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SONOS

**Second Quarter Fiscal 2021**
**Prepared Conference Call Remarks and Q&A Session**
**May 12, 2021 - 5:00 pm Eastern**

**Cammeron McLaughlin - VP, Investor Relations**

Good afternoon and welcome to Sonos' second quarter fiscal 2021 earnings conference call. I am Cammeron McLaughlin, and with me today are Sonos' CEO, Patrick Spence, Brittany Bagley, CFO and Eddie Lazarus, Chief Legal Officer. For those who joined the call early, today's hold music included highlights from the recently launched artist curated stations by M.I.A and Ghostface Killah on Sonos Radio HD.

Before I hand it over to Patrick, I would like to remind everyone that today's discussion will include forward-looking statements regarding future events and our future financial performance. These statements reflect our views as of today only and should not be considered as representing our views of any subsequent date. These statements are also subject to material risks and uncertainties that could cause actual results to differ materially from expectations reflected in the forward-looking statements. A discussion of these risk factors is fully detailed under the caption “Risk Factors” in our filings with the SEC. During this call, we will also refer to certain non-GAAP financial measures. For information regarding our non-GAAP financials and a reconciliation of GAAP to non-GAAP measures, please refer to today's press release regarding our second quarter results posted to the Investor Relations portion of our website. As a reminder, the press release, supplemental earnings presentation, and conference call transcript will be available on our investor relations website, investors.sonos.com.

I will now turn the call over to Patrick.

**Patrick Spence, Chief Executive Officer**

Thank you, Cammeron.

We are thrilled to yet again report a record quarter at Sonos. I first want to recognize the fantastic work by our people and our partners during this challenging time. These results are a testament to all of the hard work they put in every day, and I am so proud and very grateful.

Our second quarter results exceeded our expectations as we experienced even stronger-than-expected demand for all of our products and our team did an incredible job meeting as much demand as they could in the quarter. As a result of our strong second quarter performance we are increasing our revenue and adjusted EBITDA outlook for the year.

Our strong results are a testament to the fact we have a unique model that serves customers and enables us to continue building a sustainable, profitable business. The power of our business model is that customers can start with one product and expand to more over time, and our customers have proven they do just that.

We are experiencing tremendous demand for our newest product, Roam, from new and existing customers alike. Roam is not only our smartest and most versatile speaker, it's also our most affordable. Roam provides the opportunity for millions of new customers to get started with Sonos, and is the right product at the right time as the weather warms up and we begin to gather again with friends and family.

During the pre-order period, Roam far exceeded our expectations with sales reaching over 150% of our pre-order forecast in our DTC channel. Several hundred journalist reviews have been published globally highlighting the product's incredible sound and ultra portability, with Rolling Stone calling it "the new standard for portable smart speakers. We are confident that we have delivered another fantastic product that customers love and helps the Sonos flywheel.

As we look toward the remainder of fiscal 2021 and beyond, there are three macro trends that will fuel our continued growth.

First, this is the Golden Age of Audio. The sheer volume of music, audiobooks, and podcasts we have access to now is incredible. As more and more people become creators, we believe we will spend even more time with audio, and find interesting new audio formats like social audio.

The second trend is that we are seeing more and more video content going direct-to-home. We have seen a decade of change in the past year, with companies like Disney and HBO bringing the newest movies right into our homes. It's not enough to have a great visual experience - customers are demanding a theater-like audio experience in the home, and that is something we deliver better than anyone.

And the third trend fueling our growth is, “The Great Reshuffling”. This is the untethering of people from their commutes and offices which has enabled people to reevaluate how and where they want to live. Given more and more companies are offering their people - especially the kind of people who are in our target market - the flexibility to work anywhere, we think this will be a multi-year cultural trend that benefits Sonos significantly.

As we look toward our opportunity ahead, we believe that Sonos is just getting started and has barely scratched the surface of our large and growing addressable market.

As of the end of fiscal 2020, we were in 11 million homes, or approximately 9% of the 116 million affluent homes we believe are most addressable for us today in our existing markets. We have a tremendous runway to add tens of millions more households to the Sonos ecosystem.

On the revenue side, based on our upwardly revised fiscal 2021 revenue outlook, Sonos will only account for approximately 9% of the total spend in the $18 billion premium home audio market, and an even smaller fraction of the broader $89 billion global audio market we expect to expand into over the long-term.

We’ve come a long way, but we have a ton of opportunity to take a lot more of the home audio market, and even more as we begin to expand into the broader audio market. This is a huge, and growing market.

We will seize this significant opportunity ahead by focusing on three key strategic initiatives.

First, the expansion of our brand - this is all about understanding our customers better than anyone and how we’re evolving our brand and marketing strategies to reach more of those customers.  Moving forward, you’ll see us continue to partner with other premium brands as we invite a broader swath of consumers into the Sonos experience.

To support the launch of Roam for example, we have partnered with The North Face.  Together, we’ll showcase Roam’s durability, portability and of course sound quality.   More on that in a few months.

Second, the expansion of our offerings - we have a tremendous opportunity ahead just in the categories we play in today, but we have ambitious plans to expand into new categories, to expand into new customer segments, and to layer services on top of everything we do.

We remain focused on our efforts to introduce at least two new products each year and have already exceeded this target for fiscal 2021.  Thus far, we have introduced Sonos Radio HD, Roam, and taken our first step into auto with our partnership with Audi. And we’re not done. Some of you may have seen recent social media posts from IKEA and Sonos.  We are excited about the products we're working on together and are looking forward to sharing more in the near future.  Our long-term product roadmap remains robust and we are excited to unveil what comes next over time.

As it relates to services, we continue to be pleased with our early success with Sonos Radio and Radio HD.  Sonos Radio remains the third most listened to music service on our platform, and we remain focused on our long-term aspirations to reach over 500,000 subscribers to Radio HD.  We see significant opportunities in services over the long-term.

Third, driving operational excellence to achieve sustainable, profitable growth for the long term. You are seeing us continue to execute ahead of our plan and deliver margin expansion and healthy top-line growth.

In conclusion, I’ve never been more excited about our future at Sonos. We continue to see strong demand and we are in the best position we have ever been. We have a huge opportunity in front of us and we are just getting started.

Now I’ll turn the call over to Eddie to provide a brief update on our Google litigation.

**Eddie Lazarus, Chief Legal Officer**

Thanks Patrick. Let me provide a brief update on our case against Google.

As background, and as I shared at our investor event in March, we estimate that Google infringes over 150 U.S. utility patents from 30 different patent families. All of those patent families are still alive and we continue to obtain high-value patents from them. We included 5 patents in our action against Google at the International Trade Commission. That’s basically the limit of what you can fit in one case.  Those patents were directed to grouping and synchronizing playback amongst smart devices, volume control for a group and individual devices, stereo pairing, and setup.

We recently finished trial in the ITC and remain confident in the strength of our case.  We had expected a preliminary decision on May 11, however, as those of you following the case know, the presiding judge extended the timeline for decision to August 13th of this year due to his increased workload as he assumed the cases of another judge who recently retired.

We look forward to that decision, but in the meantime we are very pleased to share an update regarding another matter with Google.  We are pleased to report that a court in Germany has just granted a preliminary injunction against a European Google affiliate for infringing a Sonos patent that enables and controls the transfer of media content from a mobile phone or tablet to one or more playback devices.  The order prohibits the offer or sale in Germany of Google's Cast technology, some aspects of which implicate the Sonos patent at issue, and encompasses such products as the Pixel 4a smartphone, Nest Audio speakers, and the

YouTube Music app. We see the ruling as a powerful demonstration of the strength of Sonos' patent portfolio and our conviction that Google is a widespread infringer of our IP.

Let me now turn the call over to Brittany to provide more details on our results and our outlook.

**Brittany Bagley, Chief Financial Officer**

Thank you, Eddie.

We are excited to report another quarter of stellar results, further solidifying our ability to deliver a record year. The strong demand for our products, and the fact that our customers have proven they will wait as we work to supply their orders, further demonstrates the power of our offering and brand.

Let me add some color to our results starting with the second quarter:

We delivered adjusted EBITDA of $48.5 million compared to a loss of $28.4 million last year. Our adjusted EBITDA margin expanded to 14.6% during the quarter. We were able to deliver this tremendous result due to exceptionally strong gross margins, top-line growth and ongoing operating expense leverage. This is also the first Q2 in our history where we have been net income positive, and we are pleased to see more consistent profitability across our quarters.

Revenue in the quarter increased 90%, to nearly $333 million. This anniversaried the 17% year-over-year revenue decline in the prior year quarter, which stemmed from partner inventory rebalancing and retail store closures at the start of the COVID-19 pandemic. The outperformance vs. expectations was largely a result of our ability to fulfill more demand. This was driven by ongoing supply chain capacity investments as well as improved shipping and logistics processes. Even with the improved supply position in the quarter, we continue to be out of stock on a number of our products which further points to the strong demand we are seeing.

The Americas grew 90% and EMEA grew 100%, or 83% on a constant currency basis. APAC grew 56%. The Americas and EMEA both continued to see incredibly strong demand across our products. APAC grew slightly less quickly than our other regions given the softness in IKEA. IKEA continues to be impacted by store closures and a transition in our product cycle. As Patrick has mentioned, we are working on a new product release with them, which we will share more details on in the near future.

Sonos Speaker revenue was up 130% year-over-year driven in part by comping the 27% decline in Q2 last year, and particularly helped by the continued success of Arc and Sub. Sonos System Products revenue increased 10%, comping 22% growth last year, and driven by the continued strength of our installer channel and component products. Partner products and other revenue increased 16%, driven by accessories and Sonance, offset by lower IKEA revenue.

Gross margins were incredibly strong in the quarter and reached a record 49.8%, an improvement of 810 basis points vs. last year, of which 300 basis points is due to lower tariff expense. We had approximately $2 million of net tariff expense impacting gross profit during the second quarter.

Excluding tariffs, the 510 bps of gross margin improvement was primarily due to comping our "At Home With Sonos" promotion last year, as well as a shift into higher margin products and channels, and fixed cost leverage on the higher Q2 sales volume. This gross margin expansion comes even with an increase in component costs as well as ongoing higher industry wide shipping and logistics costs.

Turning to operating expenses, we saw significant leverage during the second quarter, largely due to the benefit of higher second quarter revenue. We experienced year-over-year increases in all opex lines as a result of increasing investment to support our higher top-line growth, this year and into the future. We also have higher incentive compensation assumptions given our increased outlook.

During the second quarter, we used $39 million in cash from operations and had negative free cash flow of $47 million, largely due to the timing of working capital and accrued expenses driven by seasonality. We are ending the quarter with $639 million in cash and cash equivalents which puts us in a strong position to invest organically in our business, pursue M&A, and return capital to shareholders through our authorized share repurchase. We currently have no debt on our balance sheet as we paid down our outstanding $25 million of debt in January.

Overall we believe Q2 demonstrates a really impressive quarter for the company and helps us deliver on a strong fiscal 2021.

Now turning to our outlook.

Despite our outperformance in Q2, as I’m sure you’re largely aware, the global supply situation has only gotten more challenging as we look towards the second half of the year. We, and others across the industry, are seeing significant increases in constraints on a variety of components. Our team continues to work tirelessly to mitigate as much as we can to deliver on the incredible demand. We appreciate that our customers have proven that they will wait for our products, which is continuing to help us navigate through this challenge and deliver tremendous results.

Obviously this has been a difficult year to forecast. We remain aware of the continued uncertainty in the broader macro environment but feel confident in our fiscal 2021 outlook given our strong first half performance and the continued strong demand for our products as we enter the remainder of the year. We are providing the best update we can given what we see from a demand perspective, and what we currently know about the global supply chain.

With those considerations in mind, we are increasing our adjusted EBITDA to $225 million to $250 million, up from our prior outlook of $195 million to $225 million and well ahead of our initial fiscal 2021 guidance of $170 million to $205 million. This new outlook represents 13.8% to 14.9% adjusted EBITDA margins.  This is an expansion of 560 to 670 basis points from the prior year.

We are maintaining our gross margin outlook of 46.0% to 46.5% because we expect increasing costs of components, the need for additional air freight to mitigate the impact of the industry-wide supply shortages, and a smaller benefit from product mix.  We continue to have $27.5 million of tariff refunds we expect to receive.  However, as a reminder, given the timing is uncertain, this is not included in our outlook and will be recognized only upon acceptance of the refund requests.  We will continue to call out this impact each quarter for transparency.

As we stated last quarter, we expect to continue making additional opex investments in our product, marketing,and operations to support the higher revenue volumes and long-term growth initiatives.  We also expect higher incentive compensation to support the increased top-line growth and profitability, while delivering on attractive opex leverage for the year.

We are increasing our total revenue for fiscal 2021 to $1.625 billion to $1.675 billion, representing growth of 23% to 26%.  Excluding the 53rd week from fiscal 2020, this represents growth of 25% to 29% for the year.  This compares to our prior outlook of $1.525 billion to $1.575 billion provided last quarter and our initial fiscal 2021 revenue guidance of $1.44 billion to $1.5 billion provided at the start of the year.

Even as the world begins to open up again, the demand for our products has never been stronger.  We're incredibly pleased with what we have been able to deliver in Q2.  We are focused on continued execution to deliver on our increased fiscal 2021 outlook, which is significantly higher than what we set out to deliver at the start of the year. As a reminder we have a tremendous opportunity ahead of us.  There is a clear path to achieving our fiscal 2024 targets of $2.25 billion in revenue, 45% to 47% sustainable gross margins, and 15% to 18% adjusted EBITDA margins.

With that I would like to turn the call over to questions.

**Question & Answer Session**

**Katy Huberty, Morgan Stanley -** Congratulations on the really strong results. As I think through guidance, you've passed through the revenue upside for the March quarter and some incremental upside that you're assuming from -- it sounds like the Roam. But the EBITDA outlook for the next 2 quarters is lower than 3 months ago.

So can you just walk through some of the pressures in more detail that you expect over the next couple of quarters? It sounds like it's a combination of mix and the supply chain dynamic. And then maybe on supply, just comment on where you're seeing the biggest bottlenecks and where you see costs increasing in the back half of the year?

**Brittany Bagley, Sonos - Chief Financial Officer -** Katy, yes, happy to. So as a reminder, we don't give quarterly guidance, we give annual guidance. And so we are increasing our annual outlook. We're really excited with the increase we're able to provide on both revenue and EBITDA. But we are not increasing our gross margin outlook even though we had pretty incredible gross margins in Q2. And that's really because we're expecting increasing component costs, some need for additional air freight to mitigate the impact of those component shortages and a smaller benefit from product mix in the second half of the year. So that's really impacting the gross margin hold relative to our annual guidance last quarter.

In terms of supply, we are seeing the same impact that I'm sure you're hearing from all the companies across the CE landscape, which is there's a general semiconductor shortage out there and everyone is trying to figure out how to get their components in the volume that they need, and we're in the same place on that as the broader industry.

**Katy Huberty, Morgan Stanley -** Okay. And then can I just ask a follow-up to Eddie. Just on the back of the ruling in Germany today and expected ruling in August in the U.S., one of the questions that I hear from investors is, what happens after these rulings? What's the typical timeline or the construct in which a financial payment or stream of payments would be decided once these rulings come in?

**Eddie Lazaurs, Sonos - Chief Legal Officer -** Katy, thanks for the question. I wish I had a definitive answer for you. It's going to depend, I think, in large part, on what the ITC rules and exactly what the details of that are. We feel very good about our position at the ITC. But what's involved with the ITC is not a damages case, but an importation ban. And what the implications would be on that for discussions between Sonos and Google is just going to have to wait and see exactly what the court rules.

From our perspective, the real importance of the German case, it's a demonstration. It's a ruling that shows we have strong and valid patents, not only here in the United States, but also in Europe, and that Google does, in fact, infringe them. And we're going to keep pursuing that line and showing over and over again, whether it's at the ITC, or in Europe, or in Texas or wherever it may be, that that is the case. And we hope and expect that Google will recognize the validity of our position and come to the table with us.

**Tom Forte, D.A. Davidson -** One question and one follow-up. So the first question I have is, I know it's early as far as the product, which just released. But how are you thinking about the ability of Roam to bring new customers to Sonos and then the opportunity to get them to buy additional Sonos products over time?

**Patrick Spence, Sonos - Chief Executive Officer -** Tom, it's Patrick. We are feeling very good in terms of Roam's ability. Like you said, it's early, but we think this is one that could not have been better timed as the world reopens. You've probably seen the just final wave of positive reviews that have been out around the product, the momentum, as I mentioned in my comments, has been tremendous. And I'm seeing on social media and hearing anecdotally of a lot of new people that are coming into Sonos as a result. So I believe this is going to be a key driver as we think about new homes going forward and tapping deeper into the kind of audience that we've been trying to penetrate. And I think we'll learn over time, but I don't see any reason why starting with a Roam won't have the long-term kind of products per home that we've seen with our mix overall and getting close to that getting -- basically, I think we're at 2.9 products per home right now. So I expect it to be another one. It's part of a system. I think it's the first Bluetooth product that works both in the home and then also out. And so I think that as well makes it more valuable to people and more versatile. So, very excited about this, and see it as a new home driver.

**Tom Forte, D.A. Davidson -** Excellent. And then for my second question, one of the things -- and you did many -- last year during the pandemic was advanced your direct-to-consumer efforts. How should we think at a high level about your direct-to-consumer efforts as physical stores are reopening and pandemic restrictions are easing and customers may be returning to the stores more at least versus last year.

**Patrick Spence, Sonos - Chief Executive Officer -** Yes, it's definitely a different year when it comes to kind of approaching that. But I think what we've seen and what we've set out is DTC continues to be important in terms of telling our story and putting a good foot forward in terms of what we're doing. But if Q2 has taught us anything, it's that right across the board, we're seeing great engagement from all of our channels. And we expect that to continue through the year. So we're seeing growth across the board and expect that to continue because I think there's opportunity in all of the channels that we're working in.

**Rod Hall, Goldman Sachs -** I guess I wanted to start with the inventory level in March. It's up more than what we've seen in prior Marchs and the days of inventory is up a little bit, too. And I just wonder are you guys laying some component inventory on to try to mitigate some of the supply issues? Is that one of the ways that you plan to correct for that? And do you -- should we be expecting a higher level of inventory maybe next quarter as well? And then I've got a follow-up.

**Brittany Bagley, Sonos - Chief Financial Officer -** Rod, it's Brittany. Thank you for the questions. So most of the inventory you're seeing on our balance sheet right now is actually finished goods inventory. And that is because we are supporting significantly higher demand with Q2 than we have supported in other Q2s. So part of it is just to support the higher sales volume. And then I would say another part is just timing around when we have in transit inventory in sort of quarter-to-quarter. So that's really the dynamic you're seeing. Obviously, we're doing everything we can on components as is everyone else now. But we're pretty much turning those components into finished goods as fast as we can, so we can go meet the backorders and the demand that we're seeing.

**Rod Hall, Goldman Sachs -** Okay. That's great. Brittany. That makes sense. The second question I had for you guys was on inflation. We've had a lot of different companies talking about insulating inputs. I know semis is inflating. But I'm wondering if you've seen that for your products? Do you see other basic inputs to the products inflating in price? Or do you anticipate that as we move through the year?

**Brittany Bagley, Sonos - Chief Financial Officer -** We've seen some on the shipping and logistics side, as we've been calling out as we go through the year. And then, yes, we are seeing it in component costs, which we're particularly calling out for the second half of the year that increased. The majority of that component cost increase that we're calling out in the second half of the year really is on the semiconductor side, given the shortages that industry is seeing. And we -- as I mentioned, baked as much of that as we can foresee into our forecast. So it's all incorporated right now as much as we have the visibility.

**Brent Thill, Jefferies -** Patrick, is there a common thread that you saw on that 150% of forecasted demand on the Roam? I know my kids grabbed a hold of it and took off and it's gone. I don't even have it in my office anymore. So it seems like a younger audience is getting pulled in. Is there any other common themes you're seeing that are surprising you out of the initial launch here?

And I guess a follow-up to Brittany, a visit to your website today is a full month out now to get the Roam on June 11. Do you run the risk of losing some demand to others if they're looking for a portable in the short term? And how do you ensure you take care of the customers' response on that at this point?

**Patrick Spence, Sonos - Chief Executive Officer -** Yes, Brent, you can always buy another one. So I think the nice thing is we're going to see multiple Roams in some homes as well. I mean it definitely is speaking to, I think, new people in the existing homes and then as well new customers. And so you know the Bluetooth speaker market is a massive one in its own right, that's the ultra-portable Bluetooth speaker market. And we've got the unique Sonos value proposition of it being a great speaker in the home and outside and as well having things like Sound Swap, the better sound quality, all of the things that we've done to it. So I just think it's going to help us disrupt that category in the way that we have with many of the others that are there.

And I'll actually take the question in terms of the delay right now if you order on sonos.com. One of the things we've looked at over the past few months, not even relative just specifically to Roam but overall on products, is what the cancellation rate of the orders look like, right? Because we've been in a situation where products like Arc or Amp have had delays along the way. And we are seeing incredible strength in terms of those orders. They do not appear to be perishable. In any way, people do not come back and cancel. We've seen that in terms of the cancel rate and the rate has not changed despite some of the shipping dates pushing out further. So we feel good about where the product quality is and how it stands out and the brand overall. And once people are in the system, like I think this is where it makes a big difference to be part of the system as opposed to just another product, right, or a typical hardware company. And so being part of a system, I think it means more people will wait for the product, and they can -- they've had a good experience with their entire Sonos system, and they know what they're going to get when they get any of our new products. So we're seeing -- we're not seeing perishable demand.

**Brittany Bagley, Sonos - Chief Financial Officer -** We're also trying pretty hard to do the best job from a customer experience standpoint that we possibly can given the backorder situation that we're in. So I know our teams are working really hard to make sure that when we make commitments about shipping dates, we hit those shipping dates, and we're delivering on expectations. I think we all recognize that, that relationship with the customer and doing a good job there is more important now than ever. So that's the other piece of it for us.

**John Babcock, Bank of America** - I might have missed this earlier, but were any patents in the German case with Google overlapping with the case in the United States?

**Eddie Lazarus, Sonos - Chief Legal Officer -** Not directly overlapping but relatively similar to patents that are issued in the Texas case. It's a direct control patent over in Germany, and we have several direct control patents in the Texas case.

**John Babcock, Bank of America** - Okay. And then next question, just wanted to kind of talk about inflation a bit again here. Assuming this isn't necessarily transitory, and I guess we'll see how that plays out, what opportunities does Sonos do have to offset that, whether that comes from commercial opportunities or whether that comes from cost adjustments? If you could kind of talk about that, that would be helpful.

**Brittany Bagley, Sonos - Chief Financial Officer -** Yes. Thanks. I mean what I would say is we're very committed to continuing to deliver on that long-term gross margin target we've put out there of 45% to 47%. So we feel very comfortable in our ability to continue to hit that and deliver on that year-over-year. We are a premium product. We're a really strong brand. So we'll look at all of our options as needed over time. The other thing I would say is we are in a particularly tight global supply chain situation. And while I can't call it all when that will end, certainly, there will be investments to add more capacity in the semiconductor industry over time, which,over time, should be a good long-term trend relative to the current price increases we're seeing.

**John Babcock, Bank of America** - Thank you. And also, I don't know the extent to which you can comment on this. It is a little bit early, but broadly, could you give us some sense of what the impact might be for Sonos on the tax side from proposals making their way through Congress?

**Brittany Bagley, Sonos - Chief Financial Officer -** Yes. So we obviously watch that really closely, but we are not a cash taxpayer right now. And so right now, what that would really do would be increasing the value of the NOLs and the R&D tax credits that we have on the books. So we'll keep a close eye on that, but it will become much more critical to us as we move into being a cash tax payer, which we are not today.

**Matt Sheerin, Stifel -** Just another question regarding the supply constraints you're seeing. It seems like you don't really have any visibility into when that eases. I know you previously had talked about coming out of Q2, things seem to have gotten worse. So anything you're hearing from your manufacturing partners in terms of when that eases? And I also know that you're in the middle of some of the switching, moving manufacturing out of China into other parts of Asia? And could you update us on how that's going?

**Brittany Bagley, Sonos - Chief Financial Officer -** Yes, absolutely. So I'll start with the second one. So we have been actively diversifying into Malaysia. It is part of our long-term manufacturing strategy, and it very much continues to be relevant and important to us. I think that you can see from the magnitude of the tariff numbers that we have this quarter relative to what we were talking about a year ago that we have significantly mitigated the impact of tariffs through that Malaysia strategy. So we are well on our way to hit our milestones and targets from that perspective. And then really what has changed is rather than focusing on mitigating tariffs or dealing with supply chain and logistics, you are seeing incredible tightness in semiconductor components across the industry. So just to be very clear, it's sort of not us, it's not something that is directly in our control. It is an industry-wide issue. And so certainly, we talk to our manufacturing partners, and there are CEOs of major semiconductor companies talking about this on TV and stuff like that, and giving various answers in terms of when they're going to be ramping capacity up and when they see this ending.. And so I'm certainly no smarter on this than they are. And the best we can do is continue to secure the components we can secure to meet the really incredible demand that we have. And so it will just be that balance for us as we go through the rest of this year and for as long as this lasts. So no update on when we're going to be back in stock because the landscape has just shifted. And honestly, our demand has been so strong that it's hard to keep up, which is a great problem to have, but it's one that we've continued to see.

**Operator -** Those are all the questions we have today. I'll now turn the call back over to Patrick Spence for closing remarks.

**Patrick Spence, Sonos - Chief Executive Officer -** Thank you very much, and thank you to all of you for attending. We think we've taken another great step on our way to our long-term ambitions. As I outlined, the opportunity ahead is enormous and we're just getting started. So thanks, everybody, and we'll see you next quarter.