcount; partially offset by multiple less significant amounts; partially offset by a $1.4 million increase in taxes due primarily to property tax assessments.

General and administrative: General and administrative decreased, primarily due to: (i) a $7.7 million decrease in employee compensation cost, due to a decrease in average headcount and (ii) a $0.9 million decrease in facilities expense related to a reduction on office space and related rent; and (iii) the cumulative impact of other less significant expense decreases; partially offset by a a $6.9 million increase in legal and professional fees related to one-time fees associated with the integration in connection with the strategic licensing agreement with Marriott and financing deals and a $1.8 million increase in bad debt expense.

Research and development: Research and development decreased, primarily due to: (i) a $0.8 million decrease in employee compensation expense, driven by a decrease in average headcount, (ii) a $0.4 million decrease in depreciation, primarily due to a decrease in capitalized software costs, (iii) a $0.3 million decrease in computer software expense, partially offset by a $0.4 million increase in legal and professional fees.

Sales and marketing: The increase in sales and marketing was primarily due to: (i) a $1.5 million increase in performance marketing expense, and (ii) a $1.2 million increase in channel transaction fees resulting from an increase in revenue booked through third-party OTAs, consistent with total revenue growth.

Restructuring and other charges: For the three months ended June 30, 2023, the restructuring and other charges consists certain adjustments related to the employee termination benefits as a result of the restructuring announced on March 1, 2023. The majority of the restructuring charges were recognized in the first quarter of 2023. For the three months ended June 30, 2024, this represents the residual restructuring and other charges for employee termination benefits as a result of a restructuring announced on February 20, 2024. The entirety of the increase in restructuring and other charges is due to the difference in amounts recognized for each of the restructurings discussed above.

Total Non-operating (Income) Expense, Net

The following table sets forth our total non-operating (income) expense, net (in thousands, except percentages):

	Three months ended June 30,		Change	
	2024	2023	$	%
Interest expense, net	$ 8,016	$ 6,155	$ 1,861	30.2 %
Change in fair value of SPAC Warrants	64	(508)	572	(112.6)%
Change in fair value of Earn Out Liability	—	(435)	435	(100.0)%
Lease adjustment gains, net	(71,123)	(665)	(70,458)	10595.2 %
Other income, net	(1,640)	(1,945)	305	(15.7)%
Total non-operating (income) expense, net	$ (64,683)	$ 2,602	$ (67,285)	(2585.9)%

Interest expense, net. Interest expense, net increased, primarily due to interest expense recognized on the Company's Delayed Draw Notes.

Change in fair value of SPAC Warrants. The change in the fair value of the SPAC Warrants is impacted by the initial recognition of, and subsequent fair value adjustments to, the SPAC Warrants. The change in the fair value of this line item resulted primarily from a decrease in our stock price period-over-period.

Change in fair value of Earn Out Liability. The change in the fair value of the Earn Out Liability is impacted by the initial recognition of, and subsequent fair value adjustments to, the Earn Out Liability. The change in the fair value of this line item resulted from a decrease in our stock price period-over-period.

Lease adjustment (gain)loss. The lease adjustment (gain)loss is due to the residual impact of lease terminations. The Company in 2024 has undertaken an initiative to renegotiate or exit certain properties where there exists unfavorable lease terms.

Other income, net. The change in other income, net is primarily due to fluctuations in foreign currency rates which impacted the remeasurement of foreign balances to reporting currency.

Provision (benefit) for income taxes

As of June 30, 2024 and 2023, we have recorded a full valuation allowance against our deferred tax assets due to our history of losses.

The following table sets forth the provision (benefit) for income taxes (in thousands, except percentages):

	Three months ended June 30,		Change	
	2024	2023	$	%
Provision (benefit) for income taxes	$ 237	$ (4)	$ 241	(6025.0)%

The provision (benefit) for income taxes increased, primarily as a result of taxes to operations in foreign jurisdictions.

Six months ended June 30, 2024 compared to six months ended June 30, 2023

The following table sets forth our results of operations as a percentage of revenue (in thousands, except percentages):

	Six months ended June 30,			
	2024		2023	
Revenue	$ 298,080	100.0 %	$ 276,906	100.0 %
Cost of revenue (excluding depreciation and amortization)	195,015	65.4 %	186,573	67.4 %
Operations and support	96,391	32.3 %	104,050	37.6 %
General and administrative	53,557	18.0 %	62,389	22.5 %
Research and development	9,064	3.0 %	11,945	4.3 %
Sales and marketing	40,821	13.7 %	33,898	12.2 %
Restructuring and other charges	2,592	0.9 %	2,107	0.8 %
Total costs and operating expenses	$ 397,440	133.3 %	$ 400,962	144.8 %
Loss from operations	$ (99,360)	(33.3)%	$ (124,056)	(44.8)%
Total non-operating (income) expense, net	(82,044)	(27.5)%	1,941	0.7 %
Loss before income taxes	(17,316)	(5.8)%	(125,997)	(45.5)%
Provision for income taxes	424	0.1 %	52	— %
Net loss	$ (17,740)	(6.0)%	$ (126,049)	(45.5)%
Other comprehensive loss:				
Change in foreign currency translation adjustment	$ 806	0.3 %	$ (6,794)	(2.5)%
Comprehensive loss	$ (16,934)	(5.7)%	$ (132,843)	(48.0)%

Revenue

The following table sets forth our revenue (in thousands, except percentages):

	Six months ended June 30,		Change	
	2024	2023	$	%
Revenue	$ 298,080	$ 276,906	$ 21,174	7.6 %

Revenue increased primarily due to a 7.3% increase in Occupied Nights and a 0.5% increase in ADR as a result of broader travel industry trends, product mix between hotels and apartments, geographic mix, cohort mix and the impact of corporate sales and pricing strategies.

Costs and Operating Expenses

The following table sets forth our total costs and operating expenses (in thousands, except percentages):

	Six months ended June 30,		Change	
	2024	2023	$	%
Cost of revenue (excluding depreciation and amortization)	$ 195,015	$ 186,573	$ 8,442	4.5 %
Operations and support	96,391	104,050	(7,659)	(7.4)%
General and administrative	53,557	62,389	(8,832)	(14.2)%
Research and development	9,064	11,945	(2,881)	(24.1)%
Sales and marketing	40,821	33,898	6,923	20.4 %
Restructuring and other charges	2,592	2,107	485	23.0 %
Total costs and operating expenses	$ 397,440	$ 400,962	$ (3,522)	(0.9)%

Cost of Revenue (excluding depreciation and amortization): Cost of revenue increased primarily due to: (i) a $4.7 million increase in rent expense due to unit mix changes offset a decrease in Live Units, (ii) a $2.2 million increase in cleaning expenses as a result of an increase in the number of checkouts, (iii) a $0.8 million increase in other cost of revenue expenses, and (iv) a $0.7 million increase in credit card fees due to an increase in bookings.

Operations and support: The decrease in operations and support was primarily due to: (i) an $4.1 million decrease in unit-related expenses primarily smaller non-capitalized items for the units such as bedding, decor, furniture and lighting, (ii) a $2.8 million decrease in employee compensation cost, due to a decrease in average headcount, (iii) a $1.7 million decrease in legal and professional fees, and (iv) a $1.2 million decrease in depreciation expense, partially offset by a $3.0 million increase in taxes.

General and administrative: General and administrative expenses decreased, primarily due to: (i) a $14.2 million decrease in employee compensation cost, due to a decrease in average headcount, (ii) a $2.1 million decrease in facilities expense related to a reduction on office space and related rent; partially offset by a $8.5 million increase in legal and professional expenses related to corporate matters which includes one-time fees associated with the integration of the strategic licensing agreement with Marriott and financing deals.

Research and development: Research and development decreased, primarily due to a net $2.0 million decrease in employee compensation driven by a decrease in average headcount, and (ii) a $0.8 million decrease in depreciation, primarily due to a decrease in capitalized software costs.

Sales and marketing: The increase in sales and marketing was primarily due to: (i) a $3.5 million increase in performance marketing expense, and (ii) a $2.6 million increase in channel transaction fees resulting from an increase in revenue booked through third-party OTAs, consistent with total revenue growth.

Restructuring and other charges: For the six months ended June 30, 2023, the restructuring and other charges consists primarily of employee termination benefits as a result of the restructuring announced on March 1, 2023. For the six months ended June 30, 2024, the restructuring and other charges consists of employee termination benefits as a result of a restructuring announced on February 20, 2024. The entirety of the increase in restructuring and other charges is due to the difference in amounts recognized for each of the restructurings discussed above.

Total Non-operating (Income) Expense, Net

The following table sets forth our total non-operating (income) expense, net (in thousands, except percentages):

	Six months ended June 30,		Change	
	2024	2023	$	%
Interest expense, net	$ 15,339	$ 11,862	$ 3,477	29.3 %
Change in fair value of SPAC Warrants	(17)	(398)	381	(95.7)%
Change in fair value of Earn Out Liability	(16)	(1,933)	1,917	(99.2)%
Lease adjustment gains, net	(95,024)	(8,437)	(86,587)	1026.3 %
Other (income) expense, net	(2,326)	847	(3,173)	(374.6)%
Total non-operating (income) expense, net	$ (82,044)	$ 1,941	$ (83,985)	(4326.9)%

Interest expense, net. Interest expense, net increased primarily due to interest expense recognized on the Company's Delayed Draw Notes.

Change in fair value of SPAC Warrants. The change in the fair value of this line item resulted primarily from a decrease in our stock price period-over-period.

Change in fair value of Earn Out Liability. The change in the fair value of this line item resulted from a decrease in our stock price period-over-period.

Lease adjustment gains, net. The lease adjustment gains, net is due to the residual impact of lease terminations. The Company in 2024 has undertaken an initiative to renegotiate or exit certain properties where there exists unfavorable lease terms.

Other (income) expense, net. The change in other (income) expense, net is primarily due to fluctuations in foreign currency rates which impacted the remeasurement of foreign balances to reporting currency.

Provision for income taxes

The following table sets forth the provision for income taxes (in thousands, except percentages):

	Six months ended June 30,		Change	
	2024	2023	$	%
Provision for income taxes	$ 424	$ 52	$ 372	715.4 %

The provision for income taxes increased, primarily as a result of growth of our operations and taxable income in foreign jurisdictions.

Non-GAAP Financial Measures

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP" or "U.S. GAAP"). However, some of the financial measures discussed herein are non-GAAP financial measures. In accordance with SEC rules, we classify a financial measure as being a non-GAAP financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP in our condensed consolidated statements of operations and comprehensive income (loss), balance sheets, or statements of cash flows.

To supplement the condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: FCF, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization, and Operating Lease Related Rent Charges ("Adjusted EBITDAR") (collectively, the "non-GAAP financial measures"). We may periodically review and update our non-GAAP financial measures based on our determination of their relevance to our business which could result in the addition or elimination of select non-GAAP financial measures in the future.

Free Cash Flow (FCF)

The following table presents the calculation of FCF, adjusted (in thousands):

	Six months ended June 30,	
	2024	2023
Cash used in operating activities	$ (73,087)	$ (59,549)
Cash used in investing activities	(2,209)	(9,350)
FCF, including cash paid for lease terminations, restructuring, and professional fees	$ (75,296)	$ (68,899)
Cash paid for lease termination costs	12,769	—
Cash paid for restructuring costs	2,439	2,150
Cash paid for non-recurring professional fees	6,877	—
FCF, adjusted	$ (53,211)	$ (66,749)

FCF, adjusted, represents cash used in operating activities plus cash used in investing activities, excluding the impact of lease terminations, restructuring, and non-recurring professional fee charges related to non-operational activities. The most directly comparable GAAP financial measure is cash used in operating activities. Our near-term focus is to reach sustainable positive FCF, adjusted, as detailed in our Cash Flow Positive Plan.

We believe FCF, adjusted, is meaningful to investors as it is the primary liquidity measure that we focus on internally to evaluate our progress towards the objectives outlined in our Cash Flow Positive Plan. We believe that achieving our goals around this measure will put us on a path to financial sustainability and will help fund our future growth.

Our FCF measures may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of these measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, this measure may not provide a complete understanding of our cash flow as a whole. As such, these measures should be reviewed in conjunction with our GAAP cash flow.

The change in FCF, adjusted, period-over-period represented a 20.3% increase, primarily driven by increased adjustments for cash paid for lease terminations, restructuring and professional fees totaling $19.9 million, a decrease in cash used in investing activities of $7.1 million and offset by an increase in cash used in operating activities of $13.5 million. Refer to the section entitled “Liquidity and Capital Resources – Cash Flow Information” below for further discussion surrounding the changes in our cash flow figures period-over-period.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) as adjusted to eliminate the impact of net interest expense, provision for income taxes, depreciation and amortization expense, and certain other items as indicated. The exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual. The indicated other items excluded are as follows:

Stock-based Compensation Expense. Non-cash, stock-based compensation expense relates to our equity plan. We exclude such expense when assessing the effectiveness of our operating performance since stock-based compensation does not necessarily correlate with the underlying operating performance of the business.

Lease adjustment gains, net. These net gains reflect the impact of lease terminations and modifications.

Restructuring and other related charges. The aggregate adjustment for expenses associated with our restructuring plans as discussed in Note 13, Restructuring Activities, to our financial statements as presented.

Professional fees. One-time and/or non-recurring professional fees associated with special projects, including but not limited to our strategic partnership, financing activities, restatement, and other non-operating initiatives.

Adjusted EBITDA provides a consistent basis for comparison across reporting periods by excluding interest, taxes, depreciation and amortization, and certain one-time, non-recurring or non-operational items, such as lease adjustment gains, net, restructuring and other related charges, and professional fees related to discrete projects such as fees associated with the integration in connection with the strategic licensing agreement with Marriott and restatement activities. It serves as a key measure for us to align the Company financial performance with our internal financial planning and analysis.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 32,747	$ (44,184)	$ (17,740)	$ (126,049)
Interest expense, net	237	(4)	424	52
Provision for income taxes	8,016	6,155	15,339	11,862
Depreciation and amortization expense	4,992	5,978	9,965	13,026
EBITDA	$ 45,992	$ (32,055)	$ 7,988	$ (101,109)
Stock-based compensation	1,779	8,258	4,788	19,058
Lease adjustment gains, net	(71,123)	(665)	(95,024)	(8,437)
Restructuring and other related charges	—	(23)	2,592	2,107
Non-recurring professional fees	6,624	—	6,877	—
Adjusted EBITDA	$ (16,728)	$ (24,485)	$ (72,779)	$ (88,381)

Adjusted EBITDAR

We define Adjusted EBITDAR as Adjusted EBITDA adjusted for operating lease related rent charges. Adjusted EBITDAR further adds back rent expense related to operating leases to Adjusted EBITDA. This adjustment further enables us to assess our operating performance independent of operating leases, offering insights into our cash flow and performance.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Adjusted EBITDA	$ (16,728)	$ (24,485)	$ (72,779)	$ (88,381)
Operating lease related rent charges	75,580	77,001	158,162	152,815
Adjusted EBITDAR	$ 58,852	$ 52,516	$ 85,383	$ 64,434

We believe these non-GAAP measures are helpful to investors by providing a clearer view of our core operations and allowing better comparability with other companies.

Liquidity and Capital Resources

Going Concern Considerations

In accordance with ASC Topic 205-40, Going Concern, management evaluates whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern. This evaluation includes considerations related to the Company’s forecasted liquidity and cash consumption requirements for one year from the date of issuance of this Quarterly Report on Form 10-Q.

As discussed in Note 1, *Basis of Presentation*, to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, the Company has, throughout 2024, announced a series of financing arrangements and cost optimization initiatives. Additionally, in August 2024, the Company entered into the Marriott Agreement, whereby the Company’s portfolio of properties is expected to join the Marriott system under a newly-created collection called “Sonder by Marriott Bonvoy.”

While the 2024 actions discussed in Note 1, *Basis of Presentation* demonstrate a series of material steps taken to improve the Company’s financial condition, the Company has a history of net losses and negative operating cash flows and expects to continue to incur additional losses in the near future. Additionally, the benefits of the Company’s recent financing arrangements and licensing agreement are contingent upon the successful execution of a number of critical milestones. The timing of the completion of these milestones cannot be guaranteed to ensure liquidity is available when needed to meet the Company’s obligations. As a result of these considerations, management has concluded that there is substantial doubt, which is not alleviated, about the Company’s ability to continue as a going concern for at least one year from the date of issuance of this Quarterly Report on Form 10-Q.

To address the substantial doubt about the Company's ability to continue as a going concern, as described above, the Company has embarked on the following actions:

- engaged a financial advisor to assist in identifying and securing strategic alternatives and financing arrangements,
- launched a portfolio optimization program, which involves discussions with landlords about renegotiating the terms of our leases, including terminations, at certain properties; As of June 10, 2024, the Company has signed agreements to exit or reduce rent for approximately 105 buildings, or 4,300 units, which is expected to lead to estimated annualized run-rate FCF improvements of over $40.0 million of which the Company expects termination fees of less than $20.0 million associated with these agreements; Of the approximately 80 buildings, or 3,200 units, with finalized exit agreements, the Company has already exited approximately 60 buildings, or 2,300 units, as of June 10, 2024 and expects to exit the remaining buildings throughout the remainder of 2024,
- implemented a series of deep cost-cutting initiatives; In February 2024, the Company announced a reduction in force plan affecting 17% of the corporate workforce, which is estimated to result in approximately $11 million in annualized cost savings; The Company continues to be focused on identifying and executing cost optimization initiatives, including further rent reductions, better sourcing contracts that lower property-level direct costs, and further savings in overhead costs,
- entered into the Marriott Agreement which allows us to integrate our properties with Marriott's systems, distribution channels, and branding, and, subject to meeting certain conditions, entitles the Company to receive $15 million of Key Money in two tranches by March 31, 2025; this agreement provides the opportunity for the Company to increase its financial performance through the potential to increase revenue by integrating with Marriott's commercial engine, deliver costs savings through synergies and scale and power future growth,
- received financing from the Company's existing noteholders in the amount of $16 million during June and July 2024, as previously announced, and
- secured financing arrangements that provide the Company with access to approximately $139 million in additional liquidity, including
    - issuing approximately $43 million of Series A Preferred Stock to certain qualified institutional buyers or accredited investors, of which $14.7 million was received in August 2024 and commitments have been received to purchase an additional $28.6 million, subject to certain milestones and customary closing conditions,
    - approximately $83 million in additional liquidity, including $4 million in financing funded in August 2024, and approximately $79 million in the form of a 30-month extension (through the end of 2026) of the paid-in-kind feature of the Note Purchase Agreement (21 months of which is at Sonder's option), and
    - other sources of liquidity totaling $13 million.

Sources and Uses of Cash

At June 30, 2024, we had a cash balance, not including restricted cash, of $17.5 million, which was held for working capital purposes. Cash consists of checking and interest-bearing accounts. Reaching sustainable positive FCF is our primary focus in the near-term, as detailed in our Cash Flow Positive Plan. Once we reach sustainable positive FCF, we expect cash from operations will provide our principal source of liquidity. We generate cash from transactions with customers booking directly through Sonder.com and the Sonder app, which are settled through a payment processor, from transactions with third-party corporate customers which are settled based on contractual terms, and indirectly through OTAs, which are also settled based on contractual terms. The most significant source of liquidity in 2024 was cash inflows from both current period and future guest bookings.

We have incurred losses since inception, and we expect to continue to incur additional losses in the future. Our operations to date have been financed primarily by private equity investments in our common and convertible preferred stock, convertible notes, and other note and warrant purchase agreements, as described in Note 6, *Debt*, and Note 14, *Subsequent Events*, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

We believe that our existing cash on hand combined with our anticipated estimated FCF may be insufficient to fund our operations and debt obligations for at least the next 12 months. Our management has concluded there is substantial doubt about the Company's ability to continue as a going concern, which is not alleviated, for one year from the date of issuance of this Quarterly Report on Form 10-Q. Our future capital requirements will depend on many factors, including, but not limited to, our successful execution of a number of critical milestones required under our recent financing arrangements and licensing agreement, our rate of RevPAR growth, our ability to achieve cost efficiencies, our ability to provide security instruments such as letters of credit in lieu of cash deposits pursuant to leases, and the extent of real estate owners' funding of capital expenditures and other pre-opening costs at our leased properties. To the extent that our existing cash balance and ongoing cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing, including convertible debt, short-term bridge financing, or otherwise, but such funds may not be available on acceptable terms. If sufficient cash from operations or external funding is not available, we may be unable to adequately fund our business plans and it could have a negative effect on our business, operating cash flows, financial condition, and cash flows.

Most of our cash was held in the United States as of June 30, 2024. Our foreign subsidiaries held approximately $5.9 million of cash in foreign jurisdictions. We currently do not intend or foresee a need to repatriate these foreign funds. As a result of the Tax Cuts and Jobs Act of 2017, however, we anticipate the U.S. federal tax impact to be minimal if these foreign funds are repatriated and would not repatriate funds where there was a material tax cost. In addition, based on our current and future needs, we believe our current funding and capital resources for our international operations are adequate.

Debt Arrangements

Debt arrangements, such as our credit facilities and Delayed Draw Notes, have been a source of cash for our day-to-day operations. Refer to Note 6, *Debt* and Note 14, *Subsequent Events,* in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for discussion of our debt arrangements, including the timing of expected maturity of such arrangements. These arrangements include our 2022 Loan and Security Agreement which currently has a letter of credit sublimit of $45.0 million. As of June 30, 2024, because we are unable to satisfy the minimum consolidated adjusted EBITDA covenant, we are required to cash collateralize our obligations under the 2022 Loan and Security Agreement.

Future Cash Obligations

Our estimated future obligations as of June 30, 2024 include both current and long-term obligations. Our debt obligations, including both capitalized to-date and future paid-in-kind interest through the election date of June 2024, totaled $289.8 million, of which, $1.0 million was short-term, and the remainder was long-term. Interest on the foregoing debt obligations is payable in cash after the June 2024 election date. Additionally, we had $48.6 million of irrevocable standby letters of credit outstanding which were collateralized by our restricted cash, all of which represents a long-term cash obligation. Under our operating leases as discussed in Note 7, *Leases*, in the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we had a current obligation of $166.8 million and a long-term obligation of $1.1 billion as of June 30, 2024.

Operating lease obligations primarily represent the initial contracted term for leases that have commenced as of June 30, 2024, not including any future optional renewal periods. In addition, as of June 30, 2024, we have entered into leases that have not yet commenced with no short-term future lease payments and long-term future lease payments totaling $14.5 billion, excluding purchase options, that are not yet recorded on the condensed consolidated balance sheets and are not reflected in the figure above. These leases will commence between 2024 and 2026 with lease terms of five to 20 years.

As part of our efforts to reach positive FCF, we have undertaken a portfolio optimization program, which involves discussions with landlords about renegotiating the terms of our leases at certain properties. This process has resulted and may result in contract modifications resulting in changes to rent amounts, lease durations, or other provisions of our lease agreements and has resulted and may result in the termination of certain leases leading to the transition of certain properties over time and the incurrence of certain expenses including but not limited to termination fees and impairment charges, which could be material.

Cash Flow Information

The following table sets forth our cash flows (in thousands):

	Six months ended June 30, 2024	Six months ended June 30, 2023	$ Change
Net cash used in operating activities	$ (73,087)	$ (59,549)	$ (13,538)
Net cash used in investing activities	(2,209)	(9,350)	7,141
Net cash provided by financing activities	8,917	8	8,909
Effects of foreign exchange on cash	(995)	(782)	(213)
Net change in cash, cash equivalents, and restricted cash	$ (67,374)	$ (69,673)	$ 2,299

Operating Activities

Net cash used in operating activities increased for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to cash paid for lease terminations, restructuring, and professional fees partially offset by an improvement in our operating loss performance with a 7.6% increase in revenue. Cash used in operating activities is subject to variability period-over-period as a result of timing differences, including with respect to the collection of receivables and payments of interest expense, accounts payable, and other items, as well as variability in our stock price as it relates to fair value of the SPAC Warrants and Earn Out Liability.

Investing Activities

Net cash used in investing activities decreased for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily as a result of a decrease in purchases of property and equipment of $6.6 million, largely related to a decrease in purchases for furnishings and fixtures for our Live Units.

Financing Activities

Net cash provided by financing activities increased for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to debt financing proceeds from the issuance in a single draw of an aggregate of $10.0 million of Delayed Draw Notes, as described in Note 6, *Debt*, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

As of June 30, 2024, we had the following off-balance sheet arrangements:

Letters of Credit

As of June 30, 2024, we had $48.6 million of irrevocable standby letters of credit outstanding, which were collateralized by our restricted cash, of which $33.3 million was under our revolving credit facilities. Letters of credit are primarily used as a form of security deposits for the buildings and partial buildings we lease.

Surety Bonds

A portion of our leases are supported by surety bonds provided by affiliates of certain insurance companies. As of June 30, 2024, we had assembled commitments from six surety providers in the amount of $38.3 million, of which $17.9 million was outstanding and was an off-balance sheet arrangement. The availability, terms and conditions, and pricing of bonding capacity are dependent on, among other things, continued financial strength and stability of the insurance company affiliates providing the bonding capacity, general availability of such capacity, our corporate credit rating, and the general perception of our financial performance.

Indemnification Agreements

See Note 11, *Commitments and Contingencies*, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding our indemnification agreements.

Effect of Exchange Rates

Our changes in cash can be impacted by the effect of fluctuating exchange rates. Foreign exchange had a negative effect on cash in both the six months ended June 30, 2024 and 2023, decreasing our total cash balance by $1.0 million and $0.8 million at June 30, 2024 and June 30, 2023, respectively.

Critical Accounting Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Part II, Item 7, Critical Accounting Estimates, in the Annual Report.

Recent Accounting Standards

See Note 2, *Recently Issued Accounting Standards*, in the notes to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recently adopted accounting standards and recently issued accounting standards not yet adopted.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an emerging growth company as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year in which the market value of common stock that is held by non-affiliates exceeds $700.0 million as of the end of that year's second fiscal quarter; (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.235 billion or more during such fiscal year (as indexed for inflation); (iii) the date on which we have issued more than $1 billion in non-convertible debt in the prior three-year period; or (iv) December 31, 2026, and we expect to continue to take advantage of the benefits of the extended transition period, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk from the information provided in Part II, Item 7, Quantitative and Qualitative Disclosures About Market Risk, in the Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective due to the existence of the material weaknesses described below to provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

Material Weaknesses in Internal Control Over Financial Reporting

As disclosed in Part II, Item 9A of the Annual Report, management concluded that the following material weaknesses in internal control existed for the Company. Management concluded that these material weaknesses still exist as of June 30, 2024.

Leases

We previously identified a material weakness in our internal control over financial reporting related to the control deficiencies in the process to capture and record lease agreements timely and accurately. Management has concluded that this material weakness in internal control over financial reporting is due to the fact that the Company did not have the adequate resources with the appropriate level of experience and technical expertise to oversee the Company's leasing business processes and related internal controls.

Control Activities and Control Environment

Given the aggregation of the lease material weakness noted above and other control deficiencies, we have identified related material weaknesses based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), including: (i) deficiencies in the principles associated with the control activities component of the COSO framework relating to establishment of formal policies and procedures and consistent application thereof, and (ii) deficiencies in the principles associated with the control environment component of the COSO framework relating to hiring and training sufficient personnel to timely support the Company's internal control objectives to ascertain whether the components of internal control are present and functioning.

Asset Impairment

Management identified a material weakness regarding the lack of design and effective controls to identify and consider relevant impairment indicators, determination of asset valuation, and possible impairment of assets, including right-of-use assets.

Remediation Plan

To remediate these material weaknesses, we identified improvements, including specific remediation plans for leases, control activities and control environment, and asset impairments, as described in Item 9A. Controls and Procedures of the Annual Report, which we are continuing to implement.

Changes in Internal Control over Financial Reporting

Other than the remediation efforts in progress, during the period covered by this report, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Sonder has been and expects to continue to become involved in litigation or other legal proceedings from time to time, including the matter described below. Except as described below, Sonder is not currently a party to any litigation or legal proceedings that, in the opinion of Sonder's management, are likely to have a material adverse effect on Sonder's business. Regardless of outcome, litigation and other legal proceedings can have an adverse impact on Sonder because of defense and settlement costs, diversion of management resources, possible restrictions on its business as a result of settlement or adverse outcomes, and other factors.

In February 2020, Sonder was informed about an investigation underway by the New York City Department of Health and Mental Hygiene relating to possible Legionella bacteria contamination in the water supply at 20 Broad Street, New York, NY (the "Broad Street Property"). Due to the failure of the owner of the Broad Street Property (the "Broad Street Landlord") to address the Legionella bacteria contamination and the associated health risks posed to guests, Sonder withheld payment of rent to the Broad Street Landlord on grounds of, among other reasons, constructive eviction. On July 30, 2020, the Broad Street Landlord sued Sonder USA Inc., Sonder Canada Inc., and Sonder Holdings Inc. for breach of the lease, seeking no less than $3.9 million in damages. Sonder filed counterclaims against the Broad Street Landlord and the property management company for breach of contract, seeking significant damages. The Broad Street Landlord filed a motion for summary judgment. The hearing and oral argument for the summary judgment motion occurred on December 21, 2021. On October 13, 2023, the court issued an order granting the summary judgment motion with respect to liability for the claim for breach of guaranty against Sonder Canada Inc., the claim for breach of contract against Sonder USA Inc., and reasonable attorney's fees; dismissing Sonder's counterclaims; and ordering a trial for the amount of damages.

On November 13, 2023, Sonder filed a notice of appeal of the October 13, 2023 court order on liability. On May 9, 2024, the appellate court affirmed the trial court's order as to liability, but directed the trial court to allow Sonder the right to conduct discovery concerning the amount of the Broad Street Landlord's alleged damages. Discovery has commenced in the trial court regarding the Broad Street Landlord's alleged damages. The Broad Street Landlord has provided information in discovery indicating that through June 2024, it is seeking $36.9 million in alleged damages. A trial date to determine damages has not yet been set. On June 12, 2024, Sonder filed a motion in the appellate court seeking leave to reargue aspects of the appellate court's order, or alternatively, for leave to appeal the order. On September 26, 2024, the appellate court granted Sonder's motion to reargue and issued an order reversing the trial court's decision to dismiss Sonder's breach of contract claim related to the Broad Street Landlord's failure to maintain the plumbing systems in good repair for the period prior to when Sonder began withholding payment of rent.

Item 1A. Risk Factors

There have been no material changes to the risk factors from those we previously provided in the Annual Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended June 30, 2024, none of the Company's directors or Section 16 officers adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by references to filings previously made with the SEC.

		Incorporated by Reference				
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed or Furnished Herewith
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

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. (registrant)
November 4, 2024	/s/ Dominique Bourgault
Date	Dominique Bourgault Chief Financial Officer (Principal Financial Officer)
November 4, 2024	/s/ Adam K. Bowen
Date	Adam K. Bowen Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Francis Davidson, certify that:

1. I have reviewed this Quarterly Report for the quarter ended June 30, 2024 on Form 10-Q of Sonder Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024

/s/ Francis Davidson
Francis Davidson
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dominique Bourgault, certify that:

1. I have reviewed this Quarterly Report for the quarter ended June 30, 2024 on Form 10-Q of Sonder Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024	/s/ Dominique Bourgault
	Dominique Bourgault
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sonder Holdings Inc. (the “Registrant”) for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Francis Davidson, Chief Executive Officer of the Registrant, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 4, 2024

/s/ Francis Davidson
Francis Davidson
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Sonder Holdings Inc. (the "Registrant") for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dominique Bourgault, Chief Financial Officer of the Registrant, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that::

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 4, 2024	/s/ Dominique Bourgault
	Dominique Bourgault Chief Financial Officer (Principal Financial Officer)