SPOTIFY

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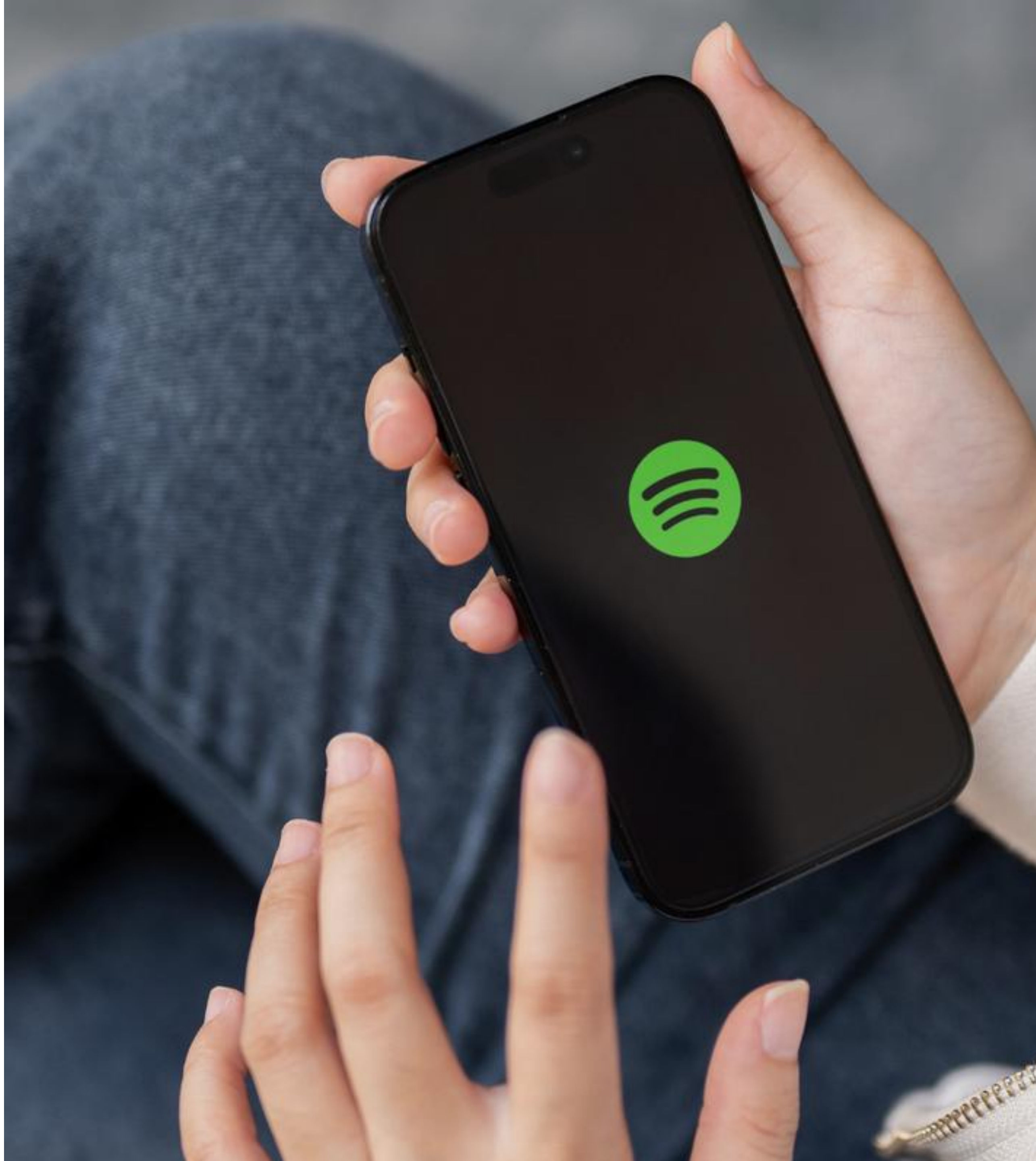
COMPANY REPORT



Executing well, but much of the upside is priced in

Spotify's Q3 print came in above our top- and bottom-line estimates. Similarly, growth in the user base exceeded our forecast, driven by stronger development in ad-supported users. Q3 guidance was softer on revenue and subscriber growth relative to our and consensus estimates, while the profitability outlook was stronger than expected. Following the Q3 report, we have raised our MAU growth assumptions modestly, but lowered the subscriber base expectation somewhat. This, coupled with reduced advertising estimates due to pricing softness, weighed on our short-term revenue estimates slightly. However, Spotify continues to show strong cost scalability, and we are increasingly optimistic about Spotify's margin profile, which resulted in increased earnings estimates. At current share price levels, we feel that Spotify is fairly priced, leaving the risk-adjusted expected return insufficient at this point. We reiterate our Reduce recommendation but raise our target price on updated estimates to USD 655 (was USD 645).

Strong user growth and profitability development in Q3

Spotify net new MAU additions exceeded guidance as well as our estimate by +3m, while subscriber growth matched expectations. Pricing trends remained quite muted in Q3, as expected, as previous price increases were offset by FX headwinds and dilutive effects from strong subscriber growth in emerging markets. Revenue came in 0.9% higher than our estimate (4.24 BNEUR) at 4.27 BNEUR (7% y/y), driven by slightly higher premium ARPU than expected. Gross margin printed 31.6%, above guidance (31.1%) and our estimate, but the outperformance was largely driven by a one-time effect due to an accounting adjustment*. EBIT amounted to 582 MEUR (Q3'24: 454 MEUR), corresponding to a 13.6% margin. This was above our estimate of 503 MEUR, primarily due to lower social charges and OpEx than expected.

Q4 guidance implied continued strong user intake

Q4 guidance was solid overall, but had its puts and takes in our view. While the MAU and profitability outlook came in above our and consensus estimates, revenue growth and subscriber growth fell slightly short. Revenue guidance of 4.5 BNEUR (7% y/y) was below our and Street's estimate of 4.6 BNEUR, primarily due to larger anticipated FX headwinds, somewhat softer pricing trends in FX-neutral ARPU, and lower subscriber growth. However, gross margin and EBIT guidance (32.9% / 620 MEUR) both exceeded our and Street's estimate. On the earnings call, Spotify reiterated its focus on maximizing user lifetime value (LTV) rather than short-term gains and highlighted that rapid product innovation, supported by AI-driven efficiency, continues to deepen engagement and drive strong user intake. In our view, these dynamics are key to sustain strong user growth and improving monetization, as higher engagement strengthens user loyalty, reduces churn risk, and improves pricing resilience. However, following the Q3 report and provided outlook, we lowered our revenue estimates slightly on lower subscriber growth and advertising revenue, while we raised our margin assumptions to reflect our more constructive stance on Spotify's ability to continue executing in a more cost-disciplined and efficient way.

Risk/reward remains insufficient over the next 12 months

Following recent weeks' share price softness and post-earnings drop, we view Spotify's near-term valuation as neutral/on the high side, with the stock trading at EV/EBIT of 50-37x, EV/FCFF of 38-30x, and EV/GP of 19-16x on our revised 2025-2026 estimates. However, the overall valuation picture starts to look attractive in 2027, where Spotify trades below/at the low end of our acceptable range (EV/EBIT: 29x, EV/FCFF: 25x, EV/GP: 13x). However, with Spotify trading at the top of our acceptable valuation ranges on 2026e multiples, and our 2027e multiples already reflects high expectations of very strong execution, we believe it is somewhat premature to turn bullish on the stock as of now. That said, long-term fundamentals remain intact, and Spotify has, in our view, a long runway of growth and years of margin expansion ahead, where pricing will play a larger role. However, we believe much of this upside is already reflected in the current valuation, and the near-term risk/reward remains insufficient at this stage.

Recommendation
Reduce
(prev. Reduce)

Target price:
USD 655
(prev. USD 645)

Share price:
USD 630

Business risk
●●○○○

Valuation risk
●●●○○

	2024	2025e	2026e	2027e
Revenue (MEUR)	15,673	17,203	19,857	23,061
growth-%	18%	10%	15%	16%
EBIT adj. (MEUR)	1,365	2,119	2,844	3,555
EBIT-% adj.	8.7 %	12.3 %	14.3 %	15.4 %
Net Income (MEUR)	1,138	1,912	2,912	3,434
EPS (adj.) (EUR)	5.6	9.2	13.8	15.9
P/E (adj.)	77.4	59.3	39.7	34.4
P/B	15.9	15.2	11.2	8.6
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	60.5	49.8	36.7	28.9
EV/EBITDA	54.0	47.3	35.4	28.1
EV/S	5.3	6.1	5.3	4.5

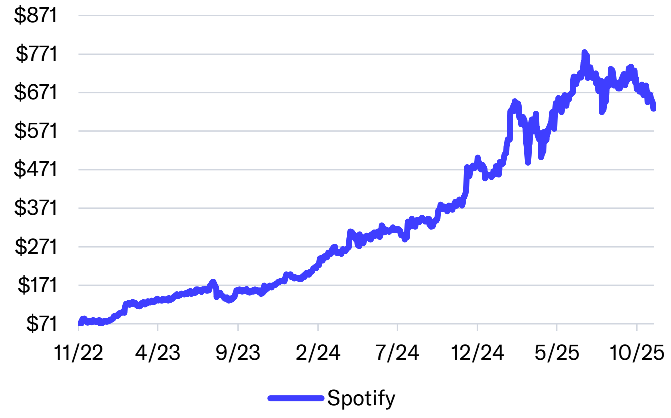
Source: Inderes

Guidance (New guidance)

For Q4'25, Spotify expects:
MAU: 745m (+32m q/q)
Premium subscribers: 289m (+8m q/q)
Revenue: 4.5 BNEUR (+7% y/y)
Gross margin: 32.9%
Operating income: 620 MEUR

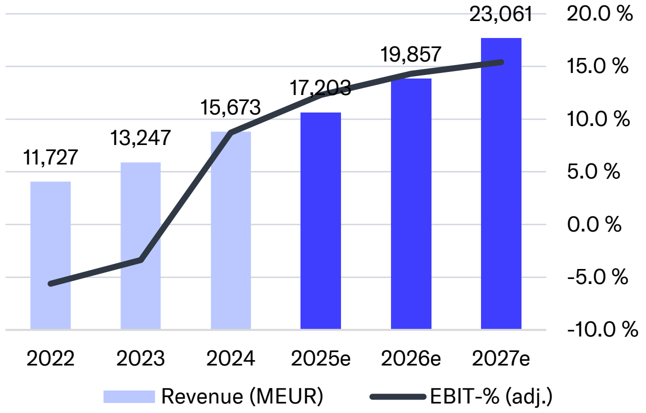
**Spotify reduced its prior estimates of rights holder liabilities, lowering cost of revenue in Q3.*

Share price



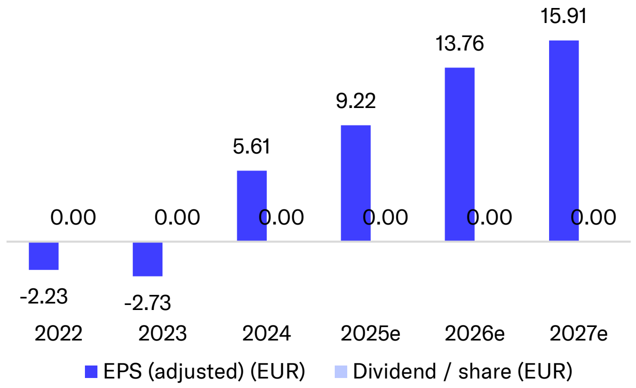
Source: Millistream Market Data AB

Revenue and EBIT-% (adj.)



Source: Inderes

EPS and DPS



Source: Inderes

Value drivers

- Top-of-mind brand in audio with a market-leading position
- On track to reach one billion users by 2030
- With the most loyal and engaged customers in the space, Spotify has an untapped potential in its advertising business
- The shift to podcast profitability and ramping up Marketplace contribution enable incremental leverage and margin expansion
- Potential to grow in emerging markets and increase market share
- Expanding into new emerging verticals while improving monetization enables ARPU and margin expansion

Risk factors

- Worsening relationships with the music industry could pose operational challenges
- The competition in the audio industry is fierce and includes financially stronger companies
- Challenges in executing emerging verticals may put pressure on the balance sheet
- A deceleration in subscriber growth could drive significant volatility in the share price
- While offering opportunities for Spotify, AI advancements could enable competitors to narrow the gap in personalization capabilities

Valuation	2025e	2026e	2027e
Share price (EUR)	546.6	546.6	546.6
Number of shares, millions	207.4	211.6	215.8
Market cap (MEUR)	113,393	115,661	117,975
EV (MEUR)	105,538	104,489	102,816
P/E (adj.)	59.3	39.7	34.4
P/E	59.3	39.7	34.4
P/FCF	40.8	37.2	31.4
P/B	15.2	11.2	8.6
P/S	6.6	5.8	5.1
EV/Sales	6.1	5.3	4.5
EV/EBITDA	47.3	35.4	28.1
EV/EBIT (adj.)	49.8	36.7	28.9
EV/FCFF	37.8	30.0	24.6

A solid quarter overall, with profitability surprising on the upside 1/2

User growth and revenue above estimates and guidance

MAUs reached 713m (Q3'24: 640m), which was +3m above our estimate of 710m (guidance: 710m, Street: 711m), led by strong development in Rest of the World, Europe, and North America. The global launch of mobile free tier enhancements, as well as executed marketing campaigns in select developing markets, contributed positively to MAU growth. Premium subs came in at 281m (Q3'24: 252m), in line with our and Street's estimates, as well as guidance. Ad-supported users increased by 13m q/q, compared to our forecast of +10m (Street: +9m). Premium ARPU was EUR 4.53 (Inderes: EUR 4.51, Street: EUR 4.50), down 1% q/q and 4% y/y, with FX headwinds reducing reported premium ARPU growth by roughly 400bps. As such, premium ARPU, on a FX neutral basis, was flat y/y (Q3'24: EUR 4.71), in line with guidance. While price increases in markets such as France, Belgium, and the Netherlands earlier this year, along with broader hikes later in the quarter, had a modest positive impact on FX-neutral ARPU, this was offset by product and geographic mix effects. For instance, current strong subscriber growth in emerging markets has a dilutive impact on ARPU in the short term, given lower pricing in these regions.

Q3 revenue grew 7% y/y (FX-neutral: 12%) to 4.27 BNEUR, which was above our and Street's 4.23 BNEUR forecast. Premium revenue grew 9% (13% FX neutral) to 3.82 BNEUR (Inderes : 3.76 BNEUR), while ad-supported revenue came in at 446 MEUR and below our estimate of 473 MEUR, mainly due to softness in pricing and podcast inventory optimization. For Q4, the company anticipates a 620 bps FX headwind to revenue growth at current currency rates.

Spotify guided to Q4 MAUs of 745m, above both Street's estimate (741m) and ours (739m). However, Premium subs guidance of 289m came in short of our 292m and Street's 290m, implying +8m q/q growth. Revenue guidance of 4.5 BNEUR (6% y/y) was below our and Street's 4.6 BNEUR, largely due to FX effects (~620 bps headwind) and lower implied subscriber growth.

Increased scaling effects in R&D contributed to EBIT beat

Gross margin came in above guidance, reaching 31.6% (Q3'24: 31.1%), which surpassed our and Street's estimate of 31.1%. However, the company recognized that the outperformance was largely driven by changes in estimates for rights holder liabilities in the prior period (i.e. overestimating these), and when adjusting for this, the gross margin would have been slightly ahead of guidance. The company guided for a gross margin of 32.9% in Q4'25, above our estimates of 32.6% (Street's: 32.6%) heading into the Q3 report and reflected continued favorability in the ad-supported segment.

Operating income (EBIT) was 582 MEUR (Q3'24: 454 MEUR), corresponding to a 13.6% margin. This was well above the company's guidance of 485 MEUR, as well as our (503 MEUR) and Street's (497 MEUR) estimate. Social charges* were 41 MEUR below the company's guidance (25 MEUR) and therefore benefited reported EBIT.

Estimates MEUR / EUR	Q3'24 Comparison	Q3'25 Actualized	Q3'25e Inderes	Q3'25e Consensus	Consensus Low		High	Difference (%) Act. vs. inderes	2025e Inderes
Revenue	3,988	4,272	4,236	4,233	4,194	-	4,291	1%	17,203
EBITDA	484	611	530	536	502	-	595	15%	2,230
EBIT	454	582	503	497	471	-	546	16%	2,119
PTP	398	827	552	504	348	-	601	50%	2,077
EPS (adj.)	1.48	3.28	2.67	2.01	1.43	-	2.67	23%	9.22
Revenue growth-%	18.8 %	7.1 %	6.2 %	6.1 %	5.2 %	-	7.6 %	0.9 pp	9.8 %
EBIT-% (adj.)	11.4 %	13.6 %	11.9 %	11.7 %	9.9 %	-	12.2 %	1.7 pp	12.3 %

Source: Inderes & Bloomberg (consensus)

* Social Charges are payroll taxes that vary with Spotify's stock price due to their link to share-based compensation in certain countries.

A solid quarter overall, with profitability surprising on the upside 2/2

As such, the positive impact from social charges was 16 MEUR higher than our estimate, as we had assumed no impact on EBIT due to the share price movement in Q3 (-9%). Operating expenses decreased by -2% y/y (+11% FX neutral and excl. social charges) and in relation to revenue, these were about 120 bps below our forecast, primarily driven by lower-than-expected R&D and G&A expenses.

Cash flow was strong during the quarter

Spotify's reported free cash flow reached 806 MEUR (Q3'24: 711 MEUR), equivalent to a 19% margin, and was in line with our estimated ~805 MEUR**. The liquidity and balance sheet continued to improve, with the net cash position amounting to 6.9 BNEUR (incl. leases). During the third quarter, Spotify repurchased shares worth approximately 77 MEUR**.

Estimates	Q3'24	Q3'25	Q3'25e	Q3'25e	Consensus			2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low		High	Inderes
Revenue	3,988		4,236	4,233	4,194	-	4,291	17,254
EBITDA	484		530	536	502	-	595	2,126
EBIT	454		503	497	471	-	546	2,017
PTP	398		552	504	348	-	601	1,575
EPS (adj.)	1.48		2.67	2.01	1.43	-	2.67	6.48
Revenue growth-%	18.8 %		6.2 %	6.1 %	5.2 %	-	7.6 %	10.1 %
EBIT-% (adj.)	11.4 %		11.9 %	11.7 %	9.9 %	-	12.2 %	11.7 %

Source: Inderes & Bloomberg (consensus)

*Adding back e.g. SCB and excluding lease payments to make it easier to compare our estimate to reported figures **Leaving around 1.8 BNEUR of remaining authorization under its upsized 2 BNEUR share repurchase program, which runs through April 2026.

We increase our MAU assumptions and margins

- Our 2025 revenue estimates remain broadly unchanged, as the Q3 topline beat was largely offset by lowered assumptions for Q4. The downward revisions for Q4 primarily reflect slightly softer expected pricing effects, slower net subscriber additions, and weaker advertising revenue. However, we raised our Q4 MAU growth forecast following the strong ad-supported intake in Q3, as we expect the loosened free-tier restrictions to continue driving robust user growth. We believe this, on one hand, strengthens Spotify's setup for premium conversion and healthy subscriber growth into 2026, supported by the recently added premium functionalities. On the other hand, we acknowledge that there is a possibility that the loosening/improving free tier could also lower the incentives to convert to premium, if consumers feel like the tier is sufficient for their needs. However, this is not our base case at this stage, but we will closely monitor the development in the subscriber base going forward.
- Consequently, we trimmed our subscriber forecasts to 290m / 313m / 338m (from 292m / 315m / 341m) for 2025–2027e, while raising our MAU estimates to 745m / 817m / 894m (from 739m / 809m / 886m).
- In addition, we lowered our pricing assumptions for the advertising business following the continued subdued pricing trends in Q3, along with management's guidance that meaningful growth is not expected until the second half of 2026, suggesting a slower ramp-up in advertising ARPU. This adjustment more than offsets our higher estimates for ad-supported users. Combined with slightly lowered subscriber growth, this results in a 1–2% revenue reduction for 2026–2027e.
- We do not read too much into the Q3 gross margin beat, as the outperformance was largely driven by a non-recurring accounting benefit*. However, Spotify's Q4 gross margin guidance of 32.9% (vs. our 32.6% estimate) suggests less variability than previously anticipated. Accordingly, we have modestly raised our gross margin assumptions for 2025–2027e, with minor flow-through effects across the forecast period.
- On operating expenses, lower-than-expected R&D spending (7.2% vs. 8.4% of revenue) further supports our view that Spotify's increased use of AI is driving greater efficiency and operating leverage. We have therefore reduced our R&D cost assumptions, which, together with slightly higher gross margins, result in upward revisions to our EBIT margin forecasts. Reflecting this, coupled with the structural improvement we expect, we also raise our terminal EBIT margin assumption to 21% (from 20.5%).
- Lastly, with CAPEX running higher than expected, mainly due to accelerated investments in leasehold improvements and ongoing property projects, we increased our capital expenditure assumptions over the forecast period. Overall, the net effect of slightly lower revenue but improved margins is marginally positive for our FCFF estimates across the forecast period.

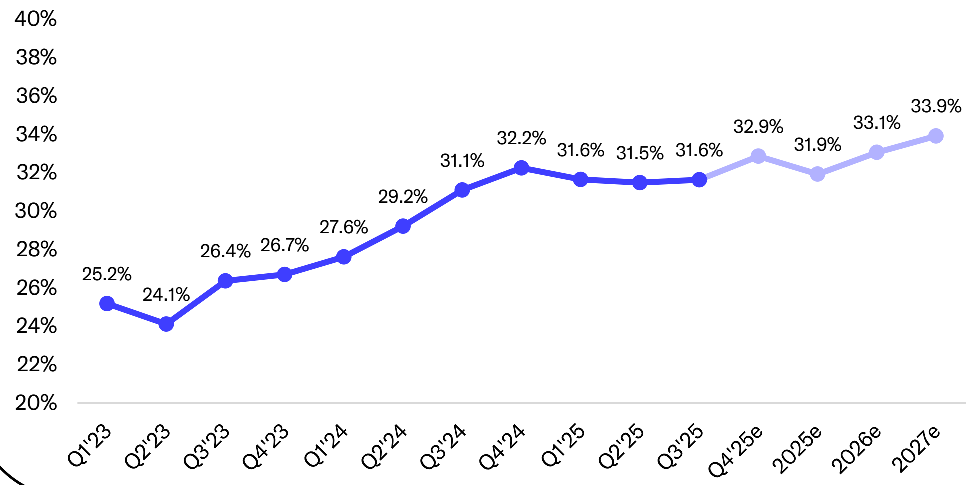
Estimate revisions MEUR / EUR	2025e Old	2025e New	Change %	2026e Old	2026e New	Change %	2027e Old	2027e New	Change %
Revenue	17,254	17,203	0%	20,186	19,857	-2%	23,327	23,061	-1%
EBITDA	2,126	2,230	5%	2,900	2,952	2%	3,569	3,654	2%
EBIT (exc. NRIs)	2,017	2,119	5%	2,792	2,844	2%	3,477	3,555	2%
EBIT	2,017	2,119	5%	2,792	2,844	2%	3,477	3,555	2%
PTP	1,577	2,077	32%	3,001	3,066	2%	3,726	3,815	2%
EPS (excl. NRIs)	6.48	9.22	42%	13.53	13.76	2%	15.60	15.91	2%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

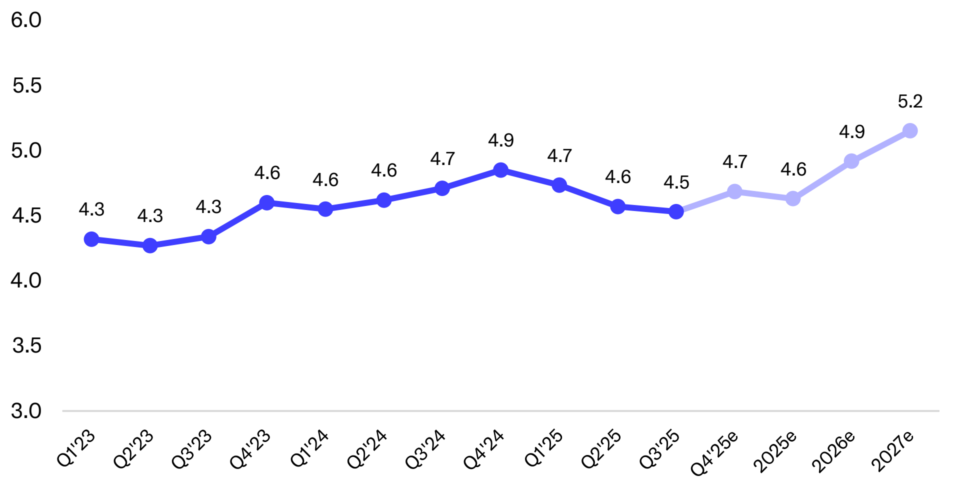
*Spotify revised (reduced) its previous estimates of rights holder liabilities (i.e. the amounts it owes to record labels, publishers, and other rights owners for music streaming royalties), and the adjustment of these resulted in lowered cost of revenue in Q3. Adjusting for this one-time impact, Spotify noted that the gross margin would still have slightly exceeded its guidance of 31.1%.

Key KPI's

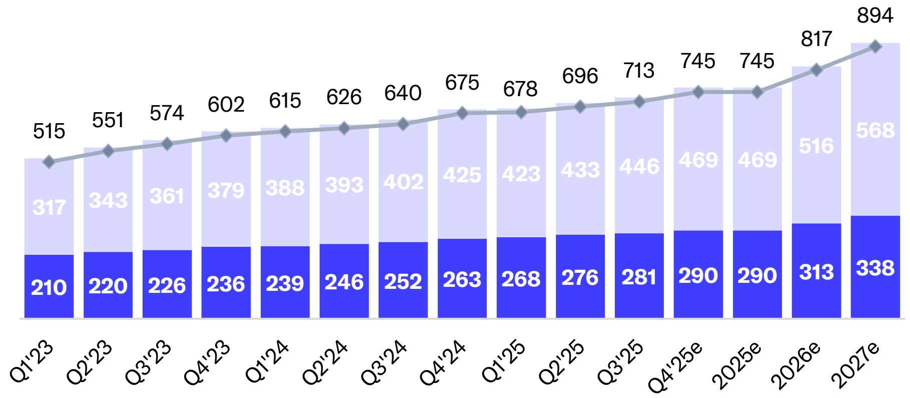
Gross margin trajectory (est.)



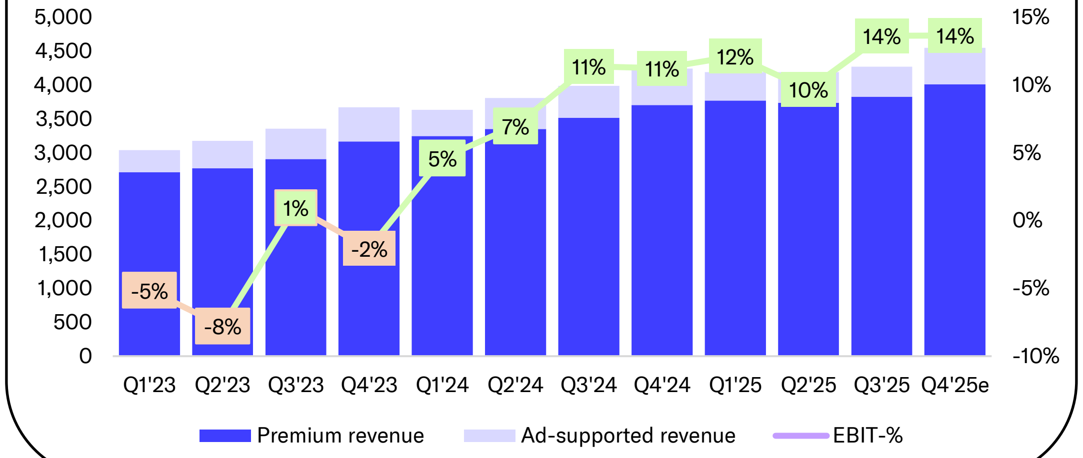
Monthly Premium ARPU trajectory (est.)



User growth trajectory (est.)



Revenue and EBIT-% (est.)



Source: Inderes, Spotify

Valuation 1/2

Valuation summary - Reduce

We forecast strong earnings growth for Spotify in 2025-2027 (EBIT CAGR 25-27e: 38%) as the company continues to diligently balance growth with profitability, while utilizing several monetization levers to drive ARPU growth (e.g. launching a super-fan tier, tapping into higher ARPU segments, price hikes, etc.). Following recent weeks' share price weakness and post-earnings drop, we feel the current valuation, on our updated estimates, is relatively neutral, albeit remaining on the high side. As such, we view the share being fairly priced at the moment, with much of the near-term earnings growth already reflected in the share price. Thus, we consider the risk-adjusted expected return insufficient. Hence, we reiterate our Reduce recommendation while raising the target price on updated estimates to USD 655 (was USD 645).

Absolute multiples in 2025-2027

Based on our revised 2025-2026 estimates, Spotify is trading at 50-37x EV/EBIT, 38-30x EV/FCFF, and 19-16x EV/GP. We believe these multiples remain stretched for 2025, and on the high side for 2026, in absolute terms and relative to our acceptable valuation ranges (EV/GP: 13-17x, EV/EBIT: 33-36x, EV/FCFF: 25-30x). We feel this is particularly notable given Spotify's relatively low underlying profitability, its reliance on licensed content, and the still-limited evidence of sustained pricing power in more mature markets.

However, we acknowledge that Spotify has a strong business momentum with healthy user growth, as well as expanding margins and FCFF. We also feel that Spotify is showing increasing evidence of how the use of AI increases the efficiency across its organization and allows it to innovate and execute at a faster pace. We think this will enable the company to further enhance the value-to-price ratio, which not only opens up for further price increases but also continued healthy user growth, and thus, continued strong revenue growth. Given this, we believe a valuation near the upper end of these ranges is currently justified.

Based on our estimates, the overall valuation picture starts to look attractive in 2027, with overall earnings/FCFF-based multiples falling below/at the low end of our acceptable ranges (EV/GP: 13x, EV/EBIT: 30x, EV/FCFF: 25x), as expected high earnings growth moderates the valuation multiples. Thus, if the development continues on the trajectory we forecast, we believe there could be an attractive upside in the 2027 multiples if the revenue growth and profitability improvements remain intact. However, Spotify is trading at the top of our acceptable valuation ranges on 2026e multiples, and our 2027e multiples already reflect high expectations of very strong execution. We believe it is somewhat premature to turn bullish on the stock as of now.

Valuation compared to the peer group

To provide some flavor on Spotify's valuation, we have compiled several sets of peers in different segments that either share similarities to Spotify's business model, engage large user bases, monetize users through ads, or participate in the broader music/audio industry. For more details on the peer setup and background to our preferred peer group, we refer to our Initiation of coverage report.

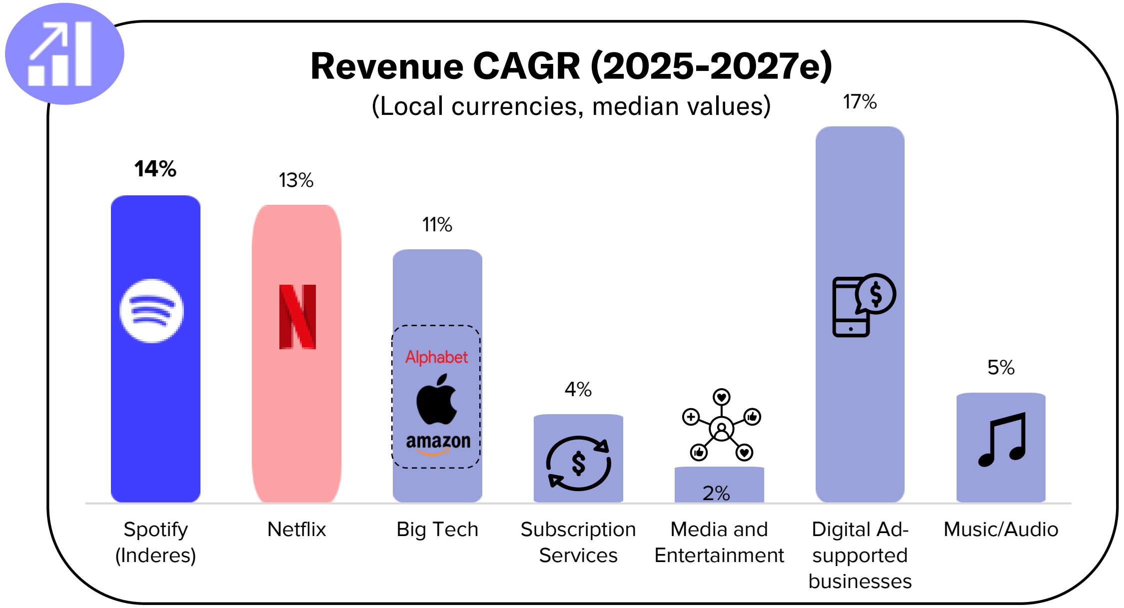
On a relative basis, Spotify trades at a premium to the Subscription Services ("SS") peer group on both EV/FCFF and EV/EBIT for 2026e (SPOT: 30x/36x vs SS: 23x & 26x). While we believe Spotify deserves a premium valuation compared to the SS group as a whole, the absolute multiples are stretched, in our view, despite the relatively stronger expected earnings/FCFF growth.

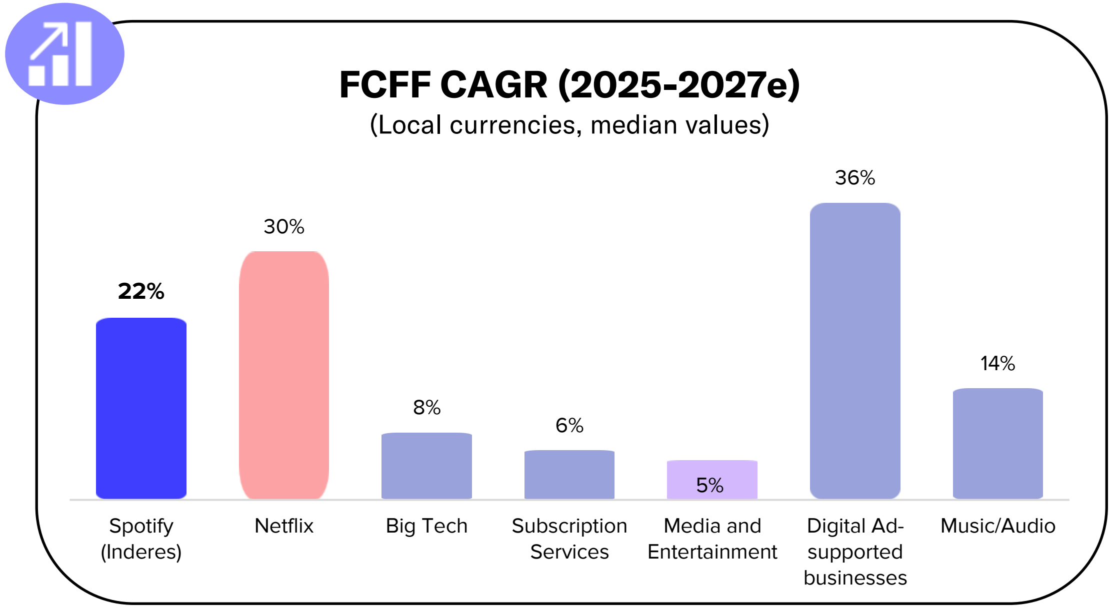
Valuation	2025e	2026e	2027e
Share price (EUR)	546.6	546.6	546.6
Number of shares, millions	207.4	211.6	215.8
Market cap (MEUR)	113,393	115,661	117,975
EV (MEUR)	105,538	104,489	102,816
P/E (adj.)	59.3	39.7	34.4
P/E	59.3	39.7	34.4
P/FCF	40.8	37.2	31.4
P/B	15.2	11.2	8.6
P/S	6.6	5.8	5.1
EV/Sales	6.1	5.3	4.5
EV/EBITDA	47.3	35.4	28.1
EV/EBIT (adj.)	49.8	36.7	28.9
EV/FCFF	37.8	30.0	24.6

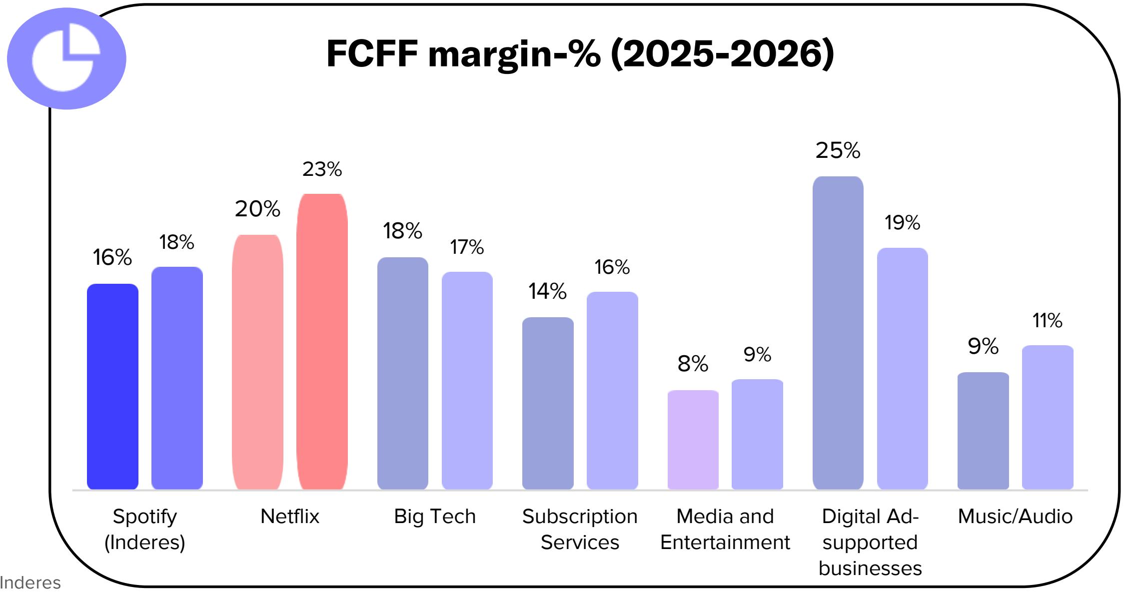
Selection of peers in each group

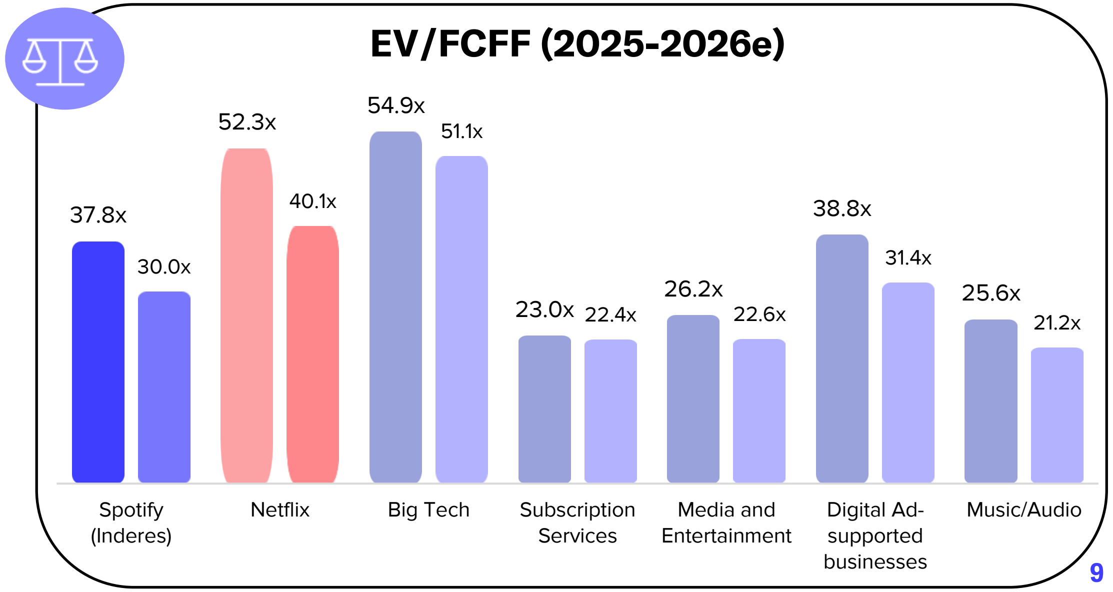
Big tech (BT)		amazon	Alphabet
Subscription services (SS)		Roku	Match Group
Media & Entertainment (ME)	WARNER BROS. DISCOVERY	The Walt Disney Company	Paramount
Digital ad-supported (DAS)		Meta	
Music/Audio (MA)	SiriusXM	DEEZER	TENCENT MUSIC ENTERTAINMENT

Valuation graphs: Spotify vs. various peer groups









Source: Inderes

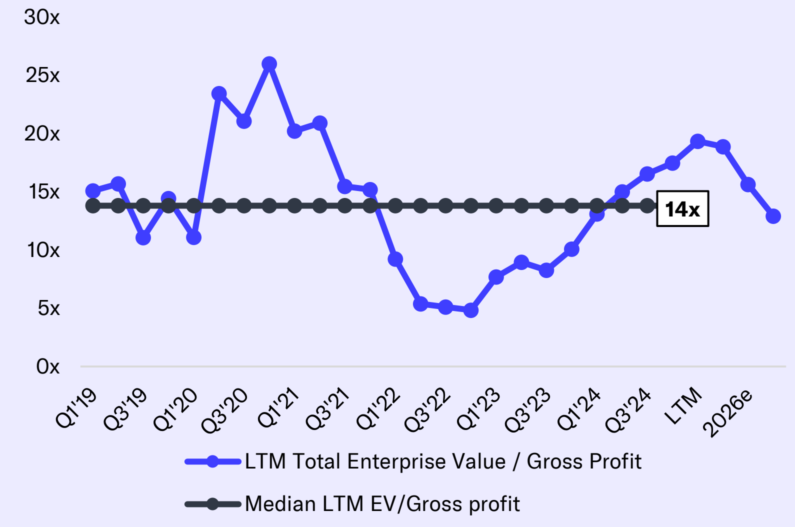
Valuation 2/2

At the same time, Spotify trades at a discount to Netflix (25-26e: 52-40x) on a FCFF basis, but at a premium on an EBIT basis (NTFL: 35-28x). While we argue this dynamic (on a FCFF basis) is justified due to lower underlying profitability, higher dependency on licensed content, more limited track record of increasing prices in established markets, we also think that the current valuation gap (on EV/FCFF) between the companies is too steep. However, we note that both companies trade at very high absolute multiples.

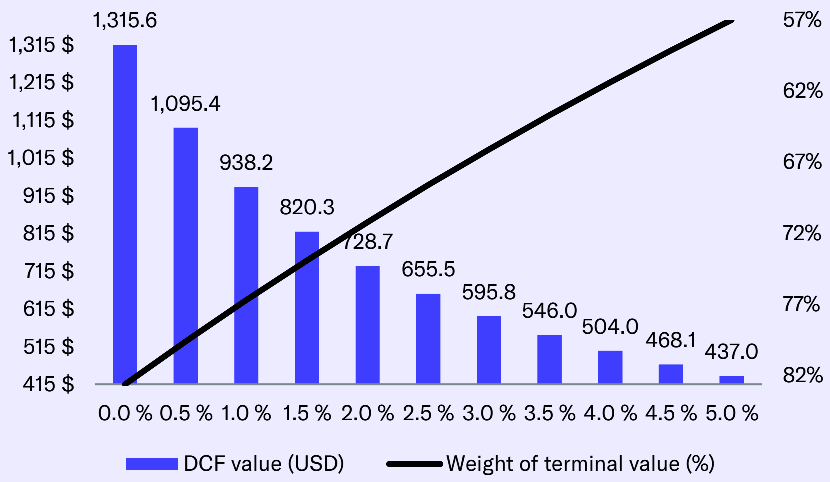
DCF suggests the current price to be at a fair level

We expect solid double-digit growth (CAGR: 13%) and continued margin expansion between 2025 and 2029, after which the top-line growth gradually tapers towards 3%, which we use as the terminal growth rate. In the terminal period, we expect the EBIT margin to stabilize at around 21% (was 20.5%). We estimate Spotify's cost of equity and WACC (due to no traditional financial debt) at 8%, which is fairly low but supported by its strong and wide market presence, the majority of revenue streams are through subscriptions, superior global brand, robust balance sheet, and an improved profitability profile. With these assumptions, our DCF model arrives at an equity value of around 136 BNUSD (prev. 133 BNUSD), which translates to around USD 656 per share (prev. USD 645). This is more or less in line with our target price and the current share price, suggesting the share price is fairly priced at these levels. As such, we feel the upside, on a risk-adjusted basis, is insufficient at the current valuation.

EV/Gross profit development

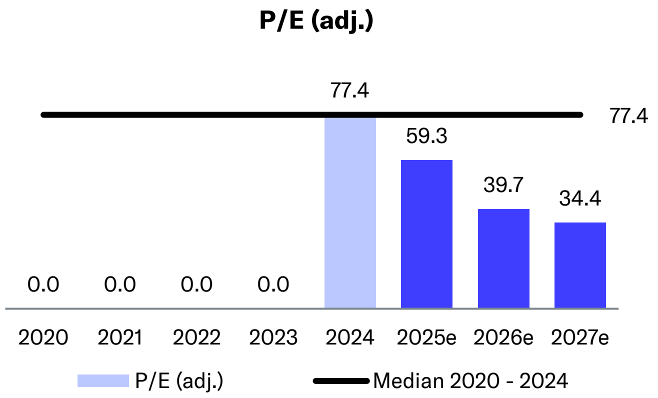


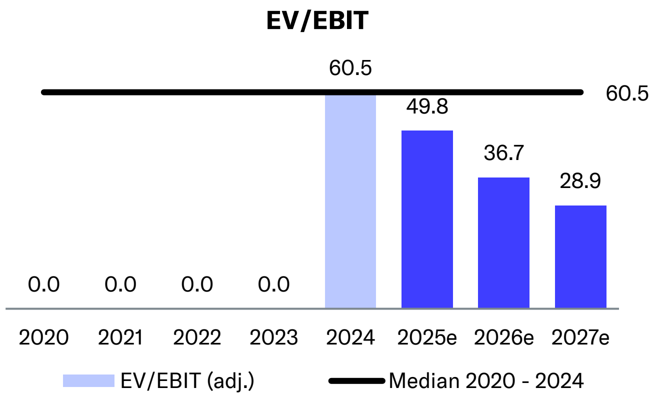
Sensitivity of DCF to changes in the risk-free rate

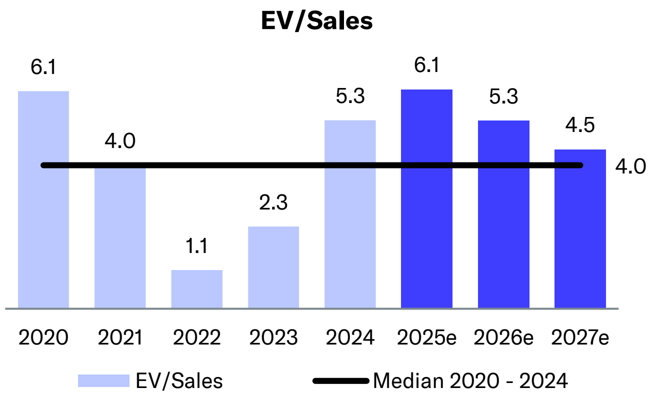


Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price (EUR)	261.9	211.7	74.2	169.1	434.0	546.6	546.6	546.6	546.6
Number of shares, millions	187.6	191.3	192.9	194.7	202.9	207.4	211.6	215.8	220.1
Market cap (MEUR)	49,122	40,507	14,318	32,933	88,062	113,393	115,661	117,975	120,334
EV (MEUR)	47,952	38,788	12,650	30,415	82,615	105,538	104,489	102,816	100,651
P/E (adj.)	neg.	neg.	neg.	neg.	77.4	59.3	39.7	34.4	29.3
P/E	neg.	neg.	neg.	neg.	77.4	59.3	39.7	34.4	29.3
P/FCF	neg.	37.6	neg.	>100	43.6	40.8	37.2	31.4	28.1
P/B	17.5	19.1	6.0	13.1	15.9	15.2	11.2	8.6	6.7
P/S	6.2	4.2	1.2	2.5	5.6	6.6	5.8	5.1	4.6
EV/Sales	6.1	4.0	1.1	2.3	5.3	6.1	5.3	4.5	3.9
EV/EBITDA	neg.	>100	neg.	neg.	54.0	47.3	35.4	28.1	22.2
EV/EBIT (adj.)	neg.	>100	neg.	neg.	60.5	49.8	36.7	28.9	22.8
EV/FCFF	262.0	124.3	197.7	40.9	35.1	37.8	30.0	24.6	21.2







The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years.

Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**	**2026e**	**2025e**
Big Tech													
Apple	3,472,221	3,511,545	30.6	27.9	28.1	25.7	9.7	8.9	36.6	32.8	0.4	0.4	63.2
Amazon.com	2,319,293	2,301,633	33.0	26.6	15.8	13.1	3.7	3.3	35.1	31.3			7.3
Alphabet	2,917,970	2,854,876	25.1	21.3	18.5	15.5	8.2	7.3	26.3	25.2	0.3	0.3	8.4
Subscription businesses													
Netflix	403,003	407,474	35.0	28.1	33.7	27.2	10.4	9.2	42.9	33.8			15.4
Match Group	6,606	9,294	12.2	10.4	8.6	7.8	3.1	2.9	14.3	11.6	2.4	2.7	
Bumble	476	1,290		6.5	4.5	4.8	1.5	1.6		5.0			0.7
Chegg	88	67		67.3	1.2	1.1	0.2	0.2		10.8			0.5
Vimeo	1,134	855	427.3	78.6	26.8	24.3	2.3	2.2	89.5	64.9			
Roku	13,653	11,684		121.7	34.2	23.9	2.9	2.5	424.4	99.4			5.8
Media/Enterainment													
Warner Bros. Discovery	48,689	75,442	94.9	52.5	10.4	10.1	2.3	2.3	70.9				1.5
The Walt Disney Company	174,399	206,498	13.9	12.6	11.8	10.5	2.5	2.4	19.0	17.2	0.9	1.0	1.8
Paramount Skydance Corporation	13,748	24,441	11.4	10.7	9.2	8.9	1.0	0.9	11.5	14.0	1.2	1.4	0.8
Digital Ad-supported businesses													
Snap	10,984	11,579			25.1	17.5	2.3	2.0	29.0	20.6			5.8
Meta Platforms	1,376,115	1,362,404	19.0	18.1	13.2	11.5	7.9	6.7	23.0	20.5	0.3	0.4	7.2
Reddit	31,111	29,178	89.6	43.9	41.9	27.0	15.7	11.4	85.4	50.9			12.9
Pinterest	19,385	17,071	59.2	33.1	15.6	12.9	4.6	4.0	18.8	15.7			4.1
Music/Audio													
iHeartMedia	521	4,792	23.5	11.0	7.9	6.5	1.5	1.4		9.5			
Sirius XM Holdings	6,393	15,093	9.8	9.3	6.8	6.7	2.0	2.0	7.9	7.0	5.0	5.2	0.8
Deezer	119	86				11.9	0.2	0.2					
Tencent Music Entertainment Group	30,831	29,113	19.6	19.0	19.6	17.4	7.4	6.5	27.8	23.4	0.7	0.8	3.4
Warner Music Group Corp.	13,771	17,109	23.4	17.5	14.0	12.4	3.0	2.9	36.3	22.5	2.4	2.6	23.7
Universal Music Group	41,269	44,504	20.2	17.7	16.3	14.6	3.6	3.4	22.4	20.4	2.4	2.6	7.8
Live Nation Entertainment	30,461	31,656	26.0	20.8	14.9	13.2	1.4	1.3	152.7	53.4			37.7
Spotify (Inderes)	**113,393**	**105,538**	**49.8**	**36.7**	**47.3**	**35.4**	**6.1**	**5.3**	**59.3**	**39.7**	**0.0**	**0.0**	**15.2**
Average			**54.1**	**31.2**	**17.2**	**14.1**	**4.2**	**3.7**	**61.8**	**28.1**	**1.6**	**1.7**	**11.0**
Median			**24.3**	**20.8**	**15.2**	**12.9**	**2.9**	**2.5**	**29.0**	**20.6**	**1.0**	**1.2**	**5.8**
Diff-% to median			***105%***	***76%***	***211%***	***175%***	***114%***	***108%***	***105%***	***93%***	***-100%***	***-100%***	***161%***

Source: Refinitiv / Inderes

Income statement

Income statement (MEUR)	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue	**13247**	**3636**	**3807**	**3988**	**4242**	**15,673**	**4,190**	**4,193**	**4,272**	**4,548**	**17,203**	**19,857**	**23,061**	**26,009**
Premium revenue	11566	3247	3351	3516	3705	13,819	3,771	3,740	3,826	4,013	15,350	17,712	20,134	22,449
Ad-supported revenue	1681	389	456	472	537	1,854	419	453	446	535	1,853	2,145	2,926	3,560
EBITDA	**-165.0**	**203**	**310**	**484**	**532**	**1,529**	**538**	**432**	**611**	**648**	**2,230**	**2,952**	**3,654**	**4,525**
Depreciation	-281.0	-35.0	-44.0	-30.0	-55.0	-164	-29	-26	-29	-27	-111	-108	-100	-107
EBIT (excl. NRI)	**-446.0**	**168**	**266**	**454**	**477**	**1,365**	**509**	**406**	**582**	**621**	**2,119**	**2,844**	**3,555**	**4,418**
EBIT	**-446.0**	**168**	**266**	**454**	**477**	**1,365**	**509**	**406**	**582**	**621**	**2,119**	**2,844**	**3,555**	**4,418**
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
Net financial items	-59.0	6.0	4.0	-56.0	22.0	-24	-181	-358	245	252	-42	221	261	283
PTP	**-505.0**	**174**	**270**	**398**	**499**	**1,341**	**328**	**48**	**827**	**873**	**2,077**	**3,066**	**3,815**	**4,701**
Taxes	-27.0	23.0	4.0	-98.0	-132.0	-203	-103	-134	72	0	-165	-153	-382	-588
Minority interest	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
Net earnings	**-532.0**	**197**	**274**	**300**	**367**	**1,138**	**225**	**-86**	**899**	**873**	**1,912**	**2,912**	**3,434**	**4,113**
Net earnings	**-532.0**	**197**	**274**	**300**	**367**	**1,138**	**225**	**-86**	**899**	**873**	**1,912**	**2,912**	**3,434**	**4,113**
EPS (adj.) (EUR)	**-2.73**	**0.97**	**1.35**	**1.48**	**1.81**	**5.61**	**1.08**	**-0.41**	**4.34**	**4.21**	**9.22**	**13.76**	**15.91**	**18.68**
EPS (rep.) (EUR)	**-2.73**	**0.97**	**1.35**	**1.48**	**1.81**	**5.61**	**1.08**	**-0.41**	**4.34**	**4.21**	**9.22**	**13.76**	**15.91**	**18.68**

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25	Q4'25e	2025e	2026e	2027e	2028e
Revenue growth-%	13.0 %	19.5 %	19.8 %	18.8 %	15.6 %	18.3 %	15.2 %	10.1 %	7.1 %	7.2 %	9.8 %	15.4 %	16.1 %	12.8 %
Adjusted EBIT growth-%	-32.3 %	-207.7 %	-207.7 %	1318.8 %	-735.9 %	-406.0 %	202.9 %	52.7 %	28.3 %	30.2 %	55.2 %	34.3 %	25.0 %	24.3 %
EBITDA-%	-1.2 %	5.6 %	8.1 %	12.1 %	12.5 %	9.8 %	12.8 %	10.3 %	14.3 %	14.3 %	13.0 %	14.9 %	15.8 %	17.4 %
Adjusted EBIT-%	-3.4 %	4.6 %	7.0 %	11.4 %	11.2 %	8.7 %	12.1 %	9.7 %	13.6 %	13.7 %	12.3 %	14.3 %	15.4 %	17.0 %
Net earnings-%	-4.0 %	5.4 %	7.2 %	7.5 %	8.7 %	7.3 %	5.4 %	-2.0 %	21.1 %	19.2 %	11.1 %	14.7 %	14.9 %	15.8 %

Source: Inderes

Full-year earnings per share are calculated using the number of shares at year-end.

Balance sheet

Assets (MEUR)	2023	2024	2025e	2026e	2027e
Non-current assets	**3,086**	**3,626**	**3,605**	**3,631**	**3,667**
Goodwill	1,137	1,201	1,194	1,194	1,194
Intangible assets	84	48	23	2	2
Tangible assets	547	414	476	523	559
Associated companies	0	0	0	0	0
Other investments	1,215	1,635	1,635	1,635	1,635
Other non-current assets	75	142	142	142	142
Deferred tax assets	28	186	135	135	135
Current assets	**5,260**	**8,379**	**10,607**	**12,786**	**17,087**
Inventories	0	0	0	0	0
Other current assets	188	160	160	160	160
Receivables	858	771	791	953	1,268
Cash and equivalents	4,214	7,448	9,656	11,673	15,659
Balance sheet total	**8,346**	**12,005**	**14,212**	**16,417**	**20,754**

Source: Inderes

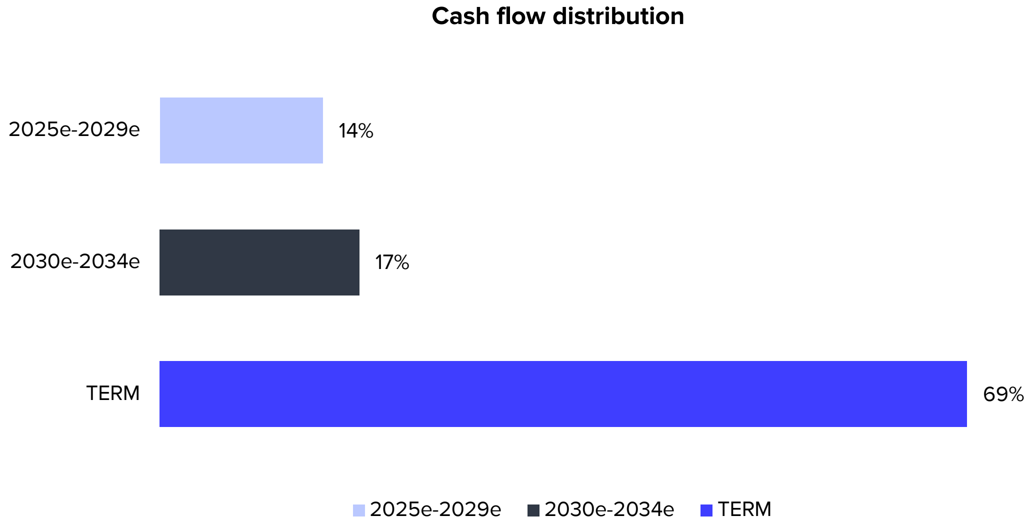
Liabilities & equity (MEUR)	2023	2024	2025e	2026e	2027e
Equity	**2,523**	**5,525**	**7,437**	**10,349**	**13,783**
Share capital	0	0	0	0	0
Retained earnings	-4,182	-3,044	-1,132	1,780	5,214
Hybrid bonds	0	0	0	0	0
Revaluation reserve	0	0	0	0	0
Other equity	6,705	8,569	8,569	8,569	8,569
Minorities	0	0	0	0	0
Non-current liabilities	**1,754**	**2,055**	**554**	**554**	**554**
Deferred tax liabilities	8	21	21	21	21
Provisions	24	28	28	28	28
Interest bearing debt	1,696	2,001	500	500	500
Convertibles	0	0	0	0	0
Other long term liabilities	26	5	5	5	5
Current liabilities	**4,069**	**4,425**	**6,221**	**5,514**	**6,418**
Interest bearing debt	0	0	1,300	0	0
Payables	4,040	4,372	4,868	5,461	6,365
Other current liabilities	29	53	53	53	53
Balance sheet total	**8,346**	**12,005**	**14,212**	**16,417**	**20,754**

DCF-calculation

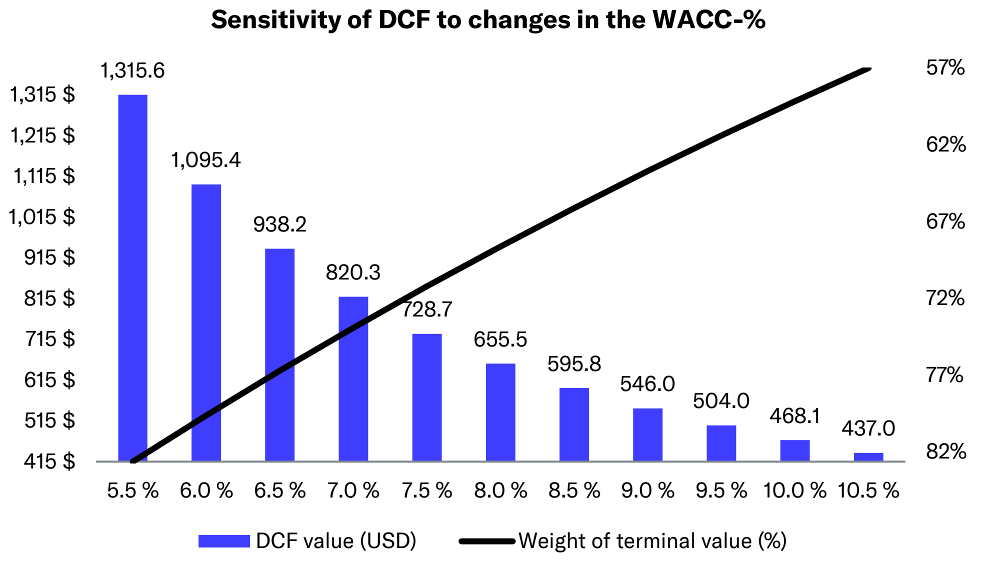
DCF model (MEUR)	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	18.3 %	9.8 %	15.4 %	16.1 %	12.8 %	11.9 %	11.1 %	10.5 %	10.0 %	9.0 %	3.0 %	3.0 %
EBIT-%	8.7 %	12.3 %	14.3 %	15.4 %	17.0 %	17.6 %	18.8 %	19.5 %	20.0 %	21.0 %	21.0 %	21.0 %
EBIT (operating profit)	**1,365**	**2,119**	**2,844**	**3,555**	**4,418**	**5,128**	**6,083**	**6,965**	**7,858**	**8,993**	**9,263**	
+ Depreciation	164	111	108	100	107	113	118	123	128	136	139	
- Paid taxes	-348	-114	-153	-382	-588	-812	-1,127	-1,481	-1,679	-1,926	-1,853	
- Tax, financial expenses	-52	-27	-2	-4	-5	-6	-7	-8	-8	-8	0	
+ Tax, financial income	48	23	13	30	40	49	70	96	115	135	0	
- Change in working capital	471	476	430	589	443	571	580	560	646	154	242	
Operating cash flow	**1,648**	**2,588**	**3,240**	**3,888**	**4,416**	**5,043**	**5,716**	**6,255**	**7,061**	**7,484**	**7,791**	
+ Change in other long-term liabilities	-17	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-546	-141	-134	-136	-139	-142	-145	-148	-151	-151	-139	
Free operating cash flow	**1,085**	**2,447**	**3,107**	**3,751**	**4,277**	**4,901**	**5,572**	**6,107**	**6,910**	**7,334**	**7,652**	
+/- Other	933	335	0	0	0	0	0	0	0	0	0	
FCFF	2,018	2,782	3,107	3,751	4,277	4,901	5,572	6,107	6,910	7,334	7,652	157,318
Discounted FCFF		**2,750**	**2,843**	**3,178**	**3,354**	**3,559**	**3,746**	**3,801**	**3,982**	**3,913**	**3,780**	**77,712**
Sum of FCFF present value		112,619	109,869	107,026	103,848	100,494	96,935	93,189	89,388	85,405	81,492	77,712

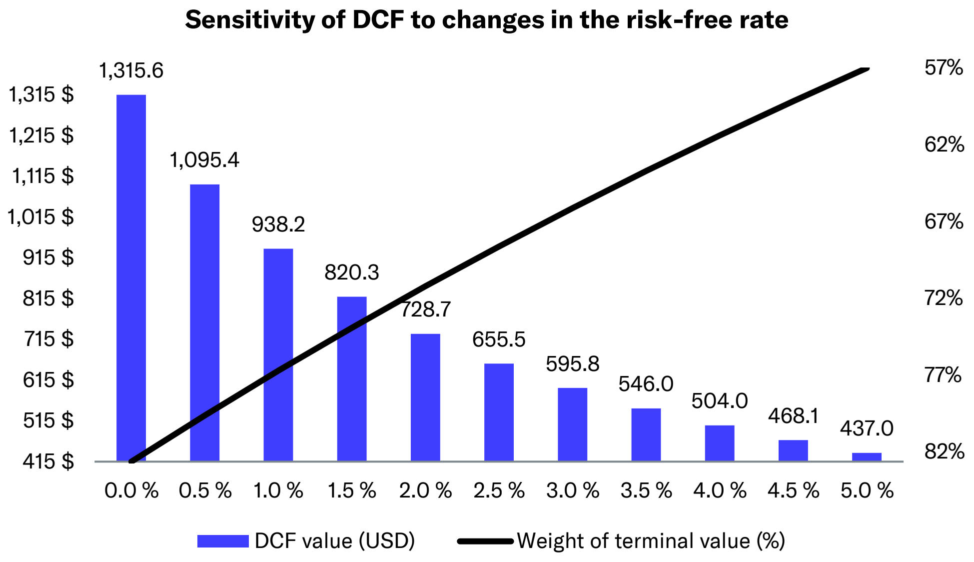
Enterprise value DCF	**112,619**
- Interest bearing debt	-2,001
+ Cash and cash equivalents	7,448
-Minorities	0
-Dividend/capital return	0
Equity value DCF (MEUR)	**118,066**
Equity value DCF per share (EUR)	**569**
Equity value DCF per share (USD)	**656**

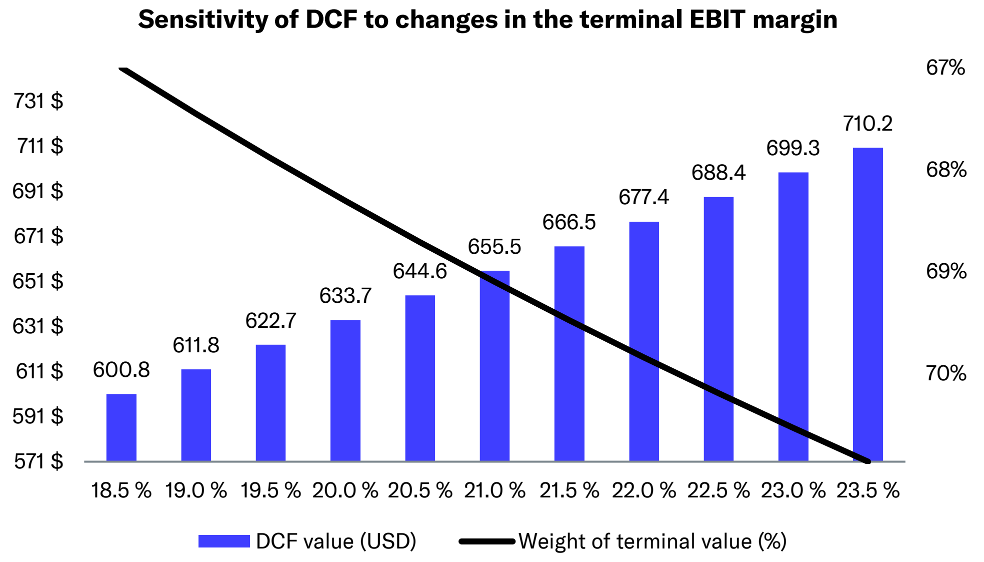
WACC	
Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	0.0 %
Equity Beta	1.16
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	**8.0 %**
Weighted average cost of capital (WACC)	**8.0 %**

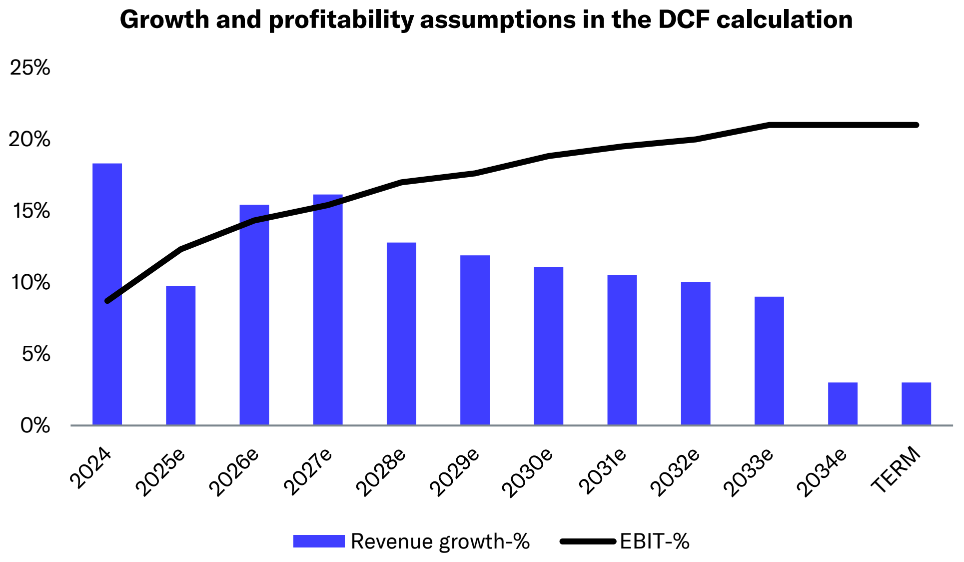


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement (MEUR)	2022	2023	2024	2025e	2026e
Revenue	11,727	13,247	15,673	**17,203**	**19,857**
EBITDA	-488	-165	1,529	**2,230**	**2,952**
EBIT	-659	-446	1,365	**2,119**	**2,844**
PTP	-370	-505	1,341	**2,077**	**3,066**
Net Income	-430	-532	1,138	**1,912**	**2,912**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet (MEUR)	2022	2023	2024	2025e	2026e
Balance sheet total	7,636	8,346	12,005	**14,212**	**16,417**
Equity capital	2,401	2,523	5,525	**7,437**	**10,349**
Goodwill	1,168	1,137	1,201	**1,194**	**1,194**
Net debt	-1,668	-2,518	-5,447	**-7,856**	**-11,173**

Cash flow (MEUR)	2022	2023	2024	2025e	2026e
EBITDA	-488	-165	1,529	**2,230**	**2,952**
Change in working capital	156	535	471	**476**	**430**
Operating cash flow	-429	330	1,648	**2,588**	**3,240**
CAPEX	-662	-63	-546	**-141**	**-134**
Free cash flow	-1,100	260	2,018	**2,782**	**3,107**

Valuation multiples	2022	2023	2024	2025e	2026e
EV/S	1.1	2.3	5.3	**6.1**	**5.3**
EV/EBITDA	neg.	neg.	54.0	**47.3**	**35.4**
EV/EBIT (adj.)	neg.	neg.	60.5	**49.8**	**36.7**
P/E (adj.)	neg.	neg.	77.4	**59.3**	**39.7**
P/B	6.0	13.1	15.9	**15.2**	**11.2**
Dividend-%	0.0 %	0.0 %	0.0 %	**0.0 %**	**0.0 %**

Source: Inderes

Per share data (EUR)	2022	2023	2024	2025e	2026e
EPS (reported)	-2.23	-2.73	5.61	**9.22**	**13.76**
EPS (adj.)	-2.23	-2.73	5.61	**9.22**	**13.76**
OCF / share	-2.22	1.70	8.12	**12.48**	**15.31**
OFCF / share	-5.70	1.34	9.95	**13.41**	**14.68**
Book value / share	12.44	12.96	27.23	**35.85**	**48.91**
Dividend / share	0.00	0.00	0.00	**0.00**	**0.00**

Growth and profitability	2022	2023	2024	2025e	2026e
Revenue growth-%	21%	13%	18%	**10%**	**15%**
EBITDA growth-%	-321%	-66%	-1027%	**46%**	**32%**
EBIT (adj.) growth-%	-801%	-32%	-406%	**55%**	**34%**
EPS (adj.) growth-%	1154%	23%	-305%	**64%**	**49%**
EBITDA-%	-4.2 %	-1.2 %	9.8 %	**13.0 %**	**14.9 %**
EBIT (adj.)-%	-5.6 %	-3.4 %	8.7 %	**12.3 %**	**14.3 %**
EBIT-%	-5.6 %	-3.4 %	8.7 %	**12.3 %**	**14.3 %**
ROE-%	-19.0 %	-21.6 %	28.3 %	**29.5 %**	**32.8 %**
ROI-%	-6.0 %	-6.9 %	28.8 %	**28.8 %**	**30.9 %**
Equity ratio	31.4 %	30.2 %	46.0 %	**52.3 %**	**63.0 %**
Gearing	-69.5 %	-99.8 %	-98.6 %	**-105.6 %**	**-108.0 %**

The market cap and enterprise value in the table consider the expected change in the number of shares and net debt for the forecast years. Per-share figures are calculated using the number of shares at year-end.

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Buy	The 12-month risk-adjusted expected shareholder return of the share is very attractive
Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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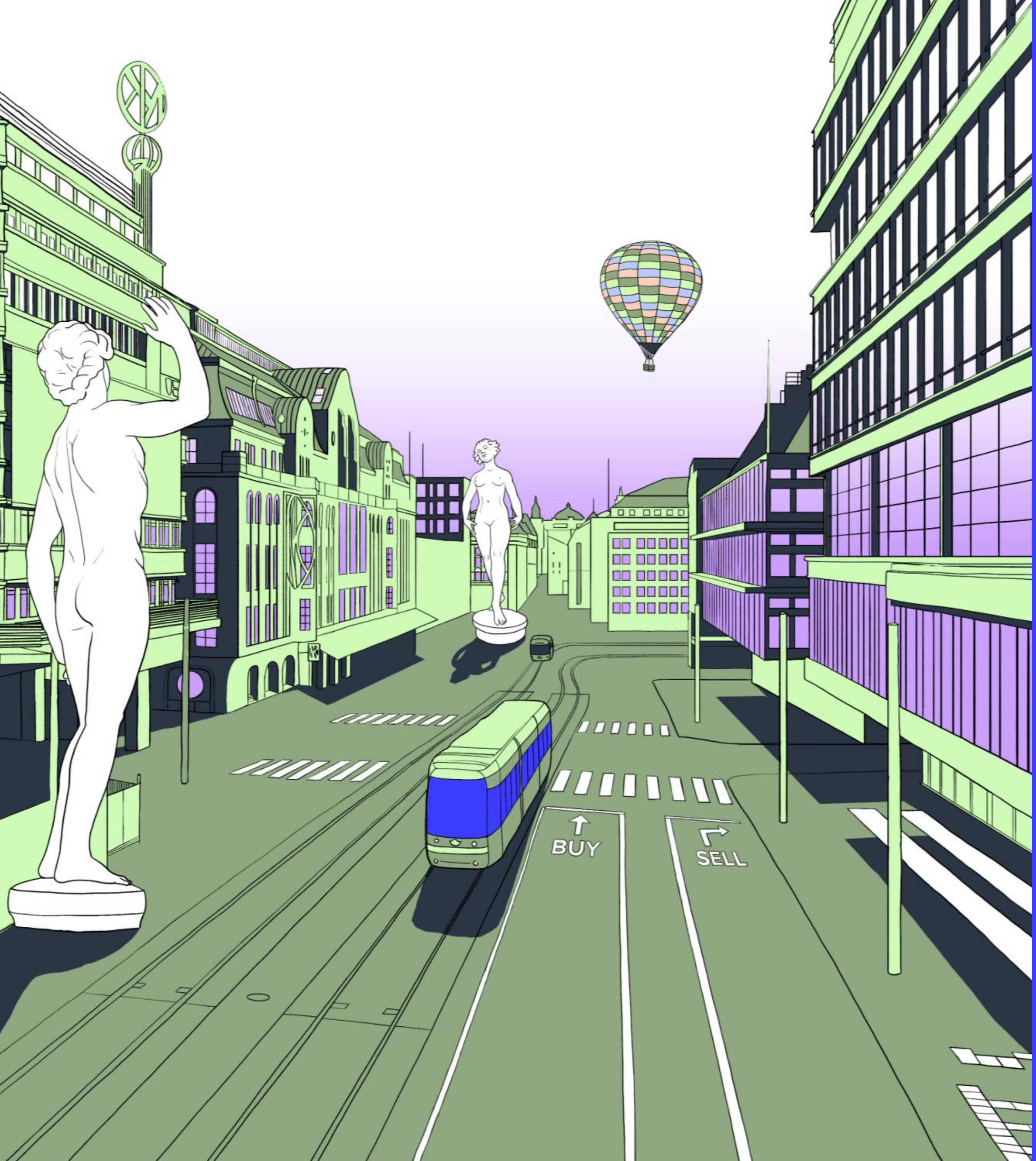
Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
2024-12-13	Reduce	$ 470	$ 480
2025-02-05	Reduce	$ 535	$ 622
2025-04-30	Reduce	$ 570	$ 582
2025-07-22	Reduce	$ 650	$ 707
2025-07-30	Reduce	$ 625	$ 620
2025-10-31	Reduce	$ 645	$ 657
2025-11-05	Reduce	$ 655	$ 630



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