

Sonder The Dutch, New York City



Sonder

# Shareholder Letter

Q3 2023

November 14, 2023

## Fellow Sonder shareholders,

A year ago, for every dollar of revenue generated, Sonder burned 31 cents<sup>1</sup>. Twelve months later, that figure has dropped to 10 cents<sup>1</sup> as revenue has grown 29%. The progress we've made over the last quarter is attributable to cost discipline – every expense has been scrutinized for its ROI, and every department has been successful at delivering operating efficiencies. We're proud to have achieved those significant improvements without impairing our guest experience and brand.

While we're not encouraged by recent y/y RevPAR declines, we're optimistic that we can revert course. Several initiatives addressing pricing, sales, distribution, the performance of our newer cohorts and merchandising are top priorities for the company. Another area of focus over the coming quarter will be to increasingly turn our attention towards the performance of our portfolio of properties. The majority are contributing positively to our cash flow, but many are dragging down profitability. Working with property owners to optimize our portfolio will be crucial to accelerate our timeline to sustainable cash flow positivity.

Once again, we thank you for your support, and we remain committed to doing the hard things to successfully transition Sonder from a hyper-growth company to a self-sustaining, growth company.



Francis Davidson  
Co-founder and CEO

# Third quarter 2023 key results

## Revenue

**\$161M**

29% y/y improvement

## Average Daily Rate (ADR)

**\$185**

(2)% y/y decline

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

**\$(13)M**

Operating Cash Flow margin improvement to (8)% in Q3 2023 from (26)% in Q3 2022

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

**\$109M**

TTM Cash Contribution margin improvement to 19% in Q3 2023 from 17% in Q3 2022

## RevPAR

**\$153**

(3)% y/y decline

## Occupancy Rate

**83%**

(1)% y/y decline

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

**\$(16)M**

Free Cash Flow margin improvement to (10)% in Q3 2023 from (31)% in Q3 2022

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

**11.8K | 17.1K**

31% y/y growth | (10)% y/y decline

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

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

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

# Improving Cash Flow Metrics

**\$(13)M**

Q3 2023 Operating Cash Flow<sup>1</sup>

(8)% Operating Cash Flow Margin

**\$(16)M**

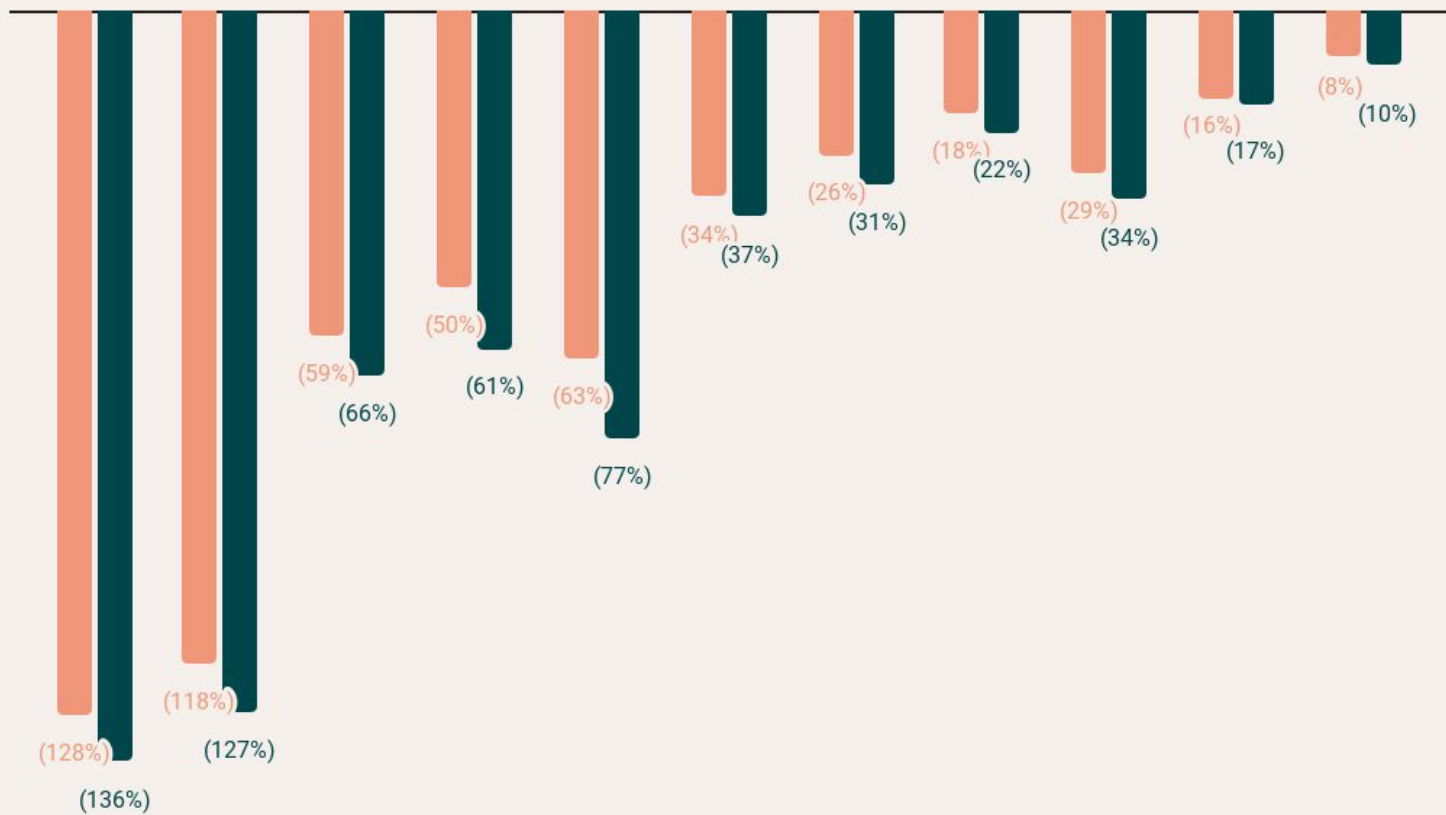
Q3 2023 Free Cash Flow<sup>2</sup>

(10)% Free Cash Flow Margin

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

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

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



	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Revenue (\$M)	\$32	\$47	\$67	\$87	\$80	\$121	\$125	\$135	\$121	\$157	\$161
---------------	------	------	------	------	------	-------	-------	-------	-------	-------	-------

y/y growth	(25%)	151%	155%	204%	155%	157%	85%	56%	50%	30%	29%
------------	-------	------	------	------	------	------	-----	-----	-----	-----	-----

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

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

# Q3 2023 Results



Sonder The Fitz, Minneapolis

Q3 2023 business performance

**11.8K**

**Live Units**

+31% y/y

**1,048K**

**Bookable Nights**

+33% y/y

**868K**

**Occupied Nights**

+31% y/y

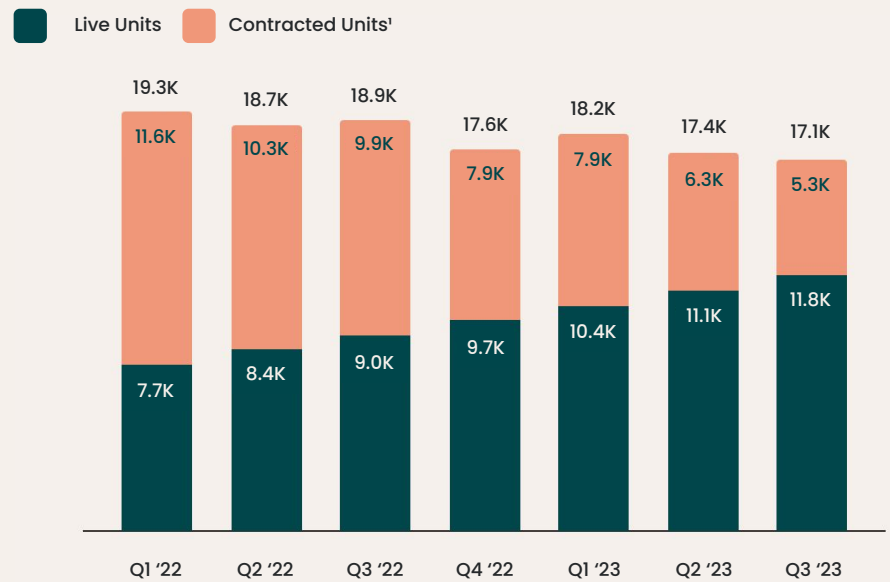
83% Occupancy Rate

**\$153**

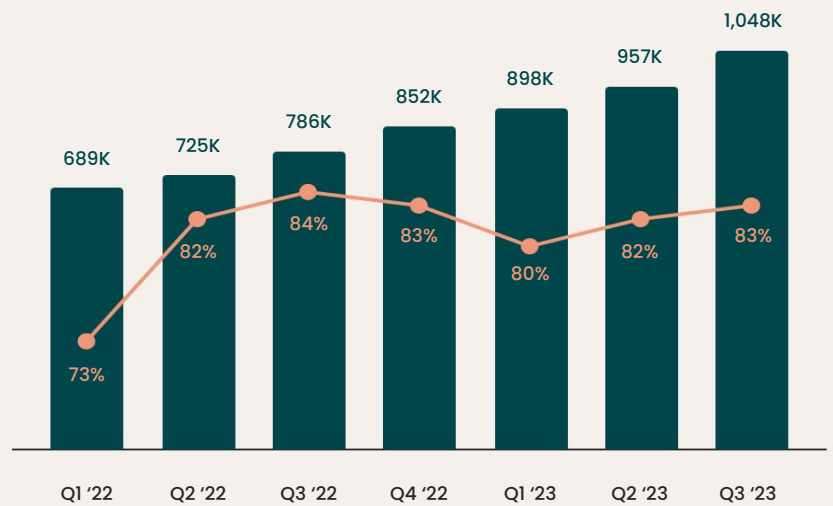
**RevPAR**

(3)% y/y

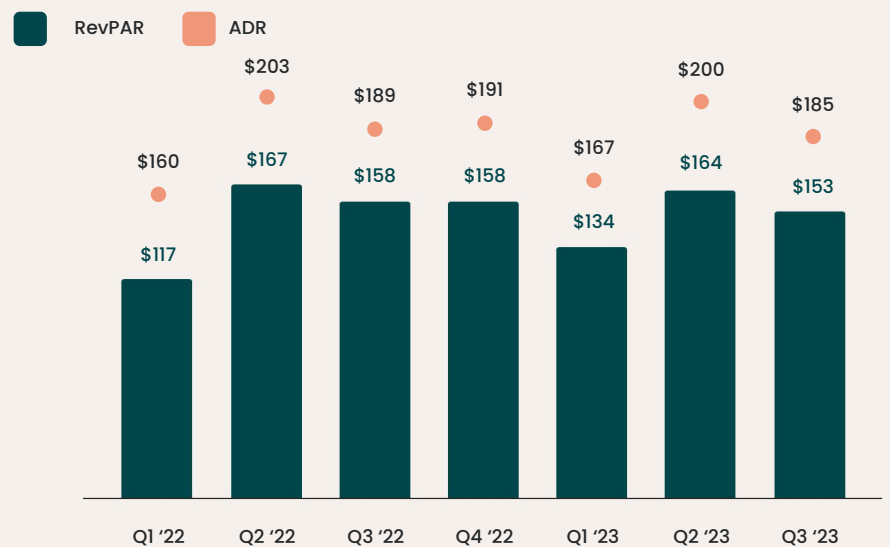
**Quarterly Total Portfolio (End of Period)**



**Quarterly Bookable Nights | Occupancy Rate**



**Quarterly RevPAR | ADR**



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

Q3 2023 financial performance

**\$161M**

**Revenue**

29% y/y improvement

**\$(13)M**

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

Operating Cash Flow margin improvement to (8)% in Q3 2023 from (26)% in Q3 2022

**\$(16)M**

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

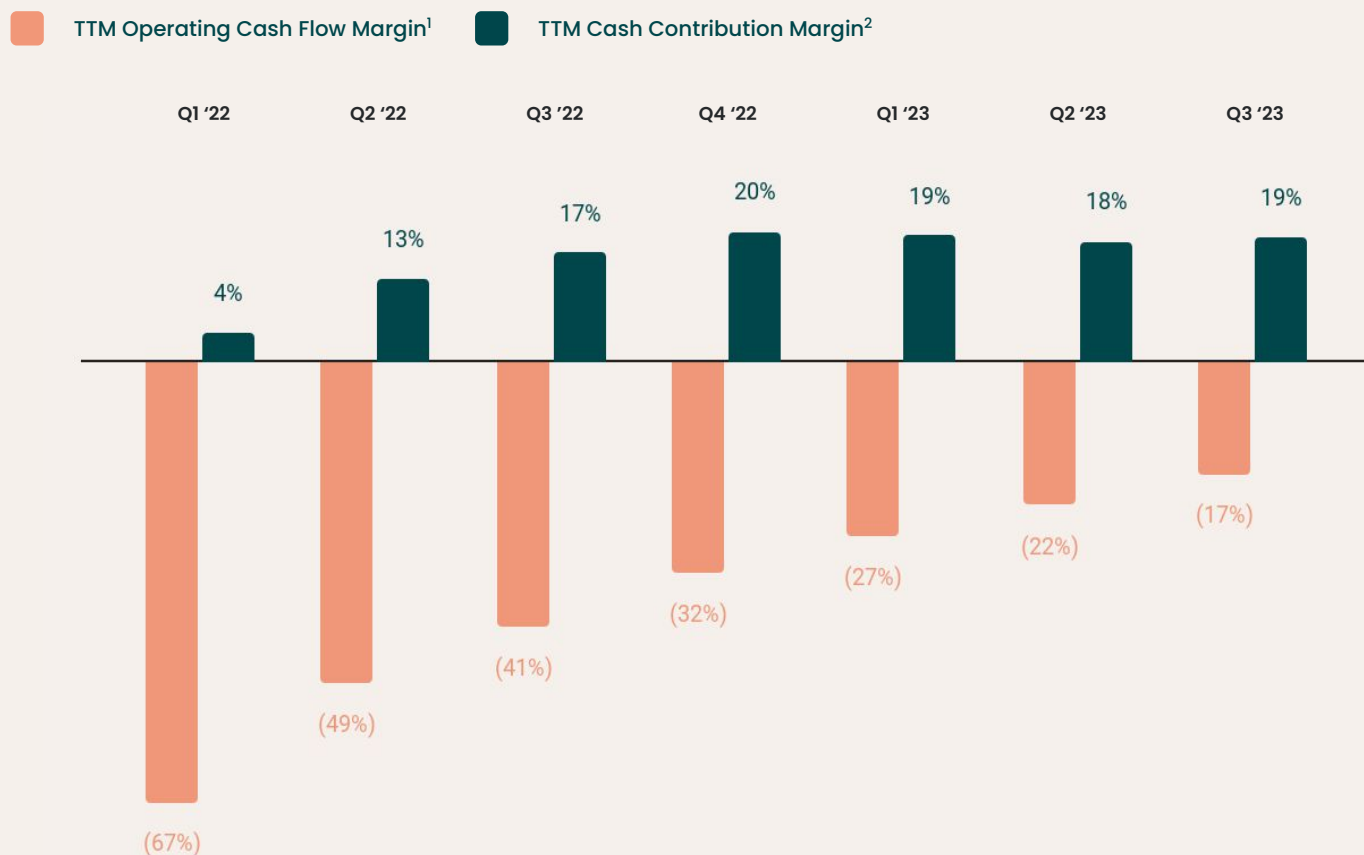
Free Cash Flow margin improvement to (10)% in Q3 2023 from (31)% in Q3 2022

**\$109M**

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

TTM Cash Contribution margin improvement to 19% in Q3 2023 from 17% in Q3 2022

**TTM Operating Cash Flow Margin and TTM Cash Contribution Margin**



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

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

# Guidance

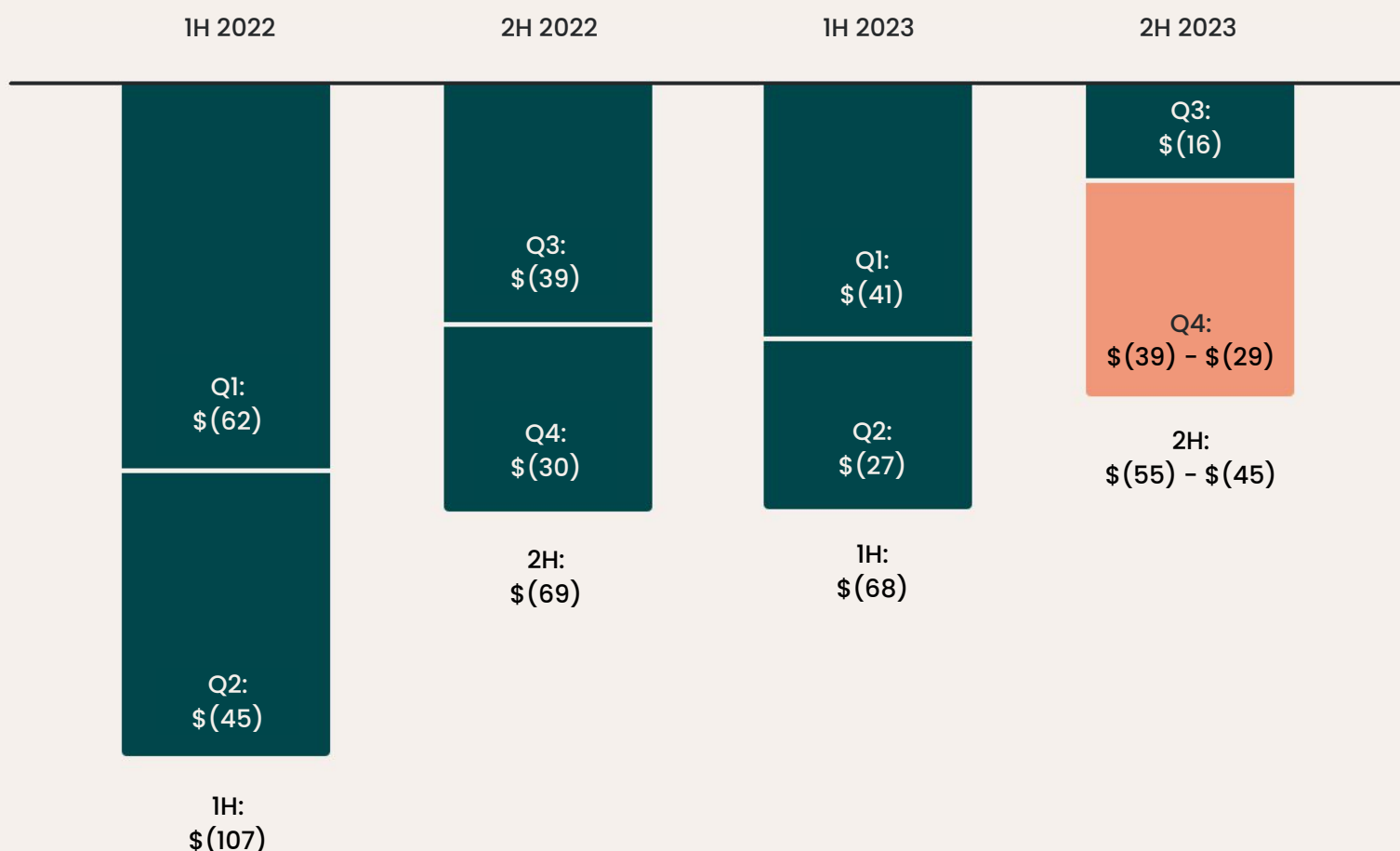
The ranges we are providing for Revenue and FCF for Q4 2023 exclude any future impact of our portfolio optimization program, which could be material. The same as past quarters, our guidance is based on our best knowledge available from internal data and third party forecasters and does not contemplate an extreme slowdown in demand.

For Q4 2023, we expect revenue between \$165 million and \$175 million, which at the midpoint represents a \$148 million, or 32%, y/y improvement for FY2023 and a \$35 million, or 26%, improvement vs. Q4 2022.

For FCF, we expect between \$(39) and \$(29) million in Q4 2023. At the midpoint of the guidance range provided, this translates to a \$58 million, or 33%, y/y improvement in Free Cash Flow for FY2023. This includes the impact of \$4.3 million in one-time prepayment interest penalty associated with our amended credit agreement in Q4 2023.

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

Actuals      Guidance



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



# Financial Statements



Sonder Woods Cove, Laguna Beach

# Sonder Holdings Inc. and Subsidiaries

## Consolidated balance sheets

(In thousands)

	(Unaudited) September 30, 2023	(Unaudited) December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 166,045	\$ 246,624
Restricted cash	41,188	42,562
Accounts receivable, net of allowance	9,105	5,613
Prepaid expenses	6,388	8,066
Other current assets	10,532	10,065
Total current assets	233,258	312,930
Property and equipment, net	28,462	34,926
Operating lease right-of-use ("ROU") assets	1,439,572	1,209,486
Other non-current assets	15,045	16,270
Total assets	\$ 1,716,337	\$ 1,573,612
<b>Liabilities and stockholders' deficit</b>		
Current liabilities:		
Accounts payable	20,514	16,082
Accrued liabilities	24,694	20,131
Taxes payable	15,894	14,418
Deferred revenue	67,819	41,664
Current portion of long-term debt	1,000	—
Current operating lease liabilities	199,345	158,346
Total current liabilities	329,266	250,641
Non-current operating lease liabilities	1,382,693	1,166,538
Long-term debt, net	196,398	172,950
Other non-current liabilities	668	3,430
Total liabilities	1,909,025	1,593,559
Stockholders' deficit:		
Common stock <sup>1</sup>	1	1
Additional paid-in capital <sup>1</sup>	972,991	947,621
Cumulative translation adjustment	10,908	12,985
Accumulated deficit	(1,176,588)	(980,554)
Total stockholders' deficit	(192,688)	(19,947)
Total liabilities and stockholders' deficit	\$ 1,716,337	\$ 1,573,612

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

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split at a ratio of 1-for-20 that became effective on September 20, 2023.

# Sonder Holdings Inc. and Subsidiaries

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

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

	(Unaudited)	(Unaudited)
	Three months ended September 30,	
	2023	2022
Revenue	\$ 160,896	\$ 124,526
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	110,711	76,884
Operations and support	52,137	55,586
General and administrative	27,551	33,016
Research and development	5,344	6,936
Sales and marketing	20,996	13,372
Other operating expenses	1,087	—
Total costs and operating expenses	<u>217,826</u>	<u>185,794</u>
Loss from operations	<u>(56,930)</u>	<u>(61,268)</u>
Interest expense, net	6,423	4,112
Change in fair value of SPAC Warrants	(276)	495
Change in fair value of Earn Out Liability	(209)	2,223
Other expense (income), net	1,032	5,175
Total non-operating expense (income), net	<u>6,970</u>	<u>12,005</u>
Loss before income taxes	<u>(63,900)</u>	<u>(73,273)</u>
Provision for income taxes	376	416
Net loss	<u>\$ (64,276)</u>	<u>\$ (73,689)</u>
Weighted average basic and diluted common shares outstanding <sup>1</sup>	<u>10,960,030</u>	<u>10,784,117</u>
Basic and diluted net loss per common share <sup>1</sup>	<u>\$ (5.86)</u>	<u>\$ (6.83)</u>
Other comprehensive loss:		
Net loss	\$ (64,276)	\$ (73,689)
Change in foreign currency translation adjustment	3,256	4,833
Comprehensive loss	<u>\$ (61,020)</u>	<u>\$ (68,856)</u>

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split at a ratio of 1-for-20 that became effective on September 20, 2023.

# Sonder Holdings Inc. and Subsidiaries

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

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

	(Unaudited)	(Unaudited)
	Nine months ended September 30,	
	2023	2022
Revenue	\$ 439,037	\$ 326,314
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	295,988	229,967
Operations and support	160,502	157,856
General and administrative	90,465	101,274
Research and development	17,487	22,649
Sales and marketing	55,063	35,247
Other operating expenses	1,087	—
Restructuring and other charges	2,130	4,033
Total costs and operating expenses	622,722	551,026
Loss from operations	(183,685)	(224,712)
Interest expense, net	18,285	16,696
Change in fair value of SPAC Warrants	(674)	(23,819)
Change in fair value of Earn Out Liability	(2,142)	(94,299)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(29,512)
Other expense (income), net	(3,759)	14,050
Total non-operating expense (income), net	11,710	(116,884)
Loss before income taxes	(195,395)	(107,828)
Provision for income taxes	639	564
Net loss	\$ (196,034)	\$ (108,392)
Weighted average basic and diluted common shares outstanding <sup>1</sup>	10,908,011	10,125,694
Basic and diluted net loss per common share <sup>1</sup>	\$ (17.97)	\$ (10.70)
Other comprehensive loss:		
Net loss	\$ (196,034)	\$ (108,392)
Change in foreign currency translation adjustment	(2,078)	11,916
Comprehensive loss	\$ (198,112)	\$ (96,476)

(1) Prior period balances have been adjusted to reflect the Reverse Stock Split at a ratio of 1-for-20 that became effective on September 20, 2023.

# Sonder Holdings Inc. and Subsidiaries

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

(In thousands)

	(Unaudited)	(Unaudited)
	Three months ended September 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (64,276)	\$ (73,689)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,882	6,175
Stock-based compensation	4,924	6,405
Amortization of operating lease ROU assets	47,193	35,341
Impairment of ROU assets	1,087	—
(Gain) loss on foreign exchange	1,933	6,634
Capitalization of paid-in-kind interest on long-term debt	7,283	8,291
Amortization of debt issuance costs	2	(8,891)
Amortization of debt discounts	477	6,014
Change in fair value of SPAC Warrants	(276)	495
Change in fair value of Earn Out Liability	(209)	2,223
Other operating activities	(131)	187
Changes in:		
Accounts receivable, net	4,457	1,381
Prepaid expenses	2,423	2,334
Other current and non-current assets	(799)	7,433
Accounts payable	796	(6,019)
Accrued liabilities	5,831	(4,600)
Taxes payable	545	1,930
Deferred revenue	7,688	11,115
Operating lease ROU assets and operating lease liabilities, net	(38,712)	(34,229)
Other current and non-current liabilities	716	(1,007)
Net cash used in operating activities	<u>(13,166)</u>	<u>(32,477)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,189)	(7,434)
Capitalization of internal-use software	(428)	(274)
Net cash used in investing activities	<u>(2,617)</u>	<u>(7,708)</u>
<b>Cash flows from financing activities:</b>		
Repayment of debt and payment of early termination fees	(250)	—
Proceeds from issuance of debt	3,000	—
Proceeds from exercise of stock options	—	255
Net cash provided by financing activities	<u>2,750</u>	<u>255</u>
Effects of foreign exchange on cash	753	(2,359)
Net change in cash, cash equivalents, and restricted cash	<u>(12,280)</u>	<u>(42,289)</u>
Cash, cash equivalents, and restricted cash at beginning of period	219,513	360,744
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 207,233</u>	<u>\$ 318,455</u>

# Sonder Holdings Inc. and Subsidiaries

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

(In thousands)

	(Unaudited)	
	Nine months ended September 30,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	\$ (196,034)	\$ (108,392)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,908	17,801
Stock-based compensation	25,362	18,139
Amortization of operating lease ROU assets	130,192	105,569
Impairment of ROU assets	1,087	—
(Gain) loss on foreign exchange	(2,445)	13,092
Capitalization of paid-in-kind interest on long-term debt	20,418	12,544
Amortization of debt issuance costs	6	149
Amortization of debt discounts	1,274	3,374
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes <sup>1</sup>	—	(29,512)
Change in fair value of SPAC Warrants	(674)	(23,819)
Change in fair value of Earn Out Liability	(2,142)	(94,299)
Other operating activities	897	1,362
Changes in:		
Accounts receivable, net	(4,817)	(1,560)
Prepaid expenses	1,885	(2,543)
Other current and non-current assets	1,177	10,750
Accounts payable	4,433	(28,401)
Accrued liabilities	3,911	2,295
Taxes payable	1,706	6,181
Deferred revenue	25,651	30,204
Operating lease ROU assets and operating lease liabilities, net	(105,422)	(58,493)
Other current and non-current liabilities	589	1,467
Net cash used in operating activities	<u>(74,038)</u>	<u>(124,092)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(10,988)	(23,579)
Capitalization of internal-use software	(1,117)	(2,510)
Net cash used in investing activities	<u>(12,105)</u>	<u>(26,089)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from Delayed Draw Notes <sup>1</sup>	—	159,225
Repayment of debt and payment of early termination fees	(250)	(27,745)
Proceeds from issuance of debt	3,000	—
Proceeds from business combination and PIPE Investment <sup>1</sup>	—	325,928
Common stock issuance costs <sup>1</sup>	—	(58,555)
Proceeds from exercise of stock options	8	1,702
Net cash provided by financing activities	<u>2,758</u>	<u>400,555</u>
Effects of foreign exchange on cash	1,432	(1,860)
Net change in cash, cash equivalents, and restricted cash	<u>(81,953)</u>	<u>248,514</u>
Cash, cash equivalents, and restricted cash at beginning of period	289,186	69,941
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 207,233</u>	<u>\$ 318,455</u>

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

# Non-GAAP Reconciliations & Other Supplemental Data



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

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

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

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Cash used in operating activities</b>	\$ (40,308)	\$ (55,945)	\$ (39,690)	\$ (43,448)	\$ (50,693)	\$ (40,922)	\$ (32,477)	\$ (24,923)	\$ (35,492)	\$ (25,380)	\$ (13,166)
Cash used in investing activities	(2,676)	(4,224)	(4,952)	(9,735)	(1,616)	(6,765)	(7,708)	(4,904)	(7,478)	(2,010)	(2,617)
<b>FCF, including restructuring costs</b>	\$ (42,984)	\$ (60,169)	\$ (44,642)	\$ (53,183)	\$ (62,309)	\$ (47,687)	\$ (40,185)	\$ (29,827)	\$ (42,970)	\$ (27,390)	\$ (15,783)
Cash paid for restructuring costs	—	—	—	—	—	2,363	1,114	235	1,597	553	—
<b>FCF, excluding restructuring costs</b>	\$ (42,984)	\$ (60,169)	\$ (44,642)	\$ (53,183)	\$ (62,309)	\$ (45,324)	\$ (39,071)	\$ (29,592)	\$ (41,373)	\$ (26,837)	\$ (15,783)
Revenue	\$31,558	\$47,269	\$67,454	\$86,663	\$80,466	\$121,322	\$124,526	\$134,769	\$120,738	\$157,403	\$160,896
FCF Margin	(136)%	(127)%	(66)%	(61)%	(77)%	(37)%	(31)%	(22)%	(34)%	(17)%	(10)%



# Reconciliation of Cash used in operating activities to Cash Contribution

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

(in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Non-property level sales and marketing:</b>											
Sales and marketing	\$ 2,511	\$ 4,888	\$ 6,724	\$ 9,367	\$ 9,461	\$ 12,414	\$ 13,372	\$ 15,977	\$ 15,836	\$ 18,231	\$ 20,996
(-) Property level sales and marketing <sup>1</sup>	(1,592)	(3,052)	(4,638)	(6,634)	(6,814)	(9,535)	(10,566)	(11,837)	(11,672)	(13,369)	(14,529)
Non-property level sales and marketing	\$ 919	\$ 1,836	\$ 2,086	\$ 2,733	\$ 2,647	\$ 2,879	\$ 2,806	\$ 4,140	\$ 4,164	\$ 4,862	\$ 6,467
<b>Non-property level operations and support:</b>											
Operations and support	\$ 25,423	\$ 34,889	\$ 36,592	\$ 45,824	\$ 48,267	\$ 54,003	\$ 55,586	\$ 53,225	\$ 56,157	\$ 52,208	\$ 52,137
(-) Property level operations and support <sup>2</sup>	(9,921)	(13,308)	(14,795)	(19,855)	(22,104)	(24,814)	(26,967)	(27,272)	(31,486)	(29,369)	(30,232)
Non-property level operations and support	\$ 15,502	\$ 21,581	\$ 21,797	\$ 25,969	\$ 26,163	\$ 29,189	\$ 28,619	\$ 25,953	\$ 24,671	\$ 22,839	\$ 21,905
<b>Non-property level operating expenses:</b>											
General and administrative	\$ 32,149	\$ 24,615	\$ 21,694	\$ 27,677	\$ 36,981	\$ 31,277	\$ 33,016	\$ 31,171	\$ 32,745	\$ 30,169	\$ 27,551
(+) Research and development	3,319	4,066	5,443	6,263	7,625	8,088	6,936	6,247	6,580	5,563	5,344
(+) Non-property level sales and marketing	919	1,836	2,086	2,733	2,647	2,879	2,806	4,140	4,164	4,862	6,467
(+) Non-property level operations and support	15,502	21,581	21,797	25,969	26,163	29,189	28,619	25,953	24,671	22,839	21,905
(-) Stock based compensation	(14,153)	(2,448)	(3,573)	(5,073)	(6,680)	(5,054)	(6,405)	(4,818)	(12,180)	(8,258)	(4,924)
(-) Depreciation and amortization	(4,119)	(4,213)	(4,357)	(5,025)	(5,630)	(5,996)	(6,175)	(6,110)	(7,048)	(5,978)	(5,882)
Non-property level operating expenses	\$ 33,617	\$ 45,437	\$ 43,090	\$ 52,544	\$ 61,106	\$ 60,383	\$ 58,797	\$ 56,583	\$ 48,932	\$ 49,197	\$ 50,461
<b>Cash contribution:</b>											
Cash used in operating activities	\$ (40,308)	\$ (55,945)	\$ (39,690)	\$ (43,448)	\$ (50,693)	\$ (40,922)	\$ (32,477)	\$ (24,923)	\$ (35,492)	\$ (25,380)	\$ (13,166)
(+) Cash paid for restructuring costs	—	—	—	—	—	2,363	1,114	235	1,597	553	—
(+) Non-property level operating expenses	33,617	45,437	43,090	52,544	61,106	60,383	58,797	56,583	48,932	49,197	50,461
<b>Cash contribution<sup>3</sup></b>	\$ (6,691)	\$ (10,508)	\$ 3,400	\$ 9,096	\$ 10,413	\$ 21,824	\$ 27,434	\$ 31,895	\$ 15,037	\$ 24,370	\$ 37,295
Revenue	\$ 31,558	\$ 47,269	\$ 67,454	\$ 86,663	\$ 80,466	\$ 121,322	\$ 124,526	\$ 134,769	\$ 120,738	\$ 157,403	\$ 160,896
Cash contribution margin	(21)%	(22)%	5%	11%	13%	18%	22%	24%	12%	15%	23%

Note: Cash provided by (used in) operating activities includes the benefit of FF&E Allowance Realized, and therefore, Cash Contribution and Cash Contribution Margin include the benefit of FF&E Allowance Realized.

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

# Reconciliation of Cash used in operating activities to Cash Contribution (TTM)

(in thousands)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Non-property level sales and marketing:</b>							
Sales and marketing	\$ 30,440	\$ 37,966	\$ 44,614	\$ 51,224	\$ 57,599	\$ 63,416	\$ 71,040
(-) Property level sales and marketing <sup>1</sup>	(21,138)	(27,621)	(33,549)	(38,752)	(43,610)	(47,444)	(22,349)
Non-property level sales and marketing	\$ 9,302	\$ 10,345	\$ 11,065	\$ 12,472	\$ 13,989	\$ 15,972	\$ 19,633
<b>Non-property level operations and support:</b>							
Operations and support	\$ 165,572	\$ 184,686	\$ 203,680	\$ 211,081	\$ 218,971	\$ 217,176	\$ 213,727
(-) Property level operations and support <sup>2</sup>	(70,062)	(81,568)	(93,740)	(101,157)	(110,539)	(115,094)	(57,895)
Non-property level operations and support	\$ 95,510	\$ 103,118	\$ 109,940	\$ 109,924	\$ 108,432	\$ 102,082	\$ 95,368
<b>Non-property level operating expenses:</b>							
General and administrative	\$ 110,967	\$ 117,629	\$ 128,951	\$ 132,445	\$ 128,209	\$ 127,101	\$ 121,636
(+) Research and development	23,397	27,419	28,912	28,896	27,851	25,326	23,734
(+) Non-property level sales and marketing	9,302	10,345	11,065	12,472	13,989	15,972	19,633
(+) Non-property level operations and support	95,510	103,118	109,940	109,924	108,432	102,082	95,368
(-) Stock based compensation	(17,774)	(20,380)	(23,212)	(22,957)	(28,457)	(31,661)	(20,332)
(-) Depreciation and amortization	(19,225)	(21,008)	(22,826)	(23,911)	(25,329)	(25,311)	(13,254)
Non-property level operating expenses	\$ 202,177	\$ 217,123	\$ 232,830	\$ 236,869	\$ 224,695	\$ 213,509	\$ 205,173
<b>Cash contribution:</b>							
Cash used in operating activities	\$ (189,776)	\$ (174,753)	\$ (167,540)	\$ (149,015)	\$ (133,814)	\$ (118,272)	\$ (98,961)
(+) Cash paid for restructuring costs	—	2,363	3,477	3,712	5,309	3,499	2,385
(+) Non-property level operating expenses	202,177	217,123	232,830	236,869	224,695	213,509	205,173
<b>Cash contribution <sup>3</sup></b>	<b>\$ 12,401</b>	<b>\$ 44,733</b>	<b>\$ 68,767</b>	<b>\$ 91,566</b>	<b>\$ 96,190</b>	<b>\$ 98,736</b>	<b>\$ 108,597</b>
Revenue	\$ 281,852	\$ 355,905	\$ 412,977	\$ 461,083	\$ 501,355	\$ 537,436	\$ 573,806
Cash contribution margin	4 %	13 %	17 %	20 %	19 %	18 %	19 %

Note: See prior page for quarterly figures. TTM calculated as the sum of the prior four quarters (e.g. TTM Q1 2023 = Q2 2022 + Q3 2022 + Q4 2022 + Q1 2023). Cash provided by (used in) operating activities includes the benefit of FF&E Allowance Realized, and therefore, Cash Contribution and Cash Contribution Margin include the benefit of FF&E Allowance Realized. (1) Composed of channel fees. (2) Composed of customer service, laundry/consumables, maintenance and utilities and insurance included in operations and support. (3) Excludes restructuring costs.

## Historical Data: Revenue Measures

(In thousands, except \$ and %)	2021				2022				2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Live Units	5.0	5.5	6.3	7.6	7.7	8.4	9.0	9.7	10.4	11.1	11.8
Contracted Units	8.0	9.2	10.0	10.5	11.6	10.3	9.9	7.9	7.9	6.3	5.3
<b>Total Portfolio</b>	<b>13.0</b>	<b>14.7</b>	<b>16.3</b>	<b>18.1</b>	<b>19.3</b>	<b>18.7</b>	<b>18.9</b>	<b>17.6</b>	<b>18.2</b>	<b>17.4</b>	<b>17.1</b>
Bookable Nights	411	473	536	611	689	725	786	852	898	957	1,048
Occupied Nights	274	321	366	420	503	598	661	704	722	789	868
<b>Occupancy Rate</b>	<b>66%</b>	<b>68%</b>	<b>68%</b>	<b>69%</b>	<b>73%</b>	<b>82%</b>	<b>84%</b>	<b>83%</b>	<b>80%</b>	<b>82%</b>	<b>83%</b>
Average Daily Rate	\$115	\$147	\$184	\$206	\$160	\$203	\$189	\$191	\$167	\$200	\$185
<b>RevPAR</b>	<b>\$77</b>	<b>\$100</b>	<b>\$126</b>	<b>\$142</b>	<b>\$117</b>	<b>\$167</b>	<b>\$158</b>	<b>\$158</b>	<b>\$134</b>	<b>\$164</b>	<b>\$153</b>

## Use of non-GAAP financial measures

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

## Key Terms

### Total Portfolio

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

### Occupancy Rate

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

### Revenue per Available Room

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

### Free Cash Flow

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

### Cash Contribution

**Cash Contribution** is defined as operating cash flow before non-property level operating expenses, excluding the impact of restructuring charges, if any. **Cash Contribution Margin** is defined as Cash Contribution as a percentage of revenue. Reconciliation of Cash Contribution to the most comparable GAAP measure can be found on pgs 17 - 18.

## Webcast Details

Sonder will host a webcast Tuesday, November 14, 2023 at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss these financial results and business highlights and guidance. To listen to a live audio webcast, please visit the “Events” section of Sonder’s Investor Relations website at [investors.sonder.com](https://investors.sonder.com). The archived webcast will be available on Sonder’s Investor Relations website shortly after the call.

## About Sonder

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

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

## Forward-Looking Statements

This Shareholder Letter contains a number of “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements about Sonder’s forecasted revenue growth, costs, and cash flow (including Sonder’s guidance for revenue and Free Cash Flow for Q4 2023, 2H 2023, and year ending December 31, 2023 and statements about potential cash flow margin), statements about Sonder’s anticipated numbers of Live and Contracted Units, the statements regarding Sonder’s goal of achieving sustainable positive Free Cash Flow and its Cash Flow Positive Plan, including anticipated cost reductions, targeted capital light signings and potential cash flow improvements, statements about the scope, timing, and anticipated impact of Sonder’s portfolio optimization program, including any lease amendments and anticipated cost savings, anticipated travel demand, booking patterns, pricing trends, and other trends, expectations, and objectives discussed in the sections of this Shareholder Letter titled “A note from Francis,” “Improving Cash Flow Metrics,” and “Guidance,” Sonder’s addressable market, potential new markets, and market penetration, innovation plans and initiatives, the success of Sonder’s corporate travel efforts and other RevPAR initiatives, anticipated unit economics, expected seasonality, and other information concerning Sonder’s possible or assumed future financial or operating results and measures, business strategies, competitive position, industry environment, potential growth opportunities, and future operations. These forward-looking statements are based on Sonder’s management’s current expectations, estimates, projections and beliefs, as well as a number of assumptions concerning future events. When used in this Shareholder Letter, the words “estimates,” “projected,” “expects,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “seeks,” “may,” “will,” “should,” “future,” “proposed,” “guidance,” and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside Sonder’s management’s control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. These risks, uncertainties, assumptions and other important factors include, but are not limited to: potential negative impacts on Sonder’s financial results as a result of changes in travel, hospitality, and real estate markets, including the possibility that travel demand and pricing do not recover to the extent anticipated, particularly in the current geopolitical and macroeconomic environment; potential inability to negotiate satisfactory leases or other arrangements to operate new properties, onboard new properties in a timely manner, or renew or replace existing properties on attractive terms, and the possibility of lease terminations prior to scheduled expirations or the failure of lease contingencies; possible delays in real estate development and construction projects related to Sonder’s leases, or other delays in generating revenues from new properties; the possibility that Sonder may not benefit from any market recovery to the extent it anticipates; risks and uncertainties associated with Sonder’s Cash Flow Positive Plan announced in June 2022 and its portfolio optimization program, including the possibility that Sonder will not realize the anticipated cost savings, capital light signings or cash flow improvements from these initiatives or any future cost-saving initiatives, or will need to engage in additional fundraising, and the risk that these initiatives or any future cost-saving initiatives will adversely affect relationships with property owners, employee retention, effectiveness and hiring or other aspects of Sonder’s business; the possibility that RevPAR initiatives will not achieve the desired results and that future pricing and/or occupancy will be lower than anticipated; the possibility of higher than expected capital expenditures, property-related costs or other operating expenses and unanticipated conditions or incidents at leased properties; risks associated with Sonder’s relationships with and reliance upon real estate owners, OTAs and other third parties, and their performance of their obligations; changes in applicable laws or regulations, including legal, tax or regulatory developments, and the impact of any litigation or other legal or regulatory proceedings; the possibility that Sonder may be adversely affected by other economic, business and/or competitive factors, including the additional risks associated with operating internationally; the possibility that Sonder will be unable to effectively manage its growth; Sonder’s success in retaining or recruiting officers, other employees and directors; potential delays or difficulties introducing new or upgraded amenities, services or features, including enhancements to the Sonder app; potential inability to continue meeting the listing standards of Nasdaq; risks related to the impact of public health crises; and other risks and uncertainties described under the heading “Risk Factors” in Sonder’s most recent Quarterly Report on Form 10-Q filed with the SEC on August 9, 2023, Annual Report on Form 10-K filed with the SEC on March 16, 2023, and subsequent SEC filings. You are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Except as required by law, Sonder does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this Shareholder Letter. Additional risks and uncertainties are identified and discussed in Sonder’s reports filed and to be filed with the SEC and available on the SEC’s website at [www.sec.gov](https://www.sec.gov).

## CONTACTS

### Media

[press@sonder.com](mailto:press@sonder.com)

### Investors

[ir@sonder.com](mailto:ir@sonder.com)

