Q2 Fiscal Year 2023 Financial Results

SONOS

May 10, 2023

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 September 30, 2023; our long-term outlook; 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; market growth and our market share; our incremental revenue opportunity; the macroeconomic environment and our ability to weather it; 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 and component supply-related challenges; our ability to accurately forecast product demand and effectively manage owned and channel inventory levels; the impact of global economic, market, and political events, including broad economic uncertainty, foreign currency exchange fluctuations, and inflation; changes in consumer income and overall consumer spending as a result of economic or political uncertainty; changes in consumer spending patterns; 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 December 31, 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, 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

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 (loss) adjusted to exclude the impact of depreciation and amortization, stock-based compensation expense, interest income, interest expense, other income (expense), income taxes, lease abandonment costs 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 calculate constant currency growth percentages by translating our current period financial results using the prior period average currency exchange rates and comparing these amounts to our prior period reported results.

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.

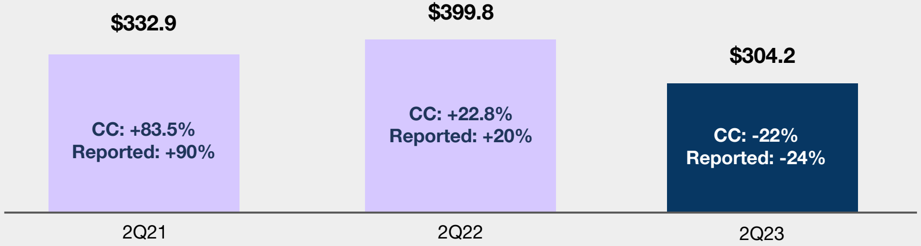
Q2 Highlights

- **Q2 revenue of $304.2M,** -24% y/y (-22% constant currency) slightly ahead of guidance for -25% to -30% y/y
- **In Q2 gained $ and unit market share in US and EMEA (UK, DE and Nordics) home theater category**
- **Ushered in the next generation of industry leading smart speakers with the launch of Era 100 and Era 300**
- **Announced entry into new category with Sonos Pro**, a software-as-a-service offering for business customers
- **Q2 gross margin of 43.3%,** -150bps y/y
- **Q2 Adjusted EBITDA of $(10.6)M,** margin of (3.5)%

Note: Unaudited. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures.
*See appendix for reconciliation of GAAP to non-GAAP measures.

Q2 Financial Summary

Q2 Revenue

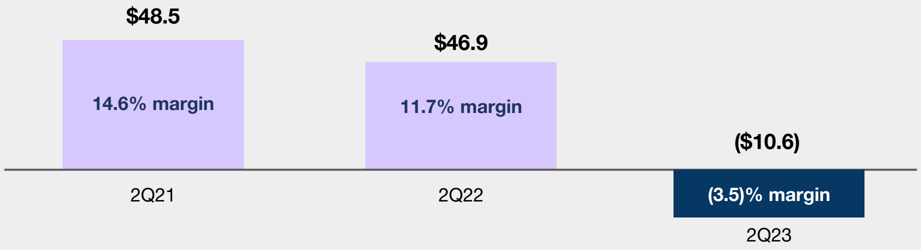


Americas (58% of sales): +90% y/y
EMEA (34% of sales): +100% y/y
APAC (7% of sales): +56% y/y

Americas (60% of sales): +23% y/y
EMEA (32% of sales): +12% y/y
APAC (8% of sales): +34% y/y

Americas (65% of sales): -17% y/y
EMEA (29% of sales): -31% y/y
APAC (6% of sales): -44% y/y

Q2 Adjusted EBITDA



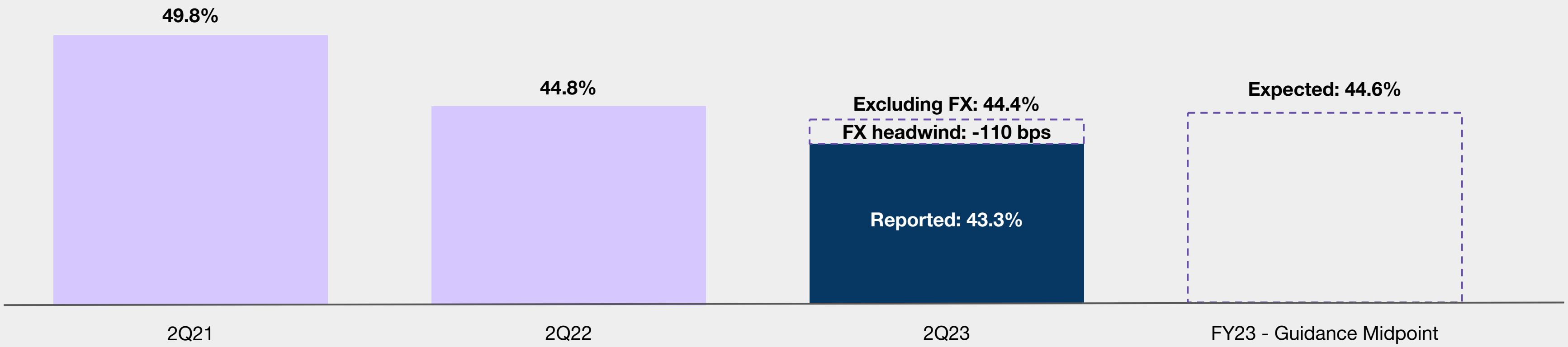
- Revenue -22% constant currency, or -24% reported to $304.2M driven by:
  - Unfavorable comparison resulting from backlog fulfillment and timing of channel fill in 2Q22
  - Softer consumer demand
  - Unfavorable FX ($6M) headwind to revenue
  - Partially offset by new product introductions
- Registrations -2% y/y while products sold -29% y/y
  - 2Q23 products sold faced unfavorable comparison as 2Q22 products sold grew +35% y/y due to backlog fulfillment and timing of channel fill
- Adjusted EBITDA declined to $(10.6)M, margin of (3.5)%
  - Decline driven by lower revenue and -150bps gross margin contraction, partially offset by seasonal decline in marketing spend, lower bonus accrual and delayed program spend
  - FX approximated to be $3M headwind to Adjusted EBITDA

Note: $ in millions (unless noted), unaudited. Adjusted EBITDA and constant currency are non-GAAP measures. 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.

Resilient Underlying Gross Margin Performance Amidst CE Industry Compression

Gross margin declined -150bps y/y driven by:

- Unfavorable product mix shift resulting from home theater weakness
- Inventory reserve build related to discontinued products and excess components
- Unfavorable FX (approximated to be -110bps headwind y/y)
- Partially offset by fewer spot component purchases



Note: Unaudited. Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.
Gross margin excluding the impact of foreign exchange is a non-GAAP measure. See appendix for reconciliation of GAAP to non-GAAP measures.

Responsibly Investing to Drive Long Term Growth

	2Q23	2Q22	Y/Y Change
R&D (GAAP)	**$80.8**	**$64.9**	**24%**
Less: Stock-based compensation expense	9.6	8.1	18%
Less: Amortization of intangibles	0.5	0.7	(33)%
Less: Lease abandonment costs	2.7	-	N/A
R&D (Non-GAAP)	**$68.0**	**$56.1**	**21%**
% of revenue	*22.4%*	*14.0%*	*830 bps*
S&M (GAAP)	**$63.6**	**$60.0**	**6%**
Less: Stock-based compensation expense	4.5	4.2	7%
Less: Lease abandonment costs	1.0	-	N/A
S&M (Non-GAAP)	**$58.1**	**$55.8**	**4%**
% of revenue	*19.1%*	*14.0%*	*520 bps*
G&A (GAAP)	**$44.4**	**$44.1**	**1%**
Less: Stock-based compensation expense	6.4	8.6	(25)%
Less: Legal and transaction related costs	9.0	6.0	50%
Less: Amortization of intangibles	-	-	0%
Less: Lease abandonment costs	1.1	-	N/A
Adjusted G&A (Non-GAAP)	**$27.9**	**$29.5**	**(5)%**
% of revenue	*9.2%*	*7.4%*	*180 bps*
Total Operating Expenses (GAAP)	**$188.8**	**$169.0**	**12%**
% of revenue	*62.1%*	*42.3%*	*1980 bps*
Less: Stock-based compensation expense	20.4	20.8	(2)%
Less: Legal and transaction related costs	9.0	6.0	50%
Less: Amortization of intangibles	0.5	0.8	(32)%
Less: Lease abandonment costs	4.8	-	N/A
Adjusted Operating Expenses (Non-GAAP)	**$154.0**	**$141.4**	**9%**
% of revenue	*50.6%*	*35.4%*	*1530 bps*

- Committed to reducing operating expenses while making targeted and responsible investment in product roadmap and category expansion to drive long term growth
  - Revised FY23 plan includes $52 million of additional cost takeouts
- **GAAP OpEx dollars +12% y/y:**
  - GAAP OpEx deleverage of 1980 bps y/y driven by: revenue declining -24% y/y, headcount growth, $4.8M of lease abandonment cost due to downsizing of real estate footprint
  - Legal and transaction-related costs +50% y/y
- **Non-GAAP Adjusted OpEx dollars +9% y/y:**
  - Non-GAAP Adjusted OpEx deleverage of 1530 bps y/y
    Non-GAAP R&D +21% due to increased headcount
  - **Non-GAAP S&M +4%** due to increased headcount, partially offset by lower sales in DTC business
  - **Non-GAAP Adjusted G&A -5%** due to lower bonus accrual
- **Non-GAAP Adjusted OpEx dollars -11% q/q:**
  - Sequential decline due delayed program spend, lower bonus accrual and typical seasonality of sales and marketing expense

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

Cash Flow & Balance Sheet Highlights

	YTD23	YTD22	Y/Y Change
Cash flow from operations	**$ 69.3**	**$ 82.4**	**(15.8)%**
Capital expenditures	$ 23.4	$ 15.7	49.4%
% of revenue	*2.4%*	*1.5%*	
Free cash flow	**$ 45.9**	**$ 66.7**	**(31.2)%**
Free cash flow / Adj EBITDA	*41%*	*32%*	
Ending cash & cash equivalents	**$ 294.9**	**$ 606.7**	**(51.4)%**
Total debt	$ -	$ -	N/A

- Cash and cash equivalents of $294.9M, no debt. Key contributors to q/q decrease in cash balance driven by:
  - $120M decrease in accounts payable and accrued expenses
  - $25M increase in inventories
  - $15M share repurchase
- Cash flow provided by operations of $69.3M, -15.8% y/y, mainly due to negative working capital factors outlined above
- Capex of $23.4M, +49% y/y, largely driven by in-store product display investments and manufacturing-related investments to support the launch of new products
- Free cash flow of $45.9M, -31.2% y/y
- Share repurchases of $30.1M in YTD; $69.9M remaining on our $100M authorization

Note: $ in millions (unless noted), unaudited.
Free cash flow and Adjusted EBITDA are non-GAAP measures. 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.

Inventory Trends

	2Q22	1Q23	2Q23
Finished goods	**$208.5**	**$260.7**	**$274.5**
% y/y	*58%*	*79%*	*32%*
% q/q	*43%*	*(36)%*	*5%*
Components	**$55.9**	**$45.3**	**$51.8**
% y/y	*596%*	*(24)%*	*(7)%*
% q/q	*(6)%*	*(5)%*	*14%*
Inventories	**$264.4**	**$306.1**	**$326.3**
% y/y	*89%*	*49%*	*23%*
% q/q	*29%*	*(33)%*	*7%*

- Total inventories +7% q/q from 1Q23
  - Finished goods inventory increased by $14M q/q, +5%
  - Components balance remains elevated relative to historical levels due to lead time between lower run-rate demand and resulting adjustments made to sourcing plan

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

FY23 Outlook

FY23 Outlook: Demonstrating Commitment to Profitability Amidst Macro Headwinds

	FY22 Actuals	Previous FY23 Outlook	Revised FY23 Outlook
Revenue	**$1.752 billion**	**$1.7 - 1.8 billion**	**$1.625 - 1.675 billion**
% growth / (decline)	2%	(3%) - 3%	(7%) - (4%)
constant currency	5%	1% - 7%	(5%) - (2%)
Gross Margin	**45.4%**	**45.0 - 46.0%**	**44.3 - 44.8%**
Adjusted EBITDA	$226.5 million	$145 - 180 million	$138 - 168 million
Adjusted EBITDA Margin	**12.9%**	**8.5% - 10.0%**	**8.5% - 10.0%**

Key Assumptions

- **Revised guidance assumes $52 million of operating expense reduction,** while still making targeted and responsible investment in product roadmap and category expansion to drive long term growth
  - Now expect non-GAAP adjusted operating expenses to total $630 million
- **Reflects lower level of run-rate demand observed in Q2, channel partners inventory tightening**
- **FX approximated to be $46 million headwind to revenue,** significant flowthrough to gross profit and Adjusted EBITDA
- Gross margin tailwind from fewer spot component purchases and less reliance on air freight in FY23 to be largely offset by FX headwind, promotional activity in 1Q23 and unfavorable product mix resulting from softer run-rate demand
- Adjusted EBITDA margin outlook unchanged due to expense reductions balanced against continued investment in product roadmap

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.

FY23 outlook only as of the date of this presentation. See “Forward-Looking Statements” for more information.

The Sonos Story

Sonos at a Glance

2002	**11**	**1,800+**	**60**
Founded	Locations	Employees	Countries distributed
20	**2**	**3,300+**	**$1.75B**
Products	Services	US Patents and Applications	FY22 Revenue

Broad Product Portfolio Spanning Variety of Price Points

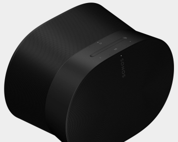
Portables

Roam
$179

Move
$399

All-in-One Speakers

Era 100
$249



Era 300
$449

Five
$549

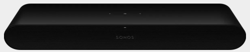
IKEA SYMFONISK Bookshelf speaker
$139

IKEA SYMFONISK Speaker lamp
$186

IKEA SYMFONISK Picture frame speaker
$169

IKEA SYMFONISK Floor lamp speaker
$299

Home Theater



Ray
$279

Beam
$499

Arc
$899

Sub Mini
$429

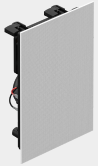
Sub
$799

Components and Architectural

Amp
$699

Port
$449

Sonance
$659



Sonance
$659

Sonance
$879

Automotive

Audi

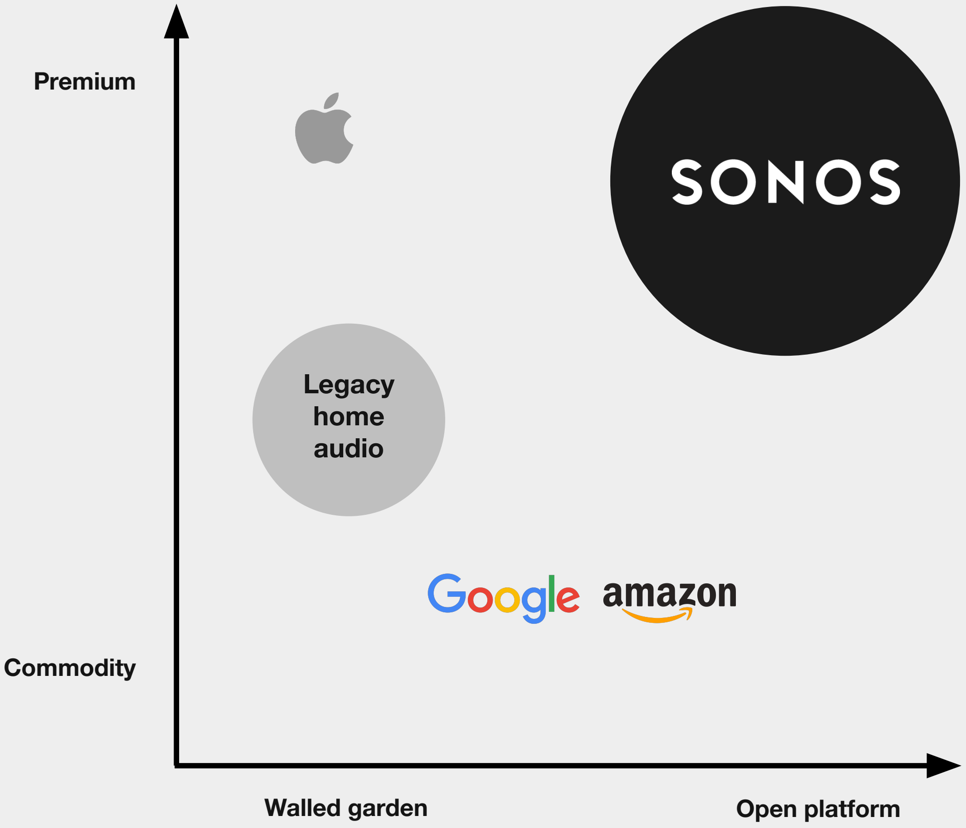
Market Position

Sonos is differentiated by our unique combination of an open content and control platform with high-quality, premium hardware that spans a variety of form factors, use cases, and price points.

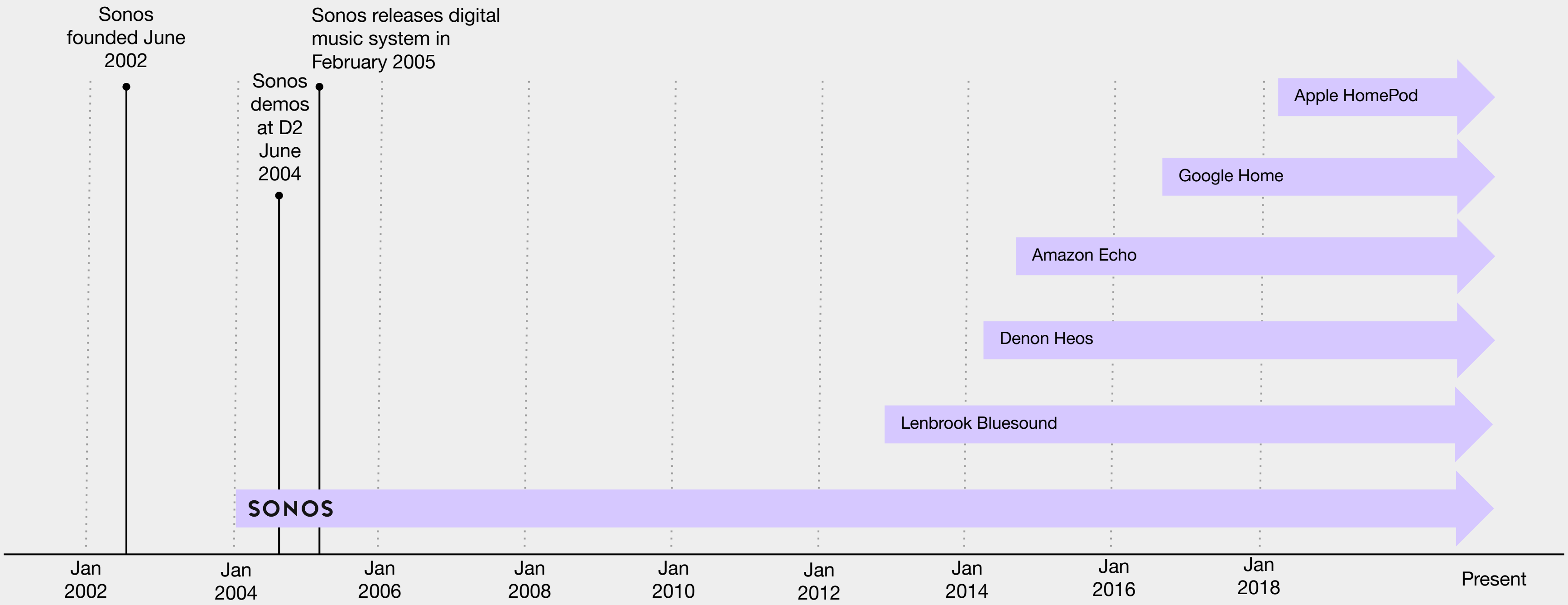
No other company has created an interoperable suite of products serving customers in the home and beyond.

“Big tech” focused on the adoption of their voice assistants through a range of household devices, including more commoditized audio devices that compromise on privacy, design, and sound experience.

Legacy companies have been focused on acoustics and hardware for decades, offering single product solutions. They lack the software and networking capabilities required to compete in the future of audio.



Sonos Innovation Is Widely Adopted



… Yet We Remain the Leader

2Q23 Top Ranked Models (by $ share)

United States

$200+ Home Theater[2]	$150+ All In One
Brand Rank: #1	**Brand Rank: #2**
Top Products in Category	**Top Products in Category**
Sonos Arc	Sonos One SL
Sonos Beam	Sonos Amp
Sonos Sub	Sonos Move

EMEA[1]

$200+ Home Theater[2]	$150+ All in One
Brand Rank: #1	**Brand Rank: #2**
Top Products in Category	**Top Products in Category**
Sonos Arc	Sonos One SL
Sonos Beam	Sonos One
Sonos Sub	Sonos Five

Source: NPD for US, GfK UK, DE, Nordics
Notes:
1 EMEA includes UK, DE, Nordics
2 home theater includes soundbars and wireless subwoofers

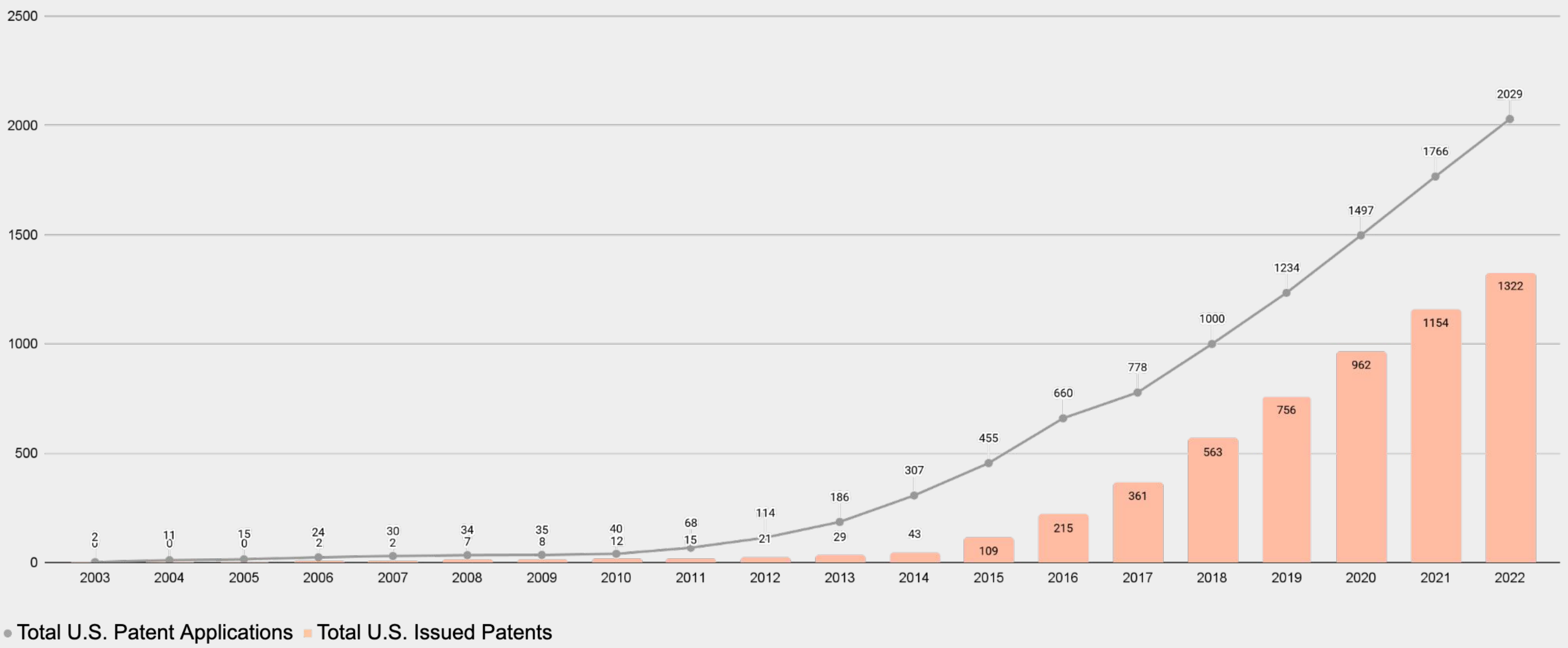
Why the Sonos Ecosystem Wins

"Software Eats Audio" - We have invested over $1 billion into R&D over the last 5 years.

Hardware	+	Software	+	Services
Sound Design Quality Durability		Easy to use Reliable All works together Rich patent portfolio		130+ third-party apps 2 voice providers 2 first-party services (Sonos Radio & Sonos Voice Control)
=		=		=
Sounds great, looks beautiful, and lasts		**System**		**Open platform and choice**

Our Innovation Is Protected by a Robust and Growing Patent Portfolio

Total Sonos U.S. Patents and Patent Applications
(filed over time, cumulative)



Source: internal data

Open Platform Enables Freedom of Choice

130+ Content Partners

SONOS Radio

- Spotify
- YouTube Music
- audible
- pandora
- TIDAL
- Pocket Casts
- deezer
- Yandex Music
- Calm
- amazon music
- Music
- Clubhouse

Home Automation & Home Control Partners

- CRESTRON
- legrand
- SONANCE
- Control4
- JOSH
- brilliant
- LUTRON
- IPORT
- SEVIC
- SAVANT
- IKEA
- hansgrohe

Voice Assistants

- Sonos Voice Control
- Google Assistant
- amazon alexa

Key Drivers of Long Term Growth

"The Sonos Flywheel"

New households enter the Sonos ecosystem, and existing households purchase additional products at a steady rate.

Driven by

1. **Continue to raise the bar in existing product categories**
2. **Enter new product categories**
3. **Expand geographic reach**
4. **New business initiatives and services**

Underpinned by

Large growing addressable market

Just scratching the surface: Currently ~2% share of $96B global audio market[1] and ~8% share of 172M affluent households[2] in core markets

Durable secular tailwinds

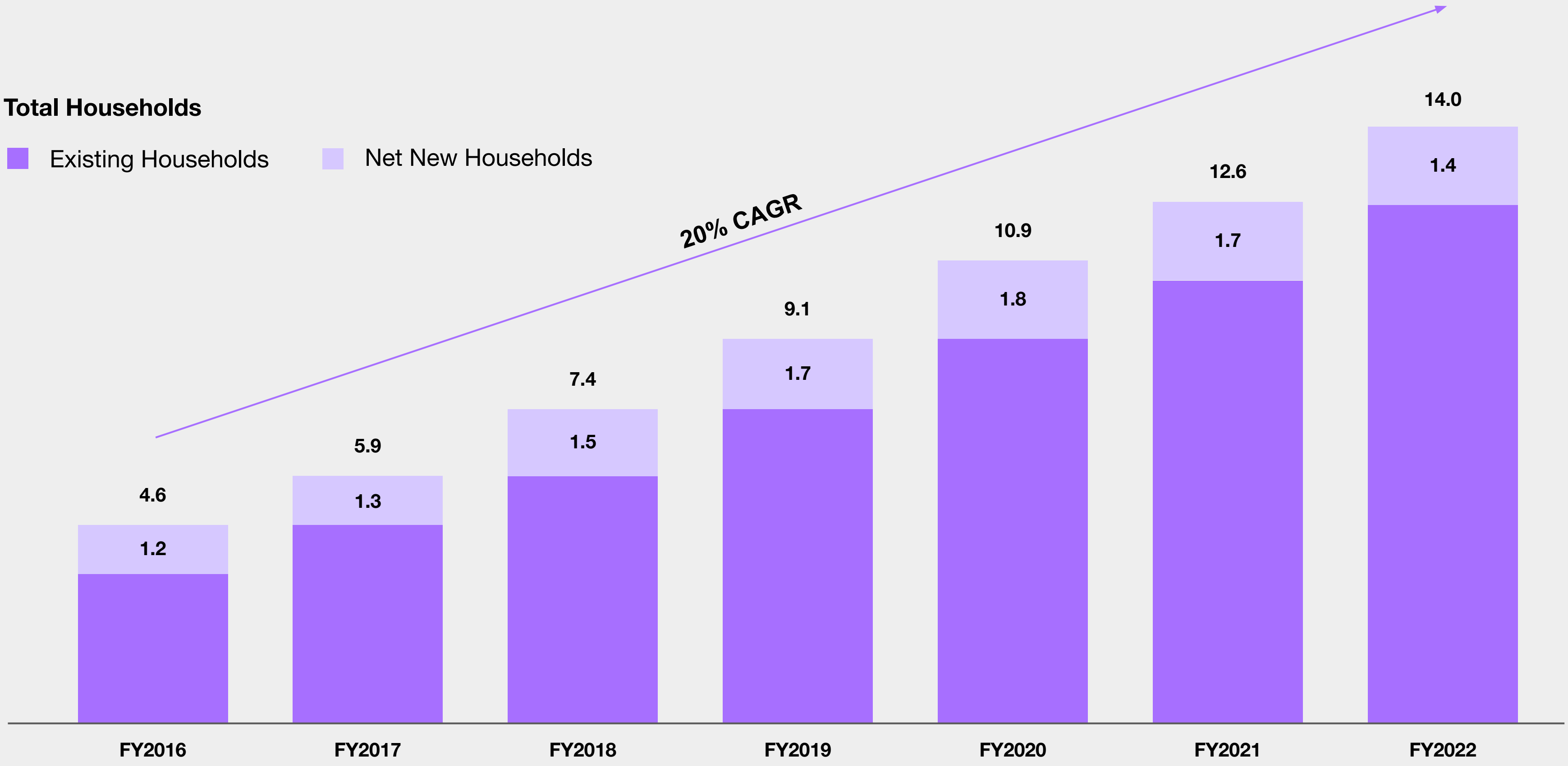
Continued growth in audio and video content consumption and formats

Evolution of remote work and impact on how and where consumers live

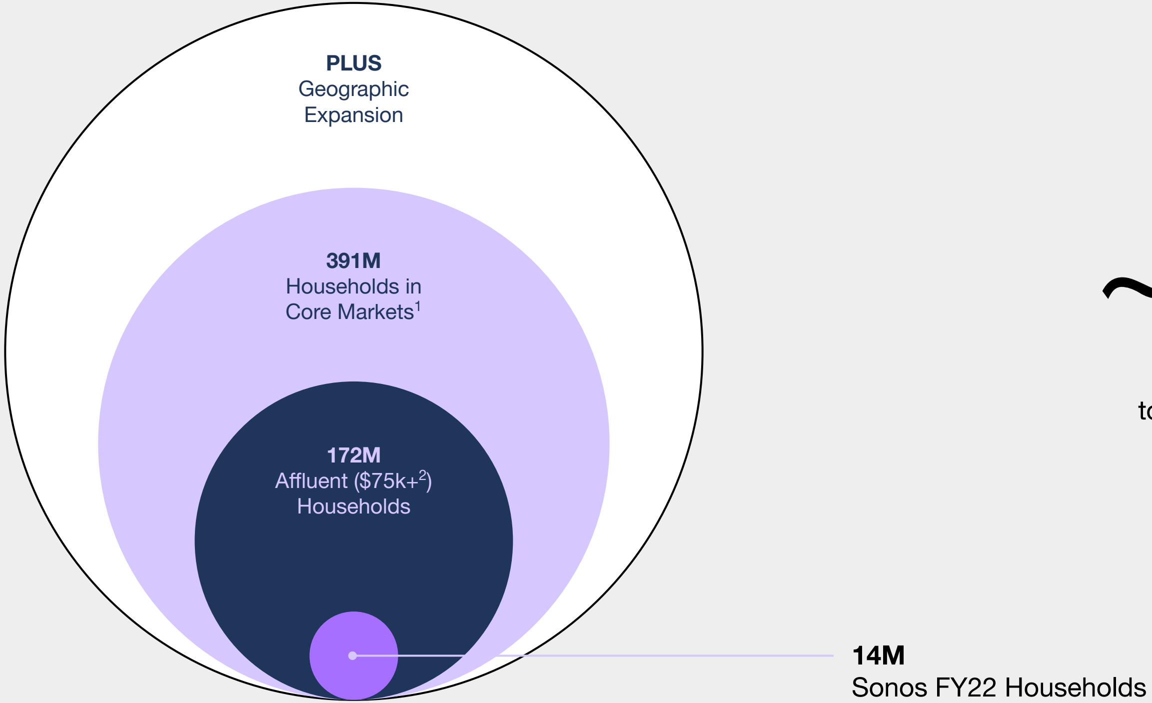
Widespread adoption of immersive object-based audio ("spatial audio") delivered via Dolby Atmos

1 - Source: Futuresource CY2021.
2 - Source: Euromonitor 2023
Core Markets include the United States, Canada, Mexico, Australia, New Zealand, United Kingdom, Germany, Netherlands, Sweden, Denmark, France, Switzerland, Norway, Belgium, Italy, Austria, Spain, Ireland, Finland, Poland and Luxembourg

Large and Growing Install Base



Framing Our Long Term Opportunity: Households



~8%

Current penetration of total affluent households

Source: Euromonitor 2023
1. Core Markets include the United States, Canada, Mexico, Australia, New Zealand, United Kingdom, Germany, Netherlands, Sweden, Denmark, France, Switzerland, Norway, Belgium, Italy, Austria, Spain, Ireland, Finland, Poland and Luxembourg
2. Represents disposable income as defined by the OECD

Our Current Install Base Continues to Purchase Additional Sonos Products

A significant portion of our annual product registrations come from our existing households (HHs), many of which start with just one product.

Lifetime value of customers grows as products per HH increases

	2018	2019	2020	2021	2022
Products registered (M)	**21.0**	**26.1**	**31.6**	**37.1**	**41.8**
% to existing households	36%	36%	41%	46%	44%
Sonos households (M)	**7.4**	**9.1**	**10.9**	**12.6**	**14.0**
New households		1.7	1.8	1.7	1.4
Products per HH	**2.82**	**2.87**	**2.90**	**2.95**	**2.98**
Increase		*0.04*	*0.03*	*0.05*	*0.03*
Single product households (M)	**2.8**	**3.5**	**4.2**	**5.0**	**5.6**
% of total	38%	38%	39%	40%	40%
Multi-product households (M)	**4.6**	**5.6**	**6.6**	**7.5**	**8.4**
% of total	62%	62%	61%	60%	60%
Products per >1 household	**3.94**	**4.01**	**4.11**	**4.25**	**4.30**
Increase		*0.07*	*0.10*	*0.14*	*0.05*

Incremental revenue opportunity: single product HH we have today

5.6M
Single product households

×

3.30
Additional products to reach 4.30

×

$279
FY22 revenue per product sold

=

$5 billion
Incremental revenue opportunity

In addition to converting single product HHs, we believe there is significant room to grow average multi-product HH size **beyond** 4.30 products.

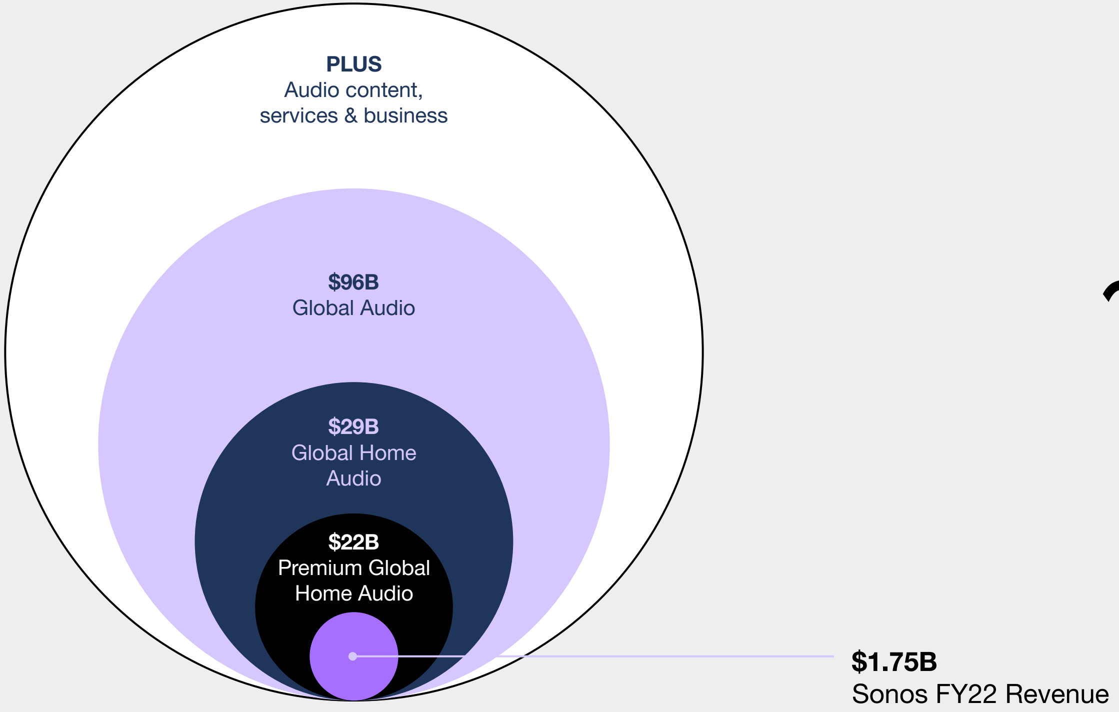
Note: Unaudited. Products per household defined as total registrations divided by total households. Products per >1 household defined as products registered less single product households divided by households with >1 product
Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely.

Launching 2+ Products Annually Drives Household Acquisition & Repurchase Activity

We continue to launch new products across our five current categories (all in one, home theater, components, portables and Pro)

	FY18	FY19	FY20	FY21	FY22	FY23-to-date
All in One	Sonos One	One SL	Five			Era 100 Era 300
Home Theater	Beam (Gen 1)		Arc Sub (Gen 3)		Beam (Gen 2) Ray	Sub Mini
Partner Products/ Components	Amp	SYMFONISK Table Lamp & Bookshelf Port Sonos by Sonance		SYMFONISK Picture Frame		SYMFONISK Floor Lamp
Portables			Move	Roam	Roam SL Roam Colors	
Services/Other			Sonos Radio	Sonos Radio HD	Sonos Voice Control	Sonos Pro

Framing 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

Where We Are & Where We Are Going

FY23 Guidance Midpoint	Long Term Financial Targets
$1,650M Revenue	**$2,500M** Revenue
44.6% Gross Margin	**45-47%** Gross Margin
$153M **Adjusted EBITDA**	**$375-450M** **Adjusted EBITDA**

Note: FY23 Adjusted EBITDA target of $153 million represents 9.3% Adjusted EBITDA margin. Long term targets if $375-450 million represent previously issued Adjusted EBITDA margin targets of 15-18%
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.

FY23 and long term outlook only as of the date of this presentation. See “Forward-Looking Statements” for more information.

NEW: Diversified Channel Distribution

Business mix is increasingly shifting toward higher-margin channels, like DTC and installer solutions (44% combined, +260bps y/y).

	2018	2019	2020	2021	2022
Retail and Other	**$830**	**$930**	**$838**	**$1,011**	**$987**
% yoy		*12%*	*(10%)*	*21%*	*(2%)*
DTC	**$131**	**$154**	**$284**	**$416**	**$395**
% yoy		*17%*	*84%*	*47%*	*(5%)*
Installer Solutions (IS)	**$176**	**$176**	**$205**	**$290**	**$371**
% yoy		*0%*	*16%*	*41%*	*28%*
Total Revenue	**$1,137**	**$1,261**	**$1,326**	**$1,717**	**$1,752**
% yoy		*11%*	*5%*	*29%*	*2%*

% of revenue					
Retail & Other	73%	74%	63%	59%	56%
DTC	12%	12%	21%	24%	23%
IS	15%	14%	15%	17%	21%
% DTC + IS	**27%**	**26%**	**37%**	**41%**	**44%**

- **Retail & Other (56% of revenue, -260 bps),** -2% y/y
  - FY22 performance impacted by limited promotional activity and softer demand in 2H22, partially offset by improved supply
- **DTC (23% of revenue, -170bps),** -5% y/y
  - FY22 performance impacted by softer demand in EMEA and limited promotional activity, partially offset by slight growth in Americas
- **Installer Solutions (21% of revenue, +430 bps),** +28% y/y
  - Channel growth driven by Amp and Port, despite persistent product supply challenges as well as geographic expansion (EMEA and APAC)

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

Summary Financial Overview

	2018	2019	2020	2021	2022	Guidance Midpoint 2023
Americas	**$603**	**$678**	**$756**	**$981**	**$1,044**	
% y/y		*12%*	*11%*	*30%*	*7%*	
EMEA	**$479**	**$485**	**$471**	**$618**	**$578**	
% y/y		*1%*	*(3%)*	*31%*	*(7%)*	
APAC	**$55**	**$98**	**$100**	**$117**	**$130**	
% y/y		*78%*	*2%*	*18%*	*11%*	
Total Revenue	**$1,137**	**$1,261**	**$1,326**	**$1,717**	**$1,752**	**$1,650**
% y/y		*11%*	*5%*	*29%*	*2%*	*(6%)*
% y/y - CC		*13%*	*6%*	*26%*	*5%*	*(3%)*
Gross Profit	**$489**	**$527**	**$572**	**$810**	**$796**	**$735**
% gross margin	*43.0%*	*41.8%*	*43.1%*	*47.2%*	*45.4%*	*44.6%*
Non-GAAP Operating Expenses						
R&D	**$128**	**$154**	**$185**	**$204**	**$222**	
% of revenue	*11.3%*	*12.2%*	*13.9%*	*11.9%*	*12.7%*	
S&M	**$255**	**$235**	**$229**	**$261**	**$265**	
% of revenue	*22.4%*	*18.6%*	*17.3%*	*15.2%*	*15.1%*	
Adjusted G&A	**$77**	**$88**	**$85**	**$100**	**$120**	
% of revenue	*6.7%*	*7.0%*	*6.4%*	*5.8%*	*6.8%*	
Total Operating Expenses	**$460**	**$476**	**$499**	**$565**	**$607**	
% of revenue	*40.4%*	*37.8%*	*37.7%*	*32.9%*	*34.6%*	
Adjusted EBITDA	**$69**	**$89**	**$109**	**$279**	**$227**	**$153**
% margin	*6.1%*	*7.0%*	*8.2%*	*16.2%*	*12.9%*	*9.3%*
Cash From/(Used in) Operations	**$31**	**$121**	**$162**	**$253**	**$(28)**	
Capex	*$(36)*	*$(23)*	*$(33)*	*$(46)*	*$(46)*	
Free Cash Flow	**$(5)**	**$97**	**$129**	**$208**	**$(74)**	

Note: $ in millions (unless noted) , CC = constant currency, unaudited. FY23 guidance as of the date of this presentation. Non-GAAP operating expense figures exclude excluding stock-based compensation, legal and transaction related fees, amortization of intangibles, restructuring, and lease abandonment costs
Percentages have been calculated using actual, non-rounded figures and, therefore, may not recalculate precisely. Adjusted EBITDA, Adjusted EBITDA margin and free cash flow are non-GAAP measures. *See appendix for reconciliation of GAAP to non-GAAP measures

Appendix

Reconciliation of Operating Income (Loss) to Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	April 1, 2023	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**
Operating Income (Loss) (GAAP)	**$ (57,226)**	**$ 10,042**	**$ 29,078**	**$ 142,635**
Stock-based compensation	21,025	21,225	41,220	38,684
Legal and transaction related costs[1]	9,018	6,012	15,307	9,885
Amortization of intangibles	1,492	974	3,196	2,284
Lease abandonment costs[2]	4,846	—	4,846	—
Adjusted Operating Income (Loss) (Non-GAAP)	**$ (20,845)**	**$ 38,253**	**$ 93,647**	**$ 193,488**
Depreciation	10,221	8,601	19,649	16,508
Adjusted EBITDA (Non-GAAP)	**$ (10,624)**	**$ 46,854**	**$ 113,296**	**$ 209,996**

[1] 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.

[2] In March 2023, in support of operational efficiencies, we abandoned portions of our office spaces for the remainder of their respective lease terms. Lease abandonment costs include the impact of the write-off of the associated operating lease right-of-use assets, as well as accelerated depreciation of the related leasehold improvements.

Note: $ in thousands, unaudited.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

	Three Months Ended		Six Months Ended	
	April 1, 2023	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**
Net income (loss)	$ (30,652)	$ 8,566	$ 44,537	$ 132,047
Add (deduct):				
Depreciation and amortization	11,713	9,575	22,845	18,792
Stock-based compensation expense	21,025	21,225	41,220	38,684
Interest income	(3,181)	(123)	(5,149)	(156)
Interest expense	152	90	311	187
Other (income) expense, net	2,832	2,281	(20,745)	3,683
Provision for (benefit from) income taxes	(26,377)	(772)	10,124	6,874
Legal and transaction related costs[1]	9,018	6,012	15,307	9,885
Lease abandonment costs[2]	4,846	—	4,846	—
Adjusted EBITDA	**$ (10,624)**	**$ 46,854**	**$ 113,296**	**$ 209,996**
Revenue	$ 304,173	$ 399,781	$ 976,752	$ 1,064,262
Net income (loss) margin	(10.1)%	2.1%	4.6%	12.4%
Adjusted EBITDA margin	(3.5)%	11.7%	11.6%	19.7%

[1] 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.

[2] In March 2023, in support of operational efficiencies, we abandoned portions of our office spaces for the remainder of their respective lease terms. Lease abandonment costs include the impact of the write-off of the associated operating lease right-of-use assets, as well as accelerated depreciation of the related leasehold improvements.

Note: $ in thousands, unaudited.

Reconciliation of Cash Flows Provided by (Used in) Operating Activities to Free Cash Flow

	Three Months Ended		Six Months Ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Cash flows provided by (used in) operating activities	$ (112,962)	$ (97,562)	$ 69,324	$ 82,374
Less: Purchases of property and equipment, and intangible assets	(8,714)	(9,310)	(23,403)	(15,665)
Free cash flow	**$ (121,676)**	**$ (106,872)**	**$ 45,921**	**$ 66,709**

Note: $ in thousands, unaudited.

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