

Spotify Technology (NYSE: SPOT)

Discussion Materials

Communication Services & Technology Cross Sector
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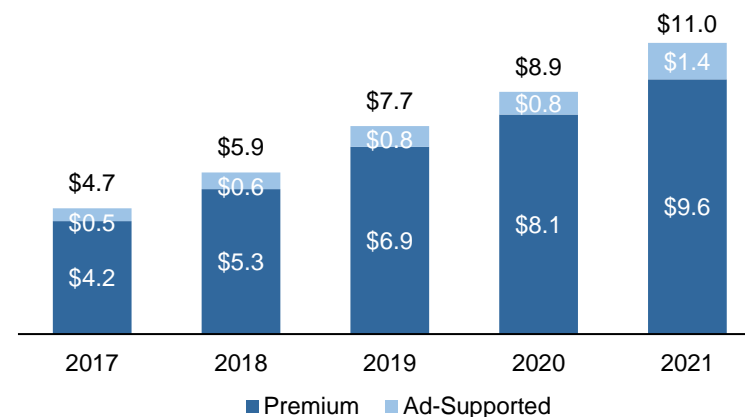
- 1. Company Overview**
- 2. Industry Overview**
- 3. Investment Thesis**
- 4. Valuation Analysis**

Spotify is a Swedish audio streaming and media services provider; it is the one of the largest music streaming provider with over 406 million monthly active users

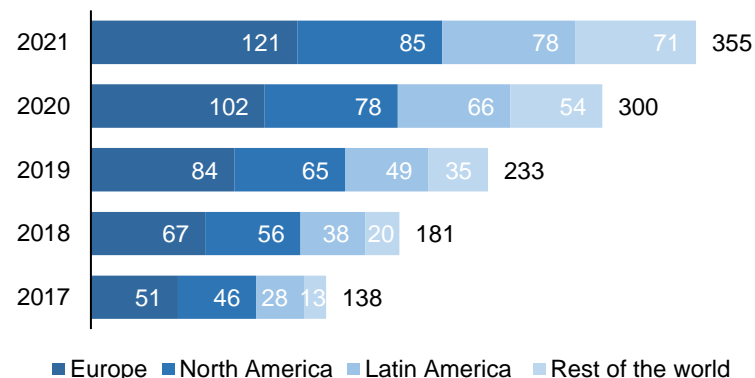
Business Overview

- Spotify (NYSE: SPOT) is a digital music, podcast and video service that provides access to content from creators globally
- Spotify has 381 million users with 172 million premium subscribers across 184 countries
- Spotify offers two forms of subscription plans; premium subscription and free ad-supported model
- On December 8th, 2020, Spotify acquired Megaphone LLC for a total purchase consideration of ~\$235 million
- On March 6th, 2020, Spotify acquired Bill Simmons Media Group, LLC (The Ringer) for a total purchase consideration of ~\$196 million
- On February 15th, 2019, Spotify acquired Gimlet Media Inc. for a total purchase consideration of ~\$194 million
- On February 14th, 2019, Spotify acquired Anchor FM Inc. for a total purchase consideration of ~\$153 million
- On April 3rd, 2018, Spotify listed on the NYSE at \$132.00 per share under the ticker SPOT
- Founded in 2006 and headquartered in Stockholm, Sweden

Revenue by Segment (\$USD bn)

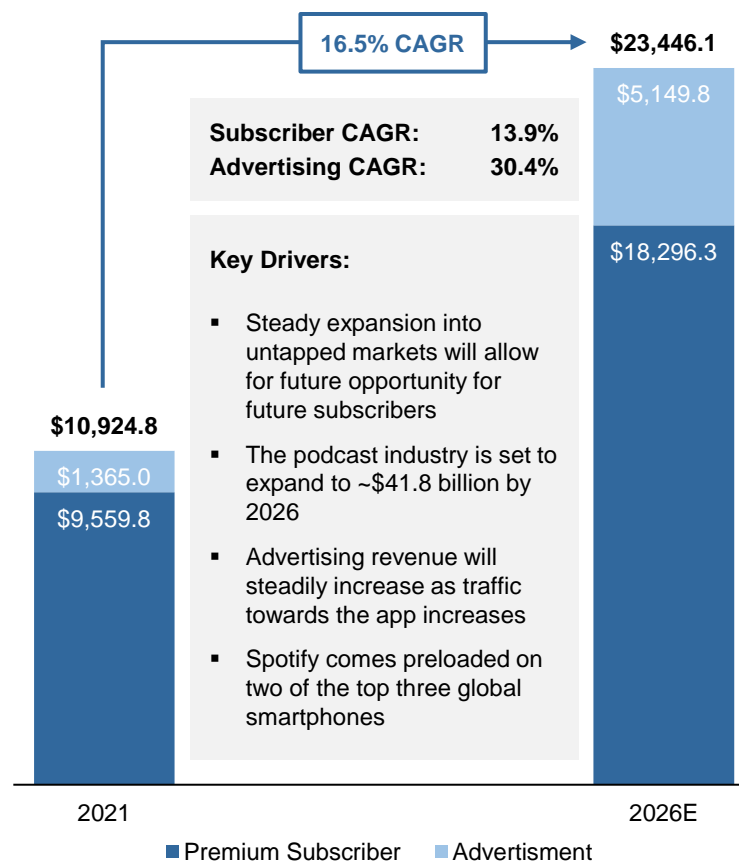


User by Region

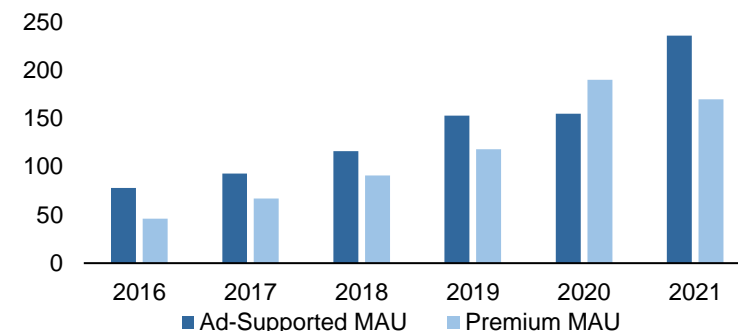


Spotify is projected to reach ~\$23 billion in revenue by 2026 with premium subscribers accounting for ~87.5% of revenues in 2021

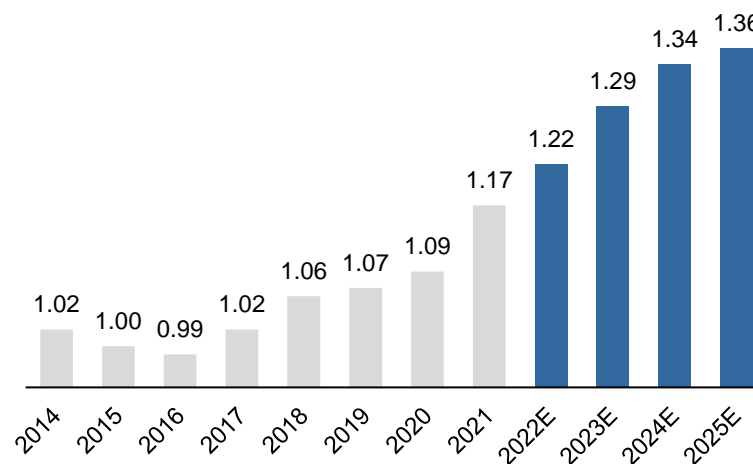
Segmented Revenue Growth (\$USD mm)



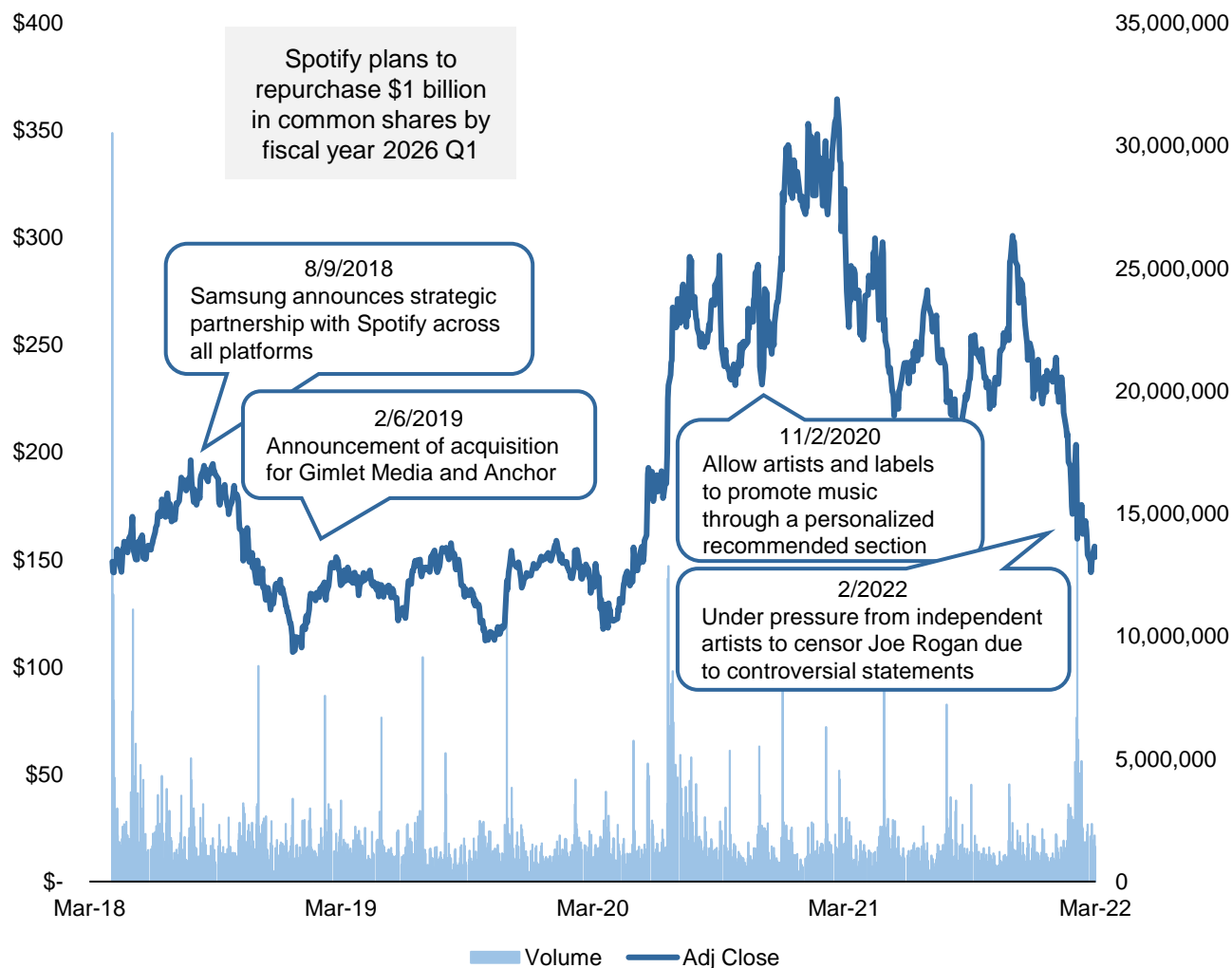
Premium Subscribers



Advertising as Percent of GDP



Source: Company information, Market research and BIF estimates.



Key Metrics (\$USD mm)

Share Price	\$149.00
52 Week High	\$305.60
52 Week Low	\$135.55
DSO	\$193.94
Equity Value	\$28,897.57
Plus: Debt	\$1,333.40
Less: Cash	\$3,100.72
Enterprise Value	\$27,130.25

Trading Multiples

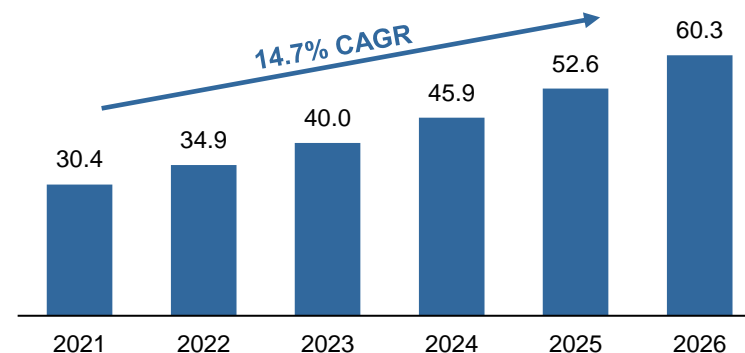
EVI '22E Rev	2.12x
EVI '23E Rev	1.81x
EVI '22E EBITDA	45.58x
EVI '23E EBITDA	35.69x
EVI '22E EBIT	57.09x
EVI '23E EBIT	43.79x
2022E P/E	25.40x
2023 P/E	20.95x

The global audio streaming industry had an estimated market size of ~\$30.9 billion in 2021 with a projected 14.7% CAGR through 2026 to reach a market size of ~\$60.3 billion

Global Audio Streaming Industry

- ~33% of Americans listen to music through streaming subscriptions
- International markets like Asia Pacific, Latin America and rest of the world will drive 71% of global subscriber growth
- 523.9 million people are subscribed to a music streaming service globally as of Q2 2021, a 26.4% increase since the previous year

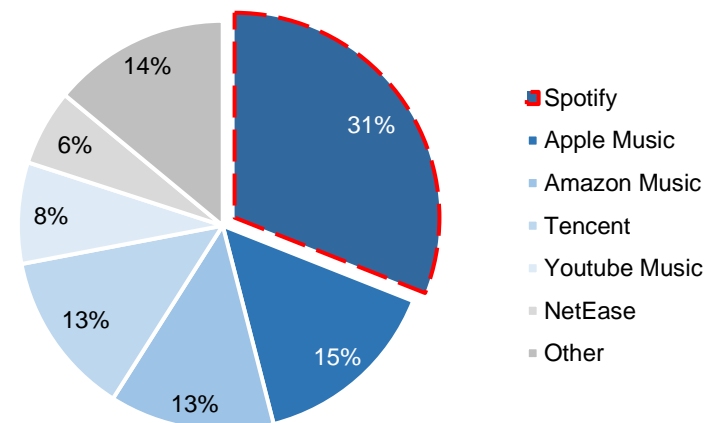
Projected Industry Growth (\$USD bn)



Podcast Industry

- The podcast industry is expected to reach an estimated value globally of ~\$41.8 billion by 2026
- U.S podcast advertising will double to ~\$2.2 billion by 2023
- Podcasts are widely used in teaching and educational learning as it offers an effortless delivery of audio learning
- There will be over 144 million podcast listeners in the US by the end of 2025
- 82.4% of podcast listeners spend more than seven hours a week listening to podcasts
- 56% of under-35 age demographic are listening to podcasts

Market Landscape



Source: Market research.

Spotify represents a unique opportunity



Global Expansion

- Spotify has made multiple strategic partnerships to position itself for significant growth in markets yet to be penetrated



Rapid Expansion into Podcast Industry

- Spotify has positioned itself well to reap the benefits of growth within the podcast industry
- Spotify has invested nearly \$930 million into their podcast services between 2019 to 2021

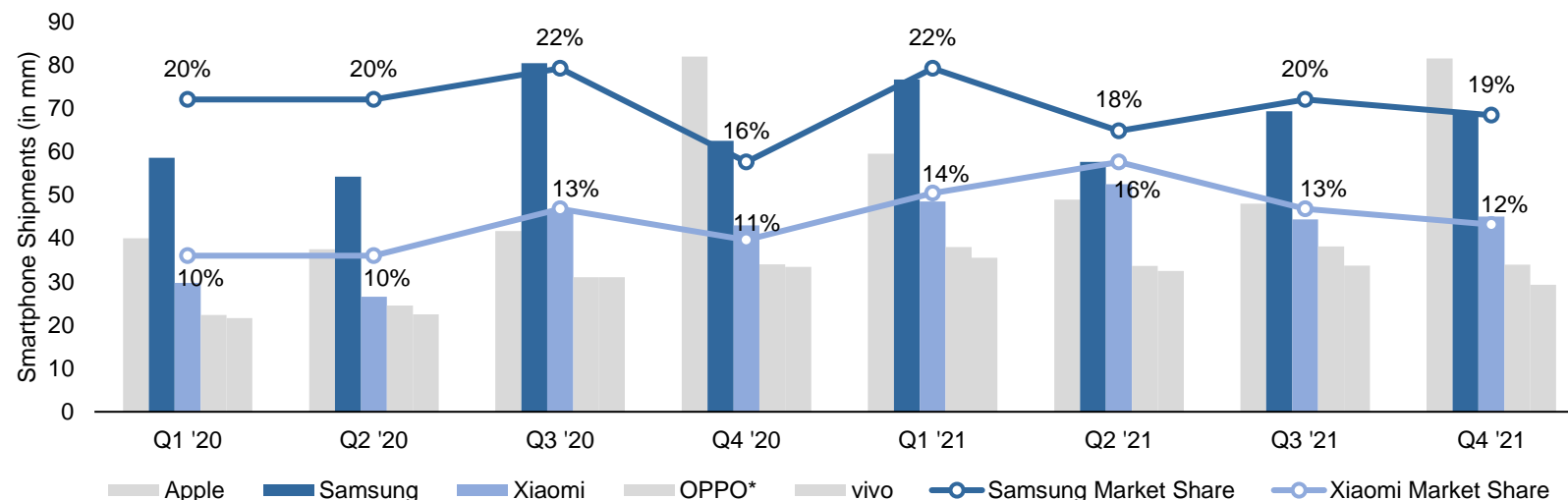


Premium Subscriber Growth

- Through the firms' many acquisitions and exclusive partnerships, user and subscriber growth has been rapid and will continue to be exponentially

Spotify has made multiple strategic partnerships to position itself for significant growth in markets yet to be penetrated

Global Smartphone Market



Preloaded on Prominent Smartphones

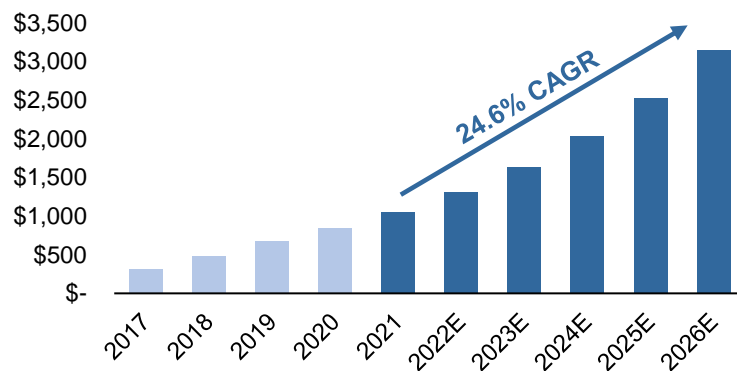
- In 2018, Spotify announced a strategic partnership with Samsung to have Spotify preloaded across all platforms
 - Samsung is Apple's closest competitor and holds ~18% - 22% market share of the industry
- In Q4 2021, Spotify started becoming preloaded on all Xiaomi phones
 - Xiaomi is consistently the third most shipped smartphone while holding ~12% - 16% market share of the industry

Increased Traffic

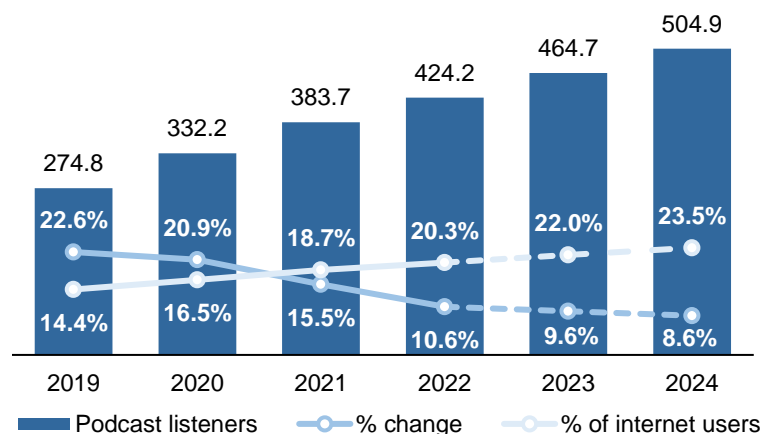
- MAU will increase significantly in the new few years for Spotify due to increase in traffic from preloaded platforms
- Xiaomi is mostly distributed throughout the Asian-Pacific region, leading to growth in market share within the region
 - Growth in Asia-Pacific market share will directly lead to increase in advertising revenue

Spotify has positioned itself well to reap the benefits of growth within the podcast industry; the industry is expected to reach a market value of ~\$3.2 billion by 2026

Market Growth (\$USD mm)



Podcast Listeners Worldwide (millions)

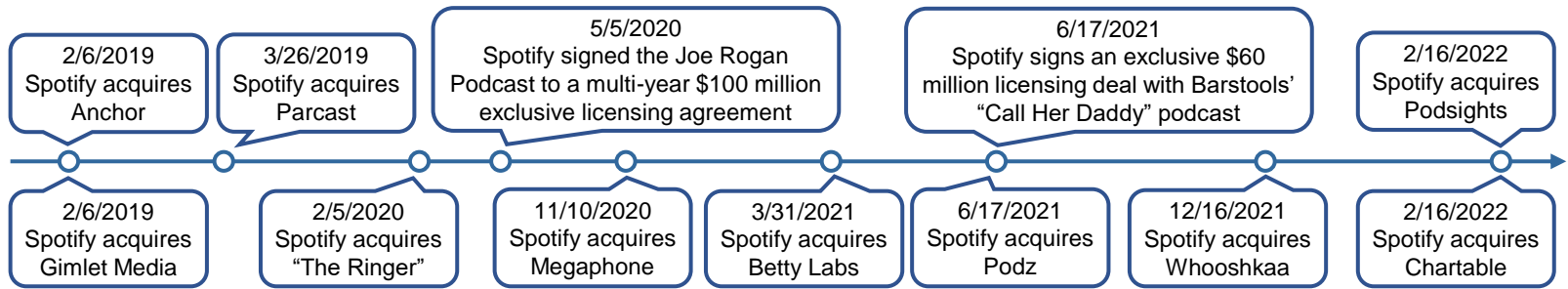


Growth of Spotify Podcasts

- With acquisition of Podsights, Spotify will be able to help advertisers understand how podcast advertisements drive actions that matter to their business
- Number of podcast titles has increased by nearly 20-fold
- Measurement and attribution remain the two biggest unsolved challenges for podcast advertisers
- Spotify's SPAN allows advertisers to run targeted audio ads on podcast ads and ad-supported music. To grow this industry, Spotify must build tools to help podcasts grow and connect advertisers with the right audience
- Chartable will integrate directly into Megaphone
- In 2021, Spotify generated \$1.4 billion in advertising supported revenue, a 62% year-over-year increase
- CEO Daniel Elk believes it could potentially count for up to 40% in revenue in 5-10 years, up 15% from its recent quarter
- Spotify has 3.6 million podcasts, up around 13% from 3.2 million at end of Q3
- Reported organic growth of 100% in podcast ad revenue
- Spotify acquires more data than their competitors which will allow their recommendation algorithms to become more personalized and predictive over time¹

Spotify has invested nearly \$930 million into their podcast services between 2019 to 2021

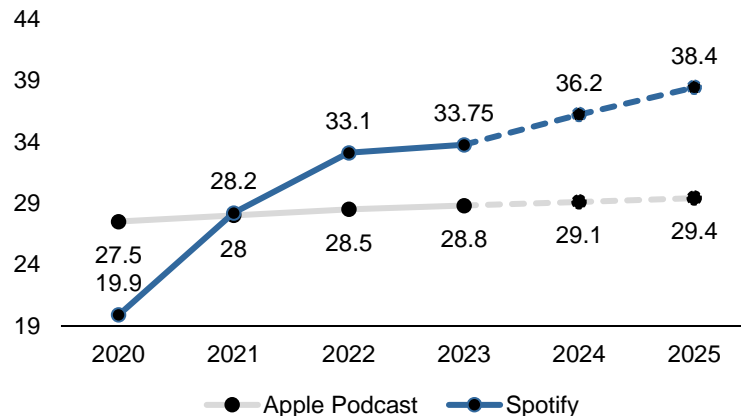
Spotify Podcast Timeline



Podcast Investment:



US Spotify vs Apple Podcast Users (\$USD mm)



Source: Company information and Market research.

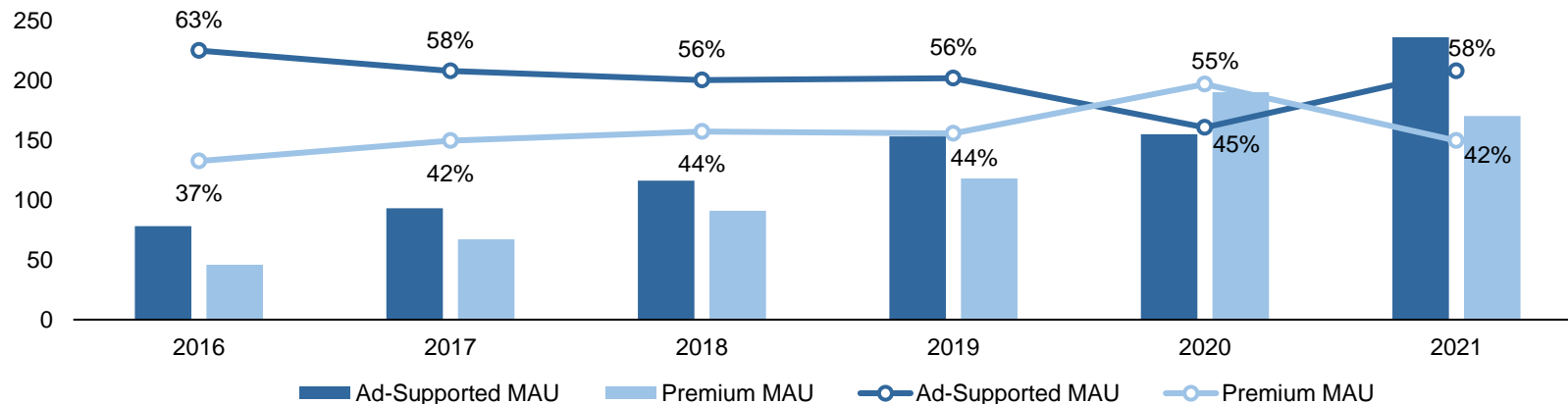
1. Data includes; listening patterns and app engagement patterns.

Exclusive Spotify Podcasts

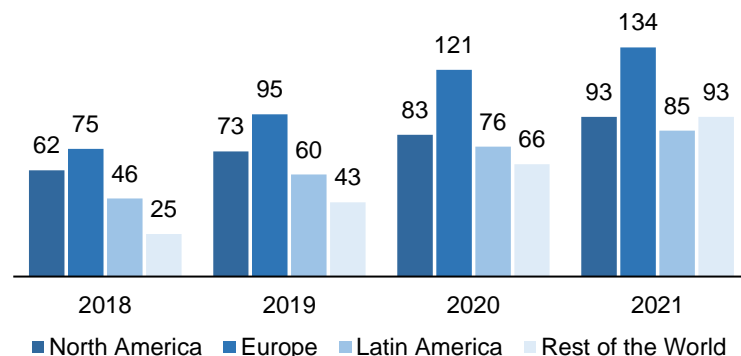
- The Joe Rogan Experience Podcast** – a long form conversation hosted by comedian Joe Rogan
 - 11 million listeners per episode, 5% of total listeners
- Armchair Expert** – a weekly podcast hosted by American actors Dax Shepard and Monica Padman
 - 20 million monthly listeners
- Heavyweight** – a Gimlet Media podcast created by humorist Jonathan Goldstein
 - 7 million listeners
- Call Her Daddy** – started in 2018 as a relationship and sex advice podcast
 - 3 million monthly listeners

Through the firms' many acquisitions and exclusive partnerships, user and subscriber growth has been rapid and will continue to be exponentially

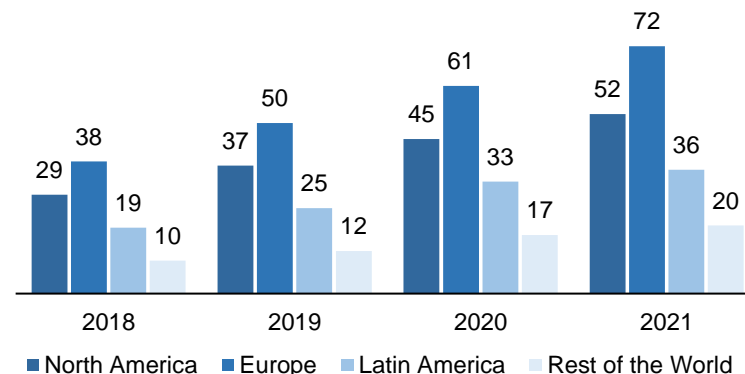
MAU to Premium Subscribers



MAU Growth by Region (\$USD mm)

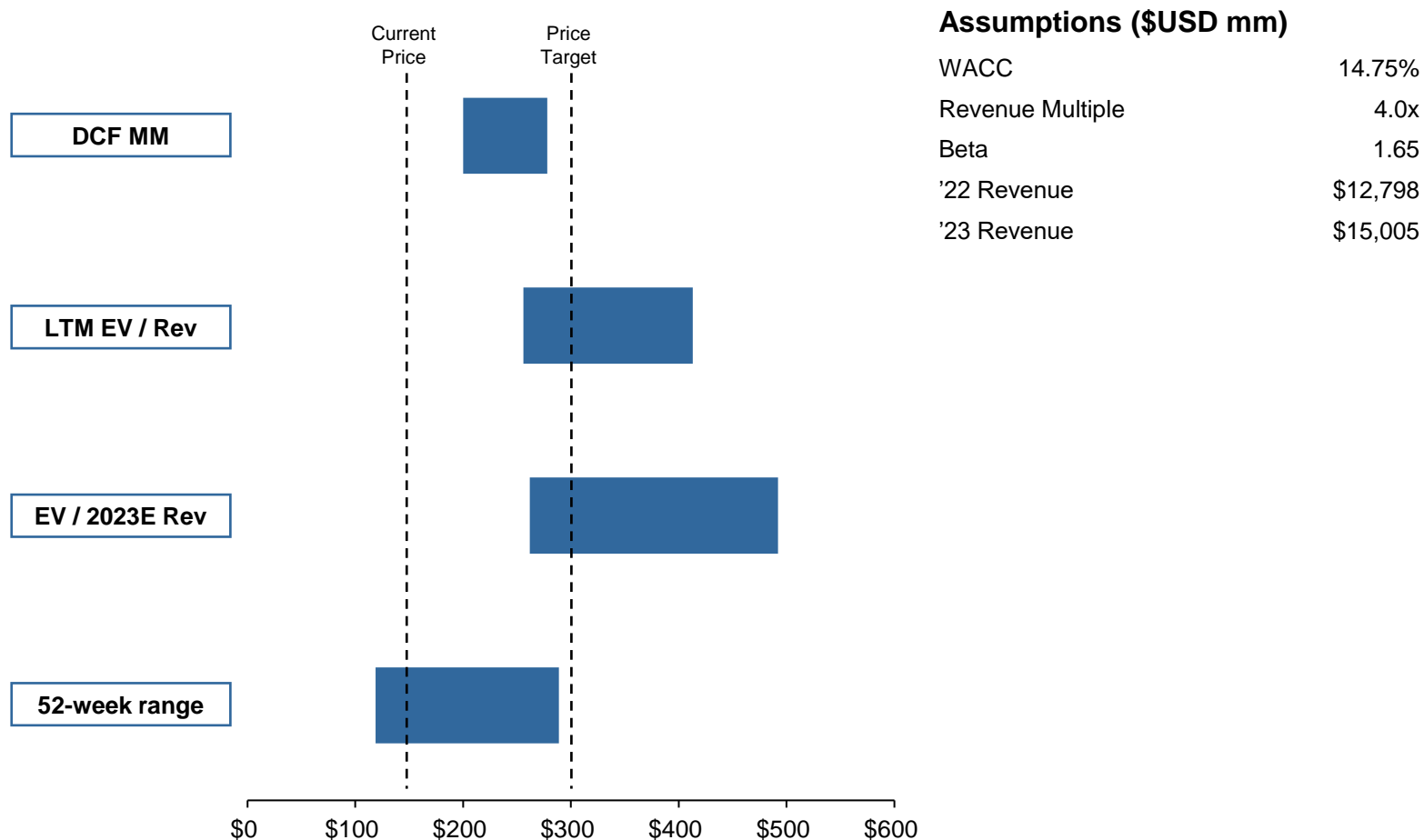


Subscriber Growth by Region (\$USD mm)



Source: Company information.

Preliminary analysis suggests that a price target of ~\$300; representing a ~101% premium to current share price; is a fair valuation of Spotify stock



Source: BIF estimates.

Questions?