

Sonder Paseo de Gracia, Barcelona
Opened in July 2022



Shareholder Letter

Q3 2022

November 9, 2022

A note from Francis

Fellow Sonder shareholders,

Strong unit economics are at the heart of our Cash Flow Positive Plan – and Q3 results reaffirm our conviction in Sonder’s fundamentals. In Q3, we continued to improve our cash contribution margins, resulting in 5 consecutive quarters of improving unit economics. This sequential CCM improvement in Q3 is particularly exciting as it demonstrates our cost improvements at the property level.

Operating Cash Flow¹ improved by \$8M vs the prior quarter to \$(32)M, or (26)% of revenue. Free cash flow², before one-time restructuring costs, improved by \$6M vs the prior quarter to \$(39)M or (31)% of revenue, driven in part by cost improvements. I’m most proud of the fact that we’ve achieved this FCF improvement while growing revenue rapidly at 85% y/y.

I’m also incredibly excited about the recent additions to our Board of Directors. Michelle Frymire brings a wealth of experience in the travel industry, having served as CEO of CWT, one of the world’s largest travel management platforms. Sean Aggarwal is currently the Chair of the Board of Directors at Lyft and brings a deep understanding of both the real estate and technology sectors. And finally, we recently announced that Sanjay Banker will transition from his role as President and CFO to join the Board at the beginning of next year. I couldn’t be more excited about the level of talent, industry expertise, and public company experience we have assembled on our Board.

Thank you to our investors, partners and employees for their ongoing support.



Francis Davidson
Co-founder and CEO

(1) Operating Cash Flow includes the impact of restructuring and other charges related to our Cash Flow Positive Plan announced in June 2022. Operating Cash Flow is equivalent to cash provided by (used in) operating activities.

(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.

Third quarter 2022 key results

Revenue

\$125M

85% y/y improvement

Average Daily Rate (ADR)

\$189

3% y/y improvement

Operating Cash Flow ¹

\$(32)M

Operating Cash Flow margin improvement to (26)% in Q3 2022 from (59)% in Q3 2021

Cash Contribution ²

\$27M

Cash Contribution margin improvement to 22% in Q3 2022 from 5% in Q3 2021

RevPAR

\$158

25% y/y improvement

Occupancy Rate

84%

1,600 bps y/y improvement

Free Cash Flow ²

\$(39)M

Free Cash Flow margin improvement to (31)% in Q3 2022 from (66)% in Q3 2021

Live Units | Total Portfolio

9.0K | 18.9K

43% y/y growth | 17% y/y growth

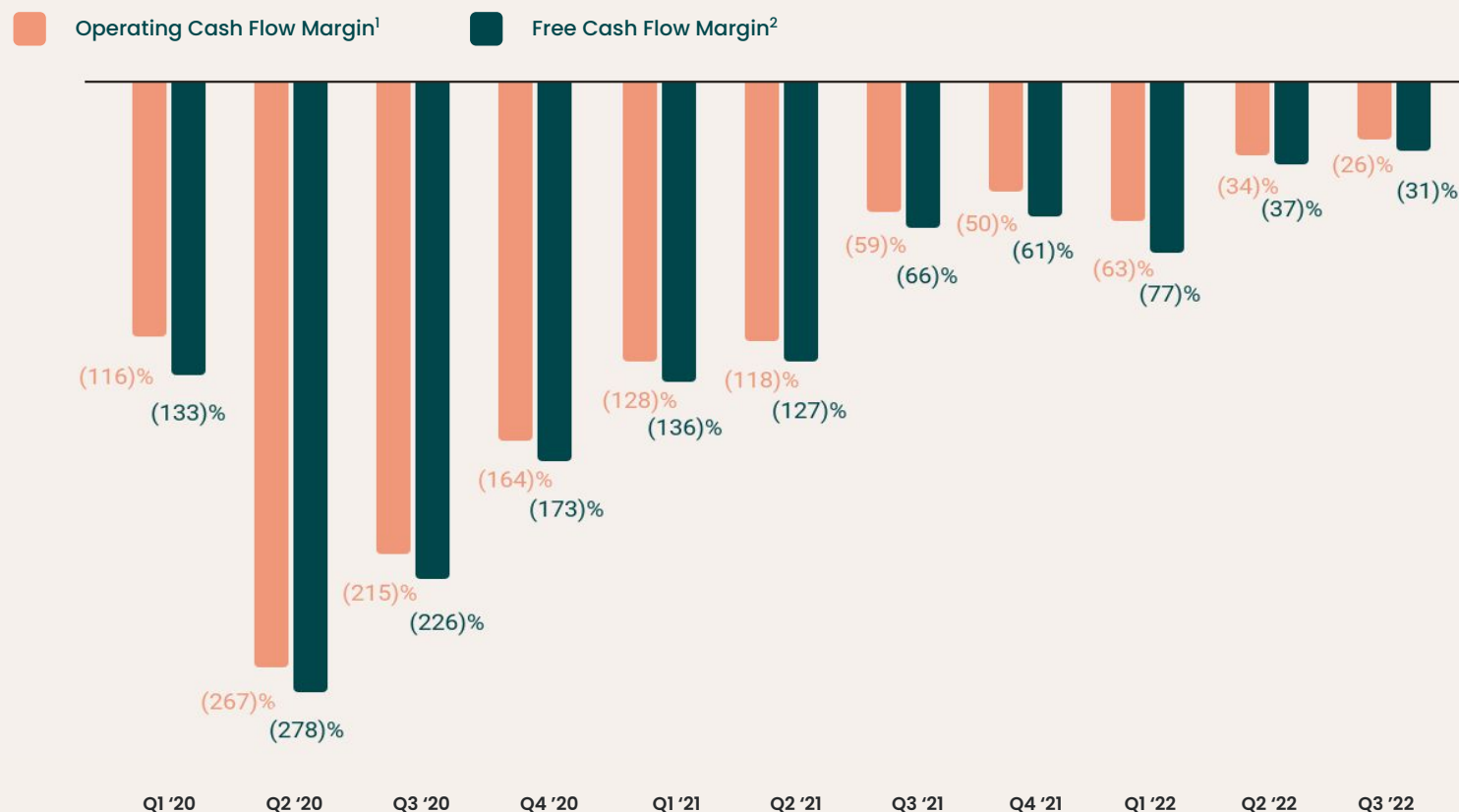
(1) Operating Cash Flow includes the impact of restructuring and other charges related to our Cash Flow Positive Plan announced in June 2022. Operating Cash Flow is equivalent to cash provided by (used in) operating activities. Operating Cash Flow Margin is defined as Operating Cash Flow as a percentage of revenue.

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Cash Flow Positive Plan

Announced June 9, 2022

Quarterly Operating Cash Flow Margin and Free Cash Flow Margin



	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Revenue (\$M)	\$42	\$19	\$26	\$28	\$32	\$47	\$67	\$87	\$80	\$121	\$125
y/y growth	n/a	(49)%	(34)%	(36)%	(25)%	151%	155%	204%	155%	157%	85%

We're pulling several levers to reach positive quarterly FCF within 2023, without additional fundraising and while keeping a robust cash cushion



Cut cash costs by approximately \$85M (vs. Q1 2022) on an annualized basis



Reduce planned signings pace and drive growth primarily by opening already contracted units



Improve growth quality by increasing our high threshold for incremental signings targeting 100% capital light



Focus on RevPAR initiatives to improve near term FCF

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New property spotlight

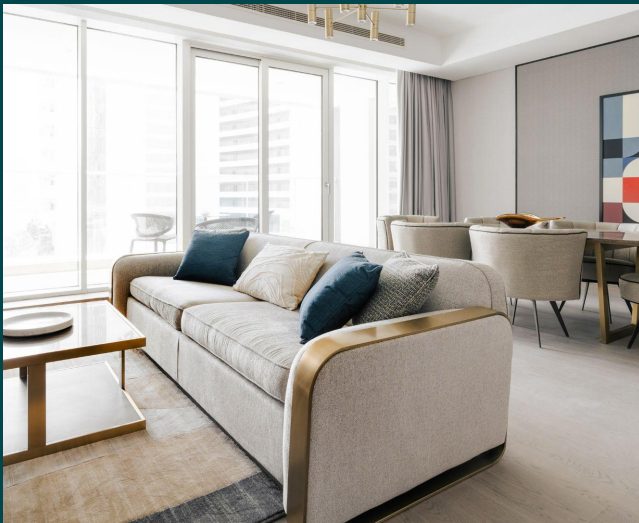
Sonder Business Bay

Dubai

Opened September 2022

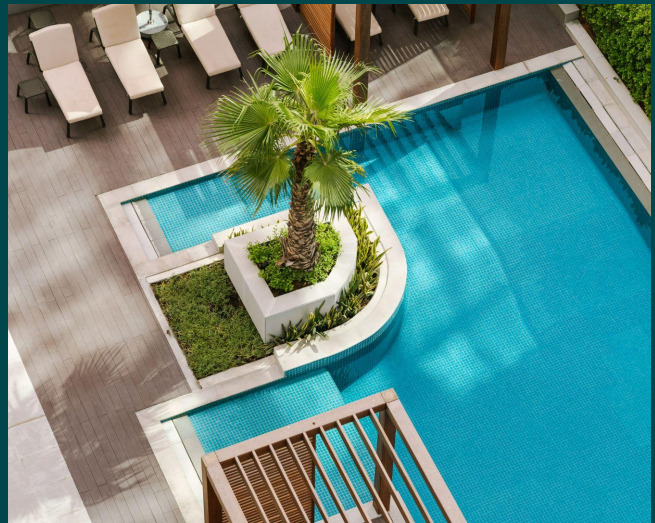
~400 unit property

Largest live property in Sonder's portfolio
Third property in Dubai



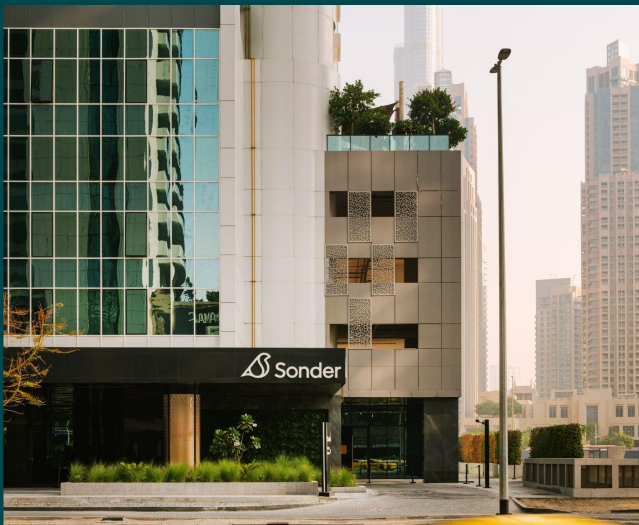
Stunning amenities

Elegant lobby, luxury swimming pool,
on-site eatery, state-of-the-art fitness center



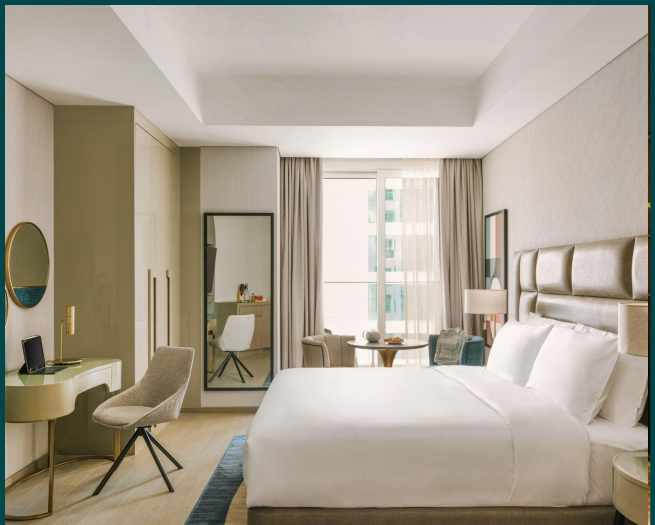
Prime location

Near Dubai Mall and iconic Burj Khalifa
Skyline and canal views



Modern travel redefined

Ideal location for leisure and business
Studio to 3-bedroom apartments



Q3 2022 Results

Sonder The Boylston, Seattle
Opened in November 2021



Q3 2022 business performance

9.0K

Live Units

+43% y/y

786K

Bookable Nights

+47% y/y

661K

Occupied Nights

+80% y/y

84% Occupancy Rate

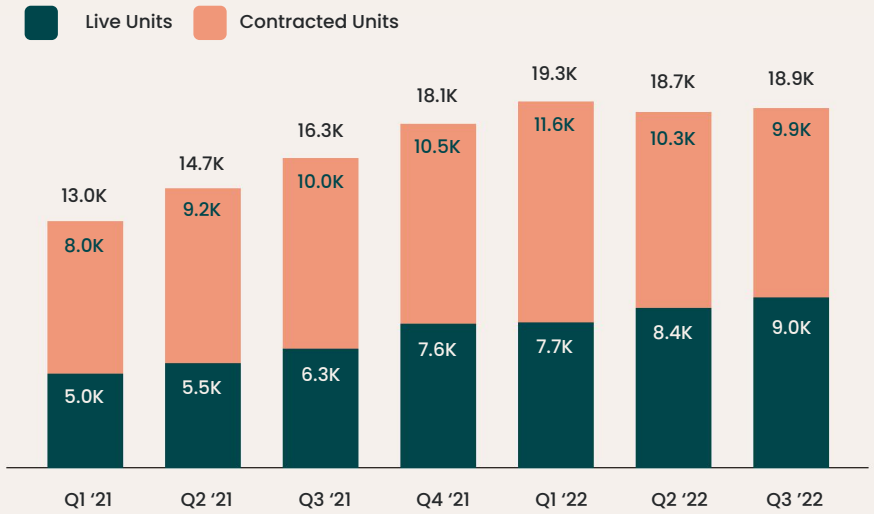
\$158

RevPAR

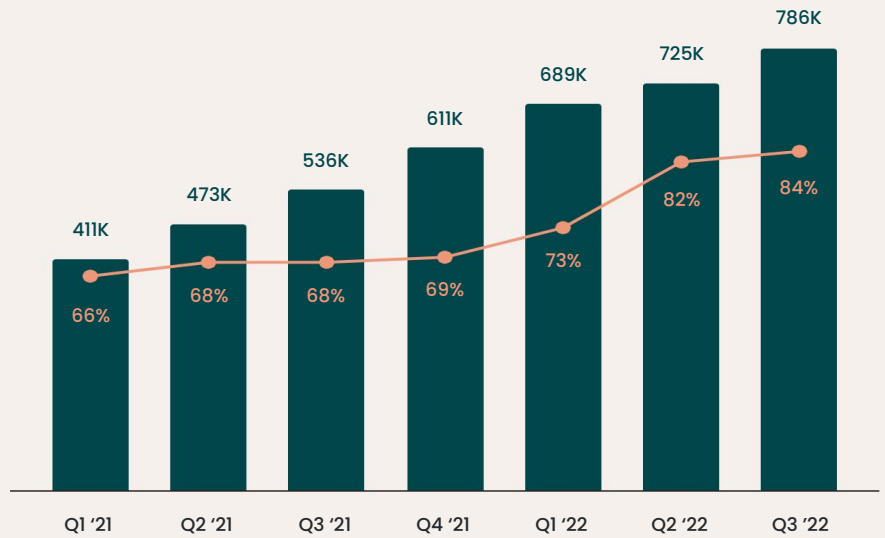
+25% y/y

104% of Q3 2019

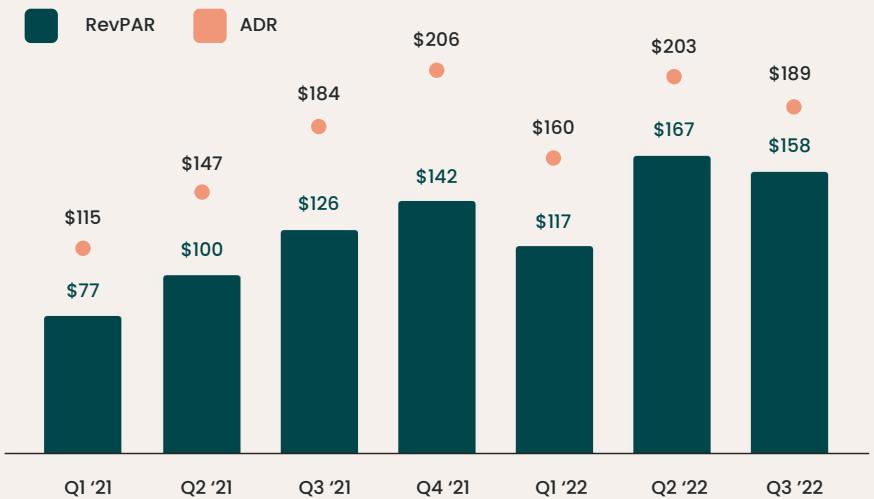
Quarterly Total Portfolio (End of Period)



Quarterly Bookable Nights | Occupancy Rate



Quarterly RevPAR | ADR



Q3 2022 financial performance

\$125M

Revenue

85% y/y improvement

\$(32)M

Operating Cash Flow¹

Operating Cash Flow margin improvement to (26)% in Q3 2022 from (59)% in Q3 2021

\$(39)M

Free Cash Flow²

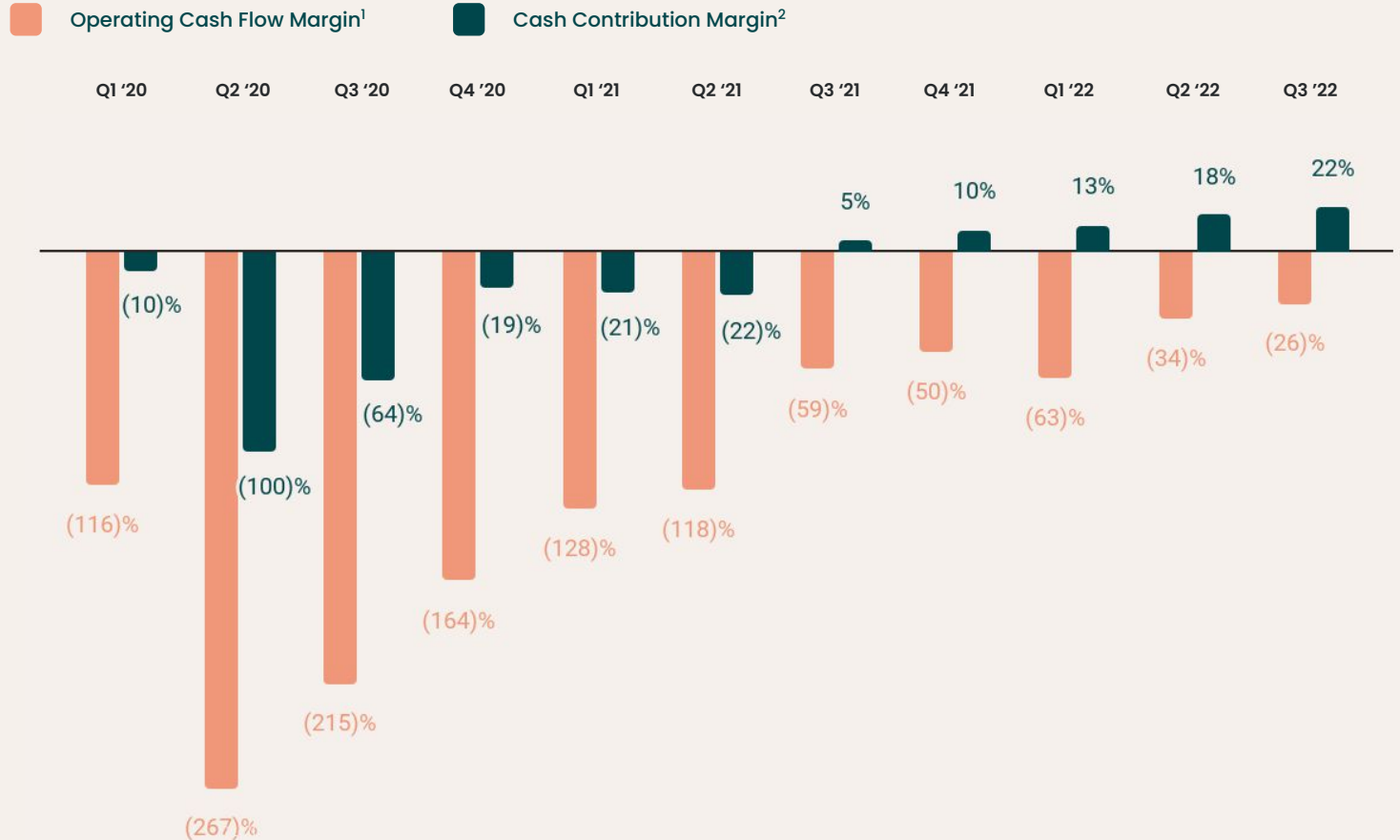
Free Cash Flow margin improvement to (31)% in Q3 2022 from (66)% in Q3 2021

\$27M

Cash Contribution²

Cash Contribution margin improvement to 22% in Q3 2022 from 5% in Q3 2021

Quarterly Operating Cash Flow Margin and Cash Contribution Margin



(1) Operating Cash Flow includes the impact of restructuring and other charges related to our Cash Flow Positive Plan announced in June 2022. Operating Cash Flow is equivalent to cash provided by (used in) operating activities. Operating Cash Flow Margin is defined as Operating Cash Flow as a percentage of revenue.
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Q4 2022 Guidance

For 2022, we expect revenue of better than \$455 million, representing more than 95% year-over-year growth and better than \$129 million for the fourth quarter.

For the second half of the year, Q3 and Q4 combined, we are reaffirming Free Cash Flow of better than \$(70) million before restructuring costs which implies better than \$(31) million in the fourth quarter. We remain focused on reaching positive quarterly free cash flow within 2023. Similar to 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.

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



Guidance: Reach positive quarterly free cash flow within 2023 while keeping a robust cash cushion

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Financial Statements



Sonder Holdings Inc. and Subsidiaries

Consolidated balance sheets

(In thousands) (Unaudited)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Current assets:		
Cash	\$317,324	\$69,726
Restricted cash	1,131	215
Accounts receivable, net of allowance	5,658	4,638
Prepaid rent	-	2,957
Prepaid expenses	7,530	5,029
Other current assets	10,435	16,416
Total current assets	<u>342,078</u>	<u>98,981</u>
Property and equipment, net	35,469	27,461
Operating lease right-of-use assets	1,139,713	-
Other non-current assets	15,272	22,037
Total assets	<u>\$1,532,532</u>	<u>\$148,479</u>
Liabilities, mezzanine equity and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$9,236	\$19,096
Accrued liabilities	16,504	19,557
Sales tax payable	14,368	8,412
Deferred revenue	49,431	18,811
Current portion of long-term debt	-	13,116
Convertible notes	-	184,636
Current operating lease liabilities	146,550	-
Other current liabilities	2,349	-
Total current liabilities	<u>238,438</u>	<u>263,628</u>
Non-current operating lease liabilities	1,082,412	-
Deferred rent	-	66,132
Long-term debt, net	166,707	10,736
Other non-current liabilities	5,844	3,906
Total liabilities	<u>1,493,401</u>	<u>344,402</u>
Mezzanine equity:		
Redeemable convertible preferred stock	-	518,750
Exchangeable preferred stock	-	49,733
Total mezzanine equity	<u>-</u>	<u>568,483</u>
Stockholders' equity (deficit):		
Common stock	21	1
Additional paid-in capital	930,588	43,106
Cumulative translation adjustment	19,216	7,299
Accumulated deficit	(910,694)	(814,812)
Total stockholders' equity (deficit)	<u>39,131</u>	<u>(764,406)</u>
Total liabilities, mezzanine equity and stockholders' equity (deficit)	<u>\$1,532,532</u>	<u>\$148,479</u>

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

Sonder Holdings Inc. and Subsidiaries

Condensed consolidated statements of operations and comprehensive loss

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

	Three Months Ended September 30,	
	2022	2021
Revenue	\$124,526	\$67,454
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	76,884	52,402
Operations and support	55,586	36,592
General and administrative	33,016	21,694
Research and development	6,936	5,443
Sales and marketing	13,372	6,724
Total costs and operating expenses	185,794	122,855
Loss from operations	(61,268)	(55,401)
Interest expense, net	4,112	13,279
Change in fair value of SPAC warrants	1,305	-
Change in fair value of Earn Out liability	2,223	-
Other expense (income), net	5,175	(4,229)
Total non-operating expenses, net	12,815	9,050
Loss before income taxes	(74,083)	(64,451)
Provision for income taxes	416	133
Net loss	\$(74,499)	\$(64,584)
Less: Net loss attributable to convertible and exchangeable preferred stockholders	-	-
Net loss attributable to common stockholders	\$(74,499)	\$(64,584)
Weighted average basic common shares outstanding	215,682,346	12,204,601
Add: Dilutive effect of outstanding stock awards	-	-
Weighted average diluted common shares	215,682,346	12,204,601
Net loss per common share:		
Basic	\$(0.35)	\$(5.29)
Diluted	\$(0.35)	\$(5.29)
Net loss	(74,499)	(64,584)
Change in foreign currency translation adjustment	4,833	(1,120)
Comprehensive loss	\$(69,666)	\$(65,704)

Sonder Holdings Inc. and Subsidiaries

Consolidated statements of cash flows (1/2)

(In thousands) (Unaudited)

	Three Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$(74,499)	\$(64,584)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	6,175	\$4,357
Stock-based compensation	6,405	3,573
Amortization of operating lease right-of-use assets	35,341	-
Straight-line rent	-	6,696
Unrealized loss (gain) on foreign currency transactions	6,634	(792)
Capitalization of interest on long-term debt	5,037	-
Amortization of debt issuance costs	2	550
Amortization of debt discounts	376	11,032
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	-	(7,828)
Change in fair value of derivative instruments	-	4,100
Change in fair value of warrants	-	109
Change in fair value of SPAC Warrants	1,305	-
Change in fair value of Earn Out Liability	2,223	-
Other operating activities	187	100
Changes in:		
Accounts receivable, net	1,381	(5,951)
Prepaid expenses	2,334	5,584
Other current and non-current assets	7,433	(4,232)
Accounts payable	(6,019)	(5)
Accrued liabilities	(4,601)	(864)
Sales tax payable	1,930	493
Deferred revenue	11,115	7,390
Operating lease right-of-use assets and operating lease liabilities, net	(34,229)	-
Other current and non-current liabilities	(1,007)	582
Net cash used in operating activities	<u>(32,477)</u>	<u>(39,690)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(7,434)	(3,560)
Capitalization of internal-use software	(274)	(1,392)
Net cash used in investing activities	<u>(7,708)</u>	<u>(4,952)</u>
Cash flows from financing activities:		
Repayment of debt	-	(5,000)
Proceeds from exercise of stock options	255	956
Net cash provided by (used in) financing activities	<u>255</u>	<u>(4,044)</u>
Effects of foreign exchange on cash	(2,359)	(160)
Net change in cash and restricted cash	<u>(42,289)</u>	<u>(48,846)</u>
Cash and restricted cash at beginning of period	360,744	178,426
Cash and restricted cash at end of period	<u><u>\$318,455</u></u>	<u><u>\$129,580</u></u>

Sonder Holdings Inc. and Subsidiaries

Consolidated statements of cash flows (2/2)

(In thousands) (Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$(95,882)	\$(217,074)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	17,801	12,689
Stock-based compensation	18,139	20,174
Amortization of operating lease right-of-use assets	105,569	-
Straight-line rent	-	12,895
Unrealized loss on foreign currency transactions	13,092	2,129
Capitalization of interest on long-term debt	12,544	-
Amortization of debt issuance costs	149	1,562
Amortization of debt discounts	3,374	23,009
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	(29,512)	(7,828)
Change in fair value of derivative instruments	-	-
Change in fair value of warrants	-	1,395
Change in fair value of SPAC Warrants	(36,329)	-
Change in fair value of Earn Out Liability	(94,299)	-
Other operating activities	1,362	846
Changes in:		
Accounts receivable, net	(1,560)	(6,115)
Prepaid expenses	(2,543)	3,787
Other current and non-current assets	10,750	(11,921)
Accounts payable	(28,401)	(861)
Accrued liabilities	2,295	5,937
Sales tax payable	6,181	2,475
Deferred revenue	30,204	20,112
Operating lease right-of-use assets and operating lease liabilities, net	(58,493)	-
Other current and non-current liabilities	1,467	846
Net cash used in operating activities	(124,092)	(135,943)
Cash flows from investing activities:		
Purchase of property and equipment	(23,579)	(8,036)
Capitalization of internal-use software	(2,510)	(3,816)
Net cash used in investing activities	(26,089)	(11,852)
Cash flows from financing activities:		
Proceeds from Delayed Draw Notes, net of issuance costs	159,225	-
Repayment of debt	(24,680)	(11,900)
Extinguishment of debt	(3,065)	-
Proceeds from issuance of debt	-	162,366
Proceeds from business combination and PIPE offering	325,928	-
Common stock issuance costs	(58,555)	-
Proceeds from exercise of stock options	1,702	3,079
Proceeds from exercise of common stock warrants	-	120
Issuance of redeemable convertible preferred stock	-	1,020
Net cash provided by (used in) financing activities	400,555	154,685
Effects of foreign exchange on cash	(1,860)	(418)
Net change in cash and restricted cash	248,514	6,472
Cash and restricted cash at beginning of period	69,941	123,108
Cash and restricted cash at end of period	\$318,455	\$129,580

Non-GAAP Reconciliations & Other Supplemental Data

Sonder The Magnolia, Boston
Opened in July 2022



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 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Cash provided by (used in) operating activities	\$(48,771)	\$(50,256)	\$(56,824)	\$(46,651)	\$(40,308)	\$(55,945)	\$(39,690)	\$(43,448)	\$(50,693)	\$(40,922)	\$(32,477)
(+) Cash provided by (used in) investing activities	(7,094)	(2,144)	(3,123)	(2,489)	(2,676)	(4,224)	(4,952)	(9,735)	(11,616)	(6,765)	(7,708)
Free Cash Flow including restructuring costs	\$(55,865)	\$(52,400)	\$(59,947)	\$(49,140)	\$(42,984)	\$(60,169)	\$(44,642)	\$(53,183)	\$(62,309)	\$(47,687)	\$(40,185)
(+) Cash paid for restructuring costs	-	-	-	-	-	-	-	-	-	2,363	1,114
Free Cash Flow excluding restructuring costs	\$(55,865)	\$(52,400)	\$(59,947)	\$(49,140)	\$(42,984)	\$(60,169)	\$(44,642)	\$(53,183)	\$(62,309)	\$(45,324)	\$(39,071)
Revenue	\$41,881	\$18,841	\$26,471	\$28,485	\$31,558	\$47,269	\$67,454	\$86,663	\$80,466	\$121,322	\$124,526
Free Cash Flow margin	(133)%	(278)%	(226)%	(173)%	(136)%	(127)%	(66)%	(61)%	(77)%	(37)%	(31)%

Reconciliation of Cash used in operating activities to Cash Contribution

Cash Contribution is defined as operating cash flow before other 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.

(in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Non-property level sales and marketing:											
Sales and marketing	\$4,374	\$2,923	\$3,108	\$2,443	\$2,511	\$4,888	\$6,724	\$9,367	\$9,461	\$12,414	\$13,372
(-) Property level sales and marketing ¹	(3,980)	(1,262)	(1,272)	(1,220)	(1,592)	(3,052)	(4,638)	(6,634)	(6,814)	(9,535)	(10,566)
Non-property level sales and marketing	\$394	\$1,661	\$1,836	\$1,223	\$919	\$1,836	\$2,086	\$2,733	\$2,647	\$2,879	\$2,806
Non-property level operations and support:											
Operations and support	\$35,063	\$22,641	\$29,227	\$28,141	\$25,423	\$34,889	\$36,592	\$45,824	\$48,267	\$54,003	\$55,586
(-) Property level operations and support ²	(10,443)	(6,127)	(7,762)	(9,195)	(9,921)	(13,308)	(14,795)	(19,855)	(22,104)	(24,814)	(26,967)
Non-property level operations and support	\$24,620	\$16,514	\$21,465	\$18,946	\$15,502	\$21,581	\$21,797	\$25,969	\$26,163	\$29,189	\$28,619
Non-property level operating expenses:											
General and administrative	\$21,268	\$15,156	\$17,972	\$22,637	\$32,149	\$24,615	\$21,694	\$27,677	\$36,981	\$31,277	\$33,016
(+) Research and development	5,479	3,999	3,853	4,221	3,319	4,066	5,443	6,263	7,625	8,088	6,936
(+) Non-property level sales and marketing	394	1,661	1,836	1,223	919	1,836	2,086	2,733	2,647	2,879	2,806
(+) Non-property level operations and support	24,620	16,514	21,465	18,946	15,502	21,581	21,797	25,969	26,163	29,189	28,619
(-) Stock based compensation	(3,067)	(1,742)	(1,020)	(1,394)	(14,153)	(2,448)	(3,573)	(5,073)	(6,680)	(5,054)	(6,405)
(-) Depreciation and amortization	(4,152)	(4,206)	(4,269)	(4,342)	(4,119)	(4,213)	(4,357)	(5,025)	(5,630)	(5,996)	(6,175)
Non-property level operating expenses	\$44,542	\$31,382	\$39,837	\$41,291	\$33,617	\$45,437	\$43,090	\$52,544	\$61,106	\$60,383	\$58,797
Cash contribution:											
Cash provided by (used in) operating activities	\$(48,771)	\$(50,256)	\$(56,824)	\$(46,651)	\$(40,308)	\$(55,945)	\$(39,690)	\$(43,448)	\$(50,693)	\$(40,922)	\$(32,477)
(+) Cash paid for restructuring costs	-	-	-	-	-	-	-	-	-	2,363	1,114
(+) Non-property level operating expenses	44,542	31,382	39,837	41,291	33,617	45,437	43,090	52,544	61,106	60,383	58,797
Cash contribution³	\$(4,229)	\$(18,874)	\$(16,987)	\$(5,360)	\$(6,691)	\$(10,508)	\$3,400	\$9,096	\$10,413	\$21,824	\$27,434
Revenue	\$41,881	\$18,841	\$26,471	\$28,485	\$31,558	\$47,269	\$67,454	\$86,663	\$80,466	\$121,322	\$124,526
<i>Cash contribution margin</i>	<i>(10)%</i>	<i>(100)%</i>	<i>(64)%</i>	<i>(19)%</i>	<i>(21)%</i>	<i>(22)%</i>	<i>5%</i>	<i>10%</i>	<i>13%</i>	<i>18%</i>	<i>22%</i>

(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.

Supplemental Reconciliation of Income from operations to Property Level Profit

Property Level Profit (Loss) ("PLP" or "PLL") is defined as profit (loss) from operations after adding back corporate-level expenses, excluding the impact of restructuring charges, if any. **Property Level Costs** ("PLC") represent costs directly associated with guest-facing functions in each of Sonder's buildings. These costs include (i) channel fees paid to Online Travel Agencies, (ii) customer service costs, (iii) laundry/consumables costs, (iv) maintenance costs, and (v) utilities & insurance costs. **Property Level Profit (Loss) Margin** is defined as Property Level Profit (Loss) divided by revenue. The most directly comparable GAAP financial measure is income from operations.

(in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Loss from operations	\$(71,229)	\$(54,265)	\$(52,197)	\$(66,131)	\$(71,049)	\$(64,934)	\$(55,401)	\$(68,561)	\$(95,764)	\$(67,680)	\$(61,268)
Add:											
Non-property level operations and support	\$24,620	\$16,514	\$21,465	\$18,946	\$15,502	\$21,581	\$21,797	\$25,969	\$26,163	\$29,189	\$28,619
General and administrative	21,268	15,156	17,972	22,637	32,149	24,615	21,694	27,677	36,981	31,277	33,016
Research and development	5,479	3,999	3,853	4,221	3,319	4,066	5,443	6,263	7,625	8,088	6,936
Non-property level sales and marketing	394	1,661	1,836	1,223	919	1,836	2,086	2,733	2,647	2,879	2,806
Restructuring and other charges	-	-	-	-	-	-	-	-	-	4,033	-
Property Level Profit (Loss)	\$(19,468)	\$(16,935)	\$(7,071)	\$(19,104)	\$(19,160)	\$(12,836)	\$(4,381)	\$(5,919)	\$(22,348)	\$7,786	\$10,109
Memo											
GAAP Rent to Landlord Payments Adjustment	\$1,267	\$3,765	\$(5,693)	\$5,577	\$3,811	\$3,188	\$5,706	\$14,265	\$12,468	\$4,368	\$4,073

Note: Given the focus on Cash Contribution as the primary unit economics measure, Sonder plans to stop providing reconciliations for Property Level Profit after reporting fourth quarter 2022 results.

Supplemental Reconciliation of Net income to Adjusted EBITDA

Adjusted EBITDA is defined as net loss excluding the impact of depreciation, stock-based compensation, COVID-19 pandemic related offboardings (costs associated with exiting units at the beginning of the COVID-19 pandemic), restructuring charges (if any), and other expense (income), net (which primarily includes mark-to-market adjustments related to financial instruments such as convertible debt and warrants). **Adjusted EBITDA Margin** is defined as Adjusted EBITDA divided by revenue. The most directly comparable GAAP financial measure is net income.

(in thousands)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Net (loss) income	\$(61,743)	\$(60,799)	\$(55,514)	\$(72,260)	\$(78,541)	\$(73,949)	\$(64,584)	\$(77,313)	\$22,392	\$(43,775)	\$(74,499)
Interest expense, net	\$1,507	\$1,669	\$1,658	\$1,568	\$3,827	\$12,522	\$13,279	\$14,462	\$8,202	\$4,382	\$4,112
Provision for income taxes	-	3	11	309	23	70	133	16	31	117	416
Depreciation and amortization	4,152	4,206	4,269	4,342	4,119	4,213	4,357	5,025	5,630	5,996	6,175
EBITDA	\$(56,084)	\$(54,921)	\$(49,576)	\$(66,041)	\$(70,572)	\$(57,144)	\$(46,815)	\$(57,810)	\$36,255	\$(33,280)	\$(63,796)
Restructuring and other Charges	-	-	-	-	-	-	-	-	-	\$4,033	-
Stock-based compensation	3,067	1,742	1,020	1,394	14,153	2,448	3,573	5,073	6,680	5,054	6,405
Total other expense (income), net	(10,993)	4,862	1,648	4,252	3,642	(3,577)	(4,229)	(5,726)	(126,389)	(28,404)	8,703
COVID-19 related offboardings	-	3,507	5,008	1,360	-	-	-	-	-	-	-
Adjusted EBITDA	\$(64,010)	\$(44,810)	\$(41,900)	\$(59,035)	\$(52,777)	\$(58,273)	\$(47,471)	\$(58,463)	\$(83,454)	\$(52,597)	\$(48,688)
Memo											
GAAP Rent to Landlord Payments Adjustment	\$1,267	\$3,765	\$(5,693)	\$5,577	\$3,811	\$3,188	\$5,706	\$14,265	\$12,468	\$4,368	\$4,073
FF&E Allowance Realized	-	-	-	-	531	475	1,915	1,401	4,448	9,756	8,313

Note: Given the focus on Free Cash Flow as the primary profitability measure, Sonder plans to stop providing reconciliations for Adj. EBITDA after reporting fourth quarter 2022 results.

Historical Data: Revenue Measures

(In thousands, except \$ and %)	2020				2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Live Units	5.0	4.3	3.9	4.5	5.0	5.5	6.3	7.6	7.7	8.4	9.0
Contracted Units	8.2	7.1	6.5	7.5	8.0	9.2	10.0	10.5	11.6	10.3	9.9
Total Portfolio	13.2	11.4	10.4	12.0	13.0	14.7	16.3	18.1	19.3	18.7	18.9
Bookable Nights	428	400	346	385	411	473	536	611	689	725	786
Occupied Nights	268	228	257	260	274	321	366	420	503	598	661
Occupancy Rate	63%	57%	74%	68%	66%	68%	68%	69%	73%	82%	84%
Average Daily Rate	\$156	\$83	\$103	\$109	\$115	\$147	\$184	\$206	\$160	\$203	\$189
RevPAR	\$98	\$47	\$77	\$74	\$77	\$100	\$126	\$142	\$117	\$167	\$158

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, Cash Contribution Margin, Property Level Costs, Property Level Profit (Loss), Property Level Profit (Loss) Margin, Adjusted EBITDA and Adjusted EBITDA 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.

Occupancy Rate

Occupancy Rate (“OR”) 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 other 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.

FF&E Allowance Realized

FF&E Allowance Realized represents cash payments from real estate owners received for capital expenditure financing.

Property Level Profit (Loss)

Property Level Profit (Loss) (“PLP” or “PLL”) is defined as profit (loss) from operations after adding back corporate-level expenses, excluding the impact of restructuring charges, if any. **Property Level Costs** (“PLC”) represent costs directly associated with guest-facing functions in each of Sonder’s buildings. These costs include (i) channel fees paid to Online Travel Agencies, (ii) customer service costs, (iii) laundry/consumables costs, (iv) maintenance costs, and (v) utilities & insurance costs. **Property Level Profit (Loss) Margin** is defined as Property Level Profit (Loss) divided by revenue. Reconciliation of Property Level Profit to the most comparable GAAP measure can be found on pg 18.

Adjusted EBITDA

Adjusted EBITDA is defined as net loss excluding the impact of depreciation, stock-based compensation, COVID-19 pandemic related offboardings (costs associated with exiting units at the beginning of the COVID-19 pandemic), restructuring charges (if any), and other expense (income), net (which primarily includes mark-to-market adjustments related to financial instruments such as convertible debt and warrants). **Adjusted EBITDA Margin** is defined as Adjusted EBITDA divided by revenue. Reconciliation of Adjusted EBITDA to the most comparable GAAP measure can be found on pg 19.

Landlord Payments

Landlord Payments represent cash payments to real estate owners recognizing abatement at the time it is utilized (often at the commencement of a real estate contract), expressed in U.S. dollars. This recognizes the economic substance of the payment to real estate owners as reflected in the real estate contract (e.g., if Sonder’s Takeover Date, the date on which Sonder receives the keys and is able to begin opening the building, was January 1, 2021 and it had three months of abatement at the beginning of the real estate contract, the Landlord Payments for the building in the first quarter of 2021 would be \$0). The **Takeover Date** represents the date on which Sonder receives the keys and is able to begin onboarding a building (e.g., moving in furniture, staging / photographing units for listing).

GAAP rent to Landlord Payment adjustment

GAAP rent to Landlord Payment adjustment represents the adjustment to translate rent to Landlord Payments, expressed in U.S. dollars. **GAAP rent** straight lines abatement and future escalation payments over the duration of the real estate contract. In contrast, **Landlord Payments** recognize abatement from real estate owners at the time abatement is utilized (often at the commencement of a real estate contract), and future escalation payments at the time they actually occur, in an effort to most accurately reflect the timing of cash outflows for rent.

Webcast Details

Sonder will host a webcast Wednesday, November 9, 2022 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. 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-powered service and inspiring, thoughtfully designed accommodations combined into one seamless managed experience. Launched in 2014 and headquartered in San Francisco, 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 or follow Sonder on [Facebook](#), [Twitter](#) or [Instagram](#). Download the Sonder app on [Apple](#) or [Google Play](#). The information that can be accessed through hyperlinks or website addresses included herein is deemed not to be incorporated in or part of this Shareholder Letter.

Forward-Looking Statements

This Shareholder Letter contains a number of “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements about Sonder’s forecasted revenue growth, costs, and cash flow (including Sonder’s guidance for revenue and Free Cash Flow for the quarter and year ending December 31, 2022, 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 and its plan to reach positive quarterly FCF within 2023 without additional fundraising, the anticipated recovery of travel demand, booking patterns, and other trends, expectations, and objectives discussed in the sections of this Shareholder Letter titled “A note from Francis,” “Q3 2022 Results,” and “Q4 2022 Guidance,” potential new markets, and market penetration, innovation plans and initiatives including plans for enhanced app functionality and features, the success of Sonder’s corporate travel efforts and other RevPAR initiatives, anticipated unit economics, and other information concerning Sonder’s possible or assumed future financial or operating results and measures, business strategies, corporate governance structure (including composition of the Board of Directors), 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, real estate and vacation 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; 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 or will need to engage in additional fundraising, and the risk that the plan will adversely affect employee retention, effectiveness and hiring or other aspects of Sonder’s business; the possibility that Sonder will be unable to effectively manage its growth; potential delays or difficulties introducing new or upgraded amenities, services or features, including enhancements to the Sonder app; the possibility that new 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; risks related to the impact of the ongoing COVID-19 pandemic, including the Omicron variant or future variants and further governmental and other restrictions (including travel restrictions) resulting therefrom; Sonder’s success in retaining or recruiting officers, key employees and directors; 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 12, 2022 and Annual Report on Form 10-K filed with the SEC on March 28, 2022. 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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