



Shareholder Letter

Q2 2023

August 9, 2023

Fellow Sonder shareholders,

Our cash flow positive plan is in full swing, with reduced Free Cash Flow¹ (FCF) burn of \$18M y/y this past quarter and rapidly improving FCF margins¹ from (37)% to (17)%. So far this year, our efforts to improve costs have been notable – in both direct costs and overhead – with much of our improvement in free cash flow coming from those efforts.

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

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

Frank Jamlon

Francis Davidson Co-founder and CEO

Second quarter 2023 key results

Revenue

\$157M

30% y/y improvement

Average Daily Rate (ADR)

\$200 (1)% y/y decline

Operating Cash Flow¹

\$(25)M

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

Cash Contribution²

\$24M

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

RevPAR

\$164

(2)% y/y decline

Occupancy Rate

82%

0 bps y/y improvement

Free Cash Flow²

\$(27)M

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

Live Units | Total Portfolio³

11.1K | 17.4K

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

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

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

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

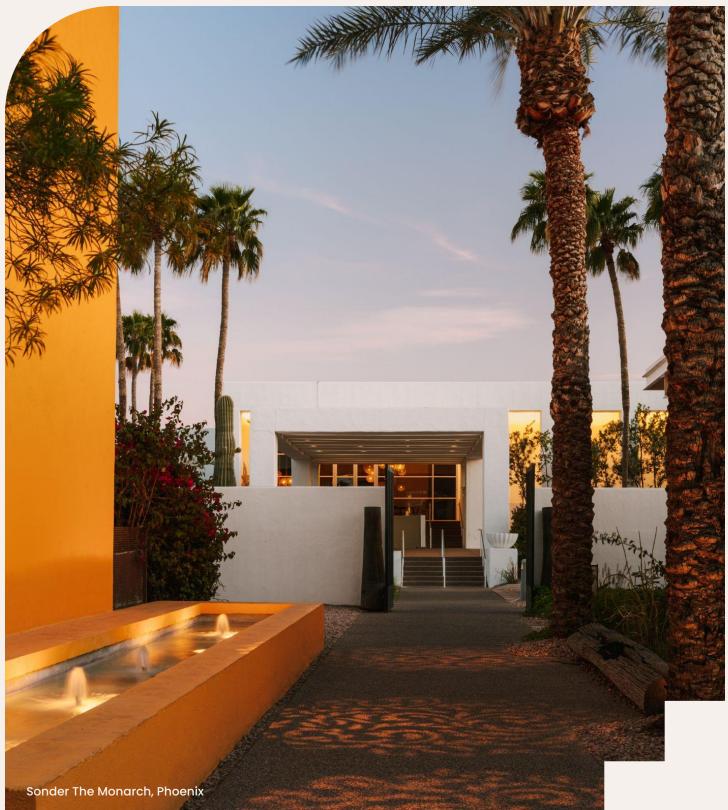
Improving Cash Flow Metrics



(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.

Q2 2023 Results



Quarterly Total Portfolio (End of Period)

Q2 2023 business performance

11.1K Live Units

+32% y/y

957K Bookable Nights

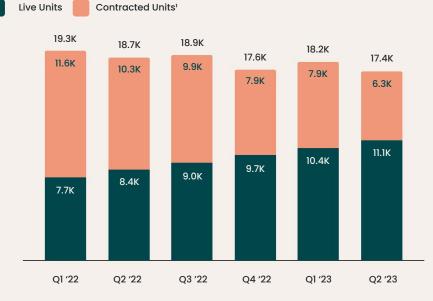
+32% y/y

789K

Occupied Nights +32% y/y 82% Occupancy Rate

\$164 RevPAR

(2)% y/y



Quarterly Bookable Nights | Occupancy Rate



Quarterly RevPAR | ADR



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

Q2 2023 financial performance

Revenue 30% y/y improvement \$(25)M

Operating Cash Flow¹

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

\$(27)M

Free Cash Flow²

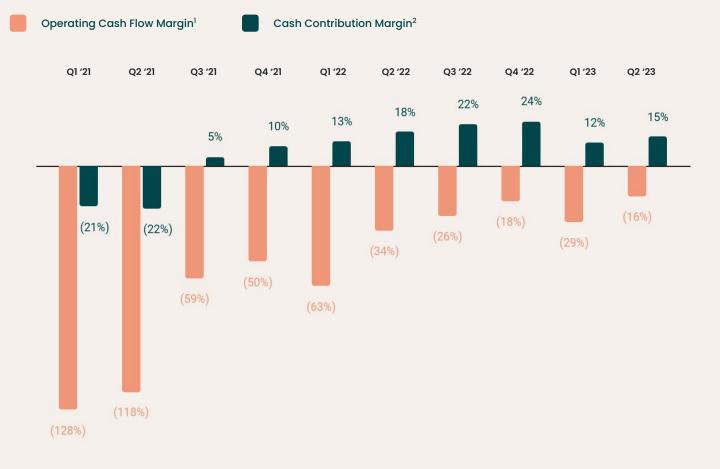
Free Cash Flow margin improvement to (17)% in Q2 2023 from (37)% in Q2 2022

\$24M

Cash Contribution²

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

Quarterly Operating Cash Flow Margin and Cash Contribution Margin



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Guidance

For the third quarter of 2023, we expect revenue between \$160 million and \$170 million and Free Cash Flow¹ excluding one-time restructuring costs between \$(25) million and \$(15) million, which at the midpoint is a \$19 million, or nearly 50%, improvement versus the third quarter of 2022.

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

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



Illustrative Free Cash Flow¹ Based on Guidance (\$M)

Financial Statements



Sonder Holdings Inc. and Subsidiaries Consolidated balance sheets

(In thousands)

Assets 2023 Current assets: Cash and cash equivalents \$ 177,444 \$ Cash and cash equivalents \$ 177,444 \$ Restricted cash 42,069 42,069 Accounts receivable, net of allowance 14,042 14,042 Prepaid expenses 8,786 11,516 - Other current assets 253,867 7 - Total current assets 253,867 - - Operating lease right-of-use ('ROU') assets 13,08,719 - - Other non-current assets 13,08,719 - - - Other non-current assets 13,08,719 - <th>naudited)</th>	naudited)		
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Common stock21Additional paid-in capital968,047	1,593,559		
Additional paid-in capital 968,047			
	21		
	947,601		
Cumulative translation adjustment 7,652	12,985		
Accumulated deficit (1,112,312)	(980,554)		
Total stockholders' deficit (136,592)	(19,947)		
Total liabilities and stockholders' deficit\$1,607,859\$	1,573,612		

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)

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

Sonder Holdings Inc. and Subsidiaries Condensed consolidated statements of operations and comprehensive loss (2/2)

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

(In thousands, except for number of shares information and per share c		audited)	(1)	naudited)
	(01)	,		,
		Six months er 2023	naea June	
	<u> </u>		<u> </u>	2022
Revenue	\$	278,141	\$	201,788
Costs and operating expenses:				
Cost of revenue (excluding depreciation and amortization)		185,277		153,083
Operations and support		108,365		102,270
General and administrative		62,914		68,258
Research and development		12,143		15,713
Sales and marketing		34,067		21,875
Restructuring and other charges		2,130		4,033
Total costs and operating expenses		404,896		365,232
Loss from operations		(126,755)		(163,444)
Interest expense, net		11,862		12,584
Change in fair value of SPAC Warrants		(398)		(24,314)
Change in fair value of Earn Out Liability		(1,933)		(96,522)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes		-		(29,512)
Other (income) expense, net		(4,791)		8,875
Total non-operating expense (income), net		4,740		(128,889)
Loss before income taxes		(131,495)		(34,555)
Provision for income taxes		263		148
Net loss	\$	(131,758)	\$	(34,703)
Weighted average basic and diluted common shares outstanding		217,630,938		197,658,542
Basic and diluted net loss per common share	\$	(0.61)	\$	(0.18)
Other comprehensive loss:				
Net loss	\$	(131,758)	\$	(34,703)
Change in foreign currency translation adjustment		(5,333)		7,084
Comprehensive loss	\$	(137,091)	\$	(27,619)

Sonder Holdings Inc. and Subsidiaries Consolidated statements of cash flows (1/2)

Three months evided Jone 30, 2028 Instrume value Jone 30, 2029 Cach flows from operating activities: \$ (45,527) \$ (45,689) Adjustments to reconcile net loss to net cash used in operating activities: 5,878 5,966 5,678 5,966 Stock-based componation 8,278 5,966 5,678 5,966 Amontization of oparating lease ROU assets 37372 322582 (Cari) loss on foreign exchange 2,0267 4,079 Capitalization of point-in-indi interest on long-term debt 9,790 4,293 387 Change in fair value of SPAC Warrants 2,290 4,043 (23,463) (23,463) Change in fair value of SPAC Warrants (608) (24,49) 387 Change in fair value of SPAC Warrants (608) (24,49) 383 Change in fair value of SPAC Warrants (53,83) (53,34) (53,34) Other current and non-current based (7,319) (6,174) (6,174) Propoid expenses (33,98) (45,133) (23,248) (40,92) (40,92) (40,92) (40,92) (40,92) (40,92)	(In thousands)	(Unaudited)	(Unaudited)		
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Amortization of debt discounts 429 367 Change in fair value of SPAC Warrants (508) (9,419) Change in fair value of Earn Out Liability (435) (23345) Other operating activities 406 493 Changes in: (7,512) (6174) Accounts receivable, net (7,32) (6174) Other current and non-current assets 1.644 (112) Accounts payable 5.683 (373) Accounts payable (859) 1.288 Operating lease ROU assets and operating lease liabilities, net (33,015) (19,064) Other current and non-current liabilities (206) (691) Net cash used in operating activities (206) (691) Deformat revenue (1850) (1850) (1850) Net cash used in operating activities (206) (691) (155) Net cash used in investing activities (2010) (8,765) (1550) Cash flows from investing activities (2010) (8,765) (1550) Cash flows from investing activities - 574 <td>Capitalization of paid-in-kind interest on long-term debt</td> <td>6,790</td> <td>4,253</td>	Capitalization of paid-in-kind interest on long-term debt	6,790	4,253		
Change in fair value of SPAC Warrants (508) (9.49) Change in fair value of Earn Out Liability (435) (23.345) Other operating activities 406 493 Changes in: (7.312) (6.174) Accounts receivable, net (7.312) (6.174) Prepidi expenses (3.533) 4.531 Other current and non-current assets 1.644 (112) Accounts payable 5.663 (373) Accrued liabilities 1.644 (112) Accounts payable 1.684 (112) Account frequencing lease flabilities, net (3.015) (19.064) Other current and non-current liabilities net (3.005) (19.064) Other see set operating activities (20.6) (691) Net cash used in operating lease liabilities, net (3.015) (19.064) Other current and non-current liabilities (20.6) (691) Net cash used in operating activities (25.380) (40.922) Cash flows from investing activities (1875) (15.5) Cost flows from investing activities	Amortization of debt issuance costs	2	290		
Change in fair value of Earn Out Liability (1435) (23.345) Other operating activities 406 493 Changes in: (7.312) (6,174) Accounts receivable, net (7.32) (6,174) Prepaid expenses (3,593) 4,531 Other ourrent and non-current assets 1,644 (1112) Accounts payable 5,663 (333) Accrued liabilities 140 2,153 Taxes payable (855) 1,288 Deferred revenue (280) (4922) Other current and non-current liabilities, net (3,015) (19,064) Other current and non-current liabilities, net (220) (40,922) Cash flows from investing activities (206) (4992) Cash flows from investing activities (200) (6,75) Purchase of property and equipment (1875) (5,806) Capitalization of internal-use software (200) (6,75) Cash flows from finacing activities (200) (6,75) Cash flows from finacing activities (200) (6,75)	Amortization of debt discounts	429	367		
Other operating activities 406 407 Changes in: (7,3)2) (6,174) Accounts receivable, net (7,3)2) (6,174) Prepaid expenses (3,593) 4,531 Other current and non-current assets 1,644 (1)12) Accounts payable 5,683 (3,73) Accound liabilities 1,644 (1)12) Accound liabilities (859) 1,288 Deferred revenue (859) 1,288 Deferred revenue (206) (693) Other current and non-current liabilities, net (33,015) (19,084) Other current and non-current liabilities, net (33,015) (19,084) Other current and non-current liabilities (206) (693) Net cash used in operating activities (207) (5,666) Capitalization of internal-use software (1875) (5,666) Capitalization of internal-use software (2000) (6,765) Cash flows from financing activities - 574 Proceeds from exercise of stock options - 574	Change in fair value of SPAC Warrants	(508)	(9,419)		
Changes in:Accounts receivable, net(7,312)(6,174)Prepaid expenses(3,593)4,531Other current and non-current assets1,844(1)12)Accounts payable5,683(3,73)Accrued liabilities1,402,153Taxes payable(859)1,288Deferred revenue1,2603,836Operating lease ROU assets and operating lease liabilities, net(3,30,15)(19,064)Other current and non-current liabilities(20,6)(691)Net cash used in operating activities(20,6)(691)Net cash used in investing activities(1875)(5,606)Capitalization of internal-use software(1875)(15,601)Net cash used in investing activities(2,010)(6,765)Proceeds from financing activities-574Proceeds from exercise of stock options-574Effects of foreign exchange on cash499326Net cash requivalents, and restricted cash(26,890)(46,287)Cash, cash equivalents, and restricted cash(26,890)(46,287)<	Change in fair value of Earn Out Liability	(435)	(23,345)		
Accounts receivable, net (7,32) (6,174) Prepaid expenses (3,593) 4,531 Other current and non-current assets 1,644 (1,112) Accounts payable 5,663 (3,73) Accrued liabilities 140 2,153 Taxes payable (859) 1288 Deferred revenue 1,260 3,836 Operating lease ROU assets and operating lease liabilities, net (3,305) (19,064) Other current and non-current liabilities (206) (691) Net cash used in operating activities (206) (40,922) Cash flows from investing activities (1875) (5,606) Capitalization of internal-use software (135) (1159) Net cash used in investing activities (2000) (6,765) Cash flows from financing activities - 574 Proceeds from exercise of stock options - 574 Net cash provided by financing activities - 574 Effects of foreign exchange on cash 499 826 Net cand provided by financing activities -	Other operating activities	406	493		
Prepaid expenses(3,593)4,531Other current and non-current assets1,844(1,12)Accounts payable5,663(3,73)Accrued liabilities1402,153Taxes payable(859)1,288Deferred revenue1,2603,838Operating lease ROU assets and operating lease liabilities, net(3,3,015)(16,064)Other current and non-current liabilities(206)(691)Net cash used in operating activities(206)(692)Cash flows from investing activities(18,75)(5,608)Capitalization of internol-use software(18,75)(15,608)Capitalization of internol-use software(18,75)(5,608)Net cash used in investing activities(2,010)(6,768)Proceeds from exercise of stock options-574Froceeds from exercise of stock options-574Effects of foreign exchange on cash499826Net cash neguivalents, and restricted cash at beginning of period246,404407031	Changes in:				
Other current and non-current assets1.644(1,112)Accounts payable5.663(373)Accrued liabilities1402,153Taxes payable(859)1.288Deferred revenue1.2603.836Operating lease ROU assets and operating lease liabilities, net(33,015)(19,064)Other current and non-current liabilities(206)(691)Net cash used in operating activities(205)(40,922)Cash flows from investing activities(1875)(5,606)Capitalization of internal-use software(185)(1159)Net cash used in investing activities(2010)(6,765)Cash flows from financing activities-574Proceeds from exercise of stock options-574Frace soft provided by financing activities-574Effects of foreign exchange on cash499826Net cash equivalents, and restricted cash(26,891)(46,287)Cash equivalents, and restricted cash at beginning of period246,404407031	Accounts receivable, net	(7,312)	(6,174)		
Accounts payable 5.663 (373) Accrued liabilities 140 2.153 Taxes payable (859) 1.288 Deferred revenue 1.260 3.836 Operating lease ROU assets and operating lease liabilities, net (33.015) (19.064) Other current and non-current liabilities (206) (691) Other current and non-current liabilities (206) (692) Cash flows from investing activities: (1875) (5.606) Purchase of property and equipment (1875) (5.606) Capitalization of internal-use software (1875) (159) Net cash used in investing activities: (2000) (6.755) Cash flows from financing activities: (2000) (6.755) Cash flows from financing activities: (2000) (6.757) Proceeds from exercise of stock options - 574 Net cash provided by financing activities - 574 Effects of foreign exchange on cash 4499 826 Net change in cash, cash equivalents, and restricted cash (26.891) (46.287) <t< td=""><td>Prepaid expenses</td><td>(3,593)</td><td>4,531</td></t<>	Prepaid expenses	(3,593)	4,531		
Accrued liabilities1402153Taxes payable(859)1288Deferred revenue12603.836Operating lease ROU assets and operating lease liabilities, net(33,015)(19,064)Other current and non-current liabilities(206)(69)Net cash used in operating activities(25,380)(40,922)Cash flows from investing activities:(1,875)(5,606)Capitalization of internal-use software(1,875)(5,606)Capitalization of internal-use software(1,875)(5,606)Cash flows from financing activities:(2,000)(6,765)Cash flows from investing activities-574Proceeds from exercise of stock options-574Flects of foreign exchange on cash499826Net cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Other current and non-current assets	1,644	(1,112)		
Taxes payable (859) 1288 Deferred revenue 1260 3.836 Operating lease ROU assets and operating lease liabilities, net (33.015) (19.064) Other current and non-current liabilities (206) (69) Net cash used in operating activities (206) (69) Cash flows from investing activities (207) (40.922) Cash flows from investing activities (1875) (5.606) Capitalization of internal-use software (1875) (5.606) Capitalization of internal-use software (135) (1159) Net cash used in investing activities (200) (6.765) Cash flows from financing activities - 574 Proceeds from exercise of stock options - 574 Net cash provided by financing activities - 574 Effects of foreign exchange on cash 499 826 Net change in cash, cash equivalents, and restricted cash (26.891) (48.287) Cash, cash equivalents, and restricted cash 246.404 407.031	Accounts payable	5,663	(373)		
Deferred revenue1.2603.836Operating lease ROU assets and operating lease liabilities, net(33,015)(19,064)Other current and non-current liabilities(206)(69)Net cash used in operating activities(25,380)(40,922)Cash flows from investing activities:Purchase of property and equipment(1,875)(5,606)Capitalization of internal-use software(1,35)(1,159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activitiesProceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Accrued liabilities	140	2,153		
Operating lease ROU assets and operating lease liabilities, net(33,015)(19,064)Other current and non-current liabilities(206)(691)Net cash used in operating activities(25,380)(40,922)Cash flows from investing activities:Purchase of property and equipment(1,875)(5,606)Capitalization of internal-use software(1,35)(1,159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activitiesProceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,801)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Taxes payable	(859)	1,288		
Other current and non-current liabilities(206)(69)Net cash used in operating activities(25,380)(40,922)Cash flows from investing activities:UPurchase of property and equipment(1875)(5,606)Capitalization of internal-use software(135)(1159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:-574Proceeds from exercise of stock options-574Effects of foreign exchange on cash499826Net cash equivalents, and restricted cash(26,891)(46,287)Cash cash equivalents, and restricted cash246,404407,031	Deferred revenue	1,260	3,836		
Net cash used in operating activities(25.380)(40,922)Cash flows from investing activities:Purchase of property and equipment(1,875)(5,606)Capitalization of internal-use software(135)(1,159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:574Proceeds from exercise of stock options-574Net cash provided by financing activities574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Operating lease ROU assets and operating lease liabilities, net	(33,015)	(19,064)		
Cash flows from investing activities:Purchase of property and equipment(1,875)(5,606)Capitalization of internal-use software(135)(1,159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Other current and non-current liabilities	(206)	(691)		
Purchase of property and equipment(1,875)(5,606)Capitalization of internal-use software(135)(1,159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Net cash used in operating activities	(25,380)	(40,922)		
Capitalization of internal-use software(135)(1159)Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Cash flows from investing activities:				
Net cash used in investing activities(2,010)(6,765)Cash flows from financing activities:Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Purchase of property and equipment	(1,875)	(5,606)		
Cash flows from financing activities:Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Capitalization of internal-use software	(135)	(1,159)		
Proceeds from exercise of stock options-574Net cash provided by financing activities-574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Net cash used in investing activities	(2,010)	(6,765)		
Net cash provided by financing activities—574Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Cash flows from financing activities:				
Effects of foreign exchange on cash499826Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Proceeds from exercise of stock options	-	574		
Net change in cash, cash equivalents, and restricted cash(26,891)(46,287)Cash, cash equivalents, and restricted cash at beginning of period246,404407,031	Net cash provided by financing activities		574		
Cash, cash equivalents, and restricted cash at beginning of period 407,031	Effects of foreign exchange on cash	499	826		
Cash, cash equivalents, and restricted cash at beginning of period 246,404 407,031	Net change in cash, cash equivalents, and restricted cash	(26,891)	(46,287)		
		246,404	407,031		
		\$ 219,513	\$ 360,744		

Sonder Holdings Inc. and Subsidiaries Consolidated statements of cash flows (2/2)

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

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

Reconciliation of Cash used in operating activities to Cash Contribution

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

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

(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

		20	021			20	202	2023			
(In thousands, except \$ and %)	QI	Q2	Q3	Q4	QI	Q2	Q3	Q4	QI	Q2	
Live Units	5.0	5.5	6.3	7.6	7.7	8.4	9.0	9.7	10.4	11.1	
Contracted Units	8.0	9.2	10.0	10.5	11.6	10.3	9.9	7.9	7.9	6.3	
Total Portfolio	13.0	14.7	16.3	18.1	19.3	18.7	18.9	17.6	18.2	17.4	
Bookable Nights	411	473	536	611	689	725	786	852	898	957	
Occupied Nights	274	321	366	420	503	598	661	704	722	789	
Occupancy Rate	66%	68%	68%	69%	73%	82%	84%	83%	80%	82%	
Average Daily Rate	\$115	\$147	\$184	\$206	\$160	\$203	\$189	\$191	\$167	\$200	
RevPAR	\$77	\$100	\$126	\$142	\$117	\$167	\$158	\$158	\$134	\$164	

Use of non-GAAP financial measures

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

Key Terms

Total Portfolio

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

Occupancy Rate

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

Revenue per Available Room

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

Free Cash Flow

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

Cash Contribution

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

Webcast Details

Sonder will host a webcast Wednesday, August 9, 2023 at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss these financial results and business highlights and guidance. To listen to a live audio webcast, please visit the "Events" section of Sonder's Investor Relations website at <u>investors.sonder.com</u>. 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 <u>www.sonder.com</u> or follow Sonder on <u>Facebook, Twitter</u> or <u>Instagram</u>. Download the Sonder app on <u>Apple</u> or <u>Google Play</u>. The information that can be accessed through hyperlinks or website addresses included herein is deemed not to be incorporated in or part of this Shareholder Letter.

Forward-Looking Statements

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

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