Q2 2022 Financial Summary

SONOS

May 11, 2022

Forward Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding our outlook for the fiscal year ending October 1, 2022; our fiscal 2024 targets; our long-term focus, financial, growth, and business strategies and opportunities; growth metrics and targets; our business model; new products, services, and partnerships; profitability and gross margins; our direct-to-consumer efforts; our market share; and other factors affecting variability in our financial results.

These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors, including, but not limited to, the duration and impact of the COVID-19 pandemic and related mitigation efforts on our industry and supply chain; supply chain challenges, including shipping and logistics challenges, significant limits on component supplies and inflationary pressures; the impact of global economic, market and political events, including Russia's invasion of Ukraine; changes in consumer income and overall consumer spending as a result of economic or political uncertainty; our ability to successfully introduce new products and services and maintain or expand the success of our existing products; the success of our efforts to expand our direct-to-consumer channel; the success of our financial, growth, and business strategies; our ability to meet product demand and manage any product availability delays; and the other risk factors set forth under the caption "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended January 1, 2022, and our other filings filed with the Securities and Exchange Commission (the "SEC"), copies of which are available free of charge at the SEC's website at www.sec.gov or upon request from our investor relations department.

All forward-looking statements herein reflect our opinions only as of the date of this letter, and we undertake no obligation, and expressly disclaim any obligation, to update forward-looking statements herein in light of new information or future events, except to the extent required by law.

Non-GAAP Measures

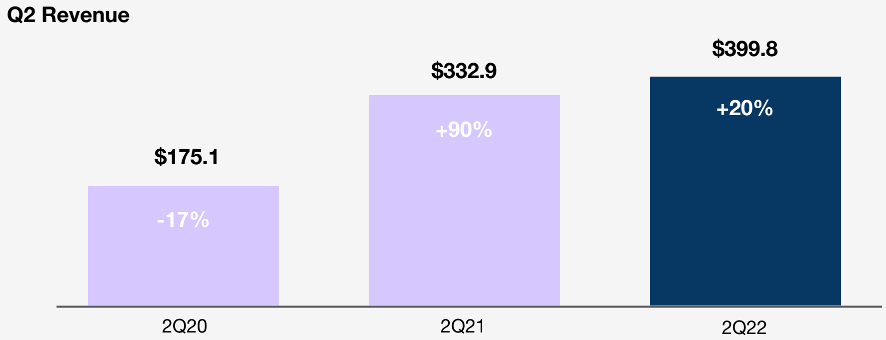
Additional information relating to certain of our financial measures contained herein, including non-GAAP financial measures, is available in the appendix to this presentation.

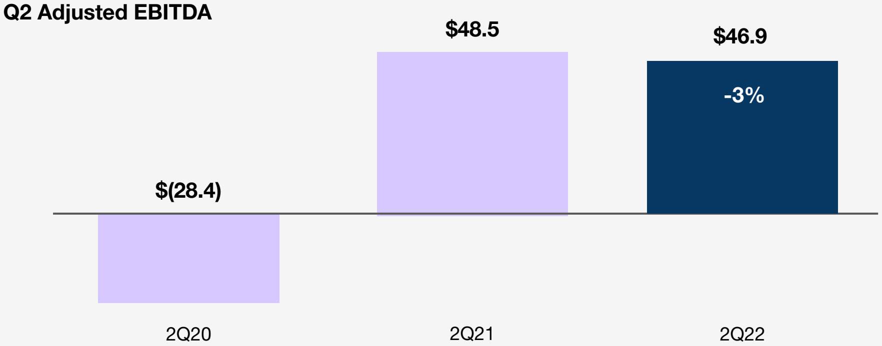
Q2 Highlights

- **Record Q2 revenue of $399.8M,** +20% from LY driven by strong product demand and improved availability of supply
- **Q2 gross margin of 44.8%,** -300 bps from Q1 driven primarily by increased component costs and higher shipping and logistics costs
- **Q2 adjusted EBITDA of $46.9M,** -3% from LY driven by lower GM, partially offset by opex leverage
- **Q2 adjusted EBITDA margin of 11.7%**

Note: Unaudited. See appendix for reconciliation of GAAP to non-GAAP measures.

Record Q2 revenue, strong growth, and stable profitability





- Revenue +20% to a record Q2 of $399.8M. Driven by:
  - Strong product demand, supported by improved availability of supply
    - The introduction of Roam, along with continued success of One and Arc drove our Speaker category
    - Sonos system products grew 18%
    - Partner products and other revenue supported by Sonance and Ikea
  - Industry-wide supply chain issues continue, and we still have a backlog

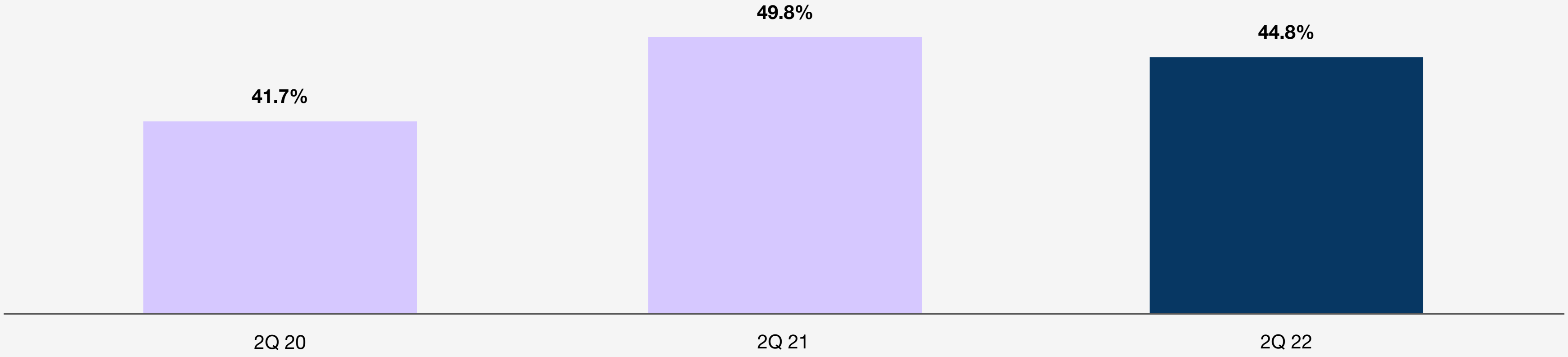
- Adjusted EBITDA margin declined slightly (down 290 bps) to 11.7%
  - GM pressure of 500 bps YoY driven by supply chain (see next slide)
  - Partially offset by Opex leverage

Note: $ in millions, unaudited.
See appendix for reconciliation of GAAP to non-GAAP measures. Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

Increased supply chain costs

Gross margin declined -500 bps YoY driven by:

- The need for spot buys given component shortages, higher shipping and logistics costs, FX and product mix
- Partially offset by higher selling prices following September 2021 price increase
- Gross Margin declined 300 bps QoQ given the supply chain challenges
- FY’22 Guidance of 45.5%-46% still within our long-term gross margin targets



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Investing in the business & driving opex leverage in Q2

	Q2'22	Q2'21	Y/Y Change
Research and Development (GAAP)	**$64.9**	**$56.4**	**15.2%**
Legal and transaction related costs	0.0	0.0	NM
Adjusted Research and Development (Non-GAAP)	**$64.9**	**$56.4**	**15.2%**
% of revenue	***16.2%***	***16.9%***	***(70) bps***
Sales and Marketing (GAAP)	**$60.0**	**$57.2**	**4.8%**
Legal and transaction related costs	0.0	0.0	NM
Adjusted Sales and Marketing (Non-GAAP)	**$60.0**	**$57.2**	**4.8%**
% of revenue	***15.0%***	***17.2%***	***(220) bps***
General and Administrative (GAAP)	**$44.1**	**$39.8**	**10.8%**
Legal and transaction related costs	6.0	11.0	(45.4)%
Adjusted General and Administrative (Non-GAAP)	**$38.1**	**$28.8**	**32.2%**
% of revenue	***9.5%***	***8.6%***	***90 bps***
Total Operating Expenses (GAAP)	$169.0	$153.4	10.2%
Legal and transaction related costs	6.0	11.0	(45.4%)
Adjusted Operating Expenses (Non-GAAP)	**$163.0**	**$142.4**	**14.5%**
% of revenue	***40.8%***	***42.8%***	***(200) bps***

Note: $ in millions, unaudited. Percentages and sums have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

- Adjusted Opex leverage of 200 bps YoY:
  - R&D +15.2% primarily due to higher personnel-related expenses, increased product development costs, professional fees, and other expenses
  - S&M +4.8% primarily due to increased brand and marketing investments and personnel-related and other costs
  - G&A ex legal and transaction costs +32.2% due to increased personnel-related expenses related to hiring support, and continued systems and tools investments. These include investments to replace our legacy ERP system, with the new system going live in Q3 2022

Cash flow & balance sheet highlights

	YTD22	YTD21	Y/Y Change
Cash flow from operations	$82.4	$176.0	(53.2)%
Capital expenditures	$15.7	$19.9	(21.4)%
% of revenue	1.5%	2.0%	
Free cash flow	$66.7	$156.0	(57.2)%
Free cash flow / Adj EBITDA	32%	73%	
Ending cash & cash equivalents	$606.7	$639.1	(5.1)%
Total debt	$ –	$ –	N/A

- Cash flow from operations of $82.4M, -53% from LY, mainly due to investments in inventory
- Share repurchases of $74.5M YTD; $75.5M remaining on our $150M authorization
- We deployed $27M to M&A YTD with an additional $100M deal (Mayht) completed post quarter end
- Cash and cash equivalents of $606.7M (excluding Mayht transaction), no debt

Note: $ in millions, unaudited.
See appendix for reconciliation of GAAP to non-GAAP measures. Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

FY22 Outlook

FY22 Outlook: Maintain revenue guidance, reduced gross margin, narrowed adjusted EBITDA range. Remain on track to deliver another record fiscal year

	FY21 Actuals	Prior FY22 Outlook	New FY22 Outlook
Revenue	$1.717 billion	$1.95 billion - $2.0 billion	$1.95 billion - $2.0 billion
% growth	29%	14% - 16%	14% - 16%
Gross Margin	47.2%	46 - 47%	45.5 - 46.0%
Adjusted EBITDA	$278.6 million	$290 million - $325 million	$290 million - $310 million
Adjusted EBITDA Margin	16.2%	14.9% - 16.2%	14.9% - 15.5%
Other Key Assumptions:			
Tariffs	*$4.6 million net tariff benefit*	*Minimal net tariff benefit*	*Minimal net tariff expense*

- Re-confirming revenue range
- Reduced and narrowed Gross Margin range given increased cost of components, shipping and logistics
- Lowered high end of Adjusted EBITDA range on Gross Margin flow through, partly offset by moderation of Opex investments

Note: Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. We do not provide a reconciliation of forward-looking non-GAAP measures to their comparable GAAP financial measures. See “Non-GAAP Measures” for more information.

FY22 outlook only as of the date of this presentation. See “Forward-Looking Statements” for more information.

Long Term Opportunity

FY2024 Financial Targets

Revenue	Gross Margin	Adjusted EBITDA Margin
~$2.5B	45-47%	15-18%

Note: Adjusted EBITDA Margin is a non-GAAP measures. We do not provide a reconciliation of forward-looking non-GAAP measures to their comparable GAAP financial measures. See “Non-GAAP Measures” for more information.

FY24 outlook only as of the date of this presentation. See “Forward-Looking Statements” for more information.

Key Drivers of Long Term Growth

“The Sonos Flywheel”

- New household growth + existing household repurchases

Expansion of our product offerings

- Launch at least 2 products per year to delight existing households and attract new ones

Large, growing addressable market

- Just scratching the surface: Currently ~2% share of $96B global audio market[1] and ~9% share of 145M affluent households[2] in our core markets

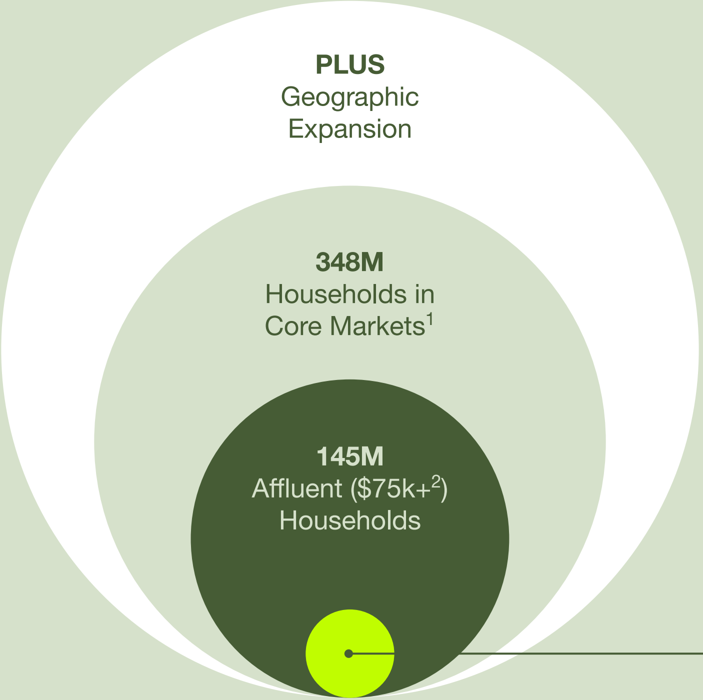
Long term Macro tailwinds

- Continued growth in audio and video content consumption and formats
- Evolution of remote work and impact on how and where consumers live

1 - Source: Futuresource CY2021.

2 - Source: Euromonitor 2021
Core Markets include the United States, Canada, Australia, United Kingdom, Germany, Netherlands, Sweden, Denmark, France, Switzerland, Norway, Belgium, Italy, Austria, Spain, Ireland, Finland and Poland.

Our Long Term Opportunity: Households



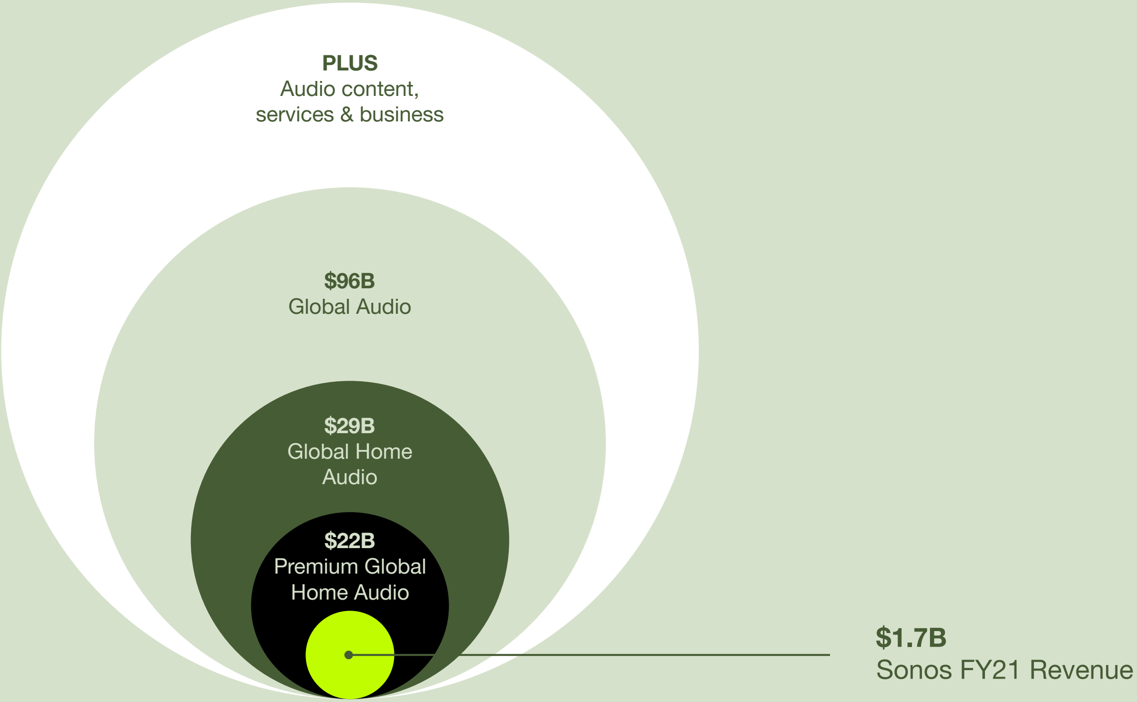
13M
Sonos FY21 Households

~9%

Current Penetration of Total Affluent Households

Source: Euromonitor 2021
1. Core Markets include the United States, Canada, Australia, United Kingdom, Germany, Netherlands, Sweden, Denmark, France, Switzerland, Norway, Belgium, Italy, Austria, Spain, Ireland, Finland and Poland
2. Represents disposable income as defined by the OECD

Our Long Term Opportunity: Revenue



~2%

Current Penetration of
Global Audio Market

Source: Futuresource CY2021, Premium defined as $100+ wireless speakers, $200+ soundbars, $300+ Hi-Fi systems, $250+ in-wall/in-ceiling speakers, $250+ bookshelf speakers (pairs), and all AV receivers, Floor-standing speakers, home theater speakers and home theater in a box products and Hi-Fi separates

Appendix

Non-GAAP Measures

We have provided in this presentation financial information that has not been prepared in accordance with US generally accepted accounting principles ("GAAP"). We use these non-GAAP financial measures to evaluate our operating performance and trends and make planning decisions. We believe that these non-GAAP financial measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses and other items that we exclude in these non-GAAP financial measures. Accordingly, we believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to a key financial metric used by our management in its financial and operational decision-making. Non-GAAP financial measures should not be considered in isolation of, or as an alternative to, measures prepared in accordance with US GAAP.

We define adjusted EBITDA as net income adjusted to exclude the impact of depreciation, stock-based compensation expense, interest income, interest expense, other income (expense), income taxes, and other items that we do not consider representative of our underlying operating performance. We define adjusted EBITDA margin as adjusted EBITDA divided by revenue. We define free cash flow as net cash from operations less purchases of property and equipment and intangible and other assets.

We do not provide a reconciliation of forward-looking non-GAAP financial measures to their comparable GAAP financial measures because we cannot do so without unreasonable effort due to unavailability of information needed to calculate reconciling items and due to the variability, complexity and limited visibility of the adjusting items that would be excluded from the non-GAAP financial measures in future periods. When planning, forecasting and analyzing future periods, we do so primarily on a non-GAAP basis without preparing a GAAP analysis as that would require estimates for certain items such as stock-based compensation, which is inherently difficult to predict with reasonable accuracy. Stock-based compensation expense is difficult to estimate because it depends on our future hiring and retention needs, as well as the future fair market value of our common stock, all of which are difficult to predict and subject to constant change. In addition, for purposes of setting annual guidance, it would be difficult to quantify stock-based compensation expense for the year with reasonable accuracy in the current quarter. As a result, we do not believe that a GAAP reconciliation would provide meaningful supplemental information about our outlook.

Reconciliation of Net Income to Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net income	$8,566	$ 17,221	$132,047	$ 149,513
Add (deduct):				
Depreciation and amortization	9,575	8,742	18,792	16,725
Stock-based compensation expense	21,225	16,363	38,684	31,207
Interest income	(123)	(44)	(156)	(80)
Interest expense	90	182	187	448
Other expense (income), net	2,281	1,578	3,683	(2,680)
Provision for (benefit from) income taxes	(772)	(6,542)	6,874	2,578
Restructuring and related expenses (1)	—	—	—	(2,611)
Legal and transaction related costs (2)	6,012	11,013	9,885	19,679
Adjusted EBITDA	$46,854	$ 48,513	$209,996	$ 214,779
Revenue	$ 399,781	$ 332,949	$1,064,262	$ 978,532
Adjusted EBITDA margin	11.7%	14.6 %	19.7%	21.9 %

(1) Restructuring and related expenses for the three months ended January 2, 2021, include a gain of $2.8 million, related to our negotiation for the early termination of a facility lease that was part of the 2020 restructuring plan. The gain represents the difference between the related operating lease liability and previously accrued restructuring expenses versus the early termination payment.

(2) Legal and transaction related costs consist of expenses related to our intellectual property litigation against Alphabet Inc. and Google LLC as well as legal and transaction costs associated with our acquisition activity, which we do not consider representative of our underlying operating performance.

Note: $ in thousands, unaudited.

Reconciliation of Cash Flows Provided by Operating Activities to Free Cash Flow

	Six Months Ended	
	April 2, 2022	April 3, 2021
Cash flows provided by operating activities	$82,374	$175,953
Less: Purchases of property and equipment, intangible and other assets	(15,665)	(19,927)
Free cash flow	$66,709	$156,026

Note: $ in thousands, unaudited.

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