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The Future of Streaming: Spotify's Global
Expansion and Beyond

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Abstract

This individual report constitutes one of two parts of an equity research on Spotify Technology S.A, the global leader in music streaming services. It provides an in-depth analysis of Spotify, focusing on the evaluation of its financial health, competitive positioning and growth prospects. Through methodologies like the Discounted Cash Flow, the Adjusted Present Value valuation, the Flow to Equity and the relative valuation, the report derives a projected share price for 2025, culminating in an informed investment recommendation.

The reliability and robustness of the valuation is further explored by conducting a sensitivity analysis and a Monte Carlo simulation.

Keywords: Spotify, Streaming, Equity Research

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This report is part of the Tuning into Growth: An Equity Analysis of Spotify's Evolving Business Model report (annexed), developed by Joana Bagulho Silva and Salvador Moura Peres Machado and should be read as an integral part of it.

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Introduction

The Tuning into Growth: An Equity Analysis of Spotify's Evolving Business Model joint report evaluates Spotify Technology S.A. and provides a detailed investment recommendation. Through the Discounted Cash Flow we arrived at a share price of **478.21€**, which given the share price as of the 13th of December of 2024 of 459.51€, corresponds to a **hold recommendation**.

The report is structured into three main sections: a company overview, an industry overview and a valuation analysis. The company overview presents an in-depth analysis of Spotify's history, financial performance, business model and primary risks faced. The industry overview outlines the dynamic of the music streaming market as well as the competitive landscape in which Spotify operates. Finally, the valuation section begins with an analysis of the projections made, including a detailed revenue model and operational forecasts. Following these projections, the section elaborates on the key parameters for the valuation methodologies: the discount rate and the terminal growth rate. Several valuation models are employed, namely the Discount Cash Flow, Adjusted Present Value, Flow to Equity and relative valuation. To address the uncertainty inherent to these valuation models, the section ends with a sensitivity and scenario analysis, as well as a Monte Carlo Simulation.

This individual report covers the company description, past financial performance, the main risks faced by the company and an overview of the music streaming industry. Also covered in this report are an analysis of our strategic and revenues forecasts, the computation of the terminal growth rate, insights from the relative valuation and a rigorous assessment of the sensitivity analysis employed. The remaining topics are covered in my peer Salvador Machado's individual report.

Company overview

Company Description

Spotify Technology S.A. is a **digital streaming platform** that has transformed the way audio is consumed all over the world. The company was founded in late 2006 as a private limited liability entity in Luxembourg by Daniel Ek and Martin Lorentzon and has since established itself as the dominant player in the music streaming industry.

Spotify emerges in 2008 as a solution for music piracy

Spotify emerged at a time when music piracy was rampant, and legal options for music streaming were scarce. Recognizing this gap, Ek and Lorentzon secured agreements with major record labels and provided users with legal access to a wide range of music. In **2008**, **Spotify launched** in **Europe** with a **freemium model**, offering free, ad-supported access to millions of tracks, alongside a premium tier for ad-free listening, with offline features and enhanced functionalities, at a monthly fee. This model proved to be highly effective in driving user growth, and in **2011**, Spotify **expanded** into the **U.S. market**, rapidly obtaining a substantial user base in the largest music market globally.

In **2018**, Spotify made a significant move by going public through a direct listing on the New York Stock Exchange, with an initial **valuation** of **26.5\$ billion** (149.01\$ per share).

Diversification and global expansion



Today, Spotify operates in **184 countries** and offers access to **over 100 million tracks**, **5 million podcasts**, and **more than 250,000 audiobooks**. The company's strategic entry into audiobook market in 2022, coupled with its continued focus on podcasts, have opened new monetization opportunities, broadening its revenue streams beyond traditional music streaming.

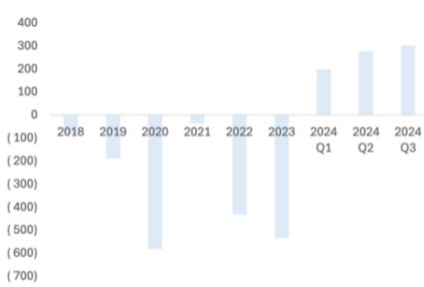
Recently Spotify has incurred in aggressive cost-cutting measures to improve profitability, addressing one of its core financial challenges: the high cost of licensing music from major record labels. By diversifying its content and cutting operational costs, Spotify has been able to achieve a more sustainable business model.

Financial Performance

A potential turning point in profitability...

Spotify's financial performance has experienced notable fluctuations as the company seeks to balance growth, expansion, and profitability. Despite strong revenue growth, the company reported consistently negative net income in the past, primarily due to high royalty costs, that account for approximately 70% of

Graph 1: Historic Net Income



A shift towards podcasting in 2018

every dollar generated from music streaming¹. In Q3 2019, Spotify reported positive net income for the first time and has achieved this milestone sporadically in subsequent years. However, in **2024** the company has reported **positive net income for three consecutive quarters**, marking a significant shift towards what could be sustained profitability. This improvement can be largely attributed to the **two price increases** implemented in 2024. Coupled with **aggressive cost-cutting measures**, which included three rounds of layoffs and a scale back in podcast investment, these efforts have helped Spotify achieve a more stable financial position.

Even though Spotify introduced **podcast** features to its platform in 2015, it only shifted its focus toward the podcasting market in **2018**, when it **invested \$500 million** into the growth of this business. Spotify's investment allowed the company to acquire exclusive content, such as The Joe Rogan Experience, and to purchase specialised podcast companies, including studios like the Ringer, Parcast and Gimlet Media, and distribution platforms, like Anchor and Megaphone. Through this, Spotify was able to control a substantial portion of the podcast supply chain, enhancing monetisation opportunities for creators, providing exclusive and personalised content for users, and enabling advertisers to have higher conversion rates. Although all of this allowed Spotify to surpass the 100 million podcast listeners mark and become the **most used audio podcast platform in many key markets**, it did not generate enough revenues from advertising to offset the investments made. In response to this, the company announced in 2023 a cut back in podcast investment, including the cancellation of some original shows, the layoff of employees from the podcast division and dissolution of Gimlet and Parcast into Spotify Studios.

Currently Spotify is turning away from exclusive contents and moving towards **video format in podcasts**, to foster deeper connections between creators and users, enhancing engagement. The platform now **holds more than 300,000 video podcasts shows** and, according to the company, nearly 1 in 4 podcast monthly active users globally engage with this format. According to Spotify's CEO, Daniel Ek, the podcasting business is near break-even and should earn a profit in 2024².

In addition to music and podcasts, Spotify has expanded its footprint into audiobooks. In 2022 Spotify entered the **audiobook** market, following its acquisition of the audiobook production platform Findlay in 2021. With all five major publishers partnering with Spotify's audiobook service, the platform was able to achieve **11% of all audiobook units sold in the US** by the end of 2023,

Spotify's foray into audiobooks

¹ McIntyre, H. (2023, March 9th). *5 important numbers from spotify's annual music royalties report*. Forbes. <https://www.forbes.com/sites/hughmcintyre/2023/03/09/5-important-numbers-from-spotifys-annual-music-royalties-report/>

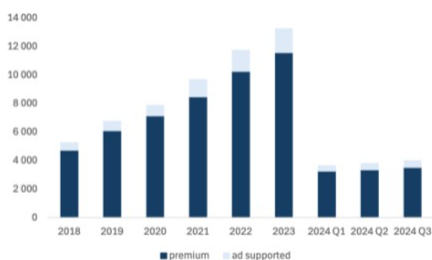
² Guaglione, S. (2024, March 1st). *Podcast companies see signs of an improved ad market in 2024*. Digiday. <https://digiday.com/media/podcast-companies-see-signs-of-an-improved-ad-market-in-2024/>

positioning it ahead of Apple but behind Amazon's Audible. For now, the company offers access to more than 250,000 audiobook titles, allowing its users to listen up to 15 hours per month in select key regions and an Audiobooks Access plan, priced at \$9.99 per month. According to Spotify, the audiobook feature has significantly increased user engagement, with listeners spending an average of 2.6 additional hours on the platform during the first two weeks of starting an audiobook³.

In **2023**, Spotify's **total revenues** reached **€13.25 billion**, reflecting a 12.96% increase relative to the prior year. The **premium segment** represented **87.31%** of this revenue, while the **ad-supported segment** accounted for the remaining **12.69%**. Spotify's **premium subscriber** base has continued to grow consistently through the years, with the number of premium subscribers increasing 15.12%, reaching **236 million** by the end of 2023. **Ad supported monthly active users** (MAUs) also saw substantial growth, rising 28% year-over-year to reach **379 million** in 2023.

As Spotify looks toward the future, the company faces the challenge of sustaining profitability while navigating high royalty costs and increasing competition. The cost of royalties and fees remains high, and Spotify's premium subscriptions are now priced higher, leaving limited room for further price hikes. Although the company has demonstrated its ability to cut costs and expand its revenue base, its long-term financial health will depend on how it balances premium pricing, content acquisition, global expansion and the entrance in new markets.

Graph 2: Historic Revenue Breakdown



Risks

- Competition

Despite being the global leader in audio streaming, the competition Spotify faces should not be underestimated, especially since some of its **major competitors**, such as Apple Music, YouTube Music and Amazon Music, are part of much bigger companies with **significantly different financial dynamics**. These companies can support losses or big investments for much longer than Spotify because they are able to subsidise their music streaming services with revenues from other business segments. In addition to this, companies like Apple, Google and Amazon pre-load their music streaming platforms into their devices/services, often bundling these services at heavily discounted prices for customers who already use their core offerings, giving them a considerable competitive advantage. Spotify's primary competitive advantage lies in the highly personalised experience that it offers, with tailor made playlists and recommendations algorithms. However, the company's ability to maintain its leadership position depends heavily on preserving

³ Rosenborg, R. (2024, April 25th). *Spotify's publisher dilemma: Audiobook bundling makes music publishers mad — is all-in-one audio sustainable?* MIDiA Research. <https://www.midiaresearch.com/blog/spotify-publisher-dilemma-audiobook-bundling-makes-music-publishers-mad-is-all-in-one-audio-sustainable>

this differentiation and fostering continuous innovation, which requires consistent investment in research and development.

- Regulation

Given its presence in 184 countries, regulatory challenges represent a significant hurdle for Spotify and may intensify in the future. Spotify's primary regulatory challenge is related with music licensing and royalty payments, as the company has faced numerous lawsuits from publishers and artists seeking higher streaming payouts. To address these concerns, Spotify collaborates with agencies like the Copyright Royalty Board (CRB), which regularly reviews and adjusts royalty rates, but disputes persist.

Moreover, as a data-driven platform, Spotify collects vast amounts of user data to personalize recommendations and improve the user experience, which requires compliance with stringent data privacy regulations across multiple regions. In the European Union, Spotify is subject to the General Data Protection Regulation (GDPR), one of the world's most comprehensive privacy frameworks. In 2023 the company was fined \$5.4 million for alleged non-compliance with the GDPR, following claims that it failed to adequately disclose the reasons for processing personal data when requested by users. In the United States, Spotify faces a fragmented set of state-level privacy laws, that can sometimes be challenging to navigate.

Looking into the future, Spotify's increasing use of artificial intelligence (AI) may also enhance regulatory scrutiny. Emerging frameworks, such as the EU's AI Act, aim to ensure that AI systems are transparent, non-discriminatory, and safe for users. For Spotify, this could lead to a stricter oversight of its recommendation algorithms, particularly regarding data usage and compliance with privacy laws. Furthermore, the rise of AI-generated music and content introduces new challenges around copyright and the ownership of AI-created works.

- Royalty costs & entrance in new markets

One of Spotify's main hurdles is related with royalty costs, which remain at high levels, not allowing for Spotify to improve margins. The fact that the **music industry** is dominated by **three major record labels**, namely Universal Music Group, Sony Music and Warner Music, significantly limits Spotify's ability to negotiate reductions in royalty rates. Furthermore, given this high market concentration, there is a risk that record labels attempt to capture any potential increase in Spotify's profits.

While the expansion into podcasts and audiobooks has reduced Spotify's dependency on music labels it has also introduced new risks, particularly those associated with venturing into emerging and evolving markets. Both the podcast

and the audiobook market exhibit strong growth potential but much about these markets remain uncertain and margins may take longer than anticipated to materialise.

- Investment risk

Since 2017 Spotify has maintained an investment in Tencent Music Entertainment (TME)⁴, the leading online music service company in China, as part of a partnership between both companies. In addition to a music streaming platform (QQ Music) TME also has a karaoke app (WeSing) and a live concert platform (Kuwo Music). Spotify currently holds an 8% stake in TME, valued at 1,530€ million and constituting the majority of the company's long-term investments. This strategic investment provides Spotify with exposure to the rapidly growing Chinese market, in which it does not operate.

At present TME has 576 million monthly active users, a revenue of 3.65€ billions and a gross profit of approximately €1.29 billions. While the company has demonstrated consistent growth and maintained a positive net income in the past, it has recently experienced a revenue decline. This setback stems primarily from the social entertainment sector, that has been impacted by the measures from the Chinese government to restrain online gambling⁵. Nevertheless, the online music services have partially offset the decline in the social entertainment sector through price increases.

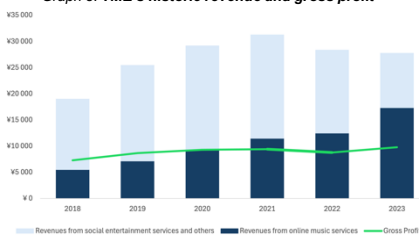
Despite the strategic benefits of this investment, it is also important to consider the risks involved. One of the main risks is related with Spotify's exposure to TME's operational performance and share price volatility, with a 10% fluctuation in the share price equating to an impact of approximately 153€ millions in Spotify's financials. Other risks include potential changes in the Chinese foreign investment laws, increased regulation and scrutiny of foreign investments in Chinese companies. In addition to this, there is also the risk of changes in laws within China affecting the performance of TME, as evidenced by recent regulatory crackdowns on live-streaming services.

Industry overview

Music Streaming Industry

Although Spotify operates across music, podcast, and audiobook streaming, its primary revenue driver is music streaming and hence, understanding the evolution

Graph 3: TME's historic revenue and gross profit



⁴ Tencent.com. (2017, December 8th).

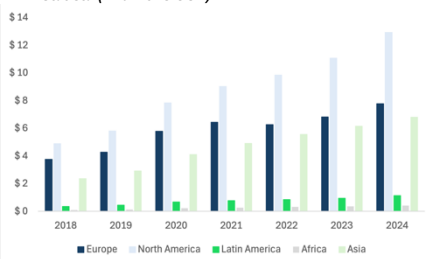
<https://static.www.tencent.com/storage/uploads/2019/11/09/254e32cc9ac777205085dbe6414fab48.pdf>

⁵ (2023, August 25th). <https://www.businesstimes.com.sg/international/global/china-online-platforms-scrap-lucky-draw-features-amid-gambling-crackdown>

of the music streaming industry is crucial.

In 2023, the **global music streaming industry** generated **revenues of \$21.9 billion**⁶, with a total of **713.4 million music subscribers**⁷. The market is notably concentrated, with major players like Spotify, Apple Music, and Amazon Music leading the industry and focusing on delivering personalized, on-demand content tailored to local preferences. The industry's growth in recent years has been driven by the **shift toward digital consumption**, heightened by the **adoption of high-speed internet** and **smartphone penetration**. The market is expected to grow at an annual growth rate of **4.70%** globally from 2024 to 2027, reaching a market value of \$33.97 billions and 1.1 billion users by 2027⁸.

Graph 4: Music Streaming Revenue per region from Statista (in billions USD)



Geographically, the **United States** holds the **largest share of the market** in terms of revenue, valued at \$11.07 billions. Other relevant markets include Europe and, most recently, Asia.

The industry is expected to continue evolving as streaming platforms diversify their offerings with exclusive content, personalized services, and expand into podcasts and other verticals. The future of the music streaming industry is closely tied to rising disposable incomes, increased mobile device usage, technological advancements, especially within artificial intelligence, and shifting consumer preferences toward digital formats over physical ones.

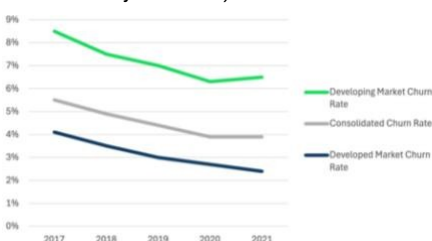
Valuation

Key Value Drivers

To accurately project Spotify's performance, it is crucial to identify the primary drivers of its revenue, as most financial metrics are closely tied to revenue generation. As noted previously, Spotify derives revenue primarily from two streams: premium subscriptions and ad-supported monthly active users. Key factors influencing these streams include the acquisition of new ad-supported users, the conversion rate, the churn rate, the average revenue per user (ARPU) and the ad-supported revenue per user.

The **conversion rate**, which represents the percentage of ad-supported users upgrading to premium, was determined through the year-over-year change in premium subscribers, adjusted for the number of premium subscribers lost. These losses were estimated based on the churn rates reported by Spotify, that

Graph 5: Historic Churn Rates (from Spotify's 2022 Investor Day Presentation)

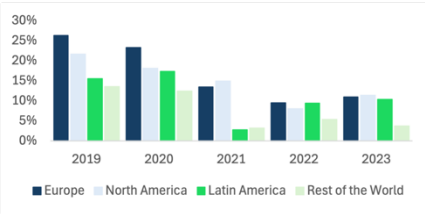


⁶ Mulligan, M. (2024, March 18th). *Global recorded music revenues grew by 9.8% in 2023*. MIDiA Research. <https://www.midiaresearch.com/blog/global-recorded-music-revenues-grew-by-98-in-2023>

⁷ Mulligan, M. (2024, March 18th). *Music subscriber market shares 2023: New momentum*. MIDiA Research. <https://www.midiaresearch.com/blog/music-subscriber-market-shares-2023-new-momentum>

⁸ 2027 forecasts from *Music Streaming - worldwide*. (2024, December). Statista. <https://www.statista.com/outlook/dmo/digital-media/digital-music/music-streaming/worldwide>

Graph 6: Historic Conversion Rates by region



distinguishes between developing market churn (Rest of the World and Latin America) and developed market churn (Europe and North America) as illustrated in **graph 5**. Notably, Europe, North America and Latin America play the bigger role here, with conversions rates rounding 11% in the past year, while the Rest of the World's conversion rate averages 4%.

The **new ad-supported users' rates** were calculated through the difference between ad-supported monthly active users between each year, adjusting for the number of ad-supported users that converted to premium. Worth noting that the % of new ad-supported users was particularly high in 2019 when accounting for all regions (116.54%), primarily due to the new ad-supported users in the Rest of the World, but has since declined, reaching 43.93% in 2023. As expected, the % of new ad supported users is higher and more volatile in the Rest of the World and Latin America, whereas it has somewhat stabilized within the 20%-30% range in Europe and North America – **graph 7**.

The **ARPU** is a monthly measure determined as the premium revenue divided by the number of premium subscribers and subsequently divided by 12. It is currently equal to **4.71€** and has been increasing slightly each period, mainly due to price increases and improved product mix.

Finally, the **ad-supported revenue per user** is a yearly measure equal to the ad-supported recognized revenue divided by the ad-supported monthly active users. This measure has showcased some volatility in the past years and stood at **3.66€** in 2023, reflecting a decrease of 14.33% relative to the prior year.

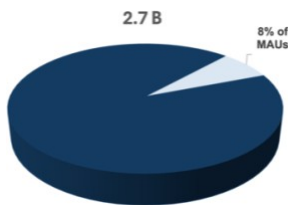
Recognizing Spotify's varied growth phases across regions—with mature operations in the United States and Europe and ongoing expansion in Latin America, Africa, and Asia—our analysis examines these revenue drivers by region.

Forecasts

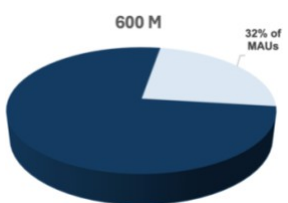
- Overview and Strategic Developments

Before delving into Spotify's revenue breakdown, it is essential to frame the company's expected trajectory. In the **near term**, it is anticipated that Spotify will **consolidate its presence in emerging regions**, namely Latin America, Asia and Africa. These regions constitute the majority of the global addressable market, with growth largely driven by smartphone adoption. As of 2022, Spotify captured only 8% of the total addressable market on the emerging markets - **graph 9**, a stark contrast with the 32% penetration achieved on established markets like Europe, North America, Australia and New Zealand - **graph 10**. This gap highlights a significant growth opportunity and the company's strategic priorities strongly indicate a focus on realizing this potential.

Graph 9: % of MAUs in Emerging Regions as of 2022 (from Spotify's 2022 Investors Day)



Graph 10: % of MAUs in Established Regions as of 2022 (from Spotify's 2022 Investors Day)



Longer-term, by 2030, Spotify is expected to **have fully expanded its podcast and audiobook offerings**, capitalizing on a projected combined market of 23\$ billions⁹. Beyond this, the company aims to **explore new verticals**, such as live events, news, sports, and educational content, as outlined by Alex Norstrom, Spotify's Chief Freemium Business Officer¹⁰.

Live events represent a particularly promising opportunity, with an estimated worth of 40\$ millions by 2030. One ongoing practice in the platform, that can be further expanded, is partnering with festivals and concerts ticketing companies, enabling users to purchase tickets through the Spotify app and acquiring a commission for every ticket sold. Leveraging on its wide user base and highly acclaimed recommendation algorithm, the platform can boost visibility, and consequently ticket sales, by tailoring suggestions of live events to more than 640 million users. Still within the live events segment, Spotify plans to introduce new experiences, such as exclusive live audio rooms hosted by the artists with their top Spotify fans¹¹. Moreover, Spotify's data advantage also positions it to provide valuable insights to artists, venues and partners, further solidifying its role in live events and opening up new revenue streams.

The **sports industry** also presents a compelling growth avenue for Spotify. Through its podcast offering, the company is building a library of on-demand sports content, avoiding the complexity and expenses involved in broadcasting rights. Following its approach on other domains, Spotify can collaborate with athletes and commentators to produce exclusive sport talk shows, interviews and behind the scenes content. To further expand its footprint in sports, Spotify can integrate live audio commentary for major sport events or post-match analysis, reaching fans who want real time updates on the go. Beyond these more conventional formats, Spotify's four-year partnership with FC Barcelona illustrates the company's innovative approach in the expansion through different fields. This partnership, which includes the shirt branding and the stadium title's rights (Spotify Camp Nou), enhances the platform's global visibility while leveraging on the Barcelona brand. A big part of this collaboration is to bring the worlds of music and football together, creating a new platform to help artists interact with the club's global community of fans by, for example, using Camp Nou for artist performances or making use of the in-stadium promotional surfaces to present and amplify the work of artists to a global audience.

In the **news domain**, Spotify has the potential to position itself as a centralized

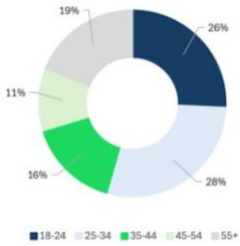
⁹ Podcast market size in 2030 from Rosenborg, R. (2024, April 11th). *What podcast slowdown? 1.2 billion people will be listening by 2030*. MIDiA Research. <https://www.midiaresearch.com/blog/what-podcast-slowdown-12-billion-people-will-be-listening-by-2030> and audiobook market size in 2030 from *Audiobooks - worldwide*. (2024, December). Statista. <https://www.statista.com/outlook/amo/media/books/audiobooks/worldwide>

¹⁰ Outlined in Spotify's Investor Day 2022: <https://investorday2022.byspotify.com>

¹¹ Stated by Charlie Hellman, Global Head of Product, during Spotify's Investor Day 2022

platform for curated, real time audio news. By partnering with media outlets, Spotify can offer audio version of daily briefings, breaking news and more in-depth features. Alternatively, the platform could develop original news contents. Making use of its recommendation algorithm, Spotify can provide users with personalized news feeds tailored to their interests and listening habits, creating a seamless experience for users seeking on-demand, up-to-date information.

Graph 11: Age Demographics in the US as of 2023



The **education sector** offers another set of significant opportunities for Spotify, particularly given its appeal to younger demographics, which constitute the majority of Spotify’s users - **graph 11**. Some of these opportunities involve hosting audio-based courses in partnership with educational institutions or e-learning platforms, as well as providing language learning tools. Additionally, Spotify can integrate its audiobooks feature to include textbooks and make partnerships with universities. By creating an educational ecosystem, Spotify can tap into a market segment that aligns well with its user base.

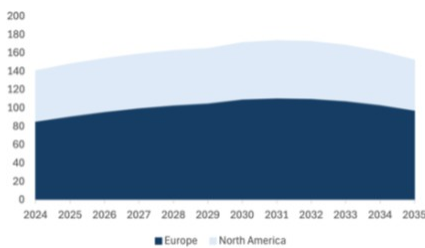
Capitalizing on these diversified revenue streams not only contributes to a more resilient business model, with less dependency on music labels, but also attracts a broader customer base. Together with its global expansion, we expect Spotify to reach somewhat of a turning point by **2030**, with significantly **improved margins** and a **strengthened competitive advantage in the global market**.

- Revenues

Monthly Active Users

For the projections of Monthly Active Users (MAUs) in North America and Europe, we forecast identical trajectories due to similarities in customer preferences and Spotify’s established market position in both regions. In **2025** we foresee a **% of new ad-supported users of 23.20% for Europe** and **18.05% for North America**. For the following years we expect that a gradual decline will prevail in both regions in the short term, driven by slower growth rates in the expected number of streaming users both in Europe and the U.S.¹² and Spotify’s already well-established presence in these regions, that makes it increasingly challenging to attract new users unfamiliar with Spotify. We expect this moderate declining trend to persist until **2030**, at which point new offerings are expected to reinvigorate user acquisition to **20%** in both regions.

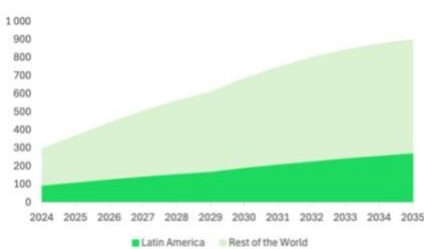
Graph 12: Forecast for Ad Supported Users in Established Regions



¹² Number of streaming users from 2017 to 2027 for Europe from *Number of users in the music streaming segment of the digital media market United States 2017-2027*. (2024, February 21st). <https://www.statista.com/forecasts/1435420/number-of-users-music-streaming-digital-music-market-united-states> and for the United States from *Number of music streaming users Europe 2017-2027*. (2024, May 29th). Statista. <https://www.statista.com/statistics/1412623/music-streaming-users-europe/>

In the Rest of the World, we observe considerable volatility in past years in ad-supported user growth, reflecting the difference in growth cycles relative to Europe and North America. Taking into account where Spotify stands today in the region in terms of market share and given the expected increase in smartphone connections, it is anticipated that the rate of new ad supported users will surpass the one of Europe and North America. However, it is also crucial to account for Spotify’s lower brand recognition and the region’s competitive landscape. Different competitive dynamics—with LINE Music in Japan, Melon in Korea, and Gaana in India—as well as differing customer profiles, may hamper Spotify’s growth in Asia, leading us to a conservative growth outlook. We project a **30.05% rate of new ad-supported users** for the **Rest of the World** for **2025**. Maintaining our conservative stance, we expect competition and slower smartphone adoption growth in certain areas to temper the overall rate of new ad-supported user acquisition in the near term.

Graph 13: Forecast for Ad Supported Users in Emerging Regions



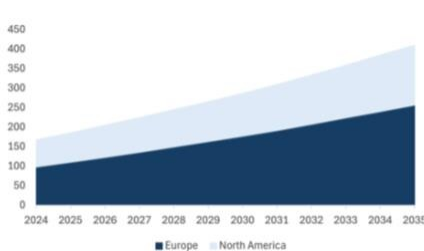
In **Latin America** there is a strong regional music industry and a proximity to North America that supports Spotify’s brand visibility, contrary to what happens in the Rest of the World. Given this, the rate of new ad supported users in 2025 is projected at **26.95%**, reflecting a conservative approach compared to previous years while also acknowledging the region’s growth potential. As Spotify captures more market share, the rate of new user acquisition is expected to decelerate gradually, reflecting a natural progression in market maturity. Similarly to other regions, the consolidation and new offerings of **2030** are expected to increase rates to **22%** in Latin America.

The **ad-supported revenue per user** is estimated to **grow with inflation** (2% per year) and not in real terms, since this measure is not impacted by the expansion into new verticals.

Premium Subscribers

For premium subscribers in **Europe** and **North America** we expect the **churn rate** to remain **steady at 2.4%** in the **near term**. Despite the price increases of 2024, the churn has reportedly remained low in the past months, reflecting the strength of Spotify’s value proposition. The platform’s integration of audiobooks, podcasts and music at a cost lower than the one of consuming these services separately, coupled with the personalized experience Spotify delivers, highly contributes to its ability to retain subscribers. By **2030**, the churn rate is projected to stabilize at around **2%**, driven by increased user engagement, further brand consolidation and diversified offerings, not only in audiobooks and podcasts, but also in the realms of live events, education and sports. For **conversion rates**, our estimates were based on historical averages up to 2029, with rates of **16.73% for Europe** and **14.83% for North America**. By 2030 the conversion rate in both regions is

Graph 14: Forecast for Premium Subscribers in Established Regions



expected to reach 16%, with a gradual increase for the years after, as a result of the new offerings.

In the **Rest of the World**, we expect price increases to impact conversion and churn rates more noticeably, given Spotify's lower brand recognition and the region's generally lower purchasing power. In addition to this, Spotify's ability to convert users to premium in this region is hindered by the different competitive landscape and different customer preferences. While Spotify's refined recommendation algorithms are a strong asset in western markets, they do not directly translate to regions like Asia and Africa, where local platforms hold an advantage, with music catalogues tailored to the cultural and linguistic preferences of their audiences, as well as lower price points. Spotify takes this into account and offers in this region premium "mini" subscriptions, of days or weeks, that give temporary access and targeted premium features in, like download of music for offline listening, that can help sustain conversion rates. Considering these elements, we forecast moderate growth in the conversion rates for the **Rest of the World**, with a **conversion rate of 3%** as of **2025** and a slight increase of 5% in the following years.

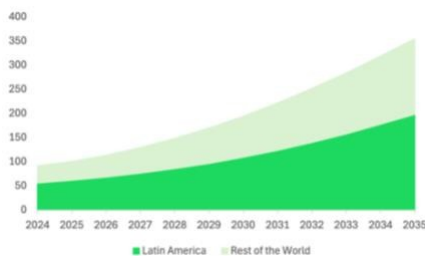
For **Latin America's** projections, purchasing power differences relative to Europe and North America were considered, which together with past value analysis, led us to a **conversion rate** estimation of **9%** for **2025**. For the following years we factored in the music streaming market expansion but also the intense competition that Spotify faces in the region, particularly from YouTube. Taking these factors into account, we projected a growth of 2% in the conversion rate for the subsequent years.

For the **ARPU**, we project a **3% annual increase through 2029** (1% real growth rate), driven by anticipated (small) price increases and the introduction of new subscription tiers¹³. From 2030 onwards, we expect that the introduction of new verticals will come with higher price hikes and new subscription plans, that will lead Spotify to a 5% growth in ARPU, reaching a value of **7.12€ by 2035**.

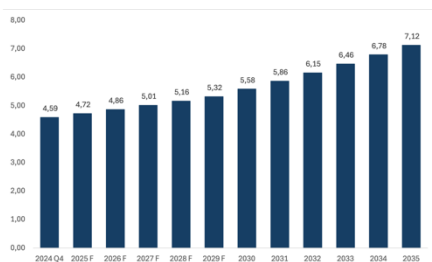
Combining these projections, we estimate that Spotify will exceed **400 million premium subscribers by 2029**, aligning with analyst consensus - **appendix 3**. Additionally, Spotify's share of global music subscriptions, which has been approximately 35% in recent years, is expected to be sustained, with a slight growth, reflecting the company's continued brand consolidation and global market presence.

Totals

Graph 15: Forecasts for Premium Subscribers in Emerging Regions



Graph 16: Forecast for ARPU



¹³ Leight, E. (2024, April 3rd). Spotify plans more price increases in 2024: Report. Billboard. <https://www.billboard.com/business/streaming/spotify-price-increases-1235648181/>

All together these projections lead to a revenue of **€16.502 billion** for **2025**, with €14.506 billion coming from premium segment and €1.995 billion from the ad supported segment.

To ensure the realism of our forecasts, we analysed Spotify's share as a proportion of internet users across the different regions. The **total number of internet users** can be seen as a **proxy for the total addressable market** in each region, and so, as an upper limit for our estimates. Also important to consider is the trajectory that Spotify's market share follows, as it would be unreasonable to project extreme growth in Spotify's share without corresponding growth in the region's internet user base. Overall, the data reflects that the gradual increase in Spotify's market share aligns with the overall growth in internet users, ensuring that estimates remain reasonable - **appendix 3**.

In **Europe**, Spotify's **share of internet users** is expected to grow from **11.99%** in **2018** to **33.55%** in **2029**, while in **North America** the platform's market share is expected to rise from **15.82%** in **2018** to **31.45%** in **2029**. These numbers reflect the strong brand recognition of Spotify and its mature presence in these regions.

Latin America and the Rest of the World highlight Spotify's most relevant growth opportunities for the short term. In **Latin America**, market share is expected to surge from **31.68%** in **2022** to **56.37%** in **2029**, supported by high levels of user engagement and a growing internet user base. In the **Rest of the World** Spotify's share is expected to increase from **0.99%** in **2018** to **9.28%** in **2029**. This expansion is underpinned by a sharp rise in internet adoption, particularly in Africa and Asia.

Terminal Growth Rate

The **perpetual growth rate** is a critical input in any valuation, as it represents the anticipated long-term growth of a company's free cash flows beyond the explicit forecast period, capturing the lasting value of the business. Given its impact on terminal value, and therefore on the overall valuation, it is essential for the perpetual growth rate to be realistic and sustainable.

Typically, long term growth is rooted in a company's ability to reinvest its earnings and to generate returns on those reinvestments. This approach captures the steady state dynamics of a mature company, reflecting its intrinsic growth potential and excluding external factors, like market share expansion or industry expansion. Under this framework the terminal growth rate is derived as the product of the reinvestment rate and the return on new invested capital (RONIC), providing a measure of how effectively a company can create value over time based on its operations. However, this does not apply to Spotify because the company has relatively few physical assets. Unlike more traditional companies that reinvest

Traditional reinvestment metrics do not apply to Spotify

heavily in tangible assets like machinery or infrastructure, Spotify's reinvestments often go toward research and development, content acquisition and marketing. The returns on these intangible investments are often uncertain and harder to quantify, making the RONIC x reinvestment rate formula meaningless. In addition to this, Spotify's growth is more dependent on factors like user acquisition and ecosystem expansion, which further decouples its growth from traditional capital-based metrics. Given this, a more appropriate approach to estimate the company's long-term growth is to consider broader economic factors.

To establish an appropriate perpetual growth rate, we made use of two key benchmarks: **expected inflation** as a lower bound, and the **nominal growth rate of the global economy** as an upper bound. Inflation, at **2.04%**¹⁴, provides a conservative estimate of baseline economic growth. On the upper end, we use the **long-term nominal growth rate of the relevant economy**, which in this case is the projected growth of the global audio streaming market, estimated at **4.66%**¹⁵ from 2023 to 2029 - **table 1**. Important to highlight that this upper bound is likely overestimated since it was estimated for a time frame of 7 years (2023-2029) due to limited data for a wider horizon. Taking this into account we considered **4.00%** a more realistic upper bound.

As a market leader with strong brand recognition and user engagement across diverse regions, Spotify's growth potential could justify a rate near the upper bound. However, factors such as market saturation in North America and Europe, along with competitive pressures, warrant a cautious approach to avoid an overly optimistic estimate. Balancing these considerations, a perpetual growth rate of 2.8% to 3.2% aligns with both sector growth potential and realistic long-term expectations. For our base case, we have selected a midpoint of **3% as Spotify's perpetual growth rate**. This rate strikes a balance between Spotify's growth potential and the macroeconomic constraints and will be further subject to a sensitivity analysis to address its inherent uncertainty.

Relative Valuation

The relative valuation provides insights into whether Spotify's stock appears undervalued or overvalued, relative to its peer group, making it a complementary tool to this valuation. Ideally, peer companies should share identical sizes, capital structures and similar risk and growth profiles. However, Spotify's case presents certain limitations regarding its peer group that must be acknowledged. As

Table 1: Expected nominal growth rate of the global music streaming market

Global revenues for audio streaming industry 2023	\$41.77
Global GDP 2023	\$109529
Sector's weight 2023	0.038%
Global revenues for audio streaming industry 2029	\$56.67
Global GDP 2029	\$139049
Sector's weight 2029	0.041%
Expected real long term growth rate	1.60%
Expected long term inflation of Europe	2.04%
Global GDP nominal CAGR	3.67%
Expected nominal growth of the economy	4.66%

¹⁴ Expected inflation rate for 2029 in European Union from *Inflation rate in EU and Euro area 2029*. (2024, November 15th). Statista. <https://www.statista.com/statistics/267908/inflation-rate-in-eu-and-euro-area/>

¹⁵ The long term nominal growth of the relevant economy was calculated as $[(1 + \text{GDP nominal CAGR}) * (\text{sector's weight}_t / \text{sector's weight}_0)^{(1/t)} - 1]$, with the GDP nominal CAGR equating to $[(1 + \text{real long term growth rate}) * (1 + \text{expected inflation}) - 1]$. The global revenues for the music streaming industry, global GDP and expected inflation were derived from Statista and the real long term growth rate from OECD (<https://www.oecd.org/en/data/indicators/real-gdp-long-term-forecast.html>).

mentioned previously, Spotify's primary competitors, like Apple Music and YouTube Music, do not disclose financial information because they are parts of much larger companies that span numerous markets outside of audio streaming. Other relevant competitors, like SoundCloud, are privately held, so they lack public financial data for evaluation. Given this, for our peer group we focused on **publicly traded audio-focused companies**, like Sirius XM Holdings and Tencent Music Entertainment, as well as **broader entertainment companies**, such as Netflix and Disney, that share comparable streaming-driven business models. While the selected peer group has some limitations that must be considered, it still offers a reasonable benchmark for comparison.

For relative valuations historical multiples are often used but these do not align with the fundamental principles of valuation, that the company's value is determined by the present value of its future cashflows. Historical multiples can thus provide an incomplete industry picture and lead to misleading recommendations. To circumvent this we used **forward multiples**, that are based on projected earnings and more aligned with a future outlook, enhancing comparability across firms.

In terms of the multiples chosen, we opted for the **EV/Revenue multiple** instead of EV/EBITDA because Spotify is in an earlier phase of achieving consistent profitability, and revenue, as the top line, is less prone to distortions or accounting variations. Furthermore, EV/Revenue avoids some of the structural issues inherent in other commonly used multiples, such as P/E, which can vary significantly with differences in capital structure.

Based on our **forward EV/Revenue multiple of 4.83x**, we estimate Spotify's **share price at 402.07€**, leading to a sell recommendation.

Sensitivity Analysis

Due to the inherent uncertainty associated with some of the inputs in this valuation model, we conducted a **sensitivity analysis** focusing on the most critical variables, the **WACC** and the **terminal growth rate**. This analysis was performed to evaluate how variations in these parameters can impact the share price, and consequently our investment recommendation.

To address the uncertainty surrounding the WACC, we focused on the **unlevered beta**, a measure subject to significant variability influenced by the selected peer group and the weight assigned to each peer. To quantify this uncertainty, we evaluated different weighting scenarios, allowing us to simulate different assumptions about the significance of each peer's risk profile relative to Spotify – **table 6**. The **lower bound of 0.67** was defined as the simple average of all the peers' betas, assuming equal weighting. The **upper bound of 0.87** was derived

Table 2: Forward EV/Revenues Multiples of Comparable Companies

	Current EV (in billions)	Expected revenue 2025 (in billions)	EV/Revenues
Spotify	EUR 88,17	EUR 17,91	4,92x
Netflix, Inc.	USD 402,06	USD 43,69	9,20x
Sirius XM Holdings	USD 30,34	USD 8,63	3,52x
Tencent Music Entertainment Group	CNY 121,32	CNY 30,95	3,92x
Walt Disney Co	USD 253,59	USD 94,83	2,67x
Average multiple			4,83x

Table 3: Adjusted weights for unlevered betas & WACC range

	β_u	Adjusted Weights	Adjusted Weights
Netflix	0.968	12.5%	50%
Sirius XM Holdings	0.666	12.5%	20%
Tencent Music Entertainment	0.834	12.5%	20%
IHeartMedia	0.142	12.5%	0%
Disney	0.880	12.5%	0%
Deezer	0.430	12.5%	0%
Warner Bros	0.588	12.5%	0%
Universal Music Group	0.869	12.5%	10%
Unlevered Beta		0.672	0.871
WACC		5.64%	6.64%

Table 4: Sensitivity Analysis for the DCF

		Terminal Growth Rate (g)				
		2.04%	2.50%	3.00%	3.50%	4.00%
WACC	5.64%	463.80€	525.77€	617.58€	752.23€	968.80€
	5.97%	417.76€	467.96€	540.20€	641.73€	794.90€
	6.29%	378.89€	420.20€	478.21€	557.03€	670.30€
	6.46%	360.26€	397.63€	449.52€	518.92€	616.50€
	6.64%	343.10€	377.03€	423.64€	485.12€	569.91€

from a scenario where the weights emphasize peers with more comparable business models and higher risk profiles, such as Netflix, Sirius XM Holdings, Tencent Music Entertainment and Universal Music Group, attributing a smaller weight to the later due to its role as a label. Using these bounds, we derived a **WACC range of 5.64% to 6.64%**. For the **terminal growth rate**, we adopted a **range based on its previously mentioned lower cap of 2.04% and upper cap of 4.00%**.

The downside risks are evident when the WACC surpasses 6.29% and the terminal growth rate falls below 3%, with potential losses ranging from 13% to 25% and shifting our recommendation to a sell position. However, the analysis also reveals that the upside potential is notably higher, with a recommendation to buy prevailing in nearly all scenarios where the terminal growth rate exceeds 3% and, in most cases, where the WACC remains below 6.29%, with potential returns ranging from 13% to 111%.

Appendix

Appendix 1: Revenue Forecasting Model for Premium Revenue

	Historical Values													Assumptions not varying with scenario													Assumptions varying with scenario												
	Values derived from assumptions																																						
	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035																		
Premium																																							
Premium Revenue	4 717	6 086	7 135	8 460	10 251	11 566	3 247	3 351	3 516	3 185	14 537	16 636	19 051	21 787	24 836	28 786	33 406	38 685	44 629	51 233	58 477																		
% of growth	29.02%	17.24%	18.57%	21.17%	12.83%	-71.93%	3.20%	4.82%		-9.40%	8.30%	14.44%	14.52%	14.36%	13.99%	15.91%	16.05%	15.80%	15.37%	14.80%	14.14%																		
Number of premium subscribers	96	124	155	180	205	236	239	243	252	259	286	318	354	393	435	480	530	585	643	703	764																		
EUROPE	38.40	49.60	62.00	72.00	80.00	89.70	90.82	93.48	95.76	97.75	109.74	122.36	135.49	148.98	162.68	176.30	191.21	206.97	223.28	239.80	256.15																		
Churn rate	3.50%	3.00%	2.60%	2.40%	2.40%	2.40%	1.00%	0.80%	0.80%	0.50%	2.40%	2.40%	2.40%	2.40%	2.40%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%																		
Number of premium subscribers lost		1.15	1.29	1.49	1.73	1.92	0.90	0.73	0.75	0.48	2.35	2.63	2.94	3.25	3.58	3.25	3.53	3.82	4.14	4.47	4.80																		
Ad supported users that converted to premium		10.05	11.11	8.51	6.27	7.78	0.22	1.93	1.53	2.47	14.33	15.26	16.07	16.74	17.27	16.88	16.43	19.58	20.45	20.99	21.15																		
Conversion rate	26.36%	23.32%	13.51%	9.51%	10.96%	0.27%	2.25%	1.77%	3.00%	16.73%	16.73%	16.73%	16.73%	16.73%	16.00%	16.80%	17.64%	18.52%	19.45%	20.42%	20.42%																		
NORTH AMERICA	28.80	37.20	45.00	52.20	57.00	63.70	64.53	66.42	68.04	69.23	75.73	82.33	88.98	95.59	102.09	109.53	117.69	126.34	135.30	144.38	153.37																		
Churn rate	3.50%	3.00%	2.60%	2.40%	2.40%	2.00%	1.00%	0.80%	0.80%	0.50%	2.40%	2.40%	2.40%	2.40%	2.40%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%																		
Number of premium subscribers lost	0.86	0.97	1.08	1.25	1.14	0.64	0.52	0.53	0.34	1.66	1.82	1.98	2.14	2.29	2.04	2.19	2.35	2.53	2.71	2.89																			
Ad supported users that converted to premium	8	7	6	4	6	0.193	1	1.09	1.53	8.16	8.42	8.62	8.74	8.80	9.48	10.35	11.00	11.49	11.79	11.88																			
Conversion rate	21.66%	18.09%	14.97%	8.05%	11.41%	0.36%	2.78%	2.19%	3.00%	14.83%	14.83%	14.83%	14.83%	14.83%	16.00%	16.80%	17.64%	18.52%	19.45%	20.42%																			
LATIN AMERICA	19.20	24.80	32.60	38.00	43.00	51.90	52.58	54.12	55.44	55.77	61.11	67.87	76.03	85.49	96.11	108.66	123.16	139.40	157.55	176.90	197.94																		
Churn rate	7.50%	7.00%	6.20%	6.50%	6.00%	5.70%	1.20%	1.14%	1.08%	1.03%	5.70%	5.70%	5.70%	5.70%	5.70%	5.70%	4.80%	4.70%	4.81%	4.52%	4.34%																		
Number of premium subscribers lost	1.34	1.54	2.12	2.16	2.45	0.62	0.60	0.59	0.57	3.18	3.48	3.87	4.33	4.87	4.61	5.11	5.68	6.30	6.97	7.68																			
Ad supported users that converted to premium	4	6	1	5	6	0	1	0.73	0.90	8.52	10.24	12.03	13.80	15.49	17.17	19.61	21.92	24.24	26.52	28.71																			
Conversion rate	15.57%	17.39%	2.81%	9.44%	10.40%	0.07%	1.10%	0.85%	1.02%	9.00%	9.18%	9.36%	9.55%	9.74%	10.00%	10.20%	10.40%	10.61%	10.82%	11.04%																			
REST OF THE WORLD	9.60	12.40	17.10	19.80	25.00	30.70	31.07	31.98	32.76	35.85	39.87	45.69	53.36	62.83	73.94	85.49	98.42	112.35	126.89	141.71	156.50																		
Churn rate	7.50%	7.00%	6.20%	6.50%	6.00%	5.70%	1.20%	1.14%	1.08%	1.03%	5.70%	5.70%	5.70%	5.70%	5.70%	6.00%	5.88%	5.76%	5.65%	5.53%	5.42%																		
Number of premium subscribers lost	0.67	0.77	1.11	1.19	1.43	0.37	0.35	0.35	0.34	2.04	2.27	2.60	3.04	3.58	4.44	5.03	5.67	6.34	7.02	7.69																			
Ad supported users that converted to premium	2	4	2	4	4	0	1	0.43	3.43	6.07	8.09	10.27	12.51	14.69	15.98	17.96	19.60	20.89	21.84	22.47																			
Conversion rate	13.52%	12.46%	3.20%	5.37%	3.77%	0.00%	0.33%	0.26%	1.90%	3.00%	3.15%	3.31%	3.47%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%	3.65%																		
Average Revenue Per User (ARPU)	4.81	4.72	4.31	4.29	4.52	4.39	4.55	4.62	4.71	4.59	4.72	4.86	5.01	5.16	5.32	5.58	5.86	6.15	6.46	6.78	7.12																		
% growth		-1.87%	-8.69%	-0.46%	5.36%	-2.88%	3.64%	1.54%	1.95%	-2.85%	3.00%	3.00%	3.00%	3.00%	3.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%																		
Annual ARPU (assuming 12 per user)	49	49	46	47	50	49	14	14	13.95	12	51	52	54	55	57	60	63	66	69	73	77																		
Monthly ARPU (assuming 12 per user)	4.09	4.09	3.84	3.92	4.17	4.08	4.53	4.60	4.65	4.11	4.23	4.36	4.49	4.62	4.76	5.00	5.25	5.51	5.79	6.07	6.38																		
Adjustment for users that don't pay 12 months	0.85	0.87	0.89	0.91	0.92	0.93	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90																		

Appendix 2: Revenue Forecasting Model for Ad Supported Revenue

	Historical Values													Assumptions not varying with scenario													Assumptions varying with scenario												
	Values derived from assumptions																																						
	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035																		
Ad supported																																							
Ad Supported Revenue	542	678	745	1 208	1 476	1 681	389	456	472	478	1 995	2 331	2 855	2 963	3 216	3 619	3 971	4 277	4 534	4 741	4 890																		
Ad Supported Monthly Active Users	116	219	277	280	345	459	388	404	413	448	527	604	674	735	785	866	932	964	1 023	1 048	1 062																		
EUROPE	38	48	63	66	71	84	86	87	82	86	91	96	100	103	105	110	111	110	108	104	98																		
Ad supported users that converted to premium	10.05	11.11	8.51	6.27	7.78	0.22	1.93	2	2.47	14.33	15.26	16.07	16.74	17.27	16.88	16.43	19.58	20.45	20.99	21.15																			
New ad supported users	19.58	26.44	11.51	11.28	20.59	2.36	2.73	(3)	6	20	20	20	20	20	20	21	20	19	18	17	15																		
% new ad supported users	51.36%	55.50%	18.27%	17.10%	29.00%	2.82%	3.18%	-3.28%	7.00%	23.20%	22.04%	20.94%	19.89%	18.90%	20.00%	18.00%	17.10%	16.25%	15.43%	14.66%																			
NORTH AMERICA	35	38	41	44	49	54	49	50	51	55	57	58	59	59	59	62	62	62	61	58	55																		
Ad supported users that converted to premium	8	7	6	4	6	0	1	1	2	8	8	8	9	9	9	9	10	11	11	12	12																		
New ad supported users	10.51	9.94	9.33	8.22	11.00	(4.59)	1.73	2	6	10	10	9	9	9	9	12	11	11	10	9	9																		
% new ad supported users	30.19%	26.31%	22.82%	18.64%	22.57%	-8.46%	3.51%	4.54%	11.00%	18.05%	17.15%	16.29%	15.48%	14.70%	20.00%	18.00%	17.10%	16.25%	15.43%	14.66%																			
LATIN AMERICA	27	36	46	51	62	83	85	86	88	95	112	128	144	159	172	192	211	228	245	260	273																		
Ad supported users that converted to premium	4.26	6.26	1.28	4.84	6.45	0.06	0.94	1	0.90	8.52	10.24	12.03	13.80	15.49	17.17	19.61	21.92	24.24	26.52	28.71																			
New ad supported users	12.94	15.77	7.01	15.58	27.85	2.02	2.04	3	7.08	25.50	27.07	28.04	28.38	28.12	37.78	38.07	39.64	40.82	41.59	41.94																			
% new ad supported users	47.32%	43.78%	15.41%	30.39%	44.82%	2.42%	2.39%	3.14%	8.05%	26.95%	24.29%	21.83%	19.65%	17.88%	22.00%	19.89%	18.81%	17.87%	16.98%	16.13%																			
REST OF THE WORLD	16	32	50	75	113	158	167	170	180	202	257	311	360	403	438	492	537	572	598	616	626																		
Ad supported users that converted to premium	2.13	3.93	1.59	4.01	4.28	0.00	0.56	0	3.43	6.07	8.09	10.27	12.51	14.69	15.98	17.96	19.60	20.89	21.84	22.47																			
New ad supported users	17.95	21.99	26.65	42.59	48.62	9.68	3.30	11	25.26	60.77	61.77	59.74	55.40	48.60	70.06	62.97	54.59	46.89	39.21	32.28																			
% new ad supported users	114.03%	69.67%	53.71%	57.03%	42.50%	6.14%	1.97%	6.35%	14.00%	30.05%	24.04%	19.23%	15.39%	12.31%	16.00%	12.80%	10.24%	8.19%	6.55%	5.24%																			
Ad Supported Revenue Per User	4.67	3.09	2.69	4.31	4.27	3.66	1.00	1.13	1.14	1.07	3.78	3.86	3.94	4.02	4.10	4.18	4.26	4.35	4.43	4.52	4.61																		
% growth		-33.79%	-12.94%	60.00%	-0.83%	-14.33%	-72.63%	12.69%	1.22%	-6.77%	255.10%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%																		

Appendix 3: Revenue Overview

											Historical Values										
	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Revenue	5 259	6 764	7 880	9 668	11 727	13 247	3 636	3 807	3 988	3 663	16 532	18 967	21 706	24 740	28 052	32 406	37 377	42 962	49 163	55 974	63 376
% of growth		28.62%	16.50%	22.69%	21.30%	12.96%	-72.55%	4.70%	4.75%	-8.15%	9.53%	14.73%	14.44%	24.33%	13.39%	15.52%	15.34%	14.94%	14.43%	13.85%	13.22%
Number of Premium Subscribers	96	124	157	180	205	236	239	246	252	259	286	318	354	393	435	480	530	585	643	703	764
EUROPE	38.40	49.60	62.00	72.00	80.00	89.70	90.82	93.48	95.76	97.75	109.74	122.36	135.49	148.98	162.68	176.30	191.21	206.97	223.28	239.80	256.15
% of total	40.00%	40.00%	39.67%	40.00%	39.02%	38.01%	38.00%	38.00%	38.00%	37.00%	38.11%	38.49%	38.20%	37.92%	37.41%	36.74%	36.04%	35.38%	34.73%	34.12%	33.53%
NORTH AMERICA	28.80	37.20	45.00	52.20	57.00	63.70	64.53	66.42	68.04	69.23	75.73	82.33	88.98	95.59	102.09	109.53	117.69	126.34	135.30	144.38	153.37
% of total	30.00%	30.00%	28.72%	29.00%	27.80%	26.99%	27.00%	27.00%	27.00%	26.77%	26.44%	25.87%	25.14%	24.33%	23.48%	22.82%	22.19%	21.59%	21.05%	20.54%	20.08%
LATIN AMERICA	19.20	24.80	32.60	36.00	43.00	51.90	52.58	54.12	55.44	55.77	61.11	67.87	76.03	85.49	96.11	108.66	123.16	139.40	157.35	176.90	197.94
% of total	20.00%	20.00%	20.80%	20.00%	20.98%	21.99%	22.00%	22.00%	22.00%	21.57%	21.33%	21.33%	21.48%	21.76%	22.10%	22.64%	23.22%	23.83%	24.48%	25.17%	25.91%
REST OF THE WORLD	9.60	12.40	17.10	19.80	25.00	30.70	31.07	31.98	32.76	35.85	39.87	45.69	53.36	62.83	73.94	85.49	98.42	112.35	126.89	141.71	156.50
% of total	10.00%	10.00%	10.91%	11.00%	12.20%	13.01%	13.00%	13.00%	14.00%	13.88%	13.92%	14.36%	15.08%	15.99%	17.00%	17.81%	18.55%	19.20%	19.74%	20.16%	20.49%
Total Ad Supported MAU	116	153	199	236	295	379	388	393	402	438	517	593	664	725	774	856	921	973	1 012	1 038	1 051
EUROPE	38.12	47.65	62.98	65.98	70.99	83.80	85.94	86.74	82.36	85.65	91.20	96.04	100.08	103.24	105.48	109.70	111.02	110.42	107.90	103.57	97.61
NORTH AMERICA	34.80	37.77	40.87	44.08	48.75	54.19	49.41	49.77	50.94	55.02	56.79	58.10	58.95	59.33	59.25	61.62	62.36	62.02	60.61	58.18	54.83
REST OF THE WORLD	15.74	31.58	49.62	74.68	113.26	157.61	167.29	170.03	160.40	202.23	256.94	310.61	360.08	402.98	437.89	491.97	536.98	572.37	598.37	615.74	625.55
Total Global Music Subscriptions Forecast from IFPI, Bloomberg Intelligence	221	333	417	508	583	667	750	750	750	750	830	920	1 010	1 105	1 200						
% of spotify's subscriptions	43.44%	37.24%	37.58%	35.43%	35.16%	35.38%	31.87%	32.80%	33.60%	34.48%	34.51%	34.59%	35.04%	35.56%	36.23%						
Number of Internet Users from Statista																					
EUROPE	621.50	645.22	688.26	688.79	704.99	726.02				746.64	763.93	779.94	789.81	795.03	799.31						
% spotify	11.99%	14.70%	18.07%	19.45%	20.81%	23.22%				24.95%	26.30%	28.00%	29.83%	31.73%	33.52%						
NORTH AMERICA	392.44	400.76	414.04	428.86	439.76	450.94				462.00	472.81	483.38	493.71	503.79	512.95						
% spotify	15.82%	18.26%	20.00%	21.77%	23.35%	25.36%				26.89%	28.03%	29.05%	29.96%	30.75%	31.45%						
LATIN AMERICA						418.00				427.00	436.00	445.00	455.00	465.00	475.00						
% spotify						31.68%				35.22%	36.61%	44.11%	48.45%	52.58%	56.37%						
REST OF THE WORLD	2 519.53	2 835.59	3 171.23	3 489.87	3 832.04	4 291.08				4 635.25	4 860.51	5 077.70	5 278.16	5 407.86	5 514.79						
Africa	327.67	385.85	451.21	506.04	565.16	645.55				728.58	815.43	900.24	974.53	1042.84	1105.88						
Asia	2 163.98	2 418.85	2 687.98	2 950.78	3 230.89	3 568.55				3888.05	4004.55	4134.73	4259.64	4320.26	4363.99						
Oceania	27.88	29.89	32.04	33.05	34.99	36.98				38.62	40.53	42.73	43.99	44.46	44.92						
% spotify	0.99%	1.53%	2.07%	2.68%	3.57%	4.39%				5.14%	6.11%	7.02%	7.83%	8.61%	9.28%						

Appendix 4: Income Statement Assumptions

											Historical Values											
	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																						
Cost of Revenue (% revenues)	74.27%	74.54%	74.43%	73.20%	75.05%	74.36%	72.39%	70.79%	68.91%	70.69%	73.10%	73.10%	73.10%	73.10%	73.10%	71.46%	70.03%	68.63%	67.26%	65.91%	64.59%	
Cost of Revenue (% revenues) growth										0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.25%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	
Research and Development (% revenues)	9.37%	9.09%	10.62%	9.43%	11.83%	13.02%	10.70%	9.96%	8.98%	9.00%	10.29%	10.80%	11.13%	11.46%	11.81%	11.39%	10.99%	10.61%	10.24%	9.88%	9.53%	
Research and Development (% revenues) growth										5.00%	5.00%	3.00%	3.00%	3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	
Sales & Marketing (% revenues)	11.79%	12.21%	13.06%	11.74%	13.40%	11.57%	8.91%	9.01%	8.32%	9.19%	10.37%	10.37%	10.37%	10.37%	10.37%	12.50%	12.50%	12%	11.50%	11.50%	11.50%	
Sales & Marketing (% revenues) growth										0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
General and Administrative (% revenues)	5.38%	5.23%	5.61%	4.65%	5.34%	4.42%	3.38%	3.26%	2.81%	3.32%	3.19%	3.19%	3.19%	3.19%	3.19%	3.26%	3.26%	3.26%	3.26%	3.26%	3.26%	
General and Administrative (% revenues) growth										0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Finance Income	419	243	69	112	202	19	8	0	0	3	177	177	177	177	177	177	177	177	177	177	177	
Finance Income Growth										0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Finance Costs	(377)	(280)	(456)	(17)	(59)	(73)	(8)	(18)	(44)	(23)	(196)	(196)	(196)	(196)	(196)	(196)	(196)	(196)	(196)	(196)	(196)	
Finance Costs Growth										0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Corporate Tax Rate	26.01%	25.19%	24.96%	24.90%	25.14%	24.95%	24.94%	24.94%	24.94%	24.94%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	
Tax Adjustments	7	(60)	(67)	22	(14)	(72)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Non-Core Business																						
Financial Income																						
Interest Income % short term investments	2.73%	4.48%	2.85%	1.46%	5.42%	11.91%	3.77%	3.94%	4.38%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%	
Other Financial Income	11	1	8	6	13	11	5	5	5	7	7	7	7	7	7	7	7	7	7	7	7	
Fair Value Movements on Exchangeable Notes	0	0	0	117	159	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Dividend Income	0	0	0	0	0	0	0	18	0	0	0	0	0	0	0	0	0	0	0	0	0	
Financial Costs																						
Fair Value Movements on Convertible Bonds	(201)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fair Value Movements on Exchangeable Notes	0	0	0	(5)	(15)	(96)	(35)	(43)	(67)	0	0	0	0	0	0	0	0	0	0	0	0	
Transaction costs in relation to issuance of Exchangeable Notes	0	0	0	(11)	(17)	(11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Interest, Bank Fees and Other Costs	(6)	(5)	(13)	(18)	0	0	(1)	(2)	(2)	-2	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	-7	
Share in losses of associate	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tax Adjustments	43	(28)	18	(243)	(138)	(81)	66	71	1	0	0	0	0	0	0	0	0	0	0	0	0	
Other Comprehensive Income after taxes	564	(111)	577	(919)	275	14	269	317	(252)	98	79	79	79	79	79	79	79	79	79	79	79	
Financial Business																						
Interest expense % interesting bearing debt		6.11%	7.11%	6.91%	7.39%	7.71%	1.83%	1.91%	2.02%	2.02%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	
Statutory Taxes	0	10	10	10	10	9	2	2	2	(14)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
Tax Rate	25.01%	25.19%	24.96%	24.90%	25.14%	24.95%	24.94%	24.94%	24.94%	24.94%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	
Tax Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

Appendix 5: Income Statement

	2016	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																					
Revenue																					
Premium	4 717	6 086	7 135	8 460	10 251	11 566	3 247	3 351	3 516	3 185	14 537	16 636	19 051	21 787	24 838	28 786	33 406	38 685	44 629	51 233	58 477
Ad Supported	542	678	745	1 208	1 476	1 681	389	456	472	478	1 995	2 331	2 655	2 953	3 218	3 619	3 971	4 277	4 534	4 741	4 990
Total Revenues	5 259	6 764	7 880	9 668	11 727	13 247	3 636	3 807	3 988	3 663	16 532	18 967	21 706	24 740	28 052	32 406	37 377	42 962	49 163	55 974	63 376
Cost of Revenues	(3 906)	(5 042)	(5 865)	(7 077)	(8 801)	(9 850)	(2 632)	(2 695)	(2 748)	(2 590)	(12 086)	(13 866)	(15 868)	(18 086)	(20 507)	(23 157)	(26 175)	(29 484)	(33 066)	(36 893)	(40 936)
% of revenues	74.27%	74.54%	74.43%	73.20%	75.06%	74.36%	72.39%	70.79%	68.91%	70.69%	73.10%	73.10%	73.10%	73.10%	73.10%	71.46%	70.03%	68.63%	67.26%	65.91%	64.59%
Gross Profit	1 353	1 722	2 015	2 591	2 926	3 397	1 004	1 112	1 240	1 073	4 447	5 101	5 838	6 654	7 545	9 249	11 202	13 478	16 098	19 081	22 439
gross margin	25.73%	25.46%	25.57%	26.80%	24.95%	25.64%	27.61%	29.21%	31.09%	29.31%	26.90%	26.90%	26.90%	26.90%	26.90%	28.54%	29.97%	31.37%	32.74%	34.09%	35.41%
Research and development	(493)	(615)	(837)	(912)	(1 387)	(1 725)	(389)	(379)	(342)	(330)	(1 701)	(2 049)	(2 415)	(2 836)	(3 312)	(3 692)	(4 109)	(4 558)	(5 033)	(5 530)	(6 042)
% revenues	9.37%	9.09%	10.62%	9.43%	11.82%	13.02%	10.70%	9.96%	8.58%	9.00%	10.29%	10.80%	11.13%	11.46%	11.81%	11.39%	10.99%	10.61%	10.24%	9.89%	9.53%
Sales and marketing	(620)	(826)	(1 029)	(1 135)	(1 572)	(1 533)	(324)	(343)	(332)	(336)	(1 715)	(1 968)	(2 252)	(2 567)	(2 910)	(4 051)	(4 672)	(5 155)	(5 654)	(6 437)	(7 288)
% revenues	11.79%	12.21%	13.06%	11.74%	13.40%	11.57%	8.91%	9.01%	8.32%	9.19%	10.37%	10.37%	10.37%	10.37%	10.37%	12.50%	12.50%	12.50%	11.50%	11.50%	11.50%
General and administrative	(283)	(354)	(442)	(450)	(626)	(585)	(123)	(124)	(112)	(122)	(528)	(605)	(693)	(790)	(895)	(1 055)	(1 217)	(1 399)	(1 601)	(1 822)	(2 063)
% revenues	5.38%	5.23%	5.61%	4.65%	5.34%	4.42%	3.38%	3.26%	2.81%	3.32%	3.19%	3.19%	3.19%	3.19%	3.19%	3.26%	3.26%	3.26%	3.26%	3.26%	3.26%
Financial Income	419	243	69	112	202	19	8	0	0	3	177	177	177	177	177	177	177	177	177	177	177
Financial Costs	(377)	(290)	(456)	(17)	(59)	(73)	(8)	(18)	(44)	(23)	(195)	(195)	(195)	(195)	(195)	(195)	(195)	(195)	(195)	(195)	(195)
Earnings Before Taxes	(1)	(120)	(680)	189	(916)	(600)	168	248	410	265	485	461	460	444	410	434	1 186	2 348	3 793	5 274	7 028
Slabury Taxes	0	30	170	(47)	130	125	(42)	(62)	(102)	(66)	(115)	(109)	(109)	(105)	(97)	(102)	(280)	(555)	(896)	(1 246)	(1 660)
% tax rate	26.01%	25.19%	24.96%	24.90%	25.14%	24.95%	24.94%	24.94%	24.94%	24.94%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%
Tax Adjustments	7	(60)	(67)	22	(14)	(72)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Core Result	6	(150)	(577)	164	(400)	(447)	126	186	186	199	370	352	352	339	313	331	906	1 793	2 897	4 028	5 368
Non-Core Business																					
Financial Income	36	32	25	134	219	142	51	76	66	65	73	82	93	105	118	143	172	206	244	288	337
Financial Costs	(207)	(5)	(13)	(34)	(32)	(109)	(36)	(45)	(69)	(2)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Share in losses of associate	(1)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-Core Result Before Taxes	(172)	27	12	100	187	33	15	31	(3)	64	66	75	86	98	111	136	165	199	237	281	330
Slabury Taxes	45	(7)	(3)	(25)	(47)	(8)	(4)	(8)	1	(16)	(16)	(18)	(20)	(23)	(26)	(32)	(39)	(47)	(56)	(66)	(78)
% tax rate	26.01%	25.19%	24.96%	24.90%	25.14%	24.95%	24.94%	24.94%	24.94%	24.94%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%
Tax Adjustments	43	(28)	18	(243)	(139)	(81)	66	71	1	0	0	0	0	0	0	0	0	0	0	0	0
Other Comprehensive Income after taxes	564	(111)	577	(919)	275	14	269	317	(292)	98	79	79	79	79	79	79	79	79	79	79	79
Non-Core Result	480	(119)	604	(1 087)	276	(42)	346	411	(293)	148	129	137	145	154	164	183	205	231	260	294	332
Financial																					
Interest Expenses	0	(38)	(41)	(40)	(41)	(38)	(9)	(9)	(9)	57	61	64	67	71	75	80	84	89	94	98	101
% interest bearing debt		6.11%	7.11%	6.91%	7.39%	7.71%	1.83%	1.91%	2.02%	2.02%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%	2.27%
Financial Result Before Taxes	0	(38)	(41)	(40)	(41)	(38)	(9)	(9)	(9)	57	61	64	67	71	75	80	84	89	94	98	101
Slabury Taxes	0	10	10	10	10	9	2	2	2	(14)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
% tax rate	26.01%	25.19%	24.96%	24.90%	25.14%	24.95%	24.94%	24.94%	24.94%	24.94%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%	23.62%
Tax Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial Result After Taxes	0	(28)	(31)	(30)	(31)	(29)	(7)	(7)	(7)	43	46	49	51	54	57	61	64	68	72	75	77
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	486	(237)	(4)	(953)	(155)	(518)	466	591	8	388	546	538	548	548	535	575	1 176	2 092	3 229	4 397	5 777

Appendix 6: Balance Sheet Assumptions

Historical Values
 Assumptions not varying with scenario
 Assumptions varying with scenario (Baseline Case presented in this picture)
 Values derived from combining assumptions

	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																					
Assets																					
Operating cash (% revenues)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Trade receivables (% revenues)	7.61%	5.94%	5.89%	6.42%	5.88%	6.48%	21.37%	19.78%	18.78%	18.58%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%	6.37%
Average Collection Period (days)	28	22	22	23	21	24	19	18	17	17	23	23	23	23	23	23	23	23	23	23	23
Income tax receivables & deferred tax assets (% total taxes)	10.53%	-23.64%	14.84%	-6.36%	-21.67%	-177.78%	269.57%	2100.00%	-225.51%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%	12.69%
Operating other current assets (% revenues)	0.72%	1.01%	1.92%	2.54%	2.62%	1.27%	4.81%	4.15%	3.69%	4.48%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%	1.68%
Property and equipment (% growth)	47.72%	7.56%	18.86%	-6.45%	-29.02%	-9.31%	-5.80%	-7.58%	8.21%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Lease right-of-use assets (% growth)			-9.20%	-1.58%	-4.58%	-28.06%	-8.67%	-7.30%	-7.48%	8.09%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Intangible assets including Goodwill (% growth)	208.05%	55.41%	18.01%	31.74%	-5.71%	1.15%	0.00%	-3.97%	-3.97%	-3.97%	-3.97%	-3.97%	-3.97%	-3.97%	-3.97%	-3.97%	2.00%	2.00%	2.00%	2.00%	2.00%
Liabilities																					
Trade payables (% cost of revenues)	10.57%	10.41%	10.49%	10.78%	9.45%	9.68%	38.56%	39.37%	38.57%	41.40%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%	10.44%
Average Payable Period (days)	40	40	40	41	35	38	36	37	36	38	38	38	38	38	38	38	38	38	38	38	38
Income tax payable & deferred tax liabilities (% total taxes)	-9.47%	20.00%	-7.03%	8.13%	26.67%	74.07%	-134.78%	-900.00%	41.84%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%	-8.25%
Deferred revenue (% revenues)	4.91%	4.72%	4.82%	4.74%	4.43%	4.70%	17.44%	17.26%	17.05%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%	4.72%
Derivative liabilities (% short term investments)	-37.05%	-16.04%	-17.62%	-11.77%	-2.42%	-1.55%	-1.80%	-3.50%	-1.58%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%	-11.47%
Accrued expenses and other liabilities (% of cost of revenues)	29.72%	28.92%	30.52%	26.54%	24.10%	25.04%	85.30%	82.89%	82.97%	82.89%	27.47%	26.65%	25.85%	25.07%	24.32%	23.59%	22.88%	22.20%	21.53%	20.89%	20.26%
Accrued expenses and other liabilities (% of cost of revenues) growth												-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%	-3.00%
Non-Core Business																					
Assets																					
Short term investments (% gross profit)	67.63%	40.19%	29.58%	29.18%	29.63%	32.38%	121.51%	120.86%	112.26%	118.21%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%	32.19%
Long term investments (% growth)		-9.05%	52.10%	-58.77%	24.24%	6.77%	26.26%	25.88%	-16.93%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%	9.49%
Other Receivables	0	0	0	0	0	0	51	52	64	56	51	51	51	51	51	31	31	31	31	31	31
Other Receivables growth											0.00%	0.00%	0.00%	0.00%	0.00%	-40.00%	0.00%	0.00%	0.00%	0.00%	
Liabilities																					
Provisions (% growth)		-68.75%	-46.67%	31.82%	0.00%	-17.24%	-4.17%	17.39%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other payables (% growth)		71.43%	-4.17%	30.43%	-56.67%	92.31%	32.00%	-9.09%	-20.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Appendix 7: Balance Sheet

	2018	2019	2020	2021	2022	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core Business																					
Assets	924	1 934	2 382	2 870	3 395	3 107	2 820	2 771	2 813	2 532	3 246	3 457	3 700	3 975	4 279	4 692	5 243	5 869	6 566	7 327	8 156
Current Assets																					
Operating cash	105	135	158	193	235	265	73	76	80	73	331	379	434	495	561	648	748	859	983	1 119	1 268
Trade receivables	400	402	464	621	690	858	777	753	749	681	1 054	1 209	1 383	1 577	1 788	2 065	2 382	2 738	3 133	3 567	4 039
Income tax receivables	2	4	4	5	5	20	21	35	27	5	8	8	8	8	8	9	20	38	60	83	110
Deferred tax assets	8	9	15	13	8	28	41	49	194	5	8	8	8	8	8	9	20	38	60	83	110
Operating other current assets	38	68	151	246	307	168	175	158	147	164	278	318	364	415	471	544	628	721	826	940	1 064
Non-Current Assets																					
Property and equipment	197	291	313	372	348	247	224	211	195	211	215	220	224	228	233	238	242	247	252	257	262
Lease right-of-use assets	0	489	444	437	417	300	274	254	235	254	259	264	270	275	280	286	292	298	304	310	316
Intangible assets including Goodwill	174	536	833	983	1 295	1 221	1 235	1 235	1 186	1 139	1 094	1 050	1 009	969	930	893	911	929	948	967	986
Liabilities	(2 180)	(2 424)	(2 899)	(3 211)	(3 519)	(4 079)	(3 947)	(4 033)	(4 083)	(4 083)	(5 536)	(6 236)	(7 008)	(7 846)	(8 740)	(9 761)	(10 925)	(12 196)	(13 563)	(15 009)	(16 527)
Trade payables	(413)	(525)	(615)	(763)	(832)	(953)	(1 015)	(1 061)	(1 060)	(1 072)	(1 261)	(1 447)	(1 656)	(1 897)	(2 140)	(2 417)	(2 731)	(3 077)	(3 451)	(3 850)	(4 272)
Income tax payable	(7)	(9)	(9)	(23)	(11)	(12)	(14)	(17)	(21)	(3)	(5)	(5)	(5)	(5)	(6)	(13)	(25)	(39)	(54)	(72)	
Deferred tax liabilities	(2)	(2)	0	0	(5)	(8)	(17)	(19)	(20)	(3)	(5)	(5)	(5)	(5)	(6)	(13)	(25)	(39)	(54)	(72)	
Deferred revenue	(258)	(319)	(380)	(458)	(520)	(622)	(634)	(657)	(680)	(712)	(780)	(895)	(1 024)	(1 167)	(1 324)	(1 529)	(1 784)	(2 027)	(2 320)	(2 641)	(2 990)
Derivative liabilities	(339)	(111)	(105)	(89)	(21)	(17)	(22)	(47)	(22)	(146)	(164)	(188)	(216)	(246)	(279)	(341)	(414)	(498)	(594)	(704)	(828)
Accrued expenses and other liabilities	(1 161)	(1 458)	(1 790)	(1 878)	(2 121)	(2 466)	(2 245)	(2 234)	(2 280)	(2 147)	(3 320)	(3 695)	(4 102)	(4 535)	(4 987)	(5 463)	(5 990)	(6 545)	(7 119)	(7 705)	(8 293)
TT Core Business	(1 256)	(490)	(517)	(341)	(209)	(971)	(1 127)	(1 264)	(1 279)	(1 551)	(2 290)	(2 779)	(3 308)	(3 871)	(4 461)	(5 070)	(5 682)	(6 327)	(6 996)	(7 682)	(8 373)
Non-Core Business																					
Assets	2 561	2 189	2 873	1 872	2 095	2 315	2 805	3 327	3 060	3 081	3 405	3 799	4 236	4 717	5 243	6 034	6 949	7 996	9 184	10 521	12 015
Short-term investments	916	692	596	756	867	1 190	1 220	1 344	1 392	1 269	1 431	1 642	1 879	2 142	2 429	2 977	3 606	4 339	5 182	6 142	7 233
Long-term investments	1 646	1 497	2 277	916	1 138	1 215	1 534	1 931	1 664	1 756	1 923	2 105	2 305	2 524	2 763	3 026	3 313	3 627	3 971	4 348	4 761
Other Receivables	0	0	0	0	0	0	51	52	64	56	51	51	51	51	51	31	31	31	31	31	31
Liabilities	(62)	(39)	(45)	(59)	(42)	(49)	(56)	(57)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)
Provisions	(48)	(15)	(22)	(29)	(29)	(24)	(33)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)
Other payables	(14)	(24)	(23)	(30)	(13)	(25)	(33)	(30)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)	(24)
TT Non Core Business	2 499	2 150	2 828	1 813	1 983	2 266	2 749	3 270	3 009	3 030	3 354	3 748	4 185	4 666	5 192	5 983	6 898	7 945	9 133	10 470	11 964
INVESTED CAPITAL	1 243	1 660	2 311	1 272	1 758	1 295	1 622	2 006	1 739	1 479	1 064	969	877	795	731	913	1 217	1 619	2 137	2 788	3 592
Financial																					
Assets	851	999	1 071	2 628	2 326	2 924	3 450	4 048	4 680												
Cash equivalents	786	930	993	2 551	2 248	2 849	3 378	3 978	4 608												
Restricted cash and other non current assets	65	69	78	77	78	75	72	70	72												
Liabilities	0	(622)	(577)	(1 781)	(1 683)	(1 696)	(1 763)	(1 795)	(1 786)												
Exchangeable notes	0	0	0	(1 202)	(1 128)	(1 203)	(1 270)	(1 323)	(1 340)												
Lease liabilities	0	(622)	(577)	(579)	(555)	(493)	(493)	(472)	(446)												
TT FINANCIAL/NET DEBT	(851)	(377)	(494)	(647)	(643)	(1 228)	(1 687)	(2 253)	(2 894)	(2 673)	(2 813)	(2 973)	(3 142)	(3 322)	(3 515)	(3 726)	(3 936)	(4 134)	(4 315)	(4 476)	(4 610)
Equity																					
Share capital	0	0	0	0	0	0	0	0	0												
Other paid in capital	3 801	4 192	4 583	4 746	4 789	5 155	5 397	5 637	5 825												
Treasury shares	(77)	(370)	(175)	(280)	(262)	(262)	(262)	(262)	(262)												
Other reserves	875	924	1 687	853	1 521	1 812	2 159	2 595	2 481												
Accumulated deficit	(2 505)	(2 709)	(3 290)	(3 220)	(3 647)	(4 182)	(3 985)	(3 711)	(3 411)												
EQUITY	2 094	2 037	2 805	2 119	2 401	2 523	3 309	4 259	4 633	4 152	3 878	3 941	4 019	4 116	4 246	4 639	5 152	5 753	6 452	7 264	8 203

Appendix 8: DCF Valuation

Values in million € (except per share price)	Perpetuity Starts											
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Unlevered Free Cash Flow	914	585	588	575	542	333	808	1 622	2 639	3 671	4 895	5 042
Discounted Unlevered Free Cash Flow @ WACC		550	521	479	424	246	560	1 059	1 620	2 121	2 660	83 343 PV perpetuity
Enterprise Value	93 583	93 033	92 512	92 033	91 609	91 363	90 802	89 744	88 124	86 003	83 343	
Net Debt	(2 813)	(2 973)	(3 142)	(3 322)	(3 515)	(3 726)	(3 936)	(4 134)	(4 315)	(4 476)	(4 610)	
Equity	96 396	96 005	95 654	95 355	95 123	95 089	94 738	93 878	92 439	90 479	87 953	
Outstanding # Shares	201 575 568											
Share Price	478,21											

Appendix 9: APV Valuation

Values in million € (except per share price)	Perpetuity Starts												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Unlevered Free Cash Flow		914	585	588	575	542	333	808	1 622	2 639	3 671	4 895	5 042
Discounted Unlevered Free Cash Flow Discounted @r_u			550	521	479	425	246	561	1 060	1 622	2 124	2 665	83 913 PV Unlevered Perpetuity
Unlevered Enterprise Value	94 165	93 615	93 094	92 615	92 190	91 944	91 383	90 324	88 701	86 578	83 913		
Implied Levered Enterprise Value	93 583	98 882	104 512	110 508	116 915	123 933	130 918	137 528	143 537	148 891	153 358		
Implied Net Debt	(2 813)	(2 973)	(3 142)	(3 322)	(3 515)	(3 726)	(3 936)	(4 134)	(4 315)	(4 476)	(4 610)		
Annual Tax Shield			(16)	(17)	(18)	(19)	(20)	(21)	(22)	(24)	(25)	(26)	
Value of Tax Shield	(582)	(603)	(624)	(645)	(667)	(688)	(710)	(733)	(755)	(778)	(801)		
Implied Equity Value		96 396											
Outstanding Number of Shares	201 575 568												
Share Price	478,21												

Appendix 10: FTE Valuation

Values in million € (except per share price)											Perpetuity Starts	
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Equity Cash Flows		474	470	449	406	183	662	1 492	2 530	3 585	4 839	4 984
Discounted Equity Cash Flows @re		447	418	376	320	136	463	982	1 569	2 094	2 663	86 965 PV Perpetuity
Levered Enterprise Value	96 431	95 985	95 567	95 192	94 872	94 736	94 273	93 291	91 723	89 628	86 965	
Outstanding Number of Shares	201 575 568											
Share Price	478,39											

Appendix 11: Scenario Analysis

		A - Baseline					B - Optimistic					C - Pessimistic							
		2030	2031	2032	2033	2034	2035	2030	2031	2032	2033	2034	2035	2030	2031	2032	2033	2034	2035
Income Statement Items																			
Revenues																			
[units]																			
EUROPE																			
Churn Rate	%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%
Conversion Rate	%	16,00%	16,80%	17,64%	18,52%	19,45%	20,42%	18,00%	18,90%	19,85%	20,84%	21,88%	22,97%	14,00%	14,28%	14,57%	14,86%	15,15%	15,46%
% New ad supported users	%	20,00%	18,00%	17,10%	16,25%	15,43%	14,66%	23,00%	20,70%	19,67%	18,68%	17,75%	16,86%	16,00%	14,40%	13,68%	13,00%	12,35%	11,73%
NORTH AMERICA																			
Churn Rate	%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	2,40%	2,40%	2,40%	2,40%	2,40%	2,40%
Conversion Rate	%	16,00%	16,80%	17,64%	18,52%	19,45%	20,42%	18,00%	18,90%	19,85%	20,84%	21,88%	22,97%	14,00%	14,28%	14,57%	14,86%	15,15%	15,46%
% New ad supported users	%	20,00%	18,00%	17,10%	16,25%	15,43%	14,66%	21,00%	18,90%	17,96%	17,06%	16,20%	15,39%	16,00%	14,40%	13,68%	13,00%	12,35%	11,73%
LATIN AMERICA																			
Churn Rate	%	4,80%	4,70%	4,61%	4,52%	4,43%	4,34%	4,00%	3,92%	3,84%	3,76%	3,69%	3,62%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Conversion Rate	%	10,00%	10,20%	10,40%	10,61%	10,82%	11,04%	12,00%	12,24%	12,48%	12,73%	12,99%	13,25%	9,64%	9,64%	9,64%	9,64%	9,64%	9,64%
% New ad supported users	%	22,00%	19,80%	18,81%	17,87%	16,98%	16,13%	24,00%	21,60%	20,52%	19,49%	18,52%	17,59%	20,00%	18,00%	17,10%	16,25%	15,43%	14,66%
REST OF THE WORLD																			
Churn Rate	%	6,00%	5,88%	5,76%	5,65%	5,53%	5,42%	4,50%	4,50%	4,50%	4,50%	4,50%	4,50%	6,50%	6,50%	6,50%	6,50%	6,50%	6,50%
Conversion Rate	%	3,65%	3,65%	3,65%	3,65%	3,65%	3,65%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
% New ad supported users	%	16,00%	12,80%	10,24%	8,19%	6,55%	5,24%	18,00%	14,40%	11,52%	9,22%	7,37%	5,90%	14,00%	11,20%	8,96%	7,17%	5,73%	4,59%
Expenses																			
Cost of Revenues (as % Revenues) YoY growth	%	-2,25%	-2,00%	-2,00%	-2,00%	-2,00%	-2,00%	-3,00%	-3,00%	-3,00%	-2,50%	-2,50%	-2,50%	-1,50%	-1,50%	-1,50%	-1,50%	-1,50%	-1,50%
Research and Development (% revenues) YoY growth	%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-3,50%	-2,50%	-2,50%	-2,50%	-2,50%	-2,50%	-2,50%
Balance Sheet Items																			
[units]																			
Property Plant & Equipment YoY growth	%	2,00%	2,00%	2,00%	2,00%	2,00%	2,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
Intangible Assets Including Goodwill YoY growth	%	-3,97%	2,00%	2,00%	2,00%	2,00%	2,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%
Long term Investments YoY growth	%	9,49%	9,49%	9,49%	9,49%	9,49%	9,49%	12,00%	12,00%	12,00%	12,00%	12,00%	12,00%	6,00%	6,00%	6,00%	6,00%	6,00%	6,00%