

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Finance from the Nova School of Business and Economics.

**Equity Research Report on  
Spotify Technology S.A.**

**Company and competitive analysis**

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12-2025

## **Abstract**

This Equity Research Report analyses Spotify Technology S.A., the global leader in audio streaming, within a rapidly expanding digital audio market including music, podcasts, audiobooks and advertising. We assess Spotify's strategic position, key value drivers and risks, and build detailed forecasts for users, ARPU and margins through 2034. Applying Discounted Cash Flow and Adjusted Present Value valuations alongside trading and transaction multiples, we derive an implied equity value range for Spotify as of its valuation date of June 30<sup>th</sup>, 2025.

**Keywords** (Spotify, Artificial Intelligence, Streaming, Subscribers, ARPU, Digital Audio Content, Music Streaming, Podcasts, Audiobooks, Digital Audio Advertising, Entertainment, Streaming)

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Company  
**Spotify Technology S.A.**

Rating  
**SELL**

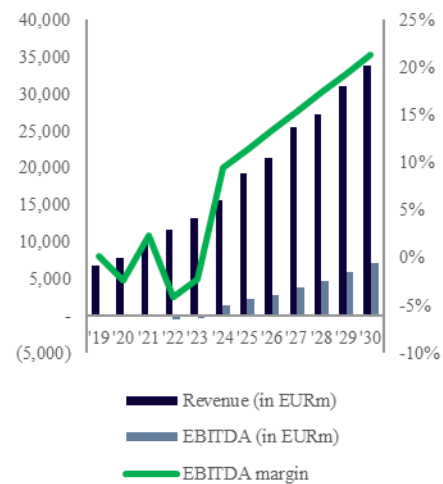
**Executive Summary**

We view Spotify as a scaled, fast-growing audio platform with an increasingly cash-generative profile. As of Q2 2025, the company served 696m MAUs, including 276m Premium subscribers, with a global share of more than one-third of the music subscription market. In 2024 Spotify generated EUR 15,673m of revenue and EUR 1,478b of EBITDA (9.4% margin), marking its first full year of positive earnings and strong free-cash-flow generation.

Looking ahead, we forecast revenue to grow at a 11.0% CAGR to EUR 44,453m by 2034, with EBITDA expanding to EUR 12,170m (27.4% margin) and unlevered FCF to EUR 10,053m (22.6% margin), driven by MAU and premium growth, ARPU optimization, and higher-margin ads and marketplace services. Using a DCF with a 9.7% WACC and 3.5% terminal growth rate, we derive an equity value of EUR 549.82 per share (16% downside to the EUR 653.70 spot price). Our APV framework, which incorporates a gradual move toward peer-level leverage and tax shields, yields EUR 763.03 per share (17% upside), while market-based CCA and CTA valuations yield a share price far below the DCF and APV estimates as Spotify’s EBITDA has a low level at the time of valuation.

We assign a SELL rating, placing primary weight on our core DCF value, since the higher APV value relies on more aggressive assumptions regarding leverage, tax shields and margin expansion that we view as optimistic. With trading and transaction comparables also pointing to lower valuations, we see an unattractive risk-reward profile given execution risk around recurring price increases, rising content costs, intensifying competition and cyclical advertising exposure.

Company	Spotify Technology S.A.
Headquarters	Sweden
Price at 30 June 2025 (in EUR)	653.70 €
Price Target	549.82 €
52W High	668.43 €
Market Cap (in EURm)	137,234
Diluted Shares Outstanding (in m)	210.5
Ticker	SPOT



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## **1. Company Overview**

Spotify Technology S.A. is the world's leading audio streaming platform by user base. Founded in 2006 and headquartered in Luxembourg, Spotify operates a global two-sided platform that connects creators (artists, labels, publishers, podcasters and authors) with listeners. Its offering spans music, podcasts and audiobooks with the service being available in 180+ countries. Spotify's strategic mission is to unlock the potential of human creativity by enabling a million creators to make a living from their art while billions of fans are inspired by it. What differentiates the platform is a long-standing focus on personalization and discovery powered by its own machine learning systems (e.g., editorial and algorithmic playlists, recommendation surfaces or a voice-activated AI DJ). These essential features deepen engagement, increase time spent on the platform and support conversion from the free tier to paid subscriptions.

### **1.1 Business Model and Value Creation**

Spotify runs a freemium platform with two principal monetization engines, premium subscriptions and a free ad-supported tier. Premium subscriptions provide ad-free, on-demand streaming access with enhanced controls and offline playback. The company provides a range of subscription options tailored to various user segments, comprising individual, duo and family plans, a discounted student offer, and audiobook add-ons. The ad-supported tier monetizes free listening through audio, video and display ads across music and podcasts. By enabling automated ad buying through its own exchange and external platforms, Spotify has broadened advertiser access to its inventory, supporting higher fill rates and improved monetization of the free tier. While the freemium model drives scale and engagement, the premium tier ultimately accounts for the majority of gross margin contribution and free cash flow generation. Beyond its core platform, Spotify is expanding a creator-focused marketplace that provides promotional and analytical tools to artists and labels, enhancing audience reach and contributing to structurally higher-margin revenue streams.

The rationale behind Spotify's two-tier freemium model is that a large free user base fosters discovery and habitual engagement, which subsequently drives conversion to and retention within the Premium segment. At the same time, growth in free listening expands the company's advertising inventory, while ongoing product innovation through personalization, new formats and AI-driven features enhances user lifetime value across both tiers.

## **1.2 Key Value Drivers and Business Model Risks**

Spotify's operating performance is shaped by a set of interrelated value drivers that together determine growth, profitability and long-term scalability. Central to this dynamic is the company's ability to expand its global user base, as the scale of monthly active users (MAUs) forms the foundation of its distribution reach and monetization potential. Sustained subscriber growth and effective churn management within the premium segment translate this scale into recurring revenue and cash generation. Average revenue per user (ARPU) is further influenced by pricing architecture, subscription mix and the gradual introduction of new add-ons such as audiobooks, while also being subject to foreign-exchange fluctuations. On the advertising side, deeper monetization of music, podcast and video inventory, supported by broader programmatic access, continues to enhance the economics of the free tier. In parallel, Spotify's gross margin benefits from more favorable licensing agreements, a shifting revenue mix toward high-margin marketplace services and ongoing infrastructure efficiencies. Together, these factors underpin a model that balances rapid user expansion with improving profitability.

At the same time, Spotify's business remains exposed to several structural risks that can constrain margin development and strategic flexibility. The most material is the company's reliance on licensing agreements with major labels and publishers, which concentrate bargaining power and introduce complexity in royalty reporting. Competition from large ecosystem players such as Apple, YouTube and Amazon also exerts constant pressure on pricing, content costs and user acquisition. In addition, revenue and ARPU are sensitive to

macroeconomic conditions and currency movements, while regulatory frameworks governing app-store fees, data privacy and intellectual property can influence Spotify's cost base and distribution channels. Further risks arise from technological and operational dependencies, including system reliability, security and the integrity of reported streams. Finally, as Spotify diversifies into newer content formats and creator monetization tools, execution risk remains a key consideration in sustaining its current trajectory of margin improvement.

### **1.3 SWOT Analysis**

Spotify's internal and external environment reveals both the advantages of its global scale and the constraints of a business dependent on third party licensing and intense digital competition. The company's strengths and opportunities demonstrate a resilient and expanding platform model, while weaknesses and threats underscore structural risks tied to cost structure, regulation, and content economics.

#### **1.3.1 Strengths**

Spotify's strengths lie primarily in its scale, brand, and product innovation. Its freemium model efficiently combines massive user acquisition through the ad supported tier with recurring, high margin revenue from premium subscriptions. The company's powerful brand recognition and global leadership, 696 million MAUs and 276 million premium subscribers as of Q2 2025, give it unmatched reach in audio streaming. Central to its success is the continuous investment in machine learning and AI, which drive advanced personalization, recommendation quality and engagement. These technological capabilities, together with a broad catalogue of licensed music, podcasts, and audiobooks, have cemented Spotify's role as the industry benchmark for discovery and listening experiences. The company's integration across devices and ecosystems enhances accessibility, while its asset light cost base and consistent free cash flow generation confirm strong operational scalability. Overall, Spotify's combination of brand strength, data driven personalization and financial discipline underpin its competitive moat.

### **1.3.2 Weaknesses**

The firm's weaknesses are largely structural. Profitability remains sensitive to royalty obligations and the bargaining power of the Big Three record labels (Universal Music Group, Sony Music Entertainment and Warner Music Group), which limit margin flexibility and strategic control over content. Despite improving operating efficiency, Spotify continues to operate with relatively thin margins due to elevated R&D and SG&A costs linked to product expansion in podcasts, audiobooks and advertising technology. Limited ownership of core content constrains vertical integration and FX translation from global operations can distort reported earnings. In addition, ad supported monetization per user remains materially below Premium ARPU, particularly in emerging markets and the business still depends heavily on audio streaming as its primary revenue source. These factors contribute to volatility in quarterly results and sustained margin pressure.

### **1.3.3 Opportunities**

Spotify's opportunities are extensive and strategically aligned with its platform capabilities. The company is well positioned to monetize growth across new verticals such as audiobooks, podcasts, and marketplace services, all of which can expand ARPU and diversify revenue. Emerging markets, with rising smartphone penetration and improved connectivity, offer significant upside for MAU expansion and local advertising. Continued progress in AI based personalization, targeted advertising and programmatic trading promises to lift ad yield and engagement. Moreover, cross selling and bundling strategies with telecom operators, hardware providers and institutional partners could further strengthen user retention and customer lifetime value. As connected devices proliferate, Spotify's integration into smart speakers and automotive systems enhances its role as the default audio interface across contexts.

### **1.3.4 Threats**

The principal threats stem from a combination of competitive, regulatory and macroeconomic forces. Competition from players e.g., Apple Music, Amazon Music, YouTube Music, and regional platforms exerts ongoing pressure on pricing and user growth. Spotify's reliance on major rights holders for licensed content exposes it to royalty inflation and renegotiation risk, while dependence on app store ecosystems (notably Apple's iOS and Google's Android) limits strategic autonomy and raises potential commission costs. Regulatory scrutiny in data privacy, antitrust and content moderation adds compliance complexity and the cyclical nature of advertising revenue increases exposure to macroeconomic downturns. Finally, user churn and subscription fatigue in mature markets, coupled with FX and geopolitical volatility, could weigh on growth and profitability. Cybersecurity and data protection challenges remain a persistent concern given Spotify's scale and data intensity.

In synthesis, Spotify's strategic position at mid 2025 is defined by its robust global platform, product and data advantages and strong financial momentum, offset by the structural realities of licensing dependence and competitive intensity. The balance between scale driven opportunity and cost driven constraint will continue to determine its long term value trajectory.

## **1.4 Market Segmentation**

### **1.4.1 Geographic Segmentation**

Spotify operates on a global scale. As of 2024, it is available in 237 countries and territories, and Premium subscriptions are offered in 184 markets. Its user base is distributed across many regions: Europe is the largest region with 26% of monthly active users (MAUs), followed by Latin America with 21% and North America with 17%. The remaining 36% fall under "Rest of World", regions which include Asia, Africa, and the Middle East that have recently shown the strongest user growth. This distribution underscores Spotify's long-standing strength in

developed markets, as well as its rapid growth in emerging markets.

A notable contrast emerges when comparing users and paying subscribers. Europe and North America represent only 43% of total MAUs, but account for about 62% of paid subscribers, reflecting higher conversion rates in developed markets. Meanwhile, the Rest of the World segment comprises over one-third of Spotify's audience, yet only 14% of Premium users, highlighting the platform's reliance on a freemium model in emerging markets. Regions such as Asia-Pacific and Africa are key drivers of future subscriber growth as Spotify continues to convert free listeners to paid tiers.

The U.S. remains Spotify's largest market at the country level, contributing over 65m users and around 27% of global traffic. Other major contributors include Brazil, UK, Mexico and India, though no European country matches the U.S. in scale. Between 2020-2024, Spotify expanded rapidly from 65 markets to 200+, including launches in India, Russia, Africa and Asia, broadening Spotify's footprint. With over 696m users worldwide, Spotify benefits from a geographically diverse user base to offset saturation in mature regions and strengthen Spotify's global leadership, particularly in podcasts, where its international reach surpasses that of many competitors.

#### **1.4.2 Demographic Segmentation**

Although Spotify's audience skews young, the platform attracts a broad age range. Roughly 29% are aged 25-34 and about 26% are aged 18-24, together representing more than half of all listeners, reflecting Spotify's strong appeal among Millennials and Gen Z. At the same time, Spotify has grown in popularity among older users. About 19% of users are 55 and older and the 35-54 age group accounts for another quarter. This shows that while Spotify remains anchored in younger demographics, it has steadily expanded into older age groups as streaming becomes mainstream.

The gender distribution on Spotify is relatively balanced, with women making up around 56% and men accounting for about 44%. This pattern is similar to the one of Apple Music, suggesting that audio streaming appeals almost equally to both genders. Spotify's extensive catalog, robust playlist culture and editorial initiatives, such as highlighting female artists and podcasters, likely reinforce this broad gender appeal.

Spotify's freemium model gives it a wide socioeconomic reach. The free, ad-supported tier attracts students and cost-conscious listeners, while the Premium tier caters to those willing to pay for ad-free, on-demand access. With multiple pricing plans, including student discounts, family and duo subscriptions, and mobile-only tiers in emerging markets, Spotify can segment its offerings by income level and willingness to pay.

### **1.4.3 Behavioral Segmentation**

Spotify's audience can first be segmented by engagement intensity, where daily listening plays a defining role. 44% of all users stream Spotify on a daily basis. Usage is highest in North America, at more than two hours per day and is similarly strong across Latin America, the Asia-Pacific region and Europe. This creates two clear behavioral groups: "power listeners", who integrate Spotify into their daily routines and often upgrade to Premium, and "casual listeners", who use the service a few times a week and typically stick to familiar playlists or passive listening.

Retention and platform loyalty are another major behavioral dimension. Spotify has one of the lowest churn rates among subscription services at around 2% per month, reflecting strong attachment to personalized libraries, long-standing playlists and features like "Wrapped". Even when Premium subscribers cancel their subscriptions, many of them remain on the free tier meaning that Spotify rarely loses users entirely. This persistent engagement across both tiers underscores how deeply Spotify is embedded in many users' habits, making switching to another service relatively unlikely.

Another important behavioral distinction is between free and premium users. Although Premium subscribers represent only about 39% of total MAUs, they account for a disproportionate amount of activity thanks to their ad-free, on-demand and offline capabilities. They tend to be heavier listeners who make broader use of personalized features and quickly adopt new offerings, such as audiobooks. Meanwhile, free-tier users are more price-sensitive and often listen in shorter, more passive sessions. However, they are at the top of Spotify's conversion funnel and a meaningful share of them eventually upgrade as their usage intensifies or their tolerance for ads declines.

Finally, users differ in the types of content they consume. Some rely on curated playlists or genre favorites, while others are primarily podcast listeners. The latter group has grown to more than 100m people globally. Many users increasingly blend music, podcasts and audiobooks, an emerging segment that already attracts about a quarter of Premium subscribers. These mixed-use listeners tend to be the most engaged and loyal, benefiting from Spotify's strategy of unifying multiple audio formats on a single platform.

## **1.5 Financial and Operating Developments**

Spotify's Q2 2025 profile is characterized by double digit user growth, robust cash generation and sustained gross margin expansion. Total Monthly Active Users (MAUs) reached 696 million (up 11.2% year over year), comprising 276 million Premium subscribers (up 12.2% YoY) and 433 million Ad Supported MAUs (up 10.2% YoY). Quarterly revenue was EUR 4,193m, including EUR 3,740m from Premium subscriptions and EUR 453m from advertising. Gross margin was 31.5%, and operating income was EUR 406m, reflecting a 52.6% year over year (yoy) increase and a 9.7% operating margin for the quarter. Free cash flow of EUR 700m represented a 42.9% increase from the prior year, underpinned by operating leverage and disciplined capital intensity. Reported Q2 earnings were affected by currency translation and by higher than forecast social charges that are mechanically linked to share price appreciation.

Nonetheless, the underlying cash performance remained strong.

Premium ARPU stood at EUR 4.65 per month in Q2 2025. The MAU base remained well diversified by region: Europe 181m (26% of MAUs), North America 118m (17%), Latin America 146m (21%) and Rest of World 251m (36%).

MAUs scaled from 365m (Q2 2021) to 696m (Q2 2025). Premium subscribers rose from 165m to 276m over the same interval. Ad Supported MAUs increased from 210m to 433m. The sustained growth underscores the freemium funnel's resilience across geographies and cohorts.

For reference, the company's FY 2024 Form 20 F reports total revenue of EUR 15,673m (vs. EUR 13,172m in FY 2023), Premium revenue of EUR 13,819m (vs. EUR 11,566m), Ad revenue of EUR 1,854m (vs. EUR 1,681m), gross margin of 30.1% (vs. 25.8%), operating income of EUR 1,365m (vs. EUR -446m), and free cash flow of EUR 2,285m (vs. EUR 678m). These data confirm strong full year growth and profitability momentum leading into 2025.

During the quarter, Spotify broadened audiobooks access (e.g., Germany, Austria, Switzerland and Liechtenstein), launched a voice activated DJ in 60+ markets to enable hands free personalized listening, expanded SAX programmatic partnerships (e.g., integrating Magnite to extend demand) and introduced Audiobooks+ as a Premium add on in 13 markets. These features reinforce the core conversion and engagement flywheel while opening incremental monetization paths.

## **1.6 Share Price Development and Market Perception**

The company's ordinary shares trade on the NYSE under the ticker SPOT. On the cut off date (June 30th, 2025), the share price stood at USD 767.34. The price action into mid 2025 broadly reflected (i) the platform's operating turnaround from 2023 onwards (profitability inflection, gross margin expansion and cost discipline), (ii) improving confidence in multi format monetization (Premium price architecture, podcast/audio ads, audiobooks and Marketplace),

and (iii) sensitivity to exogenous variables such as FX translation and macro conditions which can drive near term volatility. Overall, investor focus at the cut off centers on the durability of mid 30s gross margins, the slope of operating margin expansion and the cadence of user and subscriber net adds against a backdrop of increasing product velocity.

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## **1. Company Overview**

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## **1.2 Key Value Drivers and Business Model Risks**

Spotify's operating performance is shaped by a set of interrelated value drivers that together determine growth, profitability and long-term scalability. Central to this dynamic is the company's ability to expand its global user base, as the scale of monthly active users (MAUs) forms the foundation of its distribution reach and monetization potential. Sustained subscriber growth and effective churn management within the premium segment translate this scale into recurring revenue and cash generation. Average revenue per user (ARPU) is further influenced by pricing architecture, subscription mix and the gradual introduction of new add-ons such as audiobooks, while also being subject to foreign-exchange fluctuations. On the advertising side, deeper monetization of music, podcast and video inventory, supported by broader programmatic access, continues to enhance the economics of the free tier. In parallel, Spotify's gross margin benefits from more favorable licensing agreements, a shifting revenue mix toward high-margin marketplace services and ongoing infrastructure efficiencies. Together, these factors underpin a model that balances rapid user expansion with improving profitability.

At the same time, Spotify's business remains exposed to several structural risks that can constrain margin development and strategic flexibility. The most material is the company's reliance on licensing agreements with major labels and publishers, which concentrate bargaining power and introduce complexity in royalty reporting. Competition from large ecosystem players such as Apple, YouTube and Amazon also exerts constant pressure on pricing, content costs and user acquisition. In addition, revenue and ARPU are sensitive to

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### **1.3 SWOT Analysis**

Spotify's internal and external environment reveals both the advantages of its global scale and the constraints of a business dependent on third-party licensing and intense digital competition. The company's strengths and opportunities demonstrate a resilient and expanding platform model, while weaknesses and threats underscore structural risks tied to cost structure, regulation, and content economics.

#### **1.3.1 Strengths**

Spotify's strengths lie primarily in its scale, brand, and product innovation. Its freemium model efficiently combines massive user acquisition through the ad-supported tier with recurring, high-margin revenue from premium subscriptions. The company's powerful brand recognition and global leadership, 696 million MAUs and 276 million premium subscribers as of Q2 2025, give it unmatched reach in audio streaming. Central to its success is the continuous investment in machine learning and AI, which drive advanced personalization, recommendation quality and engagement. These technological capabilities, together with a broad catalogue of licensed music, podcasts, and audiobooks, have cemented Spotify's role as the industry benchmark for discovery and listening experiences. The company's integration across devices and ecosystems enhances accessibility, while its asset-light cost base and consistent free cash flow generation confirm strong operational scalability. Overall, Spotify's combination of brand strength, data-driven personalization and financial discipline underpin its competitive moat.

### **1.3.2 Weaknesses**

The firm's weaknesses are largely structural. Profitability remains sensitive to royalty obligations and the bargaining power of the Big Three record labels (Universal Music Group, Sony Music Entertainment and Warner Music Group), which limit margin flexibility and strategic control over content. Despite improving operating efficiency, Spotify continues to operate with relatively thin margins due to elevated R&D and SG&A costs linked to product expansion in podcasts, audiobooks and advertising technology. Limited ownership of core content constrains vertical integration and FX translation from global operations can distort reported earnings. In addition, ad-supported monetization per user remains materially below Premium ARPU, particularly in emerging markets and the business still depends heavily on audio streaming as its primary revenue source. These factors contribute to volatility in quarterly results and sustained margin pressure.

### **1.3.3 Opportunities**

Spotify's opportunities are extensive and strategically aligned with its platform capabilities. The company is well-positioned to monetize growth across new verticals such as audiobooks, podcasts, and marketplace services, all of which can expand ARPU and diversify revenue. Emerging markets, with rising smartphone penetration and improved connectivity, offer significant upside for MAU expansion and local advertising. Continued progress in AI-based personalization, targeted advertising and programmatic trading promises to lift ad yield and engagement. Moreover, cross-selling and bundling strategies with telecom operators, hardware providers and institutional partners could further strengthen user retention and customer lifetime value. As connected devices proliferate, Spotify's integration into smart speakers and automotive systems enhances its role as the default audio interface across contexts.

### **1.3.4 Threats**

The principal threats stem from a combination of competitive, regulatory and macroeconomic forces. Competition from players e.g., Apple Music, Amazon Music, YouTube Music, and regional platforms exerts ongoing pressure on pricing and user growth. Spotify's reliance on major rights holders for licensed content exposes it to royalty inflation and renegotiation risk, while dependence on app-store ecosystems (notably Apple's iOS and Google's Android) limits strategic autonomy and raises potential commission costs. Regulatory scrutiny in data privacy, antitrust and content moderation adds compliance complexity and the cyclical nature of advertising revenue increases exposure to macroeconomic downturns. Finally, user churn and subscription fatigue in mature markets, coupled with FX and geopolitical volatility, could weigh on growth and profitability. Cybersecurity and data-protection challenges remain a persistent concern given Spotify's scale and data intensity.

In synthesis, Spotify's strategic position at mid-2025 is defined by its robust global platform, product and data advantages and strong financial momentum, offset by the structural realities of licensing dependence and competitive intensity. The balance between scale-driven opportunity and cost-driven constraint will continue to determine its long-term value trajectory.

## **1.4 Market Segmentation**

### **1.4.1 Geographic Segmentation**

Spotify operates on a global scale. As of 2024, it is available in 237 countries and territories, and Premium subscriptions are offered in 184 markets. Its user base is distributed across many regions: Europe is the largest region with 26% of monthly active users (MAUs), followed by Latin America with 21% and North America with 17%. The remaining 36% fall under "Rest of World", regions which include Asia, Africa, and the Middle East that have recently shown the

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A notable contrast emerges when comparing users and paying subscribers. Europe and North America represent only 43% of total MAUs, but account for about 62% of paid subscribers, reflecting higher conversion rates in developed markets. Meanwhile, the Rest of the World segment comprises over one-third of Spotify's audience, yet only 14% of Premium users, highlighting the platform's reliance on a freemium model in emerging markets. Regions such as Asia-Pacific and Africa are key drivers of future subscriber growth as Spotify continues to convert free listeners to paid tiers.

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#### **1.4.2 Demographic Segmentation**

Although Spotify's audience skews young, the platform attracts a broad age range. Roughly 29% are aged 25-34 and about 26% are aged 18-24, together representing more than half of all listeners, reflecting Spotify's strong appeal among Millennials and Gen Z. At the same time, Spotify has grown in popularity among older users. About 19% of users are 55 and older and the 35-54 age group accounts for another quarter. This shows that while Spotify remains anchored in younger demographics, it has steadily expanded into older age groups as streaming becomes mainstream.

The gender distribution on Spotify is relatively balanced, with women making up around 56% and men accounting for about 44%. This pattern is similar to the one of Apple Music, suggesting that audio streaming appeals almost equally to both genders. Spotify's extensive catalog, robust playlist culture and editorial initiatives, such as highlighting female artists and podcasters, likely reinforce this broad gender appeal.

Spotify's freemium model gives it a wide socioeconomic reach. The free, ad-supported tier attracts students and cost-conscious listeners, while the Premium tier caters to those willing to pay for ad-free, on-demand access. With multiple pricing plans, including student discounts, family and duo subscriptions, and mobile-only tiers in emerging markets, Spotify can segment its offerings by income level and willingness to pay.

### **1.4.3 Behavioral Segmentation**

Spotify's audience can first be segmented by engagement intensity, where daily listening plays a defining role. 44% of all users stream Spotify on a daily basis. Usage is highest in North America, at more than two hours per day and is similarly strong across Latin America, the Asia-Pacific region and Europe. This creates two clear behavioral groups: "power listeners", who integrate Spotify into their daily routines and often upgrade to Premium, and "casual listeners", who use the service a few times a week and typically stick to familiar playlists or passive listening.

Retention and platform loyalty are another major behavioral dimension. Spotify has one of the lowest churn rates among subscription services at around 2% per month, reflecting strong attachment to personalized libraries, long-standing playlists and features like "Wrapped". Even when Premium subscribers cancel their subscriptions, many of them remain on the free tier meaning that Spotify rarely loses users entirely. This persistent engagement across both tiers underscores how deeply Spotify is embedded in many users' habits, making switching to another service relatively unlikely.

Another important behavioral distinction is between free and premium users. Although Premium subscribers represent only about 39% of total MAUs, they account for a disproportionate amount of activity thanks to their ad-free, on-demand and offline capabilities. They tend to be heavier listeners who make broader use of personalized features and quickly adopt new offerings, such as audiobooks. Meanwhile, free-tier users are more price-sensitive and often listen in shorter, more passive sessions. However, they are at the top of Spotify's conversion funnel and a meaningful share of them eventually upgrade as their usage intensifies or their tolerance for ads declines.

Finally, users differ in the types of content they consume. Some rely on curated playlists or genre favorites, while others are primarily podcast listeners. The latter group has grown to more than 100m people globally. Many users increasingly blend music, podcasts and audiobooks, an emerging segment that already attracts about a quarter of Premium subscribers. These mixed-use listeners tend to be the most engaged and loyal, benefiting from Spotify's strategy of unifying multiple audio formats on a single platform.

## **1.5 Financial and Operating Developments**

Spotify's Q2 2025 profile is characterized by double-digit user growth, robust cash generation and sustained gross-margin expansion. Total Monthly Active Users (MAUs) reached 696 million (up 11.2% year over year), comprising 276 million Premium subscribers (up 12.2% YoY) and 433 million Ad-Supported MAUs (up 10.2% YoY). Quarterly revenue was EUR 4,193m, including EUR 3,740m from Premium subscriptions and EUR 453m from advertising. Gross margin was 31.5%, and operating income was EUR 406m, reflecting a 52.6% year-over-year (yoy) increase and a 9.7% operating margin for the quarter. Free cash flow of EUR 700m represented a 42.9% increase from the prior year, underpinned by operating leverage and disciplined capital intensity. Reported Q2 earnings were affected by currency

translation and by higher-than-forecast social charges that are mechanically linked to share price appreciation. Nonetheless, the underlying cash performance remained strong.

Premium ARPU stood at EUR 4.65 per month in Q2 2025. The MAU base remained well diversified by region: Europe 181m (26% of MAUs), North America 118m (17%), Latin America 146m (21%) and Rest of World 251m (36%).

MAUs scaled from 365m (Q2 2021) to 696m (Q2 2025). Premium subscribers rose from 165m to 276m over the same interval. Ad-Supported MAUs increased from 210m to 433m. The sustained growth underscores the freemium funnel's resilience across geographies and cohorts.

For reference, the company's FY 2024 Form 20-F reports total revenue of EUR 15,673m (vs. EUR 13,172m in FY 2023), Premium revenue of EUR 13,819m (vs. EUR 11,566m), Ad revenue of EUR 1,854m (vs. EUR 1,681m), gross margin of 30.1% (vs. 25.8%), operating income of EUR 1,365m (vs. EUR -446m), and free cash flow of EUR 2,285m (vs. EUR 678m). These data confirm strong full-year growth and profitability momentum leading into 2025.

During the quarter, Spotify broadened audiobooks access (e.g., Germany, Austria, Switzerland and Liechtenstein), launched a voice-activated DJ in 60+ markets to enable hands-free personalized listening, expanded SAX programmatic partnerships (e.g., integrating Magnite to extend demand) and introduced Audiobooks+ as a Premium add-on in 13 markets. These features reinforce the core conversion and engagement flywheel while opening incremental monetization paths.

## **1.6 Share Price Development and Market Perception**

The company's ordinary shares trade on the NYSE under the ticker SPOT. On the cut-off date (June 30<sup>th</sup>, 2025), the share price stood at USD 767.34. The price action into mid-2025 broadly reflected (i) the platform's operating turnaround from 2023 onwards (profitability inflection, gross margin expansion and cost discipline), (ii) improving confidence in multi-format

monetization (Premium price architecture, podcast/audio ads, audiobooks and Marketplace), and (iii) sensitivity to exogenous variables such as FX translation and macro conditions which can drive near-term volatility. Overall, investor focus at the cut-off centers on the durability of mid-30s gross margins, the slope of operating margin expansion and the cadence of user and subscriber net adds against a backdrop of increasing product velocity.

## **2. Market Overview of the Digital Audio Content Industry**

### **2.1 Global Market Size and Growth Trends**

The digital audio content industry, including music streaming, podcasts, audiobooks and advertising, has grown strongly over the past decade. Global recorded music revenues reached USD 30b in 2024, marking a tenth consecutive year of expansion, with streaming as the main driver. Streaming revenues rose to USD 20.4b in 2024, nearly 8x since 2015 and now represent 69% of global recorded music income, supported by a worldwide base of 700+ million paid streaming users.

Regionally, North America remains the largest market with 40% of global revenues, though growth has stabilized at +2.1% in 2024. Europe follows with 29.5% and stronger growth of +8.3%, led by the UK, Germany and France. The Asia-Pacific region contributes about 20%, with mixed performance as Japan's growth remains sluggish, while China continues to expand rapidly resulting in growth in Asia overall by only 1.3% while Australasia grew 6.4% in 2024.

The fastest progress is seen in emerging markets. Latin America grew +22.5% in 2024, while Sub-Saharan Africa and MENA expanded +22.6% and +22.8%, respectively. Although still smaller in absolute revenue, these regions represent substantial long-term growth potential for the global streaming economy.

## **2.2 Market Breakdown**

### **2.2.1 Music Streaming**

Global music streaming, including paid subscriptions and ad-supported listening, remains the core of Spotify's industry. Streaming revenues climbed from USD 2.6b in 2015 to USD 20.4b in 2024, with paid subscriptions driving growth. In 2024, subscriptions accounted for over 51% of total industry revenue, while ad-supported streaming represented about 18% and grew more modestly (+1.2% vs. +9.5% for paid). This highlights the industry's increasing reliance on converting free users into paying customers.

By 2024, there were over 700 million paid streaming accounts and more than 1.5 billion people were estimated to use ad-supported services. Streaming revenue has grown at double-digit rates for most of the past decade, including more than 20% in 2024, supported by rising smartphone and internet penetration, the shift away from physical and download formats and the introduction of flexible subscription plans such as family and student tiers. Forecasts expect global streaming revenues to reach around USD 50b by 2030 with more than 1 billion paid subscribers, implying a 7-10% revenue CAGR through the decade.

North America and Europe are highly penetrated markets with slowing expansion, whereas Latin America, South Asia and Africa are earlier in the adoption curve and have recorded the strongest user and revenue gains. These emerging markets are expected to account for about 80% of the next 500 million subscribers, but with lower ARPUs, meaning they will add proportionally less revenue. Western markets, although contributing fewer new users, are expected to deliver over half of incremental global revenue by 2030 due to higher monetization. Overall, the outlook points to a rapidly expanding global streaming audience and steadily rising industry revenues.

### **2.2.2 Podcasts**

Podcasting has become a major part of digital audio, with global audience surpassing 500 million listeners in 2023, expected to exceed 600 million by 2026. Growth is driven by younger listeners and rising local content availability in regions like Latin America and Asia. Although podcast revenues remain smaller than music streaming, the segment is expanding quickly, generating around USD 4b in 2024, almost entirely from advertising since most podcasts are free.

The U.S. dominates podcast ad spending, accounting for roughly 60-65% of global revenue, while Western Europe, Australia and Brazil are meaningful secondary markets. Advertising in podcasts has grown at double-digit rates for most of the last decade and still has significant upside, as many advertisers are only beginning to shift budgets into the format. Forecasts suggest global podcast ad revenue could reach USD 10-15b by late 2020s, supported by improved ad tech, growing non-English content and more aggressive monetization efforts.

### **2.2.3 Audiobooks**

The global audiobook market has expanded rapidly in recent years, reaching about USD 8.7b in 2024 with the U.S. being the largest market with roughly USD 2b in sales, but consumption is rising quickly across Europe and China. Growth is fueled by greater smartphone use, expansion into new languages/markets and strong adoption among younger listeners who see audiobooks as a convenient alternative to print. AI narration, better discovery algorithms and new content formats, e.g. shorter audio stories, could be further usage drivers.

Subscription platforms and a sharp increase in professionally produced audio editions have further boosted demand. Globally, audiobooks have seen 20-30% CAGR and on track to reach USD 35-36b by 2030. While North America still accounts for the largest share of revenue, the Asia-Pacific region is the fastest-growing, with Europe also seeing strong momentum,

illustrated by Sweden, where audiobooks now represent more than a third of publishers' revenue.

#### **2.2.4 Digital Audio Advertising**

Global audio advertising spend is expected to reach USD 40.6b in 2025, with traditional broadcast radio still accounting for about USD 28.5b. Radio remains the larger segment, but its growth is essentially flat as advertisers gradually shift budgets toward digital formats. This shift is driven by consumer behavior moving from FM/AM radio toward streaming and other online audio options with forecasts expecting global audio ad spend to reach USD 50b by 2030.

Ads on streaming services and podcasts are growing at double-digit rates, with total digital audio ad spend now in the low tens of billions. Podcast ads alone reached roughly USD 3b in 2024 and ad-supported music streaming generated about USD 5.3b for rightsholders. Advertisers are drawn to digital audio's targeting capabilities and more engaged audiences, supported by the rise of programmatic buying. While radio still holds the majority share today, digital audio is growing 3-5x faster and is expected to make up nearly half of all audio ad spending within the next decade.

### **2.3 Market Potential**

#### **2.3.1 Total Addressable Market (TAM)**

Total Addressable Market (TAM) represents the full potential audience or revenue opportunity for digital audio streaming, so people who could become Spotify users. In practice, this is closely tied to the global population with internet-enabled devices and an interest in audio content. At its 2022 Investor Day, Spotify estimated its addressable base by looking at global smartphone penetration in markets where the service operates and identified roughly 600 million users in mature regions such as North America and Western Europe and 2.7 billion across emerging markets in Latin America, Asia and MENA. Taken together, this implies more

than 3.3 billion potential users, which highlights the significant long-term runway given Spotify's 696 million MAUs in Q2 2025.

From a revenue perspective, TAM encompasses all global spending on digital audio, including music, podcasts, audiobooks and advertising. Combined, these categories represent a market comfortably exceeding USD 60-100b annually, showing that the overall addressable opportunity for Spotify remains massive, both in terms of audience reach and monetization potential.

### **2.3.2 Serviceable Addressable Market (SAM)**

Serviceable Addressable Market (SAM) represents the portion of the broader TAM that Spotify can realistically serve with its current products. Not every smartphone user will consume digital audio, nor is all audio spending contestable as listeners remain loyal to radio or country-specific platforms. A way to define Spotify's SAM is to look at the existing global streaming audience. By 2024, there were 1.5-2 billion total streaming users of which more than 700 million are paid subscribers. These figures approximate the active, reachable market that Spotify and its competitors address today.

Excluding China, where local platforms dominate, industry estimates suggested that in 2021 around 76% of Spotify's potential subscriber base had already been penetrated by streaming services. This suggests that Spotify's SAM for paid music aligns roughly with the global population of music streamers. This number continues to grow as emerging markets expand and additional audio formats gain popularity. In terms of revenue, the serviceable market includes the USD 30b recorded music industry in 2024, as well as fast-growing segments such as podcast advertising (USD 4.0b) and audiobooks (USD 8.7b). Together, these represent a serviceable market opportunity of over USD 40b, with room for further growth.

### **2.3.3 Serviceable Obtainable Market (SOM)**

Serviceable Obtainable Market (SOM) represents the share that Spotify currently holds or could expect to hold in the near future. In practical terms, this aligns with Spotify's market share across its key business lines. As of 2024, Spotify held approximately 32% of the global music subscription market, backed by a premium subscriber base of over 270 million and overall MAUs of around 700 million (Q2 2025), solidifying its status as the clear market leader.

Spotify is also a leading platform for podcast listening in many markets, although its share of podcast advertising revenue is difficult to quantify. In the audiobook industry, Spotify is still an emerging competitor, primarily competing against Audible/Amazon, which continues to dominate, particularly in the U.S. Regionally, Spotify's market share is strongest in Europe and Latin America, often exceeding 50%, more moderate in North America and comparatively lower in markets with local competitors with long-standing market presence, such as India or Russia.

In conclusion, Spotify's obtainable market share is currently more than 1/3 globally having maintained this leadership for several years. This SOM could expand by e.g. converting more free users to paid subscribers or by accelerating growth in underpenetrated countries, but under the risk of competitors claiming the rest of the market. Thus, Spotify's long-term strategy, as described by the management, focuses less on winning share from rivals and more on expanding the broader market itself, particularly in fast-growing emerging economies.

## **2.4 Micro-Environmental Factors: Porter's Five Forces Analysis**

### **2.4.1 Threat of New Entrants**

Entering the digital audio market requires overcoming significant barriers related to content licensing. Major music labels demand substantial minimum guarantees and advances, which makes it expensive for newcomers to build a competitive catalog. Without an extensive catalog,

a platform will struggle to attract users, the same also applying to podcasts and audiobooks. Established players like Spotify already have scale advantages and strong content portfolios, which puts new entrants at an initial disadvantage.

Because streaming operates on thin margins, economies of scale are essential for negotiating better royalty terms and spreading fixed costs, such as technology, R&D and marketing. With millions of users, Spotify has pricing leverage and operational efficiency that a new entrant cannot match. While not too high, switching costs still matter, although users have years of playlists and familiarity with Spotify's interface, so they are less inclined to start over on a new platform.

Technologically, any entrant would need to meet high standards set by existing services, especially in personalized discovery, in which Spotify has spent a decade refining its algorithms. Although cloud infrastructure has lowered some technical barriers, only large firms or regionally focused companies (e.g. TikTok Music) have entered the market with significant traction. Overall, the threat of new entrants remains moderate, making it possible but difficult to scale without substantial capital, unique assets or an existing audience.

#### **2.4.2 Bargaining Power of Suppliers**

Spotify's most influential suppliers are major music rights holders. The "Big Three" record labels, Universal, Sony and Warner, together with other independent labels, control the most commercially relevant music. Their catalogs are essential for any viable streaming service allowing them to negotiate revenue-sharing terms, minimum guarantees and advances, which directly impact Spotify's margins. Even as Spotify has scaled, labels continue to push for higher royalty rates, reflecting their strong leverage despite their reliance on Spotify for distribution.

Songwriters and music publishers exert influence through collective licensing mechanisms and regulatory decisions that periodically raise royalty rates. Although this group is more

fragmented than the labels, industry bodies provide them with meaningful bargaining power. In other audio segments, supplier power is more varied. Podcast content is largely open and fragmented, so most creators lack leverage. However, star podcasters, e.g. Joe Rogan, and major podcast networks can negotiate significant exclusivity fees and revenue shares. Audiobook publishers, dominated by large companies and a market dominated by Audible, also have leverage, especially since Spotify is still a relatively small player in this segment.

Spotify not only depends on content suppliers, but also on technology intermediaries, such as Apple's and Google's app stores having historically enforced fees and rules that affect Spotify's business model. Overall, supplier power, primarily driven by the concentrated control of music rights holders, is high, making it one of the most challenging forces Spotify faces.

### **2.4.3 Bargaining Power of Buyers**

In theory, individual listeners face low switching costs because most music services offer similar catalogs and pricing. Nevertheless, users tend to remain loyal because years of curated playlists, saved libraries and personalized recommendations make switching less appealing. Spotify's free tier also mitigates price sensitivity since users can downgrade instead of canceling their subscription entirely. With churn at roughly 2% in 2024, well below video streaming levels, consumers have alternatives, yet they do not exercise strong bargaining power in practice.

Advertisers form a second buyer group with more options at their disposal, ranging from other audio platforms to broader digital channels, such as social media and video. While this gives them leverage when allocating budgets, Spotify's scale and targeting data ensure its ad inventory is distinct enough to maintain healthy CPMs. Although advertisers can negotiate, Spotify's audience reach ensures that it remains a valuable part of many media plans, limiting buyer influence.

Collective listener sentiment can occasionally exert pressure, such as during content controversies. However, these episodes are infrequent and rarely shift long-term user behavior. Therefore, buyer power is moderate. Both listeners and advertisers have alternatives, but Spotify's strong user engagement and unique platform limit their ability to demand substantial concessions.

#### **2.4.4 Threat of Substitutes**

Spotify faces several competitors in the audio consumption market, most notably traditional AM/FM radio. Although radio lacks the personalization and on-demand control that defines streaming, it remains free and widely available, especially in cars and among older demographics. As younger listeners increasingly turn to digital platforms, radio's relevance is gradually declining, but still occupying enough listening time to remain a credible alternative.

YouTube is another popular alternative, especially in markets where users prefer free, ad-supported content. Its vast catalog, which includes official tracks, live performances and more, makes it a popular option for casual music listening, even if the free version has limitations, such as restrictions on background play on mobile without Premium. Meanwhile, other entertainment formats, from podcasts and audiobooks to short-form video, compete for users' attention and divert time away from music streaming, although they don't directly replace the core value proposition.

Music ownership and piracy offer smaller, more niche alternatives. Especially vinyl purchases appeal to collectors rather than the mass market. Piracy has lost much of its popularity since legal streaming became inexpensive and far more convenient. Overall, the threat of substitutes is moderate. No alternative offers the full convenience, personalization and breadth of Spotify. Yet, radio, YouTube and digital entertainment continue to provide users with viable options.

### **2.4.5 Industry Rivalry**

Spotify competes directly with several well-resourced global players, including Apple Music, Amazon Music and YouTube Music, all of which operate within larger tech ecosystems. Spotify holds a 38% share of global paid subscriptions, remaining the market leader. However, its competitors benefit from deep pockets, device integration and bundling advantages. Although outright price wars have been rare, these companies consistently invest in strengthening their platforms and expanding internationally, which intensifies the competitive landscape.

Since music catalogs are largely identical, differentiation depends on user experience and exclusive content. Spotify has invested heavily in podcasts and video podcasts, supporting creators and developing interactive features. Meanwhile, Apple, Amazon and YouTube are enhancing their offerings through ecosystem integration and premium audio formats. In terms of marketing competition, Apple promotes extended free trials, Amazon leverages Prime bundling and Spotify uses promotional offers to attract first-time streamers, especially in emerging markets, where future subscriber growth is concentrated, creating fierce competition. Competition extends into the ad-supported segment, where Spotify competes with other music platforms, YouTube and traditional radio for listeners and advertising budgets. Exclusive deals highlight how platforms compete for attention and advertising revenue. With cash-rich rivals, low switching costs and a market that is still shifting toward long-term profitability, industry rivalry remains intense as each player pushes for differentiation and global scale.

### **3. Synthesis: Position on June 30<sup>th</sup>, 2025**

As of the cut-off, Spotify combines global scale, high-velocity user and subscriber growth, and strengthening unit economics. The platform's personalization moat and multi-format roadmap underpin a credible path to sustained margin and cash flow expansion, even as quarterly

earnings can remain volatile due to FX, revenue mix and share price linked social charges. Strategic execution priorities over the next phases include: (i) methodical ARPU optimization and bundle/add-on strategy, (ii) deeper ads monetization in podcasts and video with programmatic breadth, (iii) continued licensing and marketplace progress to support gross-margin quality and (iv) product innovation that further leverages AI and interactivity to extend engagement and creator earnings. In sum, Spotify enters the valuation work in subsequent chapters from a position of operational strength with clear opportunities and well-defined external risks.

#### **4. Valuation of Spotify**

To value Spotify, we apply an explicit forecast horizon through 2034, reflecting our view that the company will approach a more stable and mature operating state by that time. Considering Spotify only achieved profitability in 2024 and continues to benefit from emerging opportunities in artificial intelligence, particularly with regards to content innovation and platform scalability, a shorter forecast period would prematurely assume a level of maturity that does not yet align with its current growth trajectory. To develop the forecast, we employ a top-down approach, beginning with an assessment of total market demand and estimating the portion Spotify is expected to capture over the projection period. This approach grounds our assumptions in overall industry trends before narrowing them down to Spotify's specific growth outlook.

#### **4.1 Forecasted Positions**

##### **4.1.1 Market Demand Forecast**

To estimate global market demand, we employed a top-down forecasting approach, starting from total population growth and narrowing down to the subset of digital music streamers. Historically, the global population expanded at a five-year CAGR of 0.9%, reaching 8.16b in

2024. According to the UN, population growth is expected to moderate, increasing at a CAGR of 0.8% over the next decade to reach roughly 8.82b by 2034.

As a next step, we analyzed internet penetration as a share of the global population to define Spotify's total addressable market (TAM). In 2024, internet penetration stood at 68.0%, equivalent to roughly 5.55 billion individuals with online access. To project future development, we applied an S-curve diffusion model to capture the anticipated deceleration in penetration growth as global connectivity approaches maturity. The model assumes rapid adoption in earlier years followed by a gradual slowdown, converging toward a saturation level of 92.0% by 2034. Based on this methodology, the total number of internet users is forecast to reach 8.11b by 2034, representing a CAGR of 3.9% over the forecast horizon.

To determine the number of digital music streamers, we applied Goldman Sachs' forecasted music-streaming penetration rates to our internet user projections, thereby defining Spotify's total serviceable market (TSM). Over the past five years, the number of digital music streamers expanded at an average annual rate of 18.6%, reaching 0.84 billion in 2024 and underscoring the strong global adoption of streaming services. Goldman Sachs anticipates music-streaming penetration to rise to 20.0% of internet users by 2034, implying approximately 1.62 billion digital music streamers by the end of our forecast and representing an average annual growth rate of 7.7%.

#### **4.1.2 Market Share Forecast**

To evaluate Spotify's market standing, we conducted an analysis of its historical performance and relative market share, assessing the company's effectiveness in capturing and maintaining demand within the global music streaming industry. Historically, Spotify captured approximately half of global music streaming demand in 2016, but its market share declined until 2021, stabilizing thereafter at around one-third of total industry demand. Since then, Spotify has maintained a strong competitive position, remaining the global market leader with

an estimated 33.9% share in 2024. To account for potential shifts in competitive dynamics and strategic execution going forward, we model three distinct scenarios that illustrate Spotify's future ability to capture market demand.

- **Base Case:** Spotify sustains its current market share throughout the explicit forecast horizon, successfully defending its leadership position against its peers due to ongoing innovation and aligned pricing. This assumption brings Spotify's premium subscription users to 0.514b at the end of the forecast period, compared to current 0.263b in 2024, growing at a CAGR of 7.7%.
- **Upside Case:** Spotify successfully deploys artificial intelligence to enhance platform scalability, deepen user personalization and broaden its content portfolio. These improvements translate into higher conversion and retention rates, assuming customers are not overly price sensitive, enabling the company to capture incremental market share through 2029. Market share is assumed to peak at 37.4% before stabilizing at this level, allowing Spotify to defend its competitive position through the remainder of the forecast horizon. Premium subscriber would reach an estimated number of 0.606b subscribers, implying an annual forecast CAGR of 8.7%.
- **Downside Case:** Spotify is unable to sustain its competitive position and fails to fully capitalize on emerging artificial intelligence capabilities. Limited innovation traction, intensifying competitive pressure and customers reacting more sensitive to Spotify's pricing leads to elevated churn and a gradual erosion of market share. We again assume market share to stabilize around 2029 at 30.4%, after which Spotify maintains this lower level through the end of the forecast horizon. Under these assumptions, Spotify reaches 0.493 billion premium subscribers by 2034, corresponding to a 6.48% CAGR over the explicit forecast period.

This scenario framework provides a balanced view of potential outcomes, capturing both the upside from technological advancements and the downside risks from competitive erosion.

### 4.1.3 Average Revenue per User (ARPU)

We use a driver-based approach to forecast Spotify's ARPU that mirrors the main forces shaping its monetization. Instead of applying a simple growth rate, we break down ARPU into its operational components which are price increases, geographic and product mix headwinds, and the timing of price changes in reported figures. In line with Spotify's own guidance, foreign exchange effects are excluded since they lie outside management control.

Price increases are the most important driver of ARPU. Following a region-specific increase in 2025, we anticipate global price hikes every two years, so 2027, 2029, 2031 and 2033 with 10%, 9%, 8% and 7% respectively. These gradually declining magnitudes reflect Spotify's tightened pricing strategy while maintaining realistic assumptions about consumer tolerance and competitive dynamics. Using global increases simplifies the modeling process and aligns with Spotify's recent shift toward broader, coordinated price adjustments.

Since price changes rarely fully translate into ARPU in the same year, we use a two-stage model that more accurately reflects Spotify's actual behavior. We assume that 80% of a price increase is reflected in ARPU in the year it is introduced and that the remaining 15% is reflected in the following year as existing subscribers transition to the new price. We do not assume 100% realization because some users have legacy plans, promotional offers or regional discounts that delay or reduce the full effect. This approach prevents us from overstating ARPU growth in years with price hikes.

Finally, we account for the recurring headwind of a changing user mix caused by Spotify's fastest growth coming from regions with lower ARPU and discounted plans. Based on historical evidence, we estimate this drag to be EUR -0.13 per year, expressed relative to the prior year's ARPU, so its impact scales appropriately over time. The combination of these factors yields an ARPU forecast that is operationally sound and consistent with Spotify's long-term business dynamics. Appendix 13 shows the detailed formula for the ARPU forecast.

#### 4.1.4 Income Statement Forecast

Revenue growth forms the foundation of our valuation framework. Over the past five years, Spotify has delivered a robust top-line performance, achieving a compound annual growth rate of 18.8%, amounting in total revenue of EUR 15,673m in 2024. Spotify's revenue model is divided into premium subscription and ad-supported revenue streams.

In 2024, premium subscription revenue totaled EUR 13,819m, representing 88.2% of total revenue. The segment has historically grown at a five-year CAGR of 18.0%. To project premium subscription revenue, we multiply the forecasted number of premium subscribers derived from our top-down model by the estimated average revenue per user (ARPU). By the end of our explicit forecast period, premium revenue is projected to reach EUR 35,562m, implying a CAGR of 9.9%.

Our ad-supported revenue projections are based on both historical revenue share analysis and management guidance. While the ad business has exhibited solid growth, management has signaled substantial untapped potential in terms of monetization and operational efficiency. Strategic initiatives include upgrading the advertising technology stack, broadening advertiser tools and strengthening relationships with agency partners. Notably, CEO Daniel Ek has articulated a long-term target for ad-supported revenue to comprise 20% of total revenue by 2034. We incorporate this guidance by modeling a linear increase in the ad-supported revenue share, reaching EUR 8,891m by the terminal year, implying a 20% total revenue share.

By the end of the forecast period, total revenue is expected to reach EUR 44,453m, with premium and ad-supported revenue contributing 80% and 20%, respectively. This corresponds to a forecast average annual growth rate of 11.0%, with growth moderating to 4.5% year-over-year in 2034. We believe the slowing top-line growth in our forecast to reflect Spotify's progression towards business maturity.

For forecasting purposes, we model Spotify's key cost line items as a percentage of revenue, reflecting anticipated margin expansion driven by operating leverage and economies of scale. Cost of goods sold (COGS) currently accounts for 69.9% of revenue. Over the forecast horizon, we project COGS to decline to approximately 60% by 2033 where it is held constant, supported by Spotify's strengthened bargaining position in licensing negotiations with major record labels given its platform scale and strong market leadership.

Research and development (R&D) expenses represented 9.5% of revenue in 2024. While we expect R&D as a percentage of revenue to trend modestly lower over time, we anticipate only limited efficiency gains in early years due to the ongoing need for substantial investment in artificial intelligence. This is crucial both to drive innovation and to defend against intensifying competition from peers aggressively deploying AI to capture market share.

Sales and marketing expenses are forecast to decline meaningfully as a percentage of revenue, reflecting improved efficiency and brand scale effects. In contrast, we maintain general and administrative expenses as a stable proportion of revenue, assuming they scale broadly in line with the company's overall growth trajectory.

Based on our forecast, we anticipate a substantial improvement in Spotify's profitability over the explicit forecast period. In fiscal year 2024, Spotify achieved positive EBITDA for the first time, reporting EUR 1,478m compared to EUR -300m in 2023, translating to an EBITDA margin of 9.4% versus -2.3% the prior year. We project EBITDA to grow at a compound annual growth rate (CAGR) of 23.5%, reaching EUR 12,170m by 2034, corresponding to an EBITDA margin of 27.4%.

Given Spotify's asset-light operating model, depreciation expenses remain modest, resulting in a projected EBIT margin that reaches 26.9% by the end of the forecast horizon.

Earnings per share (EPS) amounted to EUR 5.67 in FY 2024, representing the first positive annual earnings in the company's history, with diluted EPS at EUR 5.50. We forecast EPS to continue increasing significantly, reaching EUR 37.40 by 2034, reflecting strong operating leverage and a structural shift toward sustained profitability. Diluted EPS is projected at EUR 36.42.

#### **4.1.5 Working Capital Forecast**

Although Spotify operates an asset-light, subscription-based business model with relatively predictable cash inflows, fluctuations in working capital such as timing differences in receivables, payables and content-related liabilities, can impact free cash flow generation. Since free cash flow is a key driver in discounted cash flow valuation, understanding working capital dynamics is essential to assess the sustainability of Spotify's cash generation.

We therefore conducted a historical analysis of key working capital components, including Days Sales Outstanding (DSO), Days Payable Outstanding (DPO) and Days Inventory Outstanding (DIO), as well as other relevant balance sheet positions. These metrics were analyzed both in absolute terms and as ratios relative to revenue or SG&A, to capture structural trends and assess efficiency in Spotify's cash conversion cycle.

Spotify's business model naturally results in a negative working capital structure, driven primarily by deferred revenue from prepaid subscriptions and sizable accrued content and operating expenses. DSO and DPO remained relatively stable over time, reflecting consistent collection and payment practices. As expected, DIO was negligible due to the absence of physical inventory in Spotify's streaming-based model.

In addition to DSO, DPO, and DIO, we projected several other working capital components by anchoring them to relevant operational line items. Prepaid expenses and accrued expenses were modeled as a percentage of SG&A, while deferred revenue was forecasted as a percentage of

revenue. Prepaid and accrued expenses often correlate with ongoing administrative and marketing activities, making SG&A a more accurate driver. Deferred revenue, on the other hand, stems primarily from upfront cash receipts from subscriptions and is logically tied to top-line sales.

By holding these ratios constant at their 2024 levels, which we deemed to represent a normalized and operationally efficient structure, we assumed a stable and analytically grounded projection of working capital through 2034.

## **4.2 Discounted Cash Flow Analysis Components**

To assess Spotify's intrinsic value, we employed the discounted cash flow (DCF) methodology, deriving valuation from the company's projected future free cash flows. Given our objective to evaluate Spotify as a whole, we utilized unlevered free cash flow (UFCF), which accounts for all capital providers. These cash flows were discounted using the weighted average cost of capital (WACC) to reflect the firm's blended cost of equity and debt financing.

### **4.2.1 Unlevered Free Cash Flow (UFCF)**

To estimate Spotify's unlevered free cash flow, we utilized our detailed income statement projections through 2034 to derive future operating profits. Net operating profit after tax (NOPAT) was calculated by applying the effective tax rate to operating profit, reflecting the tax-adjusted profitability available to all capital providers. We then adjusted for non-cash expenses, including depreciation and amortization (D&A) and share-based compensation. Share-based compensation was projected using the average from the 2020-2024 period. D&A was initially forecasted using the same five-year historical average for 2024, but was assumed to decline linearly over the forecast horizon to converge with capital expenditures in the terminal year, reflecting a steady-state capital investment profile. Adjustments regarding net working capital were included to account for operating non-cashflow fluctuations. Capital

expenditures were deducted based on the average percentage of revenue from 2020 to 2024, applied to projected sales through 2034.

Unlevered free cash flow in 2024 was EUR 2,098m, representing 13.4% of revenue. Over the forecast period, UFCF is projected to grow at a compound annual rate of 24.4%, reaching EUR 10,053m by 2034, equivalent to a 22.6% UFCF-to-sales margin.

#### **4.2.2 Cost of Equity - CAPM**

For the risk-free rate, we utilized the 10-year Euro spot yield of 2.7% as of the valuation date. This is a standard proxy, as it represents a virtually risk-free investment denominated in the same currency as Spotify's cash flows.

To estimate Spotify's beta, we conducted a bottom-up approach by identifying a set of publicly traded comparable companies, unlevering each of their observed betas using their respective capital structures. We selected a peer group of publicly listed companies that operate within the broader digital entertainment and streaming ecosystem. The selected peers share core business characteristics with Spotify, specifically, they derive significant value from digital content distribution, operate in the entertainment/media landscape and utilize scalable, two-sided monetization models, primarily through advertising and subscription revenue streams.

While platforms such as Apple Music, Amazon Music and others are among Spotify's most direct operational competitors, we excluded them from the peer group due to the lack of standalone financial disclosures. These services are embedded within larger conglomerates (Apple, Amazon, etc.), whose diversified operations and capital structures dilute the relevance of their financial and market data for Spotify-specific benchmarking. Without segment-level reporting for these music businesses, any attempt to extract implied valuation or beta data would lack transparency and introduce significant noise.

Our selected peer group, while broader, captures the structural, technological and monetization characteristics essential for a relevant market-based comparison and ensures consistency and reliability in the bottom-up beta estimation and relative valuation analyses.

We calculated the average unlevered beta of 0.90 and relevered it using Spotify's current debt-to-equity ratio, resulting in a levered beta estimate of 0.91. However, we concluded this beta to be too low for a strong growth technology company such as Spotify, whose business model is currently only focused on digital audio streaming, why we decided to use its 2-year historical beta of 1.15 instead. For the equity risk premium, we applied an calculated a blended MRP, trying to catch Spotify's cashflow streams, using estimated from Professor Aswath Damodaran. Our final MRP came out at 6.2%. This reflects the return expectations of a global investor profile when investing in Spotify.

Following this approach, a risk-free rate of 2.7%, a levered beta of 1.15 and an implied equity risk premium of 6.2%, we estimate a cost of equity for Spotify of 9.8%.

#### **4.2.3 Cost of Debt**

To estimate Spotify's cost of debt, we applied both the credit spread method and the debt beta approach, given the absence of publicly traded corporate bonds that would provide a directly observable yield to maturity. As Spotify does not currently hold an official credit rating from major agencies, we inferred an appropriate rating by benchmarking against a selected group of comparable peers. Using publicly available credit ratings from Moody's, S&P and Fitch, we assigned point values to each rating tier, computed the median score across the peer group and mapped this back to an indicative credit rating for Spotify. This analysis suggested a credit rating for Spotify in the BBB range. Based on this implied rating, we applied a credit default spread of 1.2%, consistent with market spreads for BBB-rated issuers, as sourced from Damodaran. Given the lack of publicly available credit data in the Eurozone, we added this to the Euro risk free rate of 2.7% resulting in a credit spread-based cost of debt of 3.9%.

We further employed the debt beta approach to capture the systematic risk of Spotify's debt. Using a debt beta of 0.30, aligned with BBB-rated corporates according to Kroll's estimates, we applied the CAPM framework to derive a cost of debt of approximately 4.6%.

Taking the average of the two methodologies, we arrived at a pre-tax cost of debt estimate of 4.2% for Spotify, reflecting a balanced and market-consistent assessment of its credit risk profile.

#### **4.2.4 WACC**

To calculate Spotify's weighted average cost of capital (WACC), we applied our previously derived cost of equity of 9.8% and pre-tax cost of debt of 4.2%, incorporating a statutory tax rate of 24.9%. Based on Spotify's current capital structure, which features a relatively low proportion of debt, the resulting WACC is 9.7%. Due to the company's minimal financial leverage, the WACC closely aligns with the cost of equity, reflecting the equity-heavy nature of Spotify's capital base.

#### **4.2.5 Terminal Value**

Before discounting Spotify's unlevered free cash flows to derive the enterprise value, we have to estimate the terminal value. To do so, we applied two different approaches, the Gordon growth method and the exit multiple method.

Using the Gordon growth method, we applied a terminal growth rate of 3.5% in our discounted cash flow model to reflect Spotify's expected long-term growth potential beyond the explicit forecast period. This rate is consistent with the long-term nominal GDP growth estimates for developed markets and is a commonly used benchmark in equity valuation to approximate sustainable growth in perpetuity. Given Spotify's global footprint, scalable digital platform and continued innovation in audio and adjacent verticals, a 3.5% growth rate captures a realistic

expectation of its ability to grow in line with the broader economy over the long term, while avoiding overly optimistic assumptions.

Under the exit multiple approach, we applied a forward-looking EV/EBITDA multiple of 13.7x, derived from the trading multiples of selected publicly listed peers. This multiple was then applied to Spotify's projected EBITDA in the terminal year to estimate the terminal value, reflecting the company's expected steady-state valuation at the end of the explicit forecast period.

## **4.3 Valuation Methods**

### **4.3.1 Discounted Cash Flow Valuation**

To determine Spotify's enterprise value, we discounted projected unlevered free cash flows (UFCFs) using our weighted average cost of capital (WACC). Given the valuation as of 06/30/2025, we included a stub period adjustment to align projected cash flows accordingly. Additionally, we applied the mid-year convention to reflect the timing of cash flow generation, which, in Spotify's case, is assumed to occur evenly throughout the year rather than at year-end.

Utilizing the Gordon Growth Model, our analysis yields an enterprise value of EUR 108,618m. After deducting net debt and incorporating adjustments for items such as preferred equity, minority interests and net operating losses (NOLs), we arrive at an implied equity value of EUR 115,724m. Based on the current number of diluted shares outstanding, this translates to a target share price of EUR 549.82, representing a 15.9% discount to the current market price as of 06/30/2025.

Applying the exit multiple approach, we derive an enterprise value of EUR 105,177m. This corresponds to an equity value of EUR 112,283m or EUR 533.47 per diluted share, implying an 18.4% discount relative to the current share price as of the valuation date.

To validate our assumptions, we conducted a sensitivity cross-check. The Gordon Growth Model implies an exit multiple of 13.8x EV/EBITDA, which aligns closely with the exit multiple method, which infers a terminal growth rate of 3.5%. This cross-check reveals little divergence in terminal value assumptions. Using the Gordon Growth Model with a 3.5% nominal long-term growth rate, we derive an implied EV/EBITDA exit multiple of 13.8x, consistent with our original assumption. In contrast, the Exit Multiple Method, applying a 13.7x terminal multiple, implies a terminal growth rate of 3.5%. This supports our view that both methods lead to similar valuations, reinforcing confidence in the consistency of the underlying assumptions.

#### **4.3.2 Adjusted Present Value (APV) Valuation**

In our APV valuation of Spotify, we began by separating the firm's value into two components: the value of the company, if financed entirely with equity, and the present value of the tax shields arising from interest-bearing debt. This approach allowed us to isolate operating performance from financing decisions and then add back the value created by Spotify's future use of debt. We considered two forms of interest-bearing liabilities that create tax shields, the exchangeable notes outstanding as of 06/30/2025 and Spotify's lease liabilities.

For the exchangeable notes, we modeled a gradual build-up of debt over the forecast period. Spotify's current leverage is far below that of peers, so we targeted the industry's LTM median Debt/EBITDA as of 06/30/2025 ratio by 2034. Applying the 3.7x peer multiple to our 2034 EBITDA forecast produced a target debt balance of EUR 44,688m. We increased Spotify's debt linearly from its current level to this target by 2034 and expect it to be constant thereafter. Lease liabilities were forecast separately, using Spotify's ratio between outstanding lease liabilities to revenue as of Q2 2025.

With the financing side structured, we valued the unlevered firm by discounting UFCF with Spotify's unlevered cost of equity. For this, we used the median unlevered beta of our peer

group (0.90), resulting in an unlevered cost of equity of 8.3%. Applying the Gordon Growth Model, this yielded an enterprise value of EUR 144,323m for the all-equity financed company.

The next step was to value the tax shields from Spotify's forecasted interest payments. Interest from both the exchangeable notes and lease liabilities was multiplied by Luxembourg's statutory corporate tax rate of 24.9%, since this rate determines the marginal value of each euro of deductible interest. We then discounted future tax shields at the unlevered cost of equity, in line with standard APV methodology where the risk of the tax shield follows the risk of the underlying cash flows.

Because Spotify's debt structure behaves differently across liability types, we treated the terminal value of the respective tax shields separately. For exchangeable notes, which we expect stabilize after 2034, the terminal tax shield was calculated as the tax rate multiplied by the ending debt balance, discounting it at the cost of debt. Because lease liabilities scale with revenue, we derived the terminal value of the lease-related tax shield by treating the 2035 tax shield as the first cash flow of a growing perpetuity, dividing it by (unlevered cost of equity - growth rate) and then discounted that value using the unlevered cost of equity.

Summing the present value of all tax shields from 2025-2034 with the present value of both terminal components produced a total tax-shield enterprise value of EUR 9,170m. Adding this to the unlevered enterprise value resulted in a total enterprise value of EUR 153,493m. After applying the aforementioned equity bridge, implied equity value was EUR 160,599m. Dividing by diluted shares outstanding yielded a per-share value of EUR 763.03, representing a 16.7% discount relative to the market price on the valuation date. At this valuation, the unlevered firm accounted for 94.0% of total enterprise value, while tax shields contributed 6.0% due to Spotify's low leverage.

We also performed an exit-multiple cross-check using an implied EV/EBITDA multiple of 13.7x generating an enterprise value of EUR 119,955m for the unlevered firm. Since the tax-

shield value remained unchanged, total enterprise value amounted to EUR 129,125m. This resulted in an equity value per diluted share of EUR 647.25, corresponding to a 1.0% discount to the market price. Under this scenario, the unlevered business represented 92.9% of total enterprise value, with the tax shield contributing 7.1%.

#### **4.3.3 Comparable Company Valuation**

For our comparable company analysis (CCA), we used the same group of publicly traded companies as in the WACC benchmarking. We applied their forward-looking NTM EV/EBITDA multiples as of 06/30/2025. The peer median was 13.7x, which we applied to Spotify's LTM EBITDA of EUR 1,956m as of the valuation date. However, given Spotify's low LTM EBITDA as of 06/30/2025, the resulting implied enterprise value amounted to only EUR 26,877m.

After applying the equity bridge and dividing by the number of diluted shares outstanding, our CCA yielded an equity value of EUR 161.46 per diluted share. This corresponds to a 75.3% discount compared to Spotify's market price on the valuation date.

Because Spotify's EBITDA stands at this low level at the time of valuation, the comparable company analysis yields an enterprise value that does not reflect the company's underlying economics. Consequently, the CCA outcome is far below the estimates implied by our DCF and APV valuations, making it of limited relevance as a standalone valuation indicator.

#### **4.3.4 Comparable Transactions Valuation**

For our Comparable Transaction Analysis (CTA), we examined a set of precedent deals in the digital entertainment and streaming industries consistent with the peer universe used in our WACC benchmarking and CCA. This set of transactions includes deals announced up to January 1<sup>st</sup>, 2020. We also incorporated lapsed transactions where a bidder had submitted a binding offer. Although these deals did not ultimately close, the implied valuations and

transaction multiples were established and disclosed publicly, making them relevant reference points for assessing market pricing in the sector.

The median EV/EBITDA multiple across this transaction sample was 22.8x. Applying this multiple to Spotify's LTM EBITDA of EUR 1,956m as of the valuation date yields an implied enterprise value of EUR 44,689m. After applying the equity bridge and dividing by the number of diluted shares outstanding, the CTA yields an equity value of EUR 246.09 per diluted share, corresponding to a 62.4% discount relative to Spotify's share price on the valuation date.

For this reason, while the CTA provides an additional market-anchored reference point, it does not offer a representative standalone valuation of Spotify. As we concluded in the CCA, valuation methods based on future cash flow potential, such as DCF and APV, offer a more accurate assessment of Spotify's intrinsic value.

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## **Appendix**

### **Appendix 1 – Macro-Environmental Factors: PESTEL Analysis**

#### **1.1 Political Factors**

Spotify operates in a political environment shaped by growing global scrutiny of digital platforms and the competitive conditions under which they operate. Antitrust enforcement has increased in recent years, particularly in the EU (Digital Markets Act) and U.S., where regulators are reexamining the market power of major technology “gatekeepers”. An example is Spotify’s long-standing dispute with Apple over App Store rules and fees. In 2024, the European Commission imposed a fine of EUR 1.8b on Apple for practices that restricted Spotify’s capacity to communicate directly with users regarding alternative payment methods, reflecting a broader regulatory shift toward ensuring fairer access to digital ecosystems for companies like Spotify.

Beyond antitrust, Spotify must navigate complex political environments across the 180+ markets in which it operates with content regulation and censorship continuing to be significant considerations. In 2022, Spotify exited the Russian market due to new censorship laws related to the war in Ukraine. The company has also faced challenges in accessing major markets such as China, where foreign streaming services encounter political and regulatory barriers underscoring the geopolitical risks and local policy constraints that directly influence Spotify’s market accessibility and content strategy.

Since Spotify’s business depends heavily on licensing agreements with music labels and publishers, decisions regarding intellectual property regulation directly impact costs. Recent changes, such as the U.S. Copyright Royalty Board’s mandated increase in songwriter royalty rates, demonstrate how policy interventions can alter Spotify’s financial obligations. Meanwhile, governments are introducing digital services taxes and local-content requirements

that affect operating expenses and catalog composition forming a highly dynamic landscape.

## **1.2 Economic Factors**

Spotify's economic landscape is defined by the substantial growth of the global audio streaming market. Valued at approximately USD 34b in 2023, this market is expected to reach nearly USD 90b by 2031. This growth increases revenue potential for music, podcasts and audiobooks, even as competition intensifies.

Despite inflation-driven price increases in 2022-2023, subscription spending has remained resilient, with low churn signaling relatively inelastic demand. Emerging markets continue to fuel subscriber growth, although lower local pricing keeps average revenue per user (ARPU) below Western levels. Spotify's ad-supported segment, which accounts for about 12% of total revenue, is also exposed to advertising cycles which slowed in 2023 as marketing budgets tightened.

Despite these challenges, Spotify's financial performance has improved significantly. The company achieved its first positive full-year operating profit in 2024, driven by economies of scale and record gross margins of around 30%. However, profitability remains limited by the industry structure, in which labels and rightsholders capture 65-70% of streaming revenue. Balancing subscription growth, ad monetization and licensing costs is key to strengthening Spotify's economic position.

## **1.3 Social Factors**

Spotify operates in an environment that is socially driven and marked by a strong shift toward personalized, on-demand audio consumption. Especially younger audiences expect instant, mobile access to personalized music and spoken-word content. Spotify serves these needs with features like mood-based playlists and algorithmic discovery. Podcasts have also entered the mainstream, reshaping listening habits. Spotify's substantial investment in podcast creators has

paid off resulting in around 40 million monthly listeners in the U.S. in 2024 surpassing Apple's audience.

The broader entertainment landscape influences social dynamics around streaming. Although audio competes with video platforms, gaming and social media, it benefits from its compatibility with multitasking which has led to a resurgence in audiobooks, driven by the demand for hands-free formats. Spotify's addition of over 350,000 audiobook titles reflects this shift in how people engage with content.

Concerns about creator compensation and content moderation remain socially sensitive topics with some musicians arguing that streaming royalties are too low. Spotify increased transparency by including data showing that over 10,000 artists earned USD 100k+ on the platform in 2024. Controversies over content, such as the backlash over misinformation about COVID-19 on Joe Rogan's podcast, also highlight the social expectations placed on Spotify's role as a curator of public discourse. These issues influence user perceptions, artist relations and increasingly, Spotify's broader social responsibility.

#### **1.4 Technological Factors**

Artificial intelligence is increasingly shaping the digital audio sector by influencing discovery, personalization, and content creation. Spotify already relies heavily on machine learning for recommendations and features like its AI DJ. However, the rapid rise of generative AI, including synthetic voices, AI-generated music and automated podcast tools, is redefining competitive dynamics. These technologies also present new regulatory and copyright challenges, forcing Spotify to navigate evolving royalty and ownership rules while continuing to innovate.

Another factor is the growing expectation for high audio quality. Competitors such as Apple Music and Amazon Music now offer lossless and spatial audio as standard, while Spotify's

long-promised HiFi tier has been repeatedly delayed, putting premium users at a potential disadvantage. Also, improvements in mobile networks and the widespread use of smartphones continue to drive global streaming adoption, enabling seamless listening experiences across markets.

Spotify's integration across the connected device ecosystem, including smart speakers, cars, TVs and wearables, remains essential to its reach. In-car streaming is replacing traditional radio and voice-controlled home devices have increased at-home listening. Since Spotify lacks its own hardware platform, it must be highly adaptable to software changes in iOS, Android and other operating systems, as these changes can directly affect user access and acquisition.

Technological changes are reshaping digital audio advertising. Programmatic buying, dynamic ad insertion and enhanced first-party data capabilities have strengthened Spotify's ad tech stack, including the Spotify Audience Network. However, stricter privacy regulations mean that Spotify must continue to develop privacy-safe targeting tools to compete with major digital ad platforms. Meanwhile, the broader creator economy is evolving and platforms like YouTube and TikTok offer creators extensive monetization features. Spotify has followed with its 2025 Partner Program. However, further expansion of creator tools will be necessary for Spotify to remain competitive.

## **1.5 Environmental Factors**

As platforms scale globally, the environmental footprint of audio streaming has become an increasingly relevant consideration. Streaming millions of hours of music and podcasts requires substantial energy usage by data centers and content delivery networks. In 2024, Spotify reported approximately 200,000 metric tons of CO<sub>2</sub>e emissions and committed to achieving net-zero emissions by 2030. The company's plan includes increasing renewable energy use, improving the efficiency of cloud operations and reducing emissions related to business travel and merchandise. Although audio streaming emits far less per user than video streaming does,

Spotify's large global audience means that its sustainability efforts carry both operational and reputational importance.

The shift from physical media to digital formats has reduced plastic waste and aligned with broader dematerialization trends, although streaming involves trade-offs. Continuous playback can consume more energy than one-time downloads or occasional use of physical media, prompting industry initiatives, e.g. improved caching and compression technologies. Broader environmental risks, including climate-related disruptions to cloud infrastructure and tighter environmental regulations, may influence Spotify's operations and cost structure in the coming years.

## **1.6 Legal Factors**

Spotify operates in a highly regulated environment, shaped by strict data privacy laws. In Europe, the General Data Protection Regulation (GDPR) imposes strict rules on the use of personal data, consent and cross-border transfers. Violations are subject to penalties of up to 4% of global turnover. Spotify has already received GDPR fines and must continually adapt its systems to remain compliant. In the U.S., privacy rules are emerging on a state-by-state basis, following California's CCPA creating a fragmented regulatory landscape.

Copyright and licensing regulations substantially influence Spotify's operating model. The company must navigate the EU's evolving rules, such as the Digital Single Market Copyright Directive, which increases platform liability for unlicensed content, as well as ongoing U.S. royalty-rate adjustments. These developments can directly impact Spotify's costs by increasing payouts to rightsholders or requiring new content management tools. As the three major music labels control most commercially relevant catalogs, Spotify's agreements with them are essential.

Additionally, content moderation laws are becoming more demanding. The EU's Digital

Services Act (DSA) requires large platforms to remove illegal or harmful content more quickly and to maintain transparent moderation processes with fines for non-compliance. In the U.S., the ongoing debate about reforming Section 230 could increase liability for user-generated podcast content if protections are weakened. Spotify periodically faces litigation over royalties, copyright claims and intellectual property disputes requiring further investment in compliance and legal infrastructure.

## **Appendix 2 – Competitive Landscape**

### **2.1 YouTube Music**

Operated by Alphabet Inc., YouTube Music is Google’s music streaming service and a core component of the broader YouTube ecosystem. Since its launch in 2015, YouTube Music has offered a vast catalog of official tracks, user-generated content, remixes, live recordings and personalized playlists. YouTube Music has around 125m subscribers across 119 countries, supported by its tight integration with YouTube Premium and Google’s ad-driven media model.

One of YouTube Music’s key competitive strengths is its cross-platform versatility. The service seamlessly blends music and video, providing users with access to official music videos, live concerts and behind-the-scenes content directly within the app. Its AI-driven recommendation engine powers personalized playlists and endless radio stations that adapt to user behavior, mood and context. Deep integration with the Android operating system (OS) and Auto, Google Assistant, Wear OS and smart speakers further reinforce its accessibility and ease of use across devices.

YouTube’s extensive toolset adds another dimension to the platform’s value for creators. Through YouTube Studio, artists can access detailed audience insights, real-time performance metrics and built-in promotional tools. These features strengthen YouTube Music’s competitive position against Spotify and Apple Music, especially in markets where video discovery and

hybrid content consumption are popular. The result is a service that stands out for both its catalog depth and its ability to convert traditional YouTube engagement into paid music streaming.

## **2.2 Tencent Music**

Tencent Music Entertainment (TME), Tencent Holdings' music division, operates the largest digital audio ecosystem in China through QQ Music, Kugou, Kuwo and WeSing. With over 800m monthly active users and about 120m paying subscribers, TME combines traditional streaming with interactive social entertainment features, giving TME an unmatched scale advantage in the domestic market. TME is a key pillar of Tencent's digital entertainment portfolio and benefits from deep integration with WeChat, QQ and Tencent Video streamlining content distribution, user onboarding and monetization.

Unlike Western streaming platforms, TME combines on-demand listening with live karaoke, user-generated performances, tipping and virtual gifting. These formats drive engagement and revenue, also supporting music videos, live concerts and interactions between artists and fans, establishing TME as a broader digital entertainment hub rather than a pure audio service. AI-powered discovery, mood-based recommendations and extensive libraries of exclusive or early-release Chinese content further differentiate its service and strengthen domestic loyalty.

TME competes with NetEase Cloud Music in China and, indirectly, with global players such as Spotify. However, its dominance rests on Tencent's ecosystem synergies and social features deeply embedded in local user behavior. Its toolkit for artists, including analytics, promotion and monetization tools, reinforces its strong relationships with creators. Although TME's model differs from Spotify's subscription approach, its size and vertical integration establish it as one of the most significant players in the global digital audio market, particularly in Asia.

## **2.3 Apple Music**

Apple Music, Apple Inc.'s flagship audio-streaming service, is a core part of the company's rapidly growing Services division. Since its launch in 2015, the platform has expanded to 167 countries and by 2024 had around 95m subscribers. Apple positions the service as a premium, high-fidelity alternative to competitors, offering a catalog of over 100m songs, curated playlists and exclusive artist content. As part of Apple's broader ecosystem, which includes the App Store, iCloud, Apple TV+ and more, Apple Music enjoys stable, recurring subscription revenues and robust customer loyalty.

A major competitive advantage is Apple's tight integration of hardware and software. Apple Music is natively embedded into iOS, macOS and other systems and gains additional traction through bundled subscriptions like Apple One, which packages music with cloud storage, apps and video streaming services. This ecosystem approach enables Apple to cross-sell services and boost user retention. Complementary features, such as live radio stations, expertly curated playlists and the standalone Apple Music Classical app, satisfy a wide range of listening preferences.

Apple Music also stands out with exclusive music videos, concert films, high-quality artist content and a suite of creator tools that provide artists with analytics and promotional insights. These features help reinforce Apple's positioning in the premium streaming segment and intensify its rivalry with Spotify. Although both services compete directly on price and functionality, Apple's hardware lock-in, seamless cross-device experience and long-standing focus on audio quality give it a structural advantage in attracting and retaining subscribers within its ecosystem.

## **2.4 NetEase Cloud Music**

Operated by Cloud Village Inc., NetEase Cloud Music is the music streaming arm of NetEase,

one of China's largest internet technology companies. Since its launch in 2013, it has focused on social interaction and community-driven music discovery, setting it apart from more traditional streaming models. With over 190m monthly active users and about 50m paying subscribers in 2024, NetEase Cloud Music is the second-largest music streaming service in China, behind Tencent Music.

The platform offers ad-supported and subscription streaming alongside a robust social entertainment layer, providing features such as comment sections, music blogs, fan communities, live streaming and virtual gifting. This dual model has become a core revenue driver, particularly among younger users who deeply engage with artists and fan groups. NetEase Cloud Music stands out for its strong support of independent musicians by providing self-publishing tools, promotional channels and dedicated spaces for indie discovery.

The company benefits from its integration with NetEase's broader digital ecosystem, which includes gaming and e-commerce, allowing for cross-promotion and multi-channel monetization. While competing primarily with Tencent Music, NetEase Cloud Music stands out with its community-centric experience and advanced recommendation features, helping the platform to maintain a distinct identity in a market dominated by extensive catalogs and ecosystem power.

## **2.5 Amazon Music**

As part of Amazon's broader digital ecosystem, Amazon Music benefits from the company's global reach in e-commerce, cloud computing and consumer devices. Originally launched in 2007 and rebranded in 2016, the service now spans multiple tiers, from an ad-supported option to Amazon Prime Music and a standalone Amazon Music Unlimited subscription. With over 82m users worldwide and an estimated 32m paying subscribers in 2024, Amazon Music has established itself as a dominant force in the streaming landscape.

Amazon Music's strength is its seamless integration with Alexa, Echo speakers, Fire TV and other Amazon devices. This integration makes voice-controlled music a core use case in millions of households. Bundling with Prime remains a powerful conversion driver as members gain access to curated playlists and limited on-demand features, positioning Amazon Music as a natural entry point into its premium Unlimited tier. The platform leverages Amazon's AI and behavioral data to provide personalized recommendations and expands its offerings with select music videos, live performances and a growing podcast library.

Amazon Music competes directly with Spotify, Apple Music and YouTube Music. It differentiates itself through device-centric convenience and its ability to package music within Amazon's wider subscription ecosystem. These features create sticky user experience and consistent engagement, particularly among Prime households and smart-home users. Although Amazon Music does not match Spotify's scale in standalone audio streaming, its deep ecosystem integration ensures it remains a significant competitor in the global streaming market.

## **2.6 Deezer**

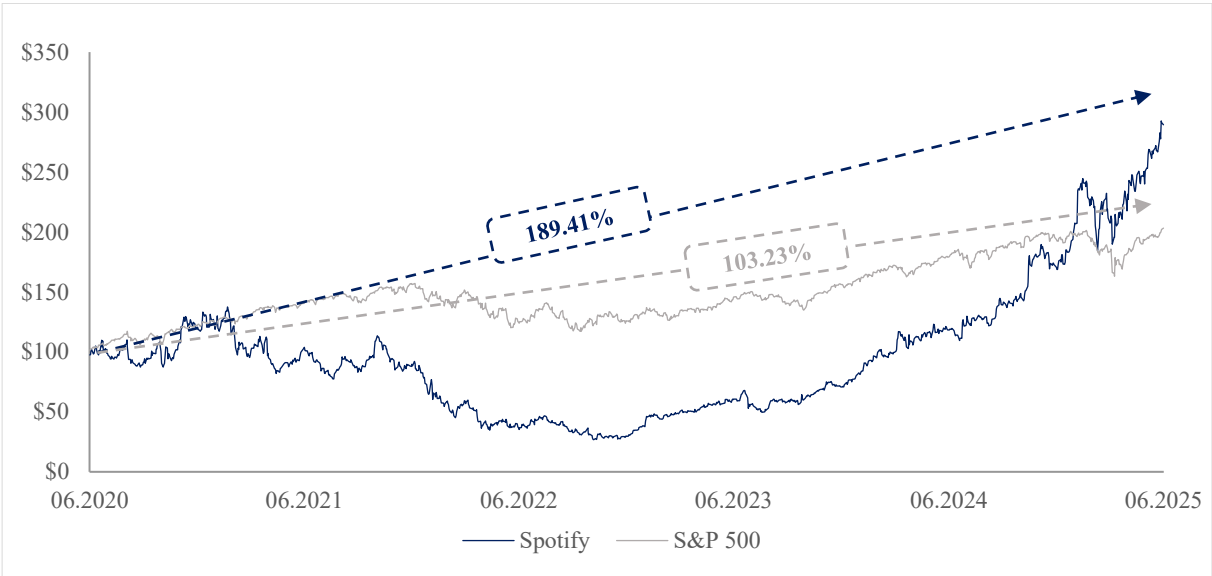
Since its founding in 2007, Paris-based Deezer S.A. has expanded to over 180 countries, offering a catalog of more than 120m tracks spanning mainstream and niche genres. Deezer operates on a freemium model, with ad-supported access and several paid tiers including Individual, Family, Student and HiFi. As of 2024, the platform has roughly 16m active users and around 10m paying subscribers, giving Deezer a modest global market share, but strong footholds in France, Brazil and select European markets.

A key part of Deezer's strategy is its open platform, based on partnerships with telcos, hardware manufacturers and media companies, including Sonos, Orange and RTL. Despite its smaller scale, this distribution model has helped Deezer remain competitive. Deezer also emphasizes editorial curation, personalized flows and rich discovery tools, blending algorithmic

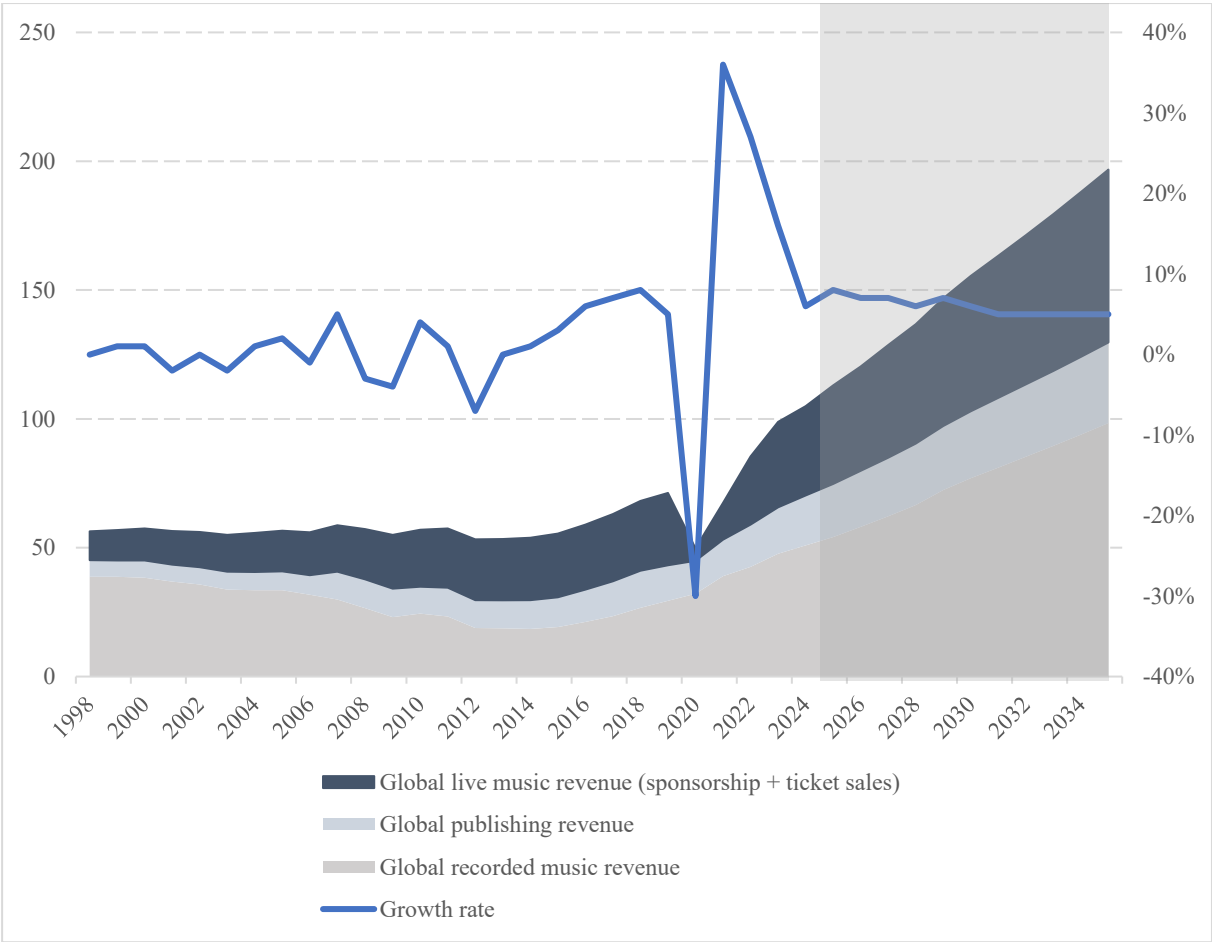
recommendations with human-curated playlists to differentiate its listening experience.

Product-wise, Deezer offers high-fidelity (HiFi) and lossless audio options, being an early mover in this area, also offering broad device compatibility across mobile, desktop, smart speakers, smart TVs and car integrations. The company caters to artists with “Deezer for Creators” which provides analytics and promotional tools. In a market dominated by tech ecosystems, Deezer sets itself apart through openness, strong regional partnerships and a focus on sound quality and personalization.

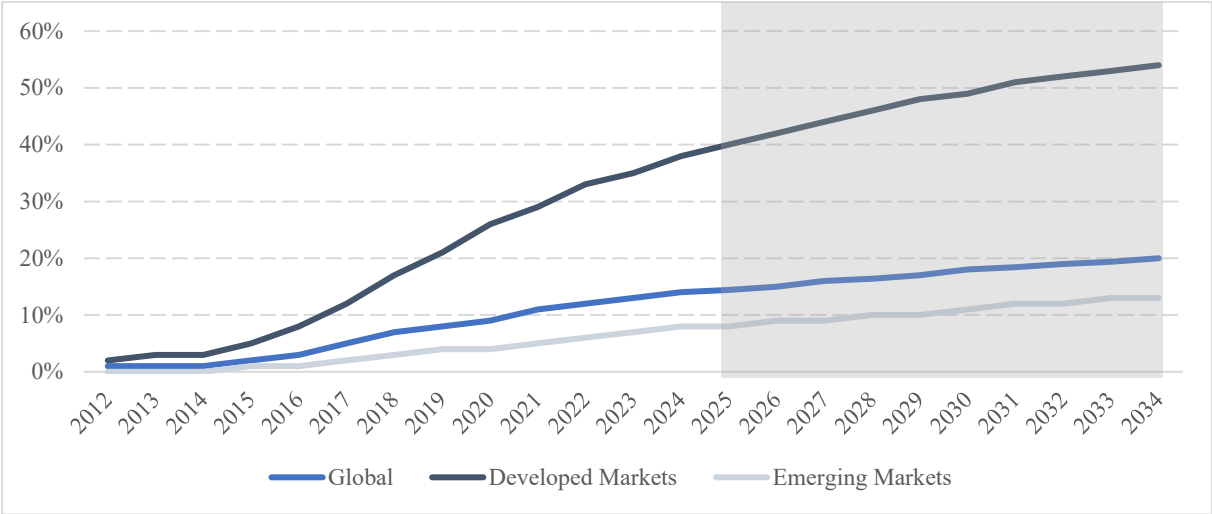
**Appendix 3 – Historic Stock Performance of Spotify Technology S.A. in Comparison to S&P 500 (indexed)**



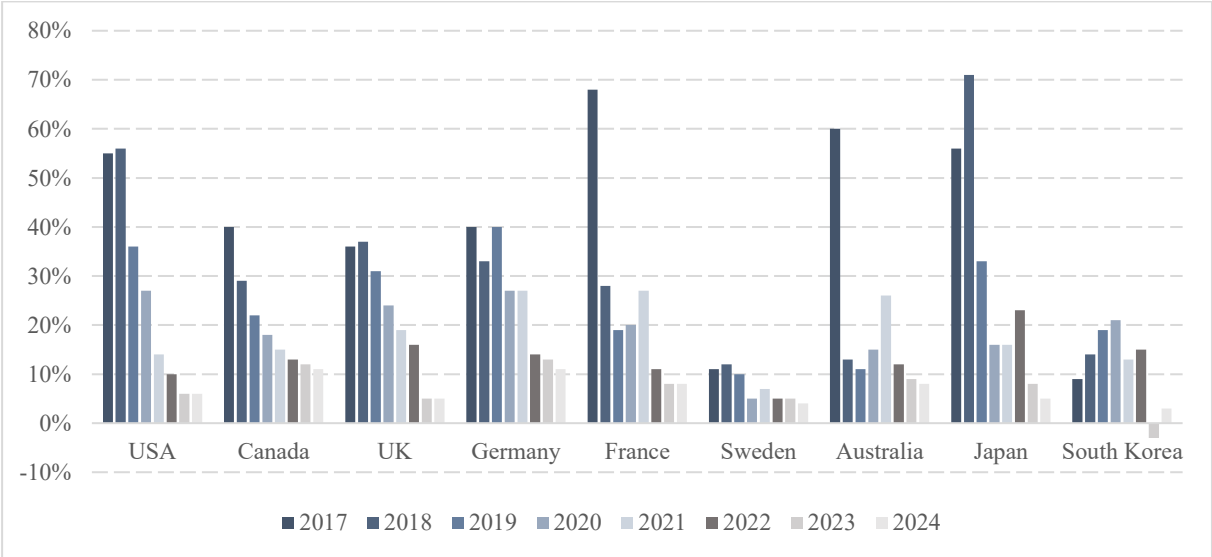
**Appendix 4 – Global Music Market Revenues (in USDb) and % Growth**



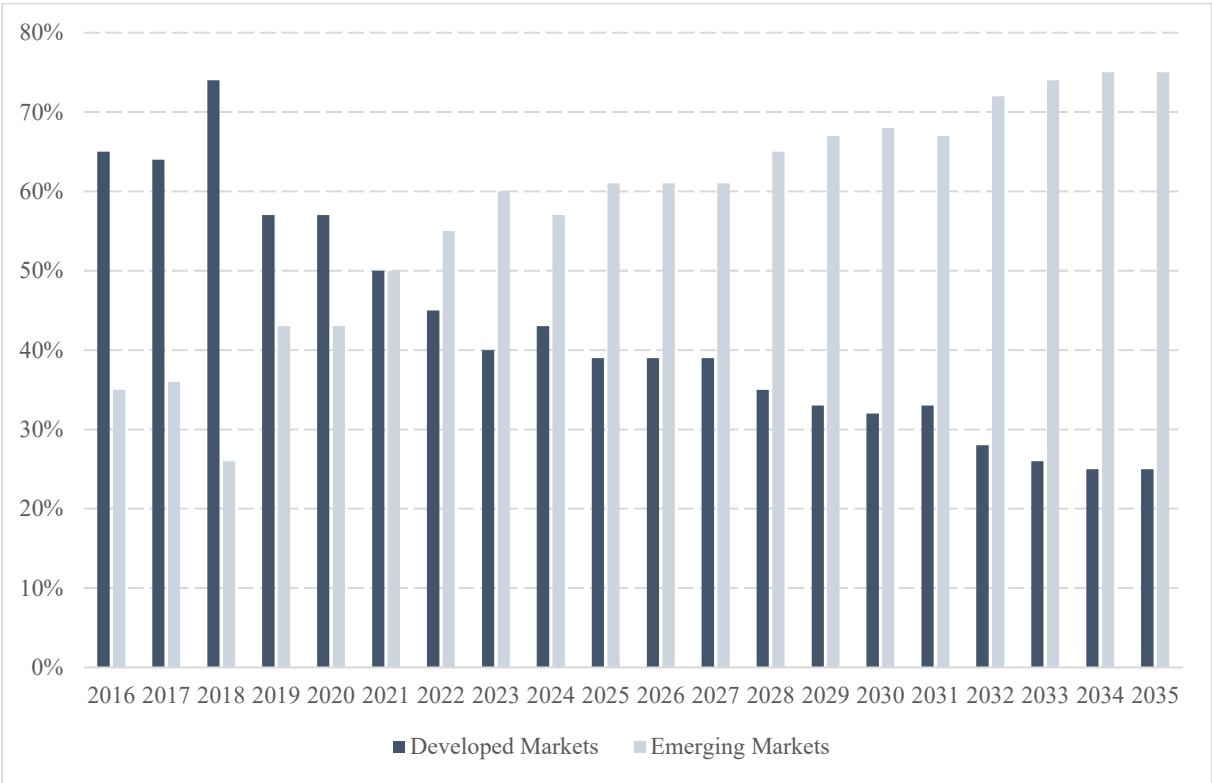
**Appendix 5 – Streaming Penetration by Market (as a Percentage of Internet Users)**



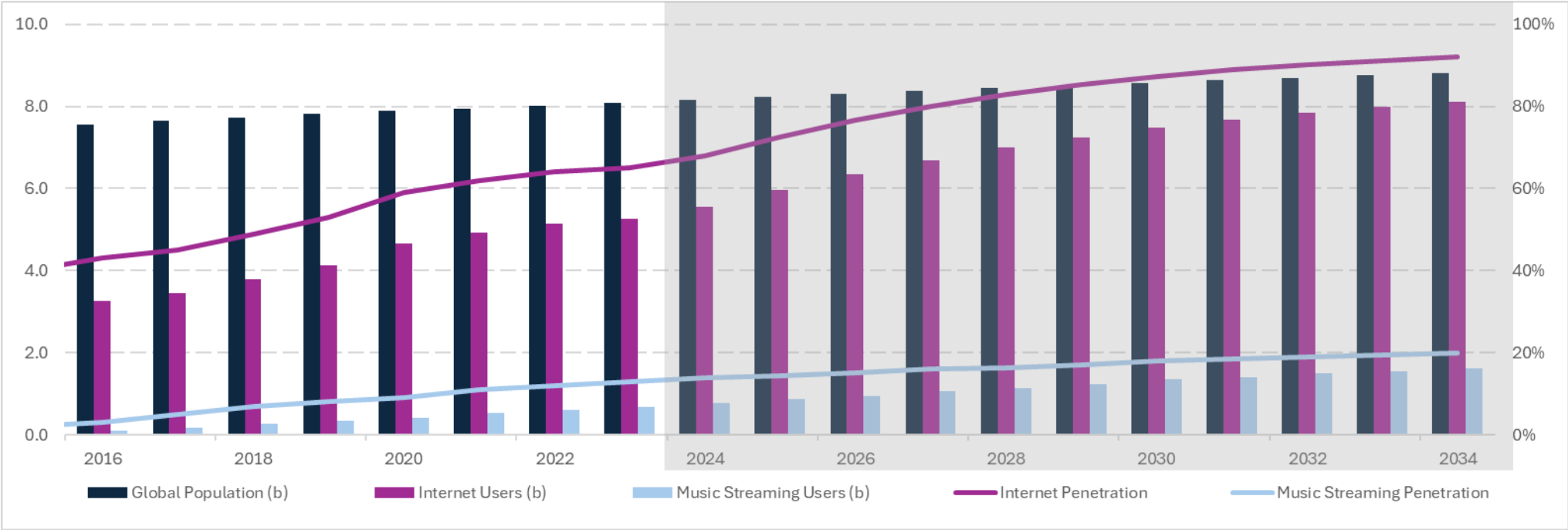
**Appendix 6 – Paid Subscriber Year-on-Year Growth (Developed Markets)**



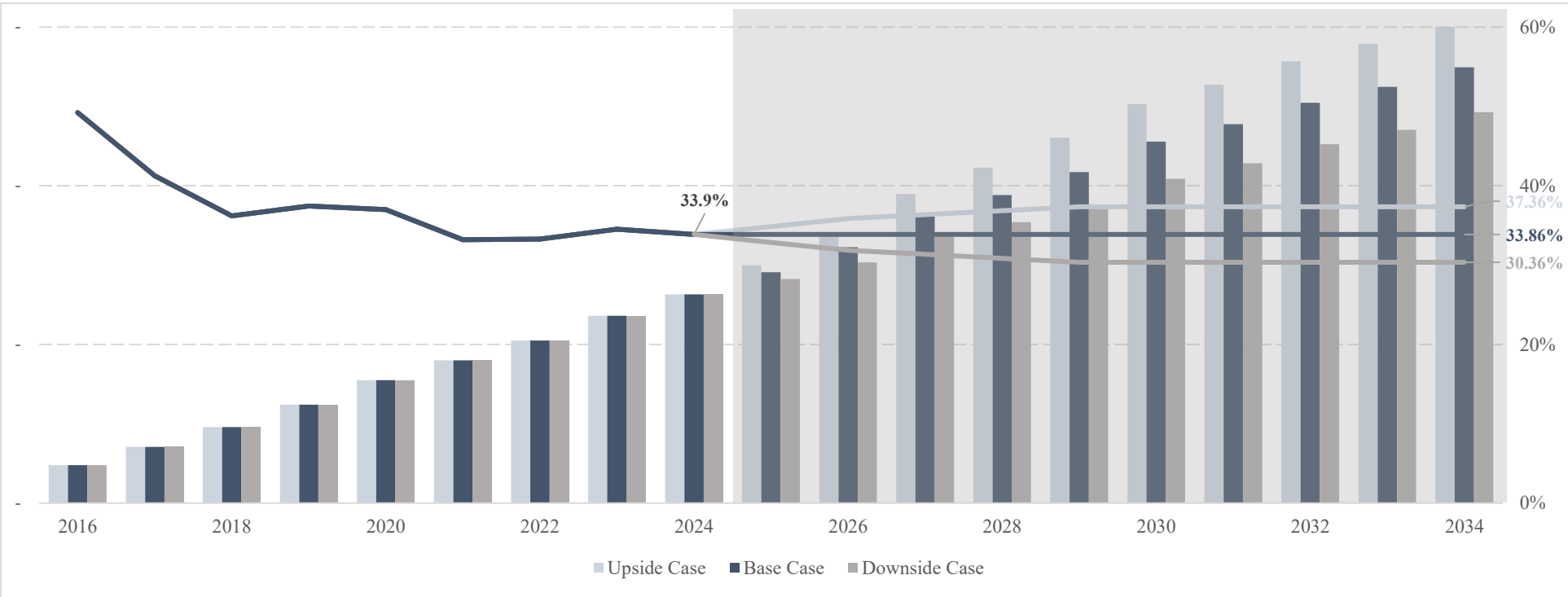
**Appendix 7 - Percentage of Net Paid Subscriber Additions from Developed Markets and Emerging Markets**



**Appendix 8 – Forecast Music Streaming Users (Top-Down-Approach)**



**Appendix 9 – Market Share Scenario Forecast (Premium Subscribers)**



## Appendix 10 – Historical and Forecasted Income Statement of Spotify Technology S.A.

Year	2019A	2020A	2021A	2022A	2023A	2024A	H1/2025A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<i>in EUR millions (except per share data)</i>																	
<b>Income Statement</b>																	
Revenue	6,764	7,880	9,668	11,727	13,247	15,673	8,383	19,347	21,348	25,518	27,312	31,006	33,830	37,229	39,250	42,552	44,453
%-Growth		16.5%	22.7%	21.3%	13.0%	18.3%		23.4%	10.3%	19.5%	7.0%	13.5%	9.1%	10.0%	5.4%	8.4%	4.5%
Premium	7,135	8,460	10,251	11,566	13,819	13,819	7,511	17,062	18,633	22,040	23,341	26,216	28,295	30,799	32,114	34,429	35,562
%-Share of total revenue		90.5%	87.5%	87.4%	87.3%	88.2%	89.6%	88.2%	87.3%	86.4%	85.5%	84.5%	83.6%	82.7%	81.8%	80.9%	80.0%
Ad-supported	745	1,208	1,476	1,681	1,854	1,854	872	2,285	2,716	3,478	3,971	4,791	5,535	6,430	7,136	8,123	8,891
%-Share of total revenue		9.5%	12.5%	12.6%	12.7%	11.8%	10.4%	11.8%	12.7%	13.6%	14.5%	15.5%	16.4%	17.3%	18.2%	19.1%	20.0%
COGS	(5,042)	(5,865)	(7,077)	(8,801)	(9,850)	(10,949)	(5,737)	(13,303)	(14,446)	(16,988)	(17,883)	(19,962)	(21,410)	(23,153)	(23,980)	(25,531)	(26,672)
Gross Profit	1,722	2,015	2,591	2,926	3,397	4,724	2,646	6,043	6,902	8,530	9,429	11,044	12,420	14,076	15,270	17,021	17,781
%-Margin		25.6%	26.8%	25.0%	25.6%	30.1%	31.6%	31.2%	32.3%	33.4%	34.5%	35.6%	36.7%	37.8%	38.9%	40.0%	40.0%
R&D Expenses	(615)	(837)	(912)	(1,387)	(1,725)	(1,486)	(794)	(1,738)	(1,811)	(2,038)	(2,046)	(2,168)	(2,197)	(2,232)	(2,158)	(2,128)	(2,223)
Sales & Marketing	(826)	(1,029)	(1,135)	(1,572)	(1,533)	(1,392)	(678)	(1,635)	(1,712)	(1,936)	(1,955)	(2,085)	(2,129)	(2,183)	(2,132)	(2,128)	(2,223)
General & Administrative	(354)	(442)	(450)	(626)	(585)	(481)	(259)	(594)	(655)	(783)	(838)	(952)	(1,038)	(1,143)	(1,205)	(1,306)	(1,364)
EBITDA	14	(182)	221	(488)	(300)	1,478	862	2,210	2,865	3,921	4,746	6,002	7,226	8,696	9,960	11,651	12,170
%-Margin		-2.3%	2.3%	-4.2%	-2.3%	9.4%	10.3%	11.4%	13.4%	15.4%	17.4%	19.4%	21.4%	23.4%	25.4%	27.4%	27.4%
Depreciation	(87)	111	127	171	146	113	(53)	134	141	148	155	163	170	177	184	192	199
Operating Profit (EBIT)	(73)	(293)	94	(659)	(446)	1,365	915	2,077	2,724	3,772	4,591	5,839	7,056	8,519	9,776	11,460	11,972
%-Margin		-3.7%	1.0%	-5.6%	-3.4%	8.7%	10.9%	10.7%	12.8%	14.8%	16.8%	18.8%	20.9%	22.9%	24.9%	26.9%	26.9%
Finance (Cost)/Income - Net	(58)	(416)	155	289	(59)	(24)	(539)	(111)	(115)	(321)	(524)	(730)	(935)	(1,140)	(1,343)	(1,549)	(1,752)
EBT	(131)	(709)	249	(370)	(505)	1,341	376	1,965	2,609	3,451	4,066	5,109	6,121	7,379	8,432	9,911	10,220
%-Margin		-9.0%	2.6%	-3.2%	-3.8%	8.6%	4.5%	10.2%	12.2%	13.5%	14.9%	16.5%	18.1%	19.8%	21.5%	23.3%	23.0%
Taxes	(55)	128	(283)	(60)	(27)	(203)	(237)	(522.7)	(452.7)	(639.8)	(908.0)	(1,140.9)	(1,285.5)	(1,549.5)	(1,770.8)	(2,180.5)	(2,555.0)
Effective Tax Rate	42.0%	(18.1%)	(113.7%)	16.2%	5.3%	(15.1%)	(63.0%)	26.6%	17.4%	18.5%	22.3%	22.3%	21.0%	21.0%	21.0%	22.0%	25.0%
Net Income	(186)	(581)	(34)	(430)	(532)	1,138	139	1,442	2,156	2,811	3,158	3,968	4,836	5,829	6,662	7,731	7,665
%-Margin		-7.4%	-0.4%	-3.7%	-4.0%	7.3%	1.7%	7.5%	10.1%	11.0%	11.6%	12.8%	14.3%	15.7%	17.0%	18.2%	17.2%
<b>Earnings/(loss) per Share</b>																	
Basic	(1.03)	(3.10)	(0.18)	(2.23)	(2.73)	5.67	0.68	7.04	10.52	13.72	15.41	19.36	23.60	28.44	32.50	37.72	37.40
Diluted	(1.03)	(3.10)	(0.18)	(2.20)	(2.73)	5.50	0.66	6.85	10.25	13.36	15.01	18.85	22.98	27.69	31.65	36.73	36.42
<b>Weighted-average ordinary shares outstanding</b>																	
Basic	180,960,579	187,583,307	191,298,397	192,934,862	194,732,304	200,622,518	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112	204,950,112
Diluted	180,960,579	187,583,307	193,943,455	195,846,362	194,732,304	206,990,369	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453	210,475,453

## Appendix 11 – Historical Balance Sheet of Spotify Technology

Year	2020A	2021A	2022A	2023A	2024A	H1/2025
<i>in EUR millions</i>						
<b>Balance Sheet</b>						
<b>Non-Current Assets</b>						
Lease right-of-use assets	444	437	417	300	226	256
Property and Equipment	313	372	348	247	188	161
Goodwill	736	894	1,168	1,137	1,201	1,074
Intangible Assets	97	89	127	84	48	37
Long-term Investments	2,277	916	1,138	1,215	1,635	2,417
Restricted Cash and Other Non-current Assets	78	77	78	75	68	59
Finance lease receivables	-	-	-	-	74	68
Deferred Tax Assets	15	13	8	28	186	94
<b>Total Non-current Assets</b>	<b>3,960</b>	<b>2,798</b>	<b>3,284</b>	<b>3,086</b>	<b>3,626</b>	<b>4,166</b>
<b>Current Assets</b>						
Trade and Other Receivables	464	621	690	858	771	736
Income Tax Receivables	4	5	5	20	28	83
Short-term Investments	596	756	867	1,100	2,667	3,183
Cash and Cash Equivalents	1,151	2,744	2,483	3,114	4,781	5,161
Other Current Assets	151	246	307	168	132	136
Content Assets	92	161	187	95	47	34
Prepaid Expenses and Other	47	74	89	64	71	71
Derivative Assets	12	11	31	9	14	31
<b>Total Current Assets</b>	<b>2,366</b>	<b>4,372</b>	<b>4,352</b>	<b>5,260</b>	<b>8,379</b>	<b>9,299</b>
<b>Total Assets</b>	<b>6,326</b>	<b>7,170</b>	<b>7,636</b>	<b>8,346</b>	<b>12,005</b>	<b>13,465</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Share Capital	-	-	-	-	-	-
Other Paid in Capital	4,583	4,746	4,789	5,155	6,124	6,420
Treasury Shares	(175)	(260)	(262)	(262)	(262)	(262)
Other Reserves	1,687	853	1,521	1,812	2,707	3,374
Accumulated Deficit	(3,290)	(3,220)	(3,647)	(4,182)	(3,044)	(2,905)
<b>Total Equity</b>	<b>2,805</b>	<b>2,119</b>	<b>2,401</b>	<b>2,523</b>	<b>5,525</b>	<b>6,627</b>
<b>Non-current Liabilities</b>						
Exchangeable Notes	-	1,202	1,128	1,203	1,539	-
Lease Liabilities	577	579	555	493	462	453
Accrued Expenses and Other Liabilities	42	37	28	26	5	5
Provisions	2	7	3	3	3	3
Deferred Tax Liabilities	-	-	5	8	21	66
<b>Total Non-Current Liabilities</b>	<b>621</b>	<b>1,825</b>	<b>1,719</b>	<b>1,733</b>	<b>2,030</b>	<b>527</b>
<b>Current Liabilities</b>						
Trade and Other Payables	638	793	845	978	1,342	1,171
Income tax Payables	9	23	11	12	33	42
Deferred Revenue	380	458	520	622	683	665
Accrued Expenses and Other Liabilities	1,748	1,841	2,093	2,440	2,347	2,442
Exchangeable Notes	-	-	-	-	-	1,929
Provisions	20	22	26	21	25	47
Derivative Liabilities	105	89	21	17	20	16
<b>Total Current Liabilities</b>	<b>2,900</b>	<b>3,226</b>	<b>3,516</b>	<b>4,090</b>	<b>4,450</b>	<b>6,312</b>
<b>Total Liabilities</b>	<b>3,521</b>	<b>5,051</b>	<b>5,235</b>	<b>5,823</b>	<b>6,480</b>	<b>6,839</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,326</b>	<b>7,170</b>	<b>7,636</b>	<b>8,346</b>	<b>12,005</b>	<b>13,466</b>

## Appendix 12 – Historical Cash Flow Statement of Spotify Technology S.A.

Year	2020A	2021A	2022A	2023A	2024A
<i>in EUR millions</i>					
<b>Cash Flow Statement</b>					
Net income/(loss)	(581)	(34)	(430)	(532)	1,138
Cash flow from operations					
Depreciation & amortization	111	127	171	146	113
Other amortization	-	18	-	12	8
Asset writedown & restructuring costs	-	-	-	152	43
Stock-based compensation	176	223	381	321	267
Other operating activities	236	63	(267)	117	356
Change in net working capital	317	(36)	191	464	376
<i>Change in acc. Receivables</i>	<i>(187)</i>	<i>(245)</i>	<i>(84)</i>	<i>(145)</i>	<i>145</i>
<i>Change in acc. payables</i>	<i>425</i>	<i>137</i>	<i>226</i>	<i>501</i>	<i>183</i>
<i>Change in unearned revenue</i>	<i>73</i>	<i>67</i>	<i>52</i>	<i>113</i>	<i>45</i>
<i>Change in other net operating assets</i>	<i>6</i>	<i>5</i>	<i>(3)</i>	<i>(5)</i>	<i>3</i>
<b>Total cash flow from operations</b>	<b>259</b>	<b>361</b>	<b>46</b>	<b>680</b>	<b>2,301</b>
Cash flow from investing					
Capital expenditure	(78)	(85)	(25)	(6)	(17)
Cash acquisitions	(336)	(115)	(306)	(7)	(10)
Invest. In marketable & equity securt.	67	22	(89)	(211)	(1,471)
Other investing activities	(25)	(9)	(3)	7	12
<b>Total cash flow from investing</b>	<b>(372)</b>	<b>(187)</b>	<b>(423)</b>	<b>(217)</b>	<b>(1,486)</b>
Cash flow from financing					
Total debt issued	-	1,223	-	-	-
Total debt repaid	(24)	(35)	(43)	(66)	(69)
Issuance of common stock	319	167	43	366	933
Repurchase of common stock	(30)	(143)	(42)	(68)	(135)
Other financing activities	20	38	2	2	-
<b>Total cash flow from financing</b>	<b>285</b>	<b>1,250</b>	<b>(40)</b>	<b>234</b>	<b>729</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>172</b>	<b>1,424</b>	<b>(417)</b>	<b>697</b>	<b>1,544</b>
Cash and cash equivalents at January 1	1,065	1,151	2,744	2,483	3,114
Foreign exchange rate adj.	(86)	169	156	(66)	123
<b>Cash and cash equivalents at December 31</b>	<b>1,151</b>	<b>2,744</b>	<b>2,483</b>	<b>3,114</b>	<b>4,781</b>

## Appendix 13 – Formula for Annual ARPU Forecast

$$\text{ARPU}_t = \text{ARPU}_{t-1} * (1 + (\text{Country Exposed Share}_t * \text{Price Hike}_t * \text{First-year Materialization} + \text{Country Exposed Share}_{t-1} * \text{Price Hike}_{t-1} * \text{Second-year Materialization}) + \text{Mix Headwind}^0_{t-1})$$

## Appendix 14 – Debt Schedule

Year	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<i>in EUR millions</i>										
<b>Exchangeable Notes</b>										
Beginning Debt	1,929	1,929	6,680	11,431	16,182	20,933	25,684	30,435	35,186	39,937
New Debt Issued	-	4,751	4,751	4,751	4,751	4,751	4,751	4,751	4,751	4,751
Ending Debt	1,929	6,680	11,431	16,182	20,933	25,684	30,435	35,186	39,937	44,688
EV/EBITDA	0.9x	2.3x	2.9x	3.4x	3.5x	3.6x	3.5x	3.5x	3.4x	3.7x
Cost of Debt	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Interest Payments	81	81	281	482	682	882	1,082	1,282	1,482	1,682
<b>Lease Liabilities</b>										
Outstanding Lease Liabilities	521	575	687	736	835	911	1,003	1,057	1,146	1,197
as % of Revenue	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Repayment Rate	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Interest Payments	30	33	40	43	48	53	58	61	66	69
<b>Total Interest Payments</b>	<b>111</b>	<b>115</b>	<b>321</b>	<b>524</b>	<b>730</b>	<b>935</b>	<b>1,140</b>	<b>1,343</b>	<b>1,549</b>	<b>1,752</b>
% Exchangeable Notes	72.9%	70.9%	87.6%	91.9%	93.4%	94.3%	94.9%	95.4%	95.7%	96.0%
% Lease Liabilities	27.1%	29.1%	12.4%	8.1%	6.6%	5.7%	5.1%	4.6%	4.3%	4.0%

## Appendix 15 – WACC Calculation

### 15.1 WACC – Assumptions

WACC Calculation Assumptions	
Risk-Free Rate	2.68%
Equity Risk Premium	6.22%
Unlevered Cost of Equity	8.29%
Levered Cost of Equity	9.83%
Pre-Tax Cost of Debt	4.21%
Cost of Capital	9.71%
Statutory Tax Rate	24.94%

## 15.2 WACC – Cost of Debt Calculation

Cost of Debt Calculation						
<b>Method 1 - Weighted Average</b>						
Exchangeable Notes - Issuer	Symbol	Maturity	Price (EUR)	Coupon	Outstanding Amount (EUR)	YTM
Spotify Technology S.A.	SPOT	2026-03-15	1,435	0.00%	1,929,000,000	78.73%
Lease Liabilities - Debtor						
Spotify Technology S.A.	SPOT	-	-	5.80%	521,000,000	5.80%
Weighted Average						34.20%
<b>Method 2 - Credit Spread</b>						
Avg. Credit Rating of Peers	BBB					
Credit Spread	1.20%					
<b>Pre-Tax Cost of Debt Based on Credit Spread</b>						
3.88%						
<b>Method 3 - Debt Beta</b>						
Avg. Credit Rating of Peers	BBB					
Debt Beta	0.30					
<b>Pre-Tax Cost of Debt Based on Debt Beta</b>						
4.55%						
<b>Average Pre-Tax Cost of Debt</b>						
Pre-Tax Cost of Debt - Method 2 (Credit Spread)	3.88%					
Pre-Tax Cost of Debt - Method 3 (Debt Beta)	4.55%					
<b>Pre-Tax Cost of Debt</b>						
4.21%						
<b>Comparable Companies - Credit Ratings</b>						
Company	Credit Rating - Moody's	Credit Rating - Fitch	Credit Rating - S&P			
Live Nation Entertainment, Inc.	Ba2	-	BB-			
Netflix, Inc.	A3	-	A			
Paramount Skydance Corporation	-	BBB+	BB+			
Roku, Inc.	-	-	-			
Sirius XM Holdings Inc.	-	-	BB+			
Tencent Music Entertainment Group	A2	A-	A			
The Walt Disney Company	A2	A-	A			
Universal Music Group N.V.	Baa1	-	BBB+			
Warner Bros. Discovery, Inc.	Ba1	BB+	BB+			
Warner Music Group Corp.	Ba1	BBB-	BBB-			
<b>Comparable Companies - Point Ratings</b>						
Company	Credit Rating - Moody's	Credit Rating - Fitch	Credit Rating - S&P			
Live Nation Entertainment, Inc.	5	-	5			
Netflix, Inc.	3	-	3			
Paramount Skydance Corporation	-	4	5			
Roku, Inc.	-	-	-			
Sirius XM Holdings Inc.	-	-	5			
Tencent Music Entertainment Group	3	3	3			
The Walt Disney Company	3	3	3			
Universal Music Group N.V.	4	-	4			
Warner Bros. Discovery, Inc.	5	5	4			
Warner Music Group Corp.	5	4	4			
Average	4.00	3.80	4.11			
Median	4.00	4.00	4.00			
<b>Credit Rating Conversion</b>				Baa1, Baa2, Baa3		
				BBB+, BBB, BBB-		
				BBB+, BBB, BBB-		
<b>Credit Ratings to Points Conversion</b>						
Grade	Moody's Rating	Points	Fitch's Rating	Points	S&P's Rating	Points
Investment grade: Highest	Aaa	1	AAA	1	AAA	1
Investment grade: Very high	Aa1, Aa2, Aa3	2	AA+, AA, AA-	2	AA+, AA, AA-	2
Investment grade: High	A1, A2, A3	3	A+, A, A-	3	A+, A, A-	3
Investment grade: Good	Baa1, Baa2, Baa3	4	BBB+, BBB, BBB-	4	BBB+, BBB, BBB-	4
Speculative grade: Speculative	Ba1, Ba2, Ba3	5	BB+, BB, BB-	5	BB+, BB, BB-	5
Speculative grade: Highly speculative	B1, B2, B3	6	B+, B, B-	6	B+, B, B-	6
Speculative grade: Very high risk	Caa1, Caa2, Caa3	7	CCC+, CCC, CCC-	7	CCC	7
Speculative grade: Very near to default	Ca	8	CC, C, C	8	CC, C, C	8
In default	C	9	SD/D	9	RD/D	9
<b>Credit Spread Based on Credit Rating</b>						
Credit Rating	Credit Spread					
AAA	0.45%					
AA	0.60%					
A	0.85%					
BBB	1.20%					
BB	1.33%					
B	3.00%					
CCC	7.28%					
CC	10.10%					
<b>Debt Beta Based on Credit Rating</b>						
Credit Rating	Debt Beta					
AAA	0.19					
AA	0.19					
A	0.21					
BBB	0.30					
BB	0.39					
B	0.40					
CCC	0.47					
CC	0.65					

## 15.3 WACC – Cost of Equity Calculation

Cost of Equity Calculation															
<b>Comparable Companies (Similar Business Model) - Unlevered Beta Calculation</b>															
Company	Ticker	Levered Beta	Short-Term Borrowings (EUR)	Curr. Port. Of Long-Term Debt (EUR)	Long-Term Debt (EUR)	Curr. Port. Of Leases (EUR)	Long-Term Leases (EUR)	Debt (EUR)	% Debt	Equity Value (EUR)	% Equity	Pref. Stock (EUR)	% Pref. Stock	Tax Rate	Unlevered Beta
Live Nation Entertainment, Inc.	LIV	1.40	-	1,254,778,000	4,249,832,243	135,028,316	1,519,688,229	7,193,328,866	19.4%	29,855,665,102	80.6%	-	0.0%	24.8%	1.23
Netflix, Inc.	NFLX	1.60	-	-	12,306,904,909	386,529,910	1,725,838,082	14,419,272,901	2.9%	485,265,804,897	97.1%	-	0.0%	22.7%	1.56
Paramount Skydance Corporation	PSKY	1.21	-	294,619,000	12,063,200,500	-	846,391,000	13,204,210,500	63.0%	7,753,501,141	37.0%	-	0.0%	21.9%	0.52
Roku, Inc.	ROKU	2.12	-	-	-	72,700,219	410,234,819	482,935,037	4.2%	10,976,053,268	95.8%	-	0.0%	25.8%	2.06
Sirius XM Holdings Inc.	SIRI	0.92	-	51,941,500	8,623,992,000	24,693,500	189,884,500	8,890,511,500	57.4%	6,609,450,852	42.6%	-	0.0%	25.0%	0.46
Tencent Music Entertainment Group	TME	0.54	-	-	423,028,071	12,361,596	27,575,868	462,965,535	1.7%	26,236,603,645	98.3%	-	0.0%	25.0%	0.53
The Walt Disney Company	DIG	1.56	1,291,345,500	3,690,916,500	31,179,208,500	-	-	36,071,470,500	16.0%	189,532,149,803	84.0%	-	0.0%	23.2%	1.36
Universal Music Group N.V.	LMC	0.84	968,000,000	81,000,000	2,179,000,000	79,000,000	428,000,000	3,735,000,000	6.9%	50,395,176,013	93.1%	-	0.0%	25.8%	0.80
Warner Bros. Discovery, Inc.	WBD	1.54	-	188,181,500	29,300,966,500	-	-	29,489,148,000	55.0%	24,142,493,954	45.0%	-	0.0%	27.5%	0.82
Warner Music Group Corp.	WMG	1.24	-	-	36,614,500	180,518,000	-	3,932,227,000	24.5%	12,080,712,281	75.5%	-	0.0%	22.0%	0.99
<b>Median</b>		<b>1.35</b>		<b>66,470,750</b>	<b>6,436,912,121</b>	<b>30,654,000</b>	<b>300,669,659</b>	<b>8,029,919,183</b>	<b>17.7%</b>	<b>25,200,548,799</b>	<b>82.3%</b>		<b>0.0%</b>	<b>24.9%</b>	<b>0.90</b>
<b>Method 1 - Releverage - Spotify Technology Levered Beta Calculation</b>															
Case Scenario	Ticker	Levered Beta	Short-Term Borrowings (EUR)	Curr. Port. Of Long-Term Debt (EUR)	Long-Term Debt (EUR)	Curr. Port. Of Leases (EUR)	Long-Term Leases (EUR)	Debt (EUR)	% Debt	Equity Value (EUR)	% Equity	Pref. Stock (EUR)	% Pref. Stock	Tax Rate	Unlevered Beta
Actual D/E ratio	SPOT	0.91	-	-	1,929,000,000	-	68,000,000	2,450,000,000	1.8%	137,233,952,706	98.2%	-	-	24.9%	0.90
Industry ratio	-	1.65	-	-	-	-	-	24,675,950,424	17.7%	115,008,002,282	82.3%	-	-	24.9%	0.90
<b>Method 2 - Regression Analysis of Spotify's Beta</b>															
<b>Beta from Regression Analysis</b>		<b>1.15</b>													
<b>Cost of Equity</b>															
<b>Regression Beta Cost of Equity</b>		<b>9.83%</b>													

## Appendix 16 – Discounted Cash Flow Analysis

### 16.1 DCF – Free Cash Flow Forecast

Year	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<i>in EUR millions except per share data</i>															
<b>WACC</b>	9.71%														
<b>Discounted Cash Flow</b>															
<b>Revenue</b>	7,880	9,668	11,727	13,247	15,673	19,347	21,348	25,518	27,312	31,006	33,830	37,229	39,250	42,552	44,453
COGS	(5,865)	(7,077)	(8,801)	(9,850)	(10,949)	(13,303)	(14,446)	(16,988)	(17,883)	(19,962)	(21,410)	(23,153)	(23,980)	(25,531)	(26,672)
<b>Gross Profit</b>	<b>2,015</b>	<b>2,591</b>	<b>2,926</b>	<b>3,397</b>	<b>4,724</b>	<b>6,043</b>	<b>6,902</b>	<b>8,530</b>	<b>9,429</b>	<b>11,044</b>	<b>12,420</b>	<b>14,076</b>	<b>15,270</b>	<b>17,021</b>	<b>17,781</b>
R&D Expenses	(837)	(912)	(1,387)	(1,725)	(1,486)	(1,738)	(1,811)	(2,038)	(2,046)	(2,168)	(2,197)	(2,232)	(2,158)	(2,128)	(2,223)
Sales & Marketing	(1,029)	(1,135)	(1,572)	(1,533)	(1,392)	(1,635)	(1,712)	(1,936)	(1,955)	(2,085)	(2,129)	(2,183)	(2,132)	(2,128)	(2,223)
General & Administrative	(442)	(450)	(626)	(585)	(481)	(594)	(655)	(783)	(838)	(952)	(1,038)	(1,143)	(1,205)	(1,306)	(1,364)
<b>EBITDA</b>	<b>(293)</b>	<b>94</b>	<b>(659)</b>	<b>(446)</b>	<b>1,365</b>	<b>2,210</b>	<b>2,865</b>	<b>3,921</b>	<b>4,746</b>	<b>6,002</b>	<b>7,226</b>	<b>8,696</b>	<b>9,960</b>	<b>11,651</b>	<b>12,170</b>
D&A	111	127	171	146	113	134	141	148	155	163	170	177	184	192	199
<b>EBIT</b>	<b>(182)</b>	<b>221</b>	<b>(488)</b>	<b>(300)</b>	<b>1,478</b>	<b>2,077</b>	<b>2,724</b>	<b>3,772</b>	<b>4,591</b>	<b>5,839</b>	<b>7,056</b>	<b>8,519</b>	<b>9,776</b>	<b>11,460</b>	<b>11,972</b>
Taxes	128	(283)	(60)	(27)	(203)	(552)	(473)	(699)	(1,025)	(1,304)	(1,482)	(1,789)	(2,053)	(2,521)	(2,993)
<b>NOPAT</b>	<b>(54)</b>	<b>(62)</b>	<b>(548)</b>	<b>(327)</b>	<b>1,275</b>	<b>1,524</b>	<b>2,251</b>	<b>3,073</b>	<b>3,566</b>	<b>4,535</b>	<b>5,574</b>	<b>6,730</b>	<b>7,723</b>	<b>8,939</b>	<b>8,979</b>
D&A	111	127	171	146	113	134	141	148	155	163	170	177	184	192	199
Stock-based compensation	176	223	381	321	267	274	274	274	274	274	274	274	274	274	274
Change in Net Working Capital	(319)	(73)	(256)	(531)	(460)	(386)	(161)	(637)	(295)	(241)	(555)	(30)	(457)	199	(801)
Capital Expenditures	(78)	(85)	(25)	(6)	(17)	(87)	(95)	(114)	(122)	(139)	(151)	(166)	(176)	(190)	(199)
<i>as % of revenues</i>	<i>(1.0%)</i>	<i>(0.9%)</i>	<i>(0.2%)</i>	<i>(0.0%)</i>	<i>(0.1%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>
<b>UFCF</b>	<b>474</b>	<b>276</b>	<b>235</b>	<b>665</b>	<b>2,098</b>	<b>2,231</b>	<b>2,731</b>	<b>4,018</b>	<b>4,168</b>	<b>5,074</b>	<b>6,421</b>	<b>7,044</b>	<b>8,462</b>	<b>9,014</b>	<b>10,053</b>
<i>% of sales</i>	<i>6.0%</i>	<i>2.9%</i>	<i>2.0%</i>	<i>5.0%</i>	<i>13.4%</i>	<i>11.5%</i>	<i>12.8%</i>	<i>15.7%</i>	<i>15.3%</i>	<i>16.4%</i>	<i>19.0%</i>	<i>18.9%</i>	<i>21.6%</i>	<i>21.2%</i>	<i>22.6%</i>
Discount Factor						1.02	1.10	1.20	1.32	1.45	1.59	1.74	1.91	2.10	2.30
<b>PV of UFCF</b>						<b>2,180</b>	<b>2,490</b>	<b>3,338</b>	<b>3,156</b>	<b>3,503</b>	<b>4,040</b>	<b>4,040</b>	<b>4,423</b>	<b>4,295</b>	<b>4,366</b>

## 16.2 DCF – Perpetuity Growth Method

<b>Perpetuity Growth Method</b>	
<b>Enterprise Value</b>	
Growth Rate (g)	3.5%
UFCF (Dec-34)	10,053
Terminal Value (Dec-35)	167,582
PV of TV	72,786
PV of UFCF (Dec-25 - Dec-34)	35,832
<b>Total Enterprise Value</b>	<b>108,618</b>
<b>Share Value</b>	
Enterprise Value	108,618
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NOLs	1,263
<b>Equity Value</b>	<b>115,724</b>
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>549.82</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	(15.9%)
<b>Controll Variable Check</b>	
PV of TV as a % of TEV	67.01%
PV of UFCF as a % of TEV	32.99%
Implied TEV/EBITDA multiple	13.8x

## 16.3 DCF – EBITDA Multiple Method

<b>EBITDA Multiple Method</b>	
<b>Enterprise Value</b>	
NTM EBITDA Multiple	13.7x
EBITDA (Terminal Year)	12,170
Terminal Value (Dec-34)	167,231
PV of TV	69,345
PV of UFCF (Dec-25 - Dec-34)	35,832
<b>Total Enterprise Value</b>	<b>105,177</b>
<b>Share Value</b>	
Enterprise Value	105,177
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NOLs	1,263
<b>Equity Value</b>	<b>112,283</b>
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>533.47</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	(18.4%)
<b>Controll Variable Check</b>	
PV of TV as a % of TEV	65.93%
PV of UFCF as a % of TEV	34.07%
Implied Terminal Growth Rate	3.5%

16.4 DCF – Sensitivity Analysis

Sensitivity Analysis						
Growth Rate (g)						
		2.50%	3.00%	3.50%	4.00%	4.50%
<b>WACC</b>	<b>549.82</b>					
	7.71%	702.68	756.43	822.95	907.41	1018.18
	8.71%	584.07	618.62	659.79	709.71	771.50
	<b>9.71%</b>	498.97	522.50	<b>549.82</b>	581.93	620.19
	10.71%	435.10	451.82	470.87	492.75	518.15
	11.71%	385.50	397.78	411.56	427.12	444.84

Sensitivity Analysis						
Exit EBITDA Multiple						
		11.7x	12.7x	13.7x	14.7x	15.7x
<b>WACC</b>	<b>533.47</b>					
	7.71%	502.45	526.43	550.41	574.39	598.36
	8.71%	493.69	517.67	541.65	565.62	589.60
	<b>9.71%</b>	485.52	509.50	<b>533.47</b>	557.45	581.43
	10.71%	477.89	501.87	525.85	549.82	573.80
	11.71%	470.76	494.74	518.72	542.69	566.67

## Appendix 17 – Adjusted Present Value Analysis

### 17.1 APV – Free Cash Flow and Tax Shield Forecast

Year	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
<i>in EUR millions except per share data</i>															
<b>Unlevered Cost of Equity</b>	8.29%														
<b>Pre-Tax Cost of Debt</b>	4.21%														
<b>Discounted Cash Flow - All Equity Financed</b>															
Revenue	7,880	9,668	11,727	13,247	15,673	19,347	21,348	25,518	27,312	31,006	33,830	37,229	39,250	42,552	44,453
COGS	(5,865)	(7,077)	(8,801)	(9,850)	(10,949)	(13,303)	(14,446)	(16,988)	(17,883)	(19,962)	(21,410)	(23,153)	(23,980)	(25,531)	(26,672)
<b>Gross Profit</b>	<b>2,015</b>	<b>2,591</b>	<b>2,926</b>	<b>3,397</b>	<b>4,724</b>	<b>6,043</b>	<b>6,902</b>	<b>8,530</b>	<b>9,429</b>	<b>11,044</b>	<b>12,420</b>	<b>14,076</b>	<b>15,270</b>	<b>17,021</b>	<b>17,781</b>
R&D Expenses	(837)	(912)	(1,387)	(1,725)	(1,486)	(1,738)	(1,811)	(2,038)	(2,046)	(2,168)	(2,197)	(2,232)	(2,158)	(2,128)	(2,223)
Sales & Marketing	(1,029)	(1,135)	(1,572)	(1,533)	(1,392)	(1,635)	(1,712)	(1,936)	(1,955)	(2,085)	(2,129)	(2,183)	(2,132)	(2,128)	(2,223)
General & Administrative	(442)	(450)	(626)	(585)	(481)	(594)	(655)	(783)	(838)	(952)	(1,038)	(1,143)	(1,205)	(1,306)	(1,364)
<b>EBITDA</b>	<b>(293)</b>	<b>94</b>	<b>(659)</b>	<b>(446)</b>	<b>1,365</b>	<b>2,210</b>	<b>2,865</b>	<b>3,921</b>	<b>4,746</b>	<b>6,002</b>	<b>7,226</b>	<b>8,696</b>	<b>9,960</b>	<b>11,651</b>	<b>12,170</b>
D&A	111	127	171	146	113	134	141	148	155	163	170	177	184	192	199
<b>EBIT</b>	<b>(182)</b>	<b>221</b>	<b>(488)</b>	<b>(300)</b>	<b>1,478</b>	<b>2,077</b>	<b>2,724</b>	<b>3,772</b>	<b>4,591</b>	<b>5,839</b>	<b>7,056</b>	<b>8,519</b>	<b>9,776</b>	<b>11,460</b>	<b>11,972</b>
Taxes	128	(283)	(60)	(27)	(203)	(552)	(473)	(699)	(1,025)	(1,304)	(1,482)	(1,789)	(2,053)	(2,521)	(2,993)
<b>NOPAT</b>	<b>(54)</b>	<b>(62)</b>	<b>(548)</b>	<b>(327)</b>	<b>1,275</b>	<b>1,524</b>	<b>2,251</b>	<b>3,073</b>	<b>3,566</b>	<b>4,535</b>	<b>5,574</b>	<b>6,730</b>	<b>7,723</b>	<b>8,939</b>	<b>8,979</b>
D&A	111	127	171	146	113	134	141	148	155	163	170	177	184	192	199
Stock-based compensation	176	223	381	321	267	274	274	274	274	274	274	274	274	274	274
Change in Net Working Capital	(319)	(73)	(256)	(531)	(460)	(386)	(161)	(637)	(295)	(241)	(555)	(30)	(457)	199	(801)
Capital Expenditures	(78)	(85)	(25)	(6)	(17)	(87)	(95)	(114)	(122)	(139)	(151)	(166)	(176)	(190)	(199)
<i>as % of revenues</i>	<i>(1.0%)</i>	<i>(0.9%)</i>	<i>(0.2%)</i>	<i>(0.0%)</i>	<i>(0.1%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>	<i>(0.4%)</i>
<b>UFCF</b>	<b>474</b>	<b>276</b>	<b>235</b>	<b>665</b>	<b>2,098</b>	<b>2,231</b>	<b>2,731</b>	<b>4,018</b>	<b>4,168</b>	<b>5,074</b>	<b>6,421</b>	<b>7,044</b>	<b>8,462</b>	<b>9,014</b>	<b>10,053</b>
Discount Factor						1.02	1.08	1.17	1.27	1.38	1.49	1.61	1.75	1.89	2.05
<b>PV of UFCF</b>						<b>2,187</b>	<b>2,522</b>	<b>3,426</b>	<b>3,282</b>	<b>3,690</b>	<b>4,312</b>	<b>4,368</b>	<b>4,845</b>	<b>4,766</b>	<b>4,908</b>
<b>Tax Shield</b>															
Interest from Exchangeable Notes	-	-	-	-	-	81	81	281	482	682	882	1,082	1,282	1,482	1,682
Interest from Lease Liabilities	-	-	-	-	-	30	33	40	43	48	53	58	61	66	69
<b>Total Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>115</b>	<b>321</b>	<b>524</b>	<b>730</b>	<b>935</b>	<b>1,140</b>	<b>1,343</b>	<b>1,549</b>	<b>1,752</b>
<i>Tax Rate</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>	<i>24.9%</i>
<b>Tax Shield</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>29</b>	<b>80</b>	<b>131</b>	<b>182</b>	<b>233</b>	<b>284</b>	<b>335</b>	<b>386</b>	<b>437</b>
Discount Factor						1.02	1.08	1.17	1.27	1.38	1.49	1.61	1.75	1.89	2.05
<b>PV of Tax Shield</b>						<b>27</b>	<b>26</b>	<b>68</b>	<b>103</b>	<b>132</b>	<b>157</b>	<b>176</b>	<b>192</b>	<b>204</b>	<b>213</b>

## 17.2 APV – Perpetuity Growth Method

<b>Perpetuity Growth Method</b>	
<b>All Equity Financed Enterprise Value</b>	
Growth Rate (g)	3.5%
UFCF (Dec-34)	10,053
Terminal Value (Dec-35)	217,140
PV of TV	106,017
PV of UFCF (Dec-25 - Dec-34)	38,305
<b>All Equity Financed Enterprise Valu</b>	<b>144,323</b>
<b>Tax Shield Value</b>	
Ending Debt Exch. Notes (Dec-34)	44,688
Tax Rate	24.94%
Terminal Value (TS Exch. Note)	11,145
PV of TV (TS Exch. Note)	7,688
TS Lease Liab. (Dec-35)	18
Terminal Value (TS Lease Liab.)	374
PV of TV (TS Lease Liab.)	183
PV of TS (Dec-25 - Dec-34)	1,299
<b>Tax Shield Enterprise Value</b>	<b>9,170</b>
<b>Total Enterprise Value</b>	<b>153,493</b>
<b>Share Value</b>	
Enterprise Value	153,493
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NOLs	1,263
<b>Equity Value</b>	<b>160,599</b>
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>763.03</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	16.7%
<b>Controll Variable Check</b>	
All Equity Financed EV as a % of TEV	94.03%
Tax Shield EV as a % of TEV	5.97%
Implied TEV/EBITDA multiple	18.8x

## 17.3 APV – EBITDA Multiple Method

<b>EBITDA Multiple Method</b>	
<b>All Equity Financed Enterprise Value</b>	
NTM EBITDA Multiple	13.7x
EBITDA (Terminal Year)	12,170
Terminal Value (Dec-34)	167,231
PV of TV	81,650
PV of UFCF (Dec-25 - Dec-34)	38,305
<b>All Equity Financed Enterprise Valu</b>	<b>119,955</b>
<b>Tax Shield Value</b>	
Ending Debt Exch. Notes (Dec-34)	44,688
Terminal Value (TS Exch. Note)	11,145
PV of TV (TS Exch. Note)	7,688
TS Lease Liab. (Dec-35)	18
Terminal Value (TS Lease Liab.)	374
PV of TV (TS Lease Liab.)	183
PV of TS (Dec-25 - Dec-34)	1,299
<b>Tax Shield Enterprise Value</b>	<b>9,170</b>
<b>Total Enterprise Value</b>	<b>129,125</b>
<b>Share Value</b>	
Enterprise Value	129,125
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NOLs	1,263
<b>Equity Value</b>	<b>136,231</b>
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>647.25</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	(1.0%)
<b>Controll Variable Check</b>	
All Equity Financed EV as a % of TEV	92.90%
Tax Shield EV as a % of TEV	7.10%

## 17.4 APV – Sensitivity Analysis

Sensitivity Analysis						
		Growth Rate (g)				
		2.50%	3.00%	3.50%	4.00%	4.50%
Unlevered Cost of Equity	<b>763.03</b>					
	6.29%	1024.73	1142.36	1302.13	1531.60	1889.14
	7.29%	811.04	877.29	961.00	1070.14	1218.37
	<b>8.29%</b>	671.88	713.15	763.03	824.53	902.26
	9.15%	586.56	615.63	649.85	690.71	740.37
	10.15%	511.45	531.65	554.89	581.92	613.73
		Tax Rate				
		20.94%	22.94%	24.94%	26.94%	28.94%
Pre-Tax Cost of Debt	<b>763.03</b>					
	2.21%	761.88	765.94	769.99	774.04	778.09
	3.21%	758.82	762.58	766.34	770.10	773.86
	<b>4.21%</b>	756.04	759.54	763.03	766.52	770.02
	5.21%	753.52	756.77	760.02	763.27	766.53
	6.21%	751.22	754.25	757.28	760.32	763.35

## Appendix 18 – Comparable Company Analysis

Spotify Technology S.A.  
Comparable Companies Analysis  
in EUR millions except per share data

Company	Ticker	Enterprise Value /															Price /			
		Share Price as of 30.06.25	52-wk. High	% of 52-wk. High	Equity Value	Enterprise Value	LTM Sales	2025E Sales	2026E Sales	LTM EBITDA	NTM EBITDA	2025 EBITDA	2026 EBITDA	LTM EBIT	2025E EBIT	2026E EBIT	LTM Total Debt / LTM EBITDA	LTM EPS	2025E EPS	2026E EPS
Spotify Technology S.A.	SPOT	653.70 €	668.43 €	97.8%	137,234	132,836	8.0x	7.5x	6.4x	69.0x	51.5x	55.1x	40.9x	70.3x	58.2x	42.5x	1.3x	170.3x	74.5x	51.6x
Live Nation Entertainment, Inc.	LYV	128.81 €	134.32 €	95.9%	30,007	32,680	1.5x	1.4x	1.3x	17.7x	15.1x	15.3x	14.1x	25.0x	24.4x	21.9x	3.9x	35.5x	60.3x	49.0x
Netflix, Inc.	NFLX	1,140.27 €	1,141.99 €	99.8%	497,248	504,956	13.2x	12.7x	11.8x	43.5x	37.8x	41.0x	35.8x	44.6x	43.2x	37.3x	1.2x	52.7x	50.3x	43.7x
Paramount Skydance Corporation	PSKY	10.98 €	10.98 €	100.0%	7,754	19,031	0.7x	0.7x	0.8x	8.0x	7.1x	7.6x	7.6x	9.4x	9.1x	8.6x	5.6x	(602.0x)	9.8x	8.8x
Roku, Inc.	ROKU	74.84 €	89.37 €	83.7%	11,029	9,599	2.4x	2.4x	2.2x	73.0x	24.6x	30.7x	22.0x	(79.8x)	(90.5x)	433.1x	3.7x	(194.9x)	(389.6x)	115.3x
Sirius XM Holdings Inc.	SIRI	19.56 €	35.42 €	55.2%	6,609	15,629	2.0x	2.1x	2.1x	7.2x	6.9x	6.7x	7.0x	9.2x	9.7x	10.1x	4.1x	(4.1x)	7.3x	7.4x
Tencent Music Entertainment Group	TME	16.60 €	16.67 €	99.5%	26,259	24,070	6.2x	6.2x	5.8x	15.8x	16.2x	17.5x	16.2x	16.8x	17.8x	17.0x	0.3x	20.1x	23.5x	20.7x
The Walt Disney Company	DIS	105.59 €	106.17 €	99.5%	190,076	225,382	2.6x	2.6x	2.6x	12.6x	12.4x	12.2x	11.9x	17.2x	14.3x	13.5x	2.0x	17.9x	20.6x	19.2x
Universal Music Group N.V.	UMG	27.48 €	29.19 €	94.1%	50,459	53,096	4.4x	4.3x	4.0x	24.4x	17.9x	18.7x	16.8x	25.6x	24.7x	21.2x	1.7x	19.4x	26.9x	23.8x
Warner Bros. Discovery, Inc.	WBD	9.76 €	10.81 €	90.2%	24,142	53,823	1.5x	1.6x	1.6x	7.3x	7.2x	6.9x	6.9x	37.2x	61.6x	38.2x	4.0x	34.2x	(36.0x)	573.1x
Warner Music Group Corp.	WMG	23.19 €	31.20 €	74.3%	12,091	15,617	2.6x	2.7x	2.6x	12.9x	11.9x	12.4x	11.7x	17.6x	16.7x	15.4x	3.2x	44.2x	23.0x	18.6x
<b>Mean</b>	-	155.71 €	160.61 €	89.2%	85,567	95,388	3.7x	3.7x	3.5x	22.2x	15.7x	16.9x	15.0x	12.3x	13.1x	61.6x	3.0x	(57.7x)	(20.4x)	88.0x
<b>Median</b>	-	25.34 €	33.31 €	97.8%	25,201	28,375	2.5x	2.4x	2.2x	14.3x	13.7x	17.5x	16.2x	17.4x	17.8x	21.9x	3.7x	20.1x	23.5x	43.7x
<b>High</b>	-	1,140.27 €	1,141.99 €	100.0%	497,248	504,956	13.2x	12.7x	11.8x	73.0x	37.8x	41.0x	35.8x	44.6x	61.6x	433.1x	5.6x	52.7x	60.3x	573.1x
<b>Low</b>	-	9.76 €	10.81 €	55.2%	6,609	9,599	0.7x	0.7x	0.8x	7.2x	6.9x	6.7x	6.9x	(79.8x)	(90.5x)	8.6x	0.3x	(602.0x)	(389.6x)	7.4x

### Comparable Company Analysis

#### Enterprise Value

NTM EBITDA Multiple	13.7x
LTM EBITDA as of 30.06.25	1,956
Enterprise Value	26,877
<b>Total Enterprise Value</b>	<b>26,877</b>

#### Share Value

Enterprise Value	26,877
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NOLs	1,263
<b>Equity Value</b>	<b>33,983</b>
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>161.46</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	(75.3%)

## Appendix 19 – Comparable Transaction Analysis

Spotify Technology S.A.																			
Comparable Transactions Analysis																			
in \$ millions except per share data																			
Closing Date	Lapsed Date	Target Company	Target Description	Target Sector	Target Country	Bidder Company	Bidder Country	Seller Company	Deal Value	Enterprise Value	Reported Revenue Y1	Reported EBITDA Y1	EBITDA Margin	Reported EBIT Y1	Reported Revenue Multiple Y1	Reported EBITDA Multiple Y1	Reported EBIT Multiple Y1	Deal Description	
29.09.2025		Electronic Arts Inc (100% Stake)	Software-Gaming Platfor	Computer software	USA	Silver Lake Technology Management LLC; Public Investment Fund-PF; Affinity Partners	Saudi Arabia		48,256	48,256	6,338	1,562	24.6%	1,263	7.6x	30.9x	38.2x	26 Sep 25 - Electronic A	
07.05.2025		Starz Entertainment LLC (100% Stake)	Entertainment company	Media	USA	Lions Gate Entertainment Corp. (Shareholders)	USA	STARZ Entertainment Ct	165	165	1,344	773	57.5%	(26)	0.1x	0.2x	(5.9x)	4 Nov 21 - Lions Gate En	
	06.04.2024	Believe SA (100% Stake)	Digital music company	e Media	France	Warner Music Group Corp	USA		1,651	1,651	880	27	3.0%	(21)	1.9x	62.1x	(77.0x)	Warner Music Group Co	
	30.04.2024	Paramount Global (100% Stake)	Provider of radio and tele	Media,Telecommunicatio	USA	Allen Media LLC	USA		27,218	27,218	26,856	2,059	7.7%	1,681	1.0x	13.2x	16.2x	Allen Media LLC, the Uni	
09.09.2024		Sirius XM Holdings Inc (84% Stake)	Satellite radio broadcast	Media,Telecommunicatio	USA	Existing Shareholders	USA	Liberty Media Corp	17,328	19,028	8,464	2,530	29.9%	1,978	2.2x	7.5x	9.6x	Liberty Media Corp, the L	
	08.06.2022	Roku Inc (100% Stake)	Consumer electronics dev	Computer Hardware,Con	USA	Netflix Inc	USA		11,861	10,312	2,046	318	12.0%	129	3.5x	32.4x	80.2x	Netflix Inc, the United St	
13.09.2022		Hemisphere Media Group Inc (100% Stake)	Spanish-language media	Media	USA	Searchlight Capital Partners LP; Galo Investments LP	USA		483	483	172	33	19.0%	14	2.8x	14.8x	34.5x	Searchlight Capital Partn	
10.01.2022		Moonbug Entertainment Ltd (100% Stake)	Children's media compar	Media,Services (other)	United Kingdom	Blackstone Inc; Kevin Mayer (Private Investor); Tom Staggs (Private Investor)	USA		2,594	2,594	44	16	35.8%	(2)	58.6x	163.7x	(1679.5x)	18 Oct 21 - Moonbug En	
03.12.2021		Munpia Inc (84% Stake)	Media/Digital Content Cc	Media	South Korea	Naver - Premier Partners LLC Consortium	South Korea	S2L Partners -KDB Capi	146	227	32	6	19.5%	6	7.2x	36.9x	41.1x	Naver - Premier Partnrs	
02.08.2021		DIRECTV Entertainment Holdings LLC (30% Stake)	Entertainment company	Telecommunications	Ca USA	TPG Capital LP	USA	AT&T Inc	1,476	13,327	22,928	3,275	14.3%	1,392	0.6x	4.1x	9.6x	TPG Capital has agreed	
<b>Mean</b>	-	-	-	-	-	-	-	-	11,118	12,316	6,971	1,060	22.3%	641	8.6x	36.6x	(153.3x)	-	
<b>Median</b>	-	-	-	-	-	-	-	-	2,122	6,453	1,995	545	19.3%	71	2.5x	22.8x	12.8x	-	
<b>High</b>	-	-	-	-	-	-	-	-	48,256	48,256	26,856	3,275	57.5%	1,978	58.6x	163.7x	80.2x	-	
<b>Low</b>	-	-	-	-	-	-	-	-	146	165	32	6	3.0%	(26)	0.1x	0.2x	(1679.5x)	-	

Comparable Transaction Analysis	
<b>Enterprise Value</b>	
EBITDA Multiple	22.8x
LTM EBITDA as of 30.06.25	1,956
Enterprise Value	44,689
<b>Total Enterprise Value</b>	<b>44,689</b>
<b>Share Value</b>	
Enterprise Value	44,689
Net Debt	(5,843)
Preferred Stock	-
Minority Interest	-
NDIC	1,263
Equity Value	51,795
Diluted Shares Outstanding	210
<b>Equity Value per Share</b>	<b>246.69</b>
Share price as of 30.06.2025	653.70
Premium/(Discount)	(62.4%)