

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

FORM 8-K

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

Date of report (Date of earliest event reported): May 10, 2023

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

Delaware
(State or other jurisdiction
of incorporation)

101 15th Street
San Francisco, California
(Address of principal executive offices)

001-39907
(Commission
File Number)

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

94103
(Zip Code)

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

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

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

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On May 10, 2023, Sonder Holdings Inc. (the "Company") issued a Shareholder Letter announcing its financial results for the quarter ended March 31, 2023. A copy of the Shareholder Letter is attached as Exhibit 99.1 to this Current Report on Form 8-K.

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

Item 9.01 Financial Statements and Exhibits**(d) Exhibits**

Exhibit No.	Description
99.1	Shareholder Letter dated May 10, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Sonder Holdings Inc.

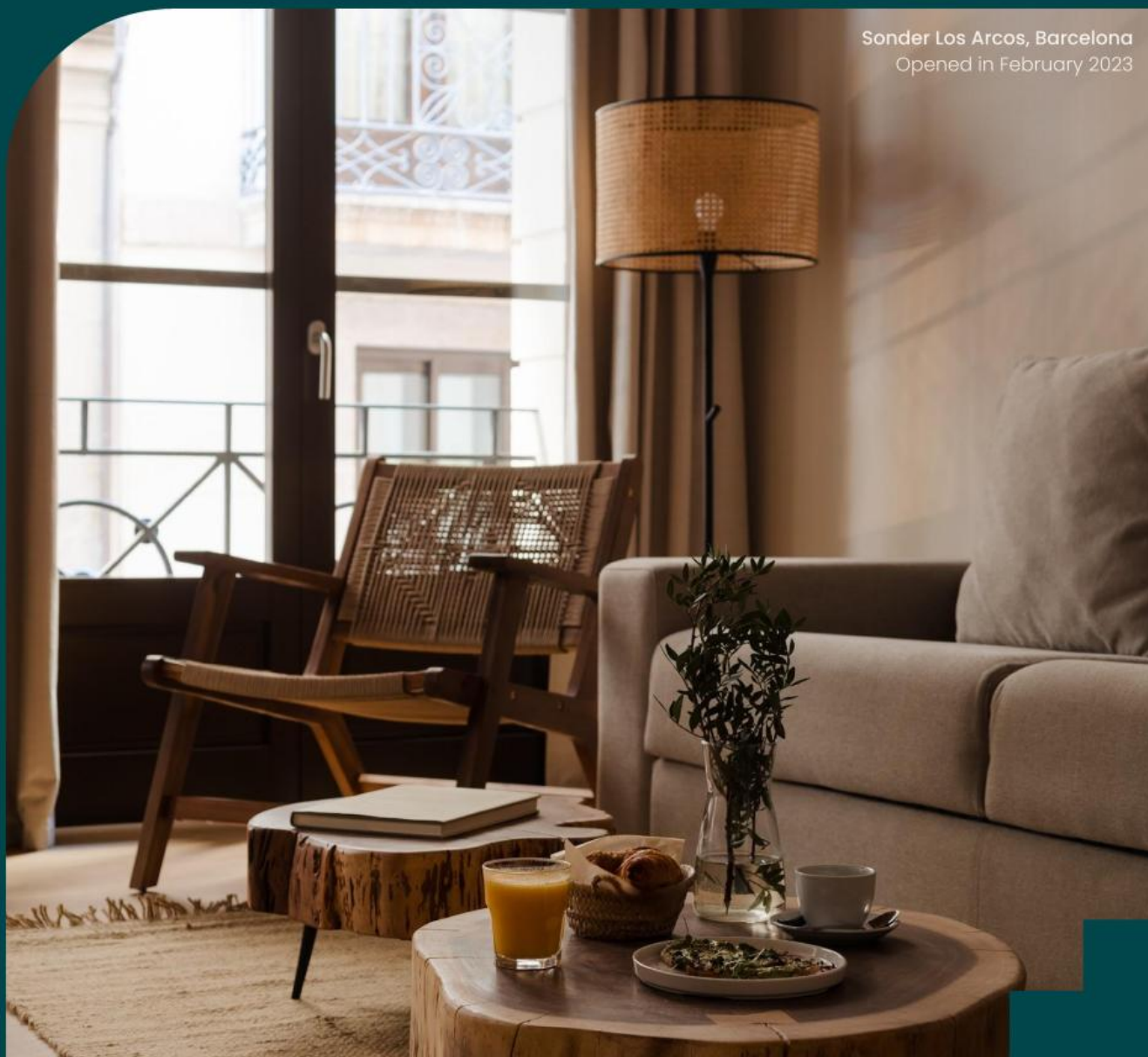
Date: May 10, 2023

By: /s/ Chris Berry

Name: Chris Berry

Title: Senior Vice President and Chief Accounting Officer

Sonder Los Arcos, Barcelona
Opened in February 2023



Shareholder Letter

Q1 2023

May 10, 2023

Fellow Sonder shareholders,

Ask anyone who works at Sonder what our top goal is and they'll tell you: free cash flow. Those are the marching orders, with efforts across each department designed to accelerate the timeline to get to cash flow positivity.

In Q1, we improved free cash flow⁽¹⁾ by \$21M y/y. This is far better than the average \$15M reduction we saw in the 3 quarters since we announced our shift from hypergrowth to cash flow positivity. Yet because travel is weakest in Q1, FCF came in at \$(41)M. We anticipate this number to be a lot better in Q2, and even better in the 2nd half of 2023.

Our strategy contains few secrets: we'll keep delivering on initiatives to improve RevPAR, reduce direct costs, open new capital light properties and reduce our overhead costs. Even though our growth remains elevated, dollars spent on overhead, capex, and pre-opening costs have gone down meaningfully in the last year, a reflection of our efforts to streamline expenses.

While we're disappointed in the price at which shares have been trading hands we'll stay focused on driving improvement in fundamentals and are optimistic that the tide will turn in due time.



Francis Davidson
Co-founder and CEO

(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.

First quarter 2023 key results

Revenue

\$121M

50% y/y improvement

Average Daily Rate (ADR)

\$167

4% y/y improvement

Operating Cash Flow ¹

\$(35)M

Operating Cash Flow margin improvement to (29)% in Q1 2023 from (63)% in Q1 2022

Cash Contribution ²

\$15M

Cash Contribution margin decline to 12.5% in Q1 2023 from 12.9% in Q1 2022

RevPAR

\$134

15% y/y improvement

Occupancy Rate

80%

700 bps y/y improvement

Free Cash Flow ²

\$(41)M

Free Cash Flow margin improvement to (34)% in Q1 2023 from (77)% in Q1 2022

Live Units | Total Portfolio

10.4K | 18.2K

35% y/y growth | (6)% y/y decline³

(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

\$(35)M

Q1 2023 Operating Cash Flow¹
(29)% Operating Cash Flow Margin

\$(41)M

Q1 2023 Free Cash Flow²
(34)% Free Cash Flow Margin

Quarterly Operating Cash Flow Margin and Free Cash Flow Margin

Operating Cash Flow Margin¹

Free Cash Flow Margin²



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

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

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Remerchandising Strategy

Our elevated merchandising strategy with a reimagined art direction and photography further showcases our design led value proposition, one of our most important brand differentiators.

This strategy has continued to result in an uplift in conversion of over 10% and was implemented in over 15% of total live units by the end of the first quarter.

Throughout the second quarter, we anticipate upgrading our photography across an additional 15% of live units, and expect over 50% live unit coverage by the end of the year.

Pre-Remerchandising

Sonder at FOUND Santa Monica, Los Angeles
Opened in June 2021



Sonder Henri on 24, New York
Opened in May 2022



Sonder La Ensenada, Laguna Beach
Opened in May 2022



Post-Remerchandising



Q1 2023 Results



Sonder The Score, Nashville
Opened in February 2023

Q1 2023 business performance

10.4K

Live Units

+35% y/y

898K

Bookable Nights

+30% y/y

722K

Occupied Nights

+44% y/y

80% Occupancy Rate

\$134

RevPAR

+15% 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.

Q1 2023 financial performance

\$121M

Revenue

50% y/y improvement

\$(35)M

Operating Cash Flow¹

Operating Cash Flow margin improvement to (29)% in Q1 2023 from (63)% in Q1 2022

\$(41)M

Free Cash Flow²

Free Cash Flow margin improvement to (34)% in Q1 2023 from (77)% in Q1 2022

\$15M

Cash Contribution²

Cash Contribution margin decline to 12.5% in Q1 2023 from 12.9% in Q1 2022

Quarterly Operating Cash Flow Margin and Cash Contribution Margin



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

(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.

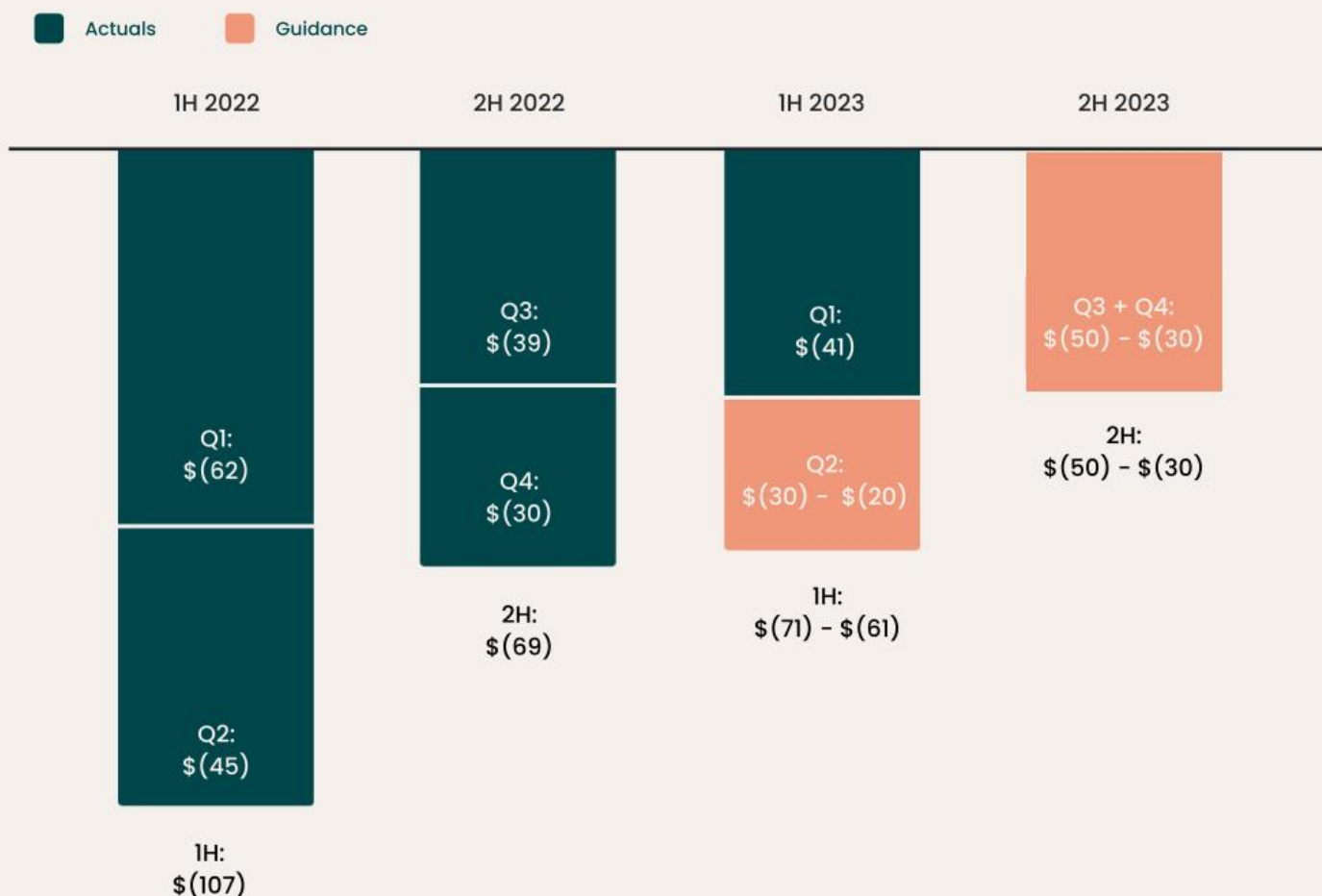
Guidance

For the second quarter of 2023, we expect revenue between \$155 million and \$165 million and Free Cash Flow excluding one-time restructuring costs between negative \$30 million and negative \$20 million, which at the midpoint is a \$20 million improvement versus the second quarter of 2022.

For the second half of 2023, we expect revenue between \$345 million and \$375 million, which at the mid-point of the guidance ranges provided, translates to approximately 40% year-over-year growth for the full year of 2023.

For Free Cash Flow, we expect between negative \$50 million and negative \$30 million in the second half of 2023. At the midpoint of the guidance ranges provided, this translates into a 40% year-over-year improvement for the full year of 2023, or a \$70 million improvement.

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



⁽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 The Beacon, Los Angeles
Opened in January 2023

Sonder Holdings Inc. and Subsidiaries

Consolidated balance sheets

(In thousands)

	(Unaudited)	
	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 217,968	\$ 246,624
Restricted cash	28,436	42,562
Accounts receivable, net of allowance	6,990	5,613
Prepaid expenses	5,128	8,066
Other current assets	12,708	10,065
Total current assets	271,230	312,930
Property and equipment, net	35,432	34,926
Operating lease right-of-use ("ROU") assets	1,201,007	1,209,486
Other non-current assets	13,791	16,270
Total assets	<u>\$ 1,521,460</u>	<u>\$ 1,573,612</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 14,093	\$ 16,082
Accrued liabilities	18,230	20,131
Taxes payable	16,497	14,418
Deferred revenue	58,424	41,664
Current operating lease liabilities	172,422	158,346
Total current liabilities	279,666	250,641
Non-current operating lease liabilities	1,156,913	1,166,538
Long-term debt, net	179,665	172,950
Other non-current liabilities	2,043	3,430
Total liabilities	1,618,287	1,593,559
Stockholders' deficit:		
Common stock	21	21
Additional paid-in capital	959,789	947,601
Cumulative translation adjustment	10,348	12,985
Accumulated deficit	(1,066,985)	(980,554)
Total stockholders' deficit	(96,827)	(19,947)
Total liabilities and stockholders' deficit	<u>\$ 1,521,460</u>	<u>\$ 1,573,612</u>

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

Sonder Holdings Inc. and Subsidiaries

Condensed consolidated statements of operations and comprehensive loss

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

	(Unaudited)	
	Three months ended March 31,	
	2023	2022
Revenue	\$ 120,738	\$ 80,466
Costs and operating expenses:		
Cost of revenue (excluding depreciation and amortization)	92,033	73,896
Operations and support	56,157	48,267
General and administrative	32,745	36,981
Research and development	6,580	7,625
Sales and marketing	15,836	9,461
Restructuring and other charges	2,130	—
Total costs and operating expenses	205,481	176,230
Loss from operations	(84,743)	(95,764)
Interest expense, net	5,707	8,202
Change in fair value of SPAC Warrants	110	(14,895)
Change in fair value of Earn Out Liability	(1,498)	(73,177)
Change in fair value of share-settled redemption feature and gain on conversion of convertible notes	—	(29,512)
Other (income) expense, net	(2,712)	2,624
Total non-operating expense (income), net	1,607	(106,758)
(Loss) income before income taxes	(86,350)	10,994
Provision for income taxes	81	31
Net (loss) income	\$ (86,431)	\$ 10,963
Less: Net income attributable to convertible and exchangeable preferred stockholders	—	1,406
Net (loss) income attributable to common stockholders	\$ (86,431)	\$ 9,557
Weighted average basic common shares outstanding	219,105,342	176,326,658
Add: Dilutive effect of outstanding stock awards	—	(4,499,600)
Weighted average diluted common shares outstanding	219,105,342	171,827,058
Basic net (loss) income per common share	\$ (0.39)	\$ 0.05
Diluted net loss per common share	\$ (0.39)	\$ (0.18)
Other comprehensive (loss) income:		
Net (loss) income	\$ (86,431)	\$ 10,963
Change in foreign currency translation adjustment	(2,637)	1,999
Comprehensive (loss) income	\$ (89,068)	\$ 12,962

Sonder Holdings Inc. and Subsidiaries

Consolidated statements of cash flows

(In thousands)

	(Unaudited)	
	Three months ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income	\$ (86,431)	\$ 10,963
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	7,048	5,630
Stock-based compensation	12,180	6,680
Amortization of operating lease ROU assets	45,627	37,646
(Gain) loss on foreign exchange	(2,311)	2,379
Capitalization of paid-in-kind interest on long-term debt	6,345	—
Amortization of debt issuance costs	2	8,750
Amortization of debt discounts	388	(3,007)
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	110	(14,895)
Change in fair value of Earn Out Liability	(1,498)	(73,177)
Other operating activities	622	682
Changes in:		
Accounts receivable, net	(1,962)	3,233
Prepaid expenses	3,055	(9,408)
Other current and non-current assets	332	4,429
Accounts payable	(2,026)	(22,009)
Accrued liabilities	(2,060)	4,742
Taxes payable	2,020	2,963
Deferred revenue	16,703	15,253
Operating lease ROU assets and operating lease liabilities, net	(33,695)	(5,200)
Other current and non-current liabilities	79	3,165
Net cash used in operating activities	(35,492)	(50,693)
Cash flows from investing activities:		
Purchase of property and equipment	(6,924)	(10,539)
Capitalization of internal-use software	(554)	(1,077)
Net cash used in investing activities	(7,478)	(11,616)
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	873
Net cash provided by financing activities	8	399,726
Effects of foreign exchange on cash	180	(327)
Net change in cash, cash equivalents, and restricted cash	(42,782)	337,090
Cash, cash equivalents, and restricted cash at beginning of period	289,186	69,941
Cash, cash equivalents, and restricted cash at end of period	\$ 246,404	\$ 407,031

(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

Sonder Aria, Mexico City
Opened in January 2023



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

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
Non-property level sales and marketing:									
Sales and marketing	\$2,511	\$4,888	\$6,724	\$9,367	\$9,461	\$12,414	\$13,372	\$15,977	\$15,836
(-) Property level sales and marketing ¹	(1,592)	(3,052)	(4,638)	(6,634)	(6,814)	(9,535)	(10,566)	(11,837)	(11,672)
Non-property level sales and marketing	\$919	\$1,836	\$2,086	\$2,733	\$2,647	\$2,879	\$2,806	\$4,140	\$4,164
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
(-) Property level operations and support ²	(9,921)	(13,308)	(14,795)	(19,855)	(22,104)	(24,814)	(26,967)	(27,272)	(31,486)
Non-property level operations and support	\$15,502	\$21,581	\$21,797	\$25,969	\$26,163	\$29,189	\$28,619	\$25,953	\$24,671
Non-property level operating expenses:									
General and administrative	\$32,149	\$24,615	\$21,694	\$27,677	\$36,981	\$31,277	\$33,016	\$31,171	\$32,745
(+) Research and development	3,319	4,066	5,443	6,263	7,625	8,088	6,936	6,247	6,580
(+) Non-property level sales and marketing	919	1,836	2,086	2,733	2,647	2,879	2,806	4,140	4,164
(+) Non-property level operations and support	15,502	21,581	21,797	25,969	26,163	29,189	28,619	25,953	24,671
(-) Stock based compensation	(14,153)	(2,448)	(3,573)	(5,073)	(6,680)	(5,054)	(6,405)	(4,818)	(12,180)
(-) Depreciation and amortization	(4,119)	(4,213)	(4,357)	(5,025)	(5,630)	(5,996)	(6,175)	(6,110)	(7,048)
Non-property level operating expenses	\$33,617	\$45,437	\$43,090	\$52,544	\$61,106	\$60,383	\$58,797	\$56,583	\$48,932
Cash contribution:									
Cash used in operating activities	\$(40,308)	\$(55,945)	\$(39,690)	\$(43,448)	\$(50,693)	\$(40,922)	\$(32,477)	\$(24,923)	\$(35,492)
(+) Cash paid for restructuring costs	-	-	-	-	-	2,363	1,114	235	1,597
(+) Non-property level operating expenses	33,617	45,437	43,090	52,544	61,106	60,383	58,797	56,583	48,932
Cash contribution ³	\$(6,691)	\$(10,508)	\$3,400	\$9,096	\$10,413	\$21,824	\$27,434	\$31,895	\$15,037
Revenue	\$31,558	\$47,269	\$67,454	\$86,663	\$80,466	\$121,322	\$124,526	\$134,769	\$120,738
Cash contribution margin	(21.2)%	(22.2)%	5.0%	10.5%	12.9%	18.0%	22.0%	23.7%	12.5%

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

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

Use of non-GAAP financial measures

Sonder supplements its consolidated financial statements presented in accordance with generally accepted accounting principles in the United States (“GAAP”) by providing additional financial measures that are not prepared in accordance with GAAP, including Free Cash Flow, Free Cash Flow Margin, Cash Contribution, 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 15.

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 16.

Webcast Details

Sonder will host a webcast Wednesday, May 10, 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. 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 Q2 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, 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," "Q1 2023 Results," 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 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; 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 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.

CONTACTS

Media

press@sonder.com

Investors

ir@sonder.com



