



Q2 2020 Earnings Call
July 29, 2020

Prepared Remarks

Daniel Ek, Founder and CEO

Hello everyone and thanks for joining us.

Like all of you, Spotify continues to navigate issues related to COVID-19 and racial injustice, both of which are reshaping our industry and society in significant ways. Given the role we play in culture, we believe Spotify has a responsibility to use our platform to help build a more equitable future. For us, that means focusing on what's core to our business -- amplifying the music and perspectives of Black creators, and taking every opportunity to connect them with current and future fans. We're also taking a hard look at what we can do to build a more equitable workplace, and have committed to increasing representation of Black employees at all levels within Spotify. When we do this right, it's good for employees, good for creators, and good for shareholders.

Turning to the quarter. We are pleased with our results, which met or exceeded our guidance by almost every metric. After making adjustments to help us weather the pandemic in Q1, consumption returned to normal levels this quarter. Monthly Active Users increased to 299 million and Subscribers grew to 138 million, both exceeding our expectations. Advertising revenue, which took a significant hit in Q1, improved notably throughout the quarter, and we feel good about our momentum as we enter Q3.

We also continued to invest in our Audio-First strategy, signing exclusive deals with some of the world's most well-known creators and most powerful voices. Earlier today, we launched the first episode of "The Michelle Obama Podcast" and it features a conversation with a very special guest, President Barack Obama. Our podcast catalogue now has over 1.5 million shows, 50% of which launched in 2020. While it's been gratifying to see so much enthusiasm for these announcements throughout the quarter, it's important to remember that with many of our newest shows, we are still early in the process. In some cases, like DC Comics, we need to produce the content and in others, like Joe Rogan, it has yet to launch on our platform. There's still work to do and much more to come.

On the music front, we entered a new, multi-year global license agreement with Universal Music Group that reflects our shared commitment in growing the industry and supporting artists at all stages of their careers. UMG will leverage Spotify's Marketplace tools for both frontline and catalog artists, to connect them with fans, grow their audience, and better monetize their fanbase. We'll also work together to develop new products and tools that drive discovery and engagement at a scale that has never before existed. Spotify has now surpassed 60 million



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tracks globally, giving artists even more opportunities to connect with their biggest fans. And just last week, Taylor Swift's surprise release of her new album "folklore" broke the #1 first day record for a female artist's album in Spotify history. She also became the most streamed artist on Spotify on any day this year with nearly 98 million streams on July 24th alone.

Finally, I would like to address our business overall. Investors often ask me what our secret sauce is, expecting that there is some sort of silver bullet to our growth. The reality is that at a platform of our scale, it is rarely about one thing. Instead it is about setting up a culture of experimentation and being willing to double down on opportunities if we believe they have the potential to enhance our user experience and change the slope of our growth curve. I want to share two recent examples that exemplify this point.

Over the last two years, we've tripled the number of experiments from a few hundred to thousands of a/b tests. Some of these experiments yield nothing more than a few key learnings, while others have shown great promise. In one of our recent podcast experiments, we increased listening among the test group by 33 percent. That's just one small example of many. When we see results like this, you should expect us to invest even more. We know that no one experiment is going to materially impact us even in the next year. It's the thousands of little things that we're doing, which will gradually add up over time.

The second is new market launches. Just this month, we launched in Russia and 12 other European countries. Our first week in Russia was huge, even bigger than our first week in India. If we do this right, we have the opportunity to reach 250 million more listeners in these markets over the long-term. We're now operating in nearly every country across Europe, but there's still a lot of pent up demand for Spotify in markets around the world, which is why we have plans for further expansion globally.

What these two recent examples underscore is that staying focused on long term growth, whilst managing for speed of iteration near term, is what will drive future growth. Using that lens, and with the examples I gave, it is apparent that we still have many more improvements left to make. And that is why we keep investing. With that, I'll turn it back to Bryan.

CLOSING REMARKS

In closing, we had a very strong quarter. I've never been more bullish about where we are today and our future opportunity. There are still billions of people who have yet to discover on-demand music streaming or listen to a podcast, and many more we have yet to reach in markets around the world.



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Speaking of podcasts, I'd encourage you to check out Spotify's new "For the Record" podcast this Friday. Paul and I will be sharing additional thoughts about the quarter and discussing my philosophy on growth, innovation and the importance of risk taking. Feel free to check that out. Thanks again for joining us this morning. This is an exciting time to be focused on audio, and we're only just getting started.