



Q1 2021 Earnings Call
April 28, 2021

Prepared Remarks
Daniel Ek, Founder and CEO

Hi and thanks for joining us.

I'm pleased with the continuing momentum we are seeing across many aspects of our business this quarter, including our subscriber growth. 2020 was a very strong year for Spotify and as we reported our Q4 results, I discussed the high degree of uncertainty we knew we would continue to face in this unprecedented environment. I also shared that we likely pulled forward some growth -- as evidenced by our outperformance in MAU throughout the past year.

In Q1, this uncertainty played out largely as expected: Several metrics, like subs, revenues, gross margin and ARPU came in a little higher, while MAU came in lower -- but still well within our range. And some markets that have previously been strong outperformers like parts of Latin America and Southeast Asia showed some softening on the MAU side, while others, in both new and mature markets, continue to demonstrate impressive growth. And while it's worth noting, that of our four quarters, Q1 historically tends to be the quarter with the lowest new user activations, we also know that the world is in various stages of recovering from the pandemic. We see that reflected in aspects of our business.

While I expect the puts and takes we saw in Q1 to continue throughout much of this year, I still feel very confident in what's on the horizon looking out at the remainder of the year and beyond.

As always, I want to focus the bulk of my time with you looking ahead.

I am more confident than ever in our ability to deliver on our ambition to become the world's number one audio platform. If you tuned in to our Stream On event in February, you probably understand why I am so bullish. Our strategy to move from being a streaming service to being an audio platform is really starting to come to life. Look no further than the clarified messaging we launched yesterday around how we will enable access to paid audio products on top of Spotify. Really think this positions us to truly be the audio browser of the world.

For those who may have missed it, we detailed several new innovations and enhancements in our pipeline that will benefit both the creator and the user. This includes our recent launch into more than 80 new markets, which has opened up an exciting new opportunity for growth and I will share more on that in a minute.



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I also shared more on why I continue to believe that the opportunity in audio is still largely untapped with tremendous growth potential -- far beyond what most of us can imagine today. Take music as an example.

The latest numbers from IFPI, just out this quarter, reinforce the strength of the industry, which has seen an increase of 54% in global recorded music revenues since the 2014 low. And streaming revenues, with a growth rate of more than 600% over this same time period, continue to propel the industry forward. Industry sources recently forecasted that the streaming market will triple, reaching \$79 billion in revenues by 2030 and Spotify continues to be the primary driver that is pushing global music revenues to record highs.

Related to this, look no further than the price increases we just announced across 12 key markets, including the UK and US. We did this on the back of successful roll outs in the previous two quarters when we implemented price increases in more than 30 markets. The positive data we continue to see, in terms of the value users see in Spotify, underscores the significant opportunity here and you should expect that we will continue to leverage increases as we evaluate market conditions.

I hope you've also checked out our new site Loud & Clear, which is increasing transparency on the economics of music streaming. There, you'll see that the number of the most listened to artists in the world is growing and more diverse than ever. As more artists are finding success, the bigger the impact we, as a platform, can have in serving them and their teams. And the more successful artists there are, the more impact we can have on creating an even better consumer experience.

Speaking of our consumer experience, we continue to see lots of opportunities to enhance our user experience across the board and you should expect us to move quickly and invest aggressively when we do. Because the broader audio market is still in its infancy compared to music, the opportunities to innovate there are immense and evolving fast and furiously. We have long enjoyed a first mover advantage and we will continue to prioritize introducing new capabilities across all facets of audio.

Our recent acquisition of the live audio app, Locker Room, is an example of this commitment to improving our experience. We want to be the absolute best partner to creators by giving them opportunities to create, grow, engage and monetize their art and fan base. We have some exciting plans for Locker Room and will share more details in the coming weeks...



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While we decided early to go all in on audio giving us a head start of more than a decade and unrivaled size and scale, others are taking note. This isn't surprising at all given the enormous size of the audio market, which some projections indicate could be valued at \$200 billion by 2030. Competition is nothing new for us -- we saw it with music and always expected others to jump on the audio train when they realized how attractive it is to billions of listeners around the world. We believe we have at least 5x to 7x growth left in the businesses we are in today - music, podcasting, and paid audio - and we intend to win in those businesses.

All that said, you should expect us to remain focused on our core pillars. For consumers this is delivering a great consumer experience through freemium, ubiquity and personalization and for creators, it's a maniacal focus on serving them through a personalized marketplace set of offerings and not one size fits all. As always, when we see opportunities that we believe will strengthen our capabilities for creators or consumers you should expect us to prioritize the long term over short term.

To help realize our ambitions, over the last couple of months we've led our most sweeping geographic expansion to date, turning Spotify 'on' in more than 80 new markets across Asia, Africa, Europe, the Caribbean and Latin America. And in doing so, we are introducing the passions, creativity, sounds and cultures of creators in these markets to a global audience. We are ramping up quickly, evolving our content and adjusting our product as we learn about what makes the most sense on a hyper local level.

These are only a few examples of the tangible efforts underway. We will continue to aggressively pursue opportunities to expand our content and our offerings and enhance our user experience in spite of the uncertain environment.

With that, I'll turn it back to Bryan.

Closing Remarks

In my experience, the key to our future success is to stay focused on our long term opportunity. And short term, we will continue to perform while rolling with the ups and downs inherent in a challenging and unpredictable environment.

Put another way, we at Spotify are stubborn on vision, but flexible on the details of execution. We will continue to experiment and prioritize being nimble and accelerate plans when the opportunity makes sense. In this audio world - where creators and consumers are at the heart of everything we do - we see ourselves as a huge catalyst for growth. And we



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are committed to holding ourselves accountable to living in a constant state of improvement. This is what drives me and the team to come to work each and every day.

I'll be talking more about our earnings report on our podcast, Spotify: For the Record, which will go live on our platform tomorrow. Thanks again for joining us.