

Business Analysis for Soundhound Based on Financial Study and SWOT Model

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Abstract: Soundhound's stock price has continued to decline for nearly a year, not only due to the severity of the epidemic but also due to the slowdown in the global economy. In such challenging times, a business analysis of the business is especially important to help the business transform and grow. This article is based on a financial research report and specific investment recommendations for SoundHound, a startup company. The article starts with a basic introduction of SoundHound, the research methods used are mainly the analysis of financial statements and the SWOT model, and ends with a summary of the company and a professional investment recommendation. In SWOT analysis, the article finds that There is only a particularly little number of bad feedback and most of the reviews give 5 stars, even 3 and 4 stars are particularly rare. SoundHound is a music recognition service aimed at more music lovers. The paper also gives some suggestions for the firm's future development.

Keywords: Business Analysis, SWOT Model, Stock Price

1. Introduction

Business data analysis is the process of analyzing data using techniques from applied mathematics, statistics, and computer science in order to find significant insights and assist businesses in making decisions that would improve performance and motivate actions [1-2]. Here, it is highlighted that for data analysis to be valuable and significant, it must not only help with the formulation of business decisions but also be executable and implementable. The ability to assist business managers in making executive decisions, such as tactical, strategic, and operational decisions, is another benefit of business data analysis. It is crucial to conduct business analysis for improving firms' development [3-5].

In this article, the authors analyze SoundHound, a startup company, in terms of investment recommendations. In the first part, the authors did a Firm Description, which analyzed the company's background and main business to analyze the situation in the industry. In the second part, the authors did a financial analysis of SoundHound, mainly through financial statements to analyze the future development trend of the company. In the third part, the authors used the SWOT model to analyze SoundHound's strengths, weaknesses, opportunities, and threats to compare SoundHound with other competitive companies in the industry.

The remainder of the paper is organized as follows. Section 2 is the firms' description. Section 3 presents a financial analysis of the company. Section 4 shows a SWOT analysis. Finally, Section 5 summarizes the conclusion.

2. Firm Description

Beijing SoundHound Software Development Co., LTD., a wholly-owned subsidiary of SoundHound Inc, was established in Beijing in 2019. SoundHound Inc is a speech artificial intelligence company, headquartered in Silicon Valley, founded by Stanford graduates in 2005, focusing on the development of music and speech recognition technology [6-8]. The firms believe that through our technology, people can communicate with mobile phones, car systems, TV, audio, and other electronic devices around them as naturally as they talk to each other, and achieve barrier-free human-machine voice interaction. Hound, our voice assistant software, is a product of our voice platform Houndify, powered by patented Speech-to-Meaning and Deep Meaning Understanding to create a brand-new smartphone experience for our customers. Our music recognition software, SoundHound, extends our technology to music so that people can listen to and identify music, discover and share good music around them, and search for music by humming. Through the combination of the Houndify Voice platform and integrated AI, the firms are committed to bringing voice AI to everyone. SoundHound AI, Inc. reported second-quarter financial results with a cumulative order backlog of \$283 million, up more than a threefold year over year. The firms are a diverse team of engineers, designers, writers, data scientists, and linguists working to create a world with more conversations. Our standalone voice AI platform provides voice experiences for Mercedes-Benz, Hyundai, Snap, Pandora, VIZIO, and more. SoundHounders come from different backgrounds and share a common vision. The SoundHound team includes everyone from recent graduates to seasoned veterans, from Ph. D.s from prestigious universities to self-taught programmers and people who are changing careers. It closed yesterday at \$3.20 in the day's price range.

The spread between the highest and lowest prices of the previous trading day is \$3.11 - \$3.38

Annual RANGE The spread BETWEEN THE HIGHEST AND lowest price OVER the past 52 weeks of \$2.40 - \$18.14. The market value is USD 652 million. Average trading amounts to volume227200.

3. Financial Analysis Based on Financial Statement

Soundhound earned \$13,017,000 in total revenue in 2020 and \$21,197,000 in total revenue in 2021. It has a gross profit increase of \$7.1M to \$14.6M from 2020 to 2021 as the cost of revenue increased from \$5,863,000 to \$6,585,000. In 2021 Soundhound has total Assets of \$49,203,000 and in 2020 Soundhound had total assets of \$63,637,000. Its total debt increased from \$16,641,000 in 2020 to \$73,317,000 in 2021. The total Debt to Asset Ratio in 2020 and 2021 is 0.26 and 1.49 respectively. This means that the company went from a healthy, low-risk company to a high-risk company for investors. The net income of the company is -\$74,407,000 in 2020 and -\$79,540,000 in 2021 while the TTM EBITDA remains at -\$83,287,000 and net income remains at -\$101,399,000. The ROA (Return on Assets) of Soundhound in 2020 was -1.51 and in 2021 was -1.249 showing that Soundhound is currently generating losses although the conditions have bettered. The company is still mainly unprofitable.

SoundHound is at its post-IPO stage in terms of funding. It has a total funding amount of \$326M as of today. It had 8 founding rounds, Series A, Series B, Venture, Series C, Series D, Corporate, Secondary Market, and Post-IPO. There has been a total of 33 investors and 2 lead investors. It raised \$244M at IPO at a \$2.1B market valuation. Since then, the share has fallen 50% from \$6.5 to \$3.31 at a \$651M market cap. Its leading investor is Anchorage Capital Group LLC with 3.197M

shares in the company. Fig 1 shows the stock price of SoundHound. Based on Fig 1, the stock price is Soundhound suffer a decrease from 2022/05/01 to now. the price is 2 dollars. It is important to establish a business analysis to help firms' development [9-10].

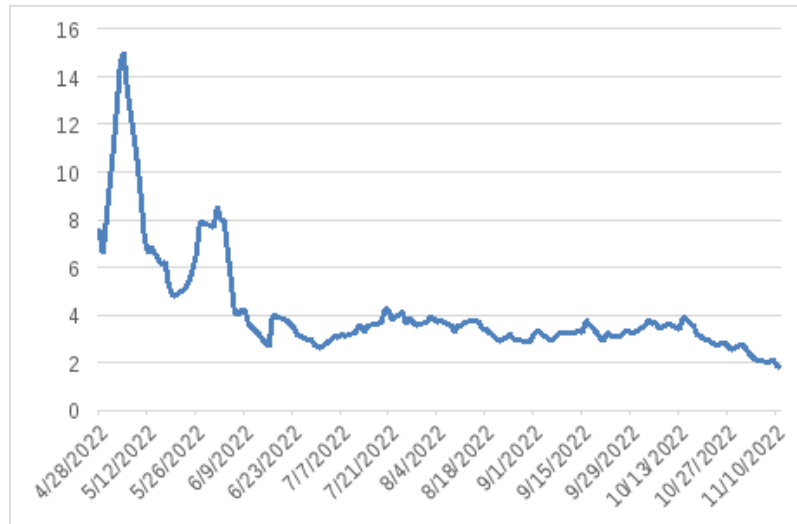


Figure 1: The stock price of Soundhound.

4. SWOT Framework

4.1. Strengths

A more user-friendly setting that shows the top 25 most popular music on the page. When consumers go to use the app and don't know what kind of songs they are looking for, they can be inspired by the most popular songs.

Listen to songs to get the information people need related to the song. Not only a song, but people can also get information about the singer, release date, similar music, and so on.

According to the Apple store, it is seen that the number of users is huge and the customer feedback is pretty good. There is only a particularly little number of bad feedback and most of the reviews give 5 stars, even 3 and 4 stars are particularly rare.

SoundHound is a music recognition service aimed at more music lovers. People can easily search for a song stuck in people's heads by typing, singing, or even humming, though the results are mixed when it comes to actually saying it. Otherwise, SoundHound can find songs in seconds. In addition, people get immediate access to Live Lyrics so people can start singing, and people can bookmark favorite tabs for later reference. Once it identifies the song people are listening to, people get the results immediately, and if it's a song with Lyrics, it also comes with Live Lyrics. It's cool because people can see where people are in the song, and hey, feel free to start singing. The words are right in front of people so people can pretend people know what people are singing. SoundHound is also great for music exploration. It highlights the charts nicely, so they're not hidden behind some Snapchat story blah, blah, blah. SoundHound lets people bookmark favorites so people can quickly refer to them later. There's even offline support, so people can save people search for later use, or even try again if people don't find a match the first time. SoundHound can automatically add songs people identify to the playlist of the streaming music app of people's choice.

4.2. Weakness

Net income has been negative since 2020 and the number continues to get bigger, with a serious profit loss. Profitability is a big question.

The D/A ratio has gone from 5.34 at the end of 2020 to 7.98 at the end of 2021, with high debt and risk of bankruptcy. When people sing a song, the result is predestined, people can't change it people self and it's not very diverse and it can choose something better. People don't always play the right song and sometimes people play the wrong song and people don't get it 100% right and that's one of the drawbacks. There is a slight learning curve because there are more features. The free version has ads and is not very good at event recording and mixing.

4.3. Opportunities

Moving forward into voice interactive AI, similar to Amazon's Alexa, expanding its business and carrying out multiple tracks to compete.

Launched partnerships with well-known companies. Signed a seven-year agreement with Hyundai to provide in-car voice experience for Stellantis, and partnered with Square for voice ordering service.

SoundHound integrates advanced voice AI technology into VIZIO's voice-enabled remote and mobile apps, allowing viewers to speak naturally to search for TV shows and movies, change TV Settings, switch picture modes, launch apps, check the weather, and more.

With its library of hundreds of content domains, SoundHound's voice AI platform opens the door to significant voice commerce opportunities. Together, SoundHound and VIZIO continue to innovate with a focus on consumer experiences and voice-enabled interaction opportunities for viewers.

In November 2021, the Company and Archimedes Tech SPAC Partners Co. A definitive merger agreement was entered into. If the transaction closes, the Company expects to list its shares on the Nasdaq under the ticker symbol SOUN upon closing.

4.4. Threatens

Strong competitors like shazam, Soundcloud, midomi, etc. Fierce competition in music recognition. Materialize and SoundHound AI, both mini cloud and tech companies, received 310 more votes than SoundHound AI in MarketBeat users' ratings. Similarly, 62.20% of users gave outperformed Materialise, while only 50.00% gave outperformed to SoundHound AI. Materialize's net margin was 6.76%, while SoundHound AI's net margin was 0.00%. Materialize's return on equity was 6.25%, beating SoundHound AI's return on equity.

Gracenote is a company that provides entertainment data and services. It provides solutions that help people connect to music, TV shows, movies, and sporting events across entertainment platforms and devices. The company provides services to consumer electronics companies, automakers, cable and satellite operators, and music providers.

5. Conclusion

This paper is an analysis of the company SoundHound. In this article, the authors analyzed the company through multiple standards. the authors first analyzed its firm description as well as its first-year financials, company background, team, service, financial index, and stock performance. The authors then analyzed its SWOT (strengths, weaknesses, opportunities, threats). Lastly, the authors thoroughly analyzed the company's financials including its assets and liabilities, debts, income, revenue, net income, ratios, and returns. The authors conclude that the company is a company that offers promising services but has a high risk of failure. Therefore, it is not a promising in-

vestment. From the points presented. It shows that the company is a legitimate company that provides those high-quality products. The customer feedback is mainly positive with a user-friendly interface that is very useful for finding music. The company is also developing new technology such as interactive AI while partnering with other companies to put this into use.

Soundhound also has a very promising team which includes Stanford graduates, Ph.D. from prestigious universities, engineers, data scientists, linguists, designers, and more. However, due to its lack of market share within the industry to more well-known and experienced companies like Soundcloud and Spotify, it is unable to successfully attract many consumers to its platform. The services provided are also not new or exclusive. This causes the company to operate at a loss with a high risk of bankruptcy as a high-risk company. Company debt continues to increase, while net income is still at a loss although the company does increase its gross profit. Furthermore, its EBIDTA is at a loss with a high D/A ratio and a low but increasing ROA. This is reflected in its stock which has gone down 50% since its IPO. All considered, this company is not a very promising company due to its lack of market share and substandard financial performance although it does have a promising team and service.

This analysis may still be lacking in terms of a thorough analysis of stock ratios and additional financial ratios that could provide a clearer picture of how the company is actually performing. It could also be bettered by a POCD analysis given there is a more detailed investigation into the company. In the future, it could be beneficial to launch a deeper investigation into the company to learn about its history and story in order to understand why the company went wrong or succeeded. In the future, it is also important to follow the yearly reports and stock performance of the company to see if there are any changes to the financials or business model assuming the company does not go bankrupt.

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