

Company: Spotify Technology S.A.	Ticker: SPOT	Current Price: \$462.74	Industry: Technology	Sub Industry: Music Streaming Services
Target Price: \$472.26	TTM P/E: -110.814	Beta: 1.07	Credit Rating: --- A2	Market Cap: \$82.34B
Stop Loss: \$390	Forward P/E: 52x	Rating Outlook: Positive		Avg Vol (12 M): 200.81MM
52 Week High/ Low: \$489.69 / 175.00	EPS: \$1.45			Dividend Yield: ---

Company Background:

Industry Outlook:

The outlook for the music streaming industry is positive, as the use of AI and hyper personalization continue to boost customer growth and retention. Additionally, the expansion of broadband internet has helped expand this industry into more developing countries. The CAGR for this industry is expected to be at 14.4% from 2023-2030.

Investment Thesis:

Spotify has positioned themselves as the strongest player in the music streaming space. They have continued to adapt their product to expand to consumer's need and have been innovating their platform to have it be the easiest to understand. They also have a strong network effect where advertisers and artists want to be on their platform to expand their reach and Spotify uses them to expand revenue.

Investment Risks:

- Spotify is well-positioned as the market leader in the music streaming service space, however some risks may be their dependence on premium subscriber growth with potential macroeconomic trends. Additionally, they have a dependence on third-party licenses for their streaming content, however there is a mutual reliance with Spotify helping these companies gain revenues.

3-5 take aways from last quarter investor call transcript:

- They have experienced stronger than expected growth among new users and financials beating expectations
- Will continue to develop into new areas after success entering audiobook space
- AI will drive the platform, and Spotify will continue to utilize it to expand customer retention

Stock Price



Discounted Cash Flow

EBITDA Multiple Method - Value per Share	
Terminal EBITDA at Year 5	1,049.11
WACC	9.80%
Exit Enterprise Value / EBITDA	138.08x
Terminal Value at End of Year 5	144861.22
Present Value of Terminal Value	90,769.60
(+) Present Value of Free Cash Flows	3,891.01
(-) Current Enterprise Value	94,660.61
(+) Total Debt	1,999.36
(-) Cash and Marketable Securities	2,171.86
(-) Current Net Debt	(172.51)
(-) Current Preferred and Minority Interest	-
(-) Equity Value	94,833.12
Shares outstanding	201
Estimated Value per Share (USD)	472.26
Current Price (USD)	411.40
Estimated Upside	14.79%

Financial Performance – Income Statement

Income Statement

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	7,590.6	9,639.1	10,995.1	12,532.9	14,642.4	15,505.2	16,280.46	17,094.48	17,778.26	18,489.39	19,044.07
Revenue Growth		27%	14%	14%	17%	6%	5%	5%	4%	4%	3%
COGS	5,658.2	7,174.3	8,048.4	9,405.8	10,831.2	11,234.3	11,721.93	12,308.03	12,800.35	13,312.36	13,711.73
COGS %	75%	74%	73%	75%	74%	72%	72%	72%	72%	72%	72%
Gross Profit	1,932.44	2,464.83	2,946.66	3,127.07	3,811.21	4,270.87	4,558.53	4,786.45	4,977.91	5,177.03	5,332.34
Gross Margin	25%	26%	27%	25%	26%	28%	28%	28%	28%	28%	28%
SG&A	1,308.5	1,799.4	1,802.6	2,349.0	2,209.6	1,999.4	2,687.04	2,821.39	2,934.25	3,051.62	3,143.17
SG&A % of Rev	17%	19%	16%	19%	15%	13%	17%	17%	17%	17%	17%
R&D Exp	690.2	1,023.9	1,037.2	1,482.3	1,692.3	1,511.8	1,689.98	1,774.48	1,845.46	1,919.28	1,976.86
R&D Exp % of Rev	9%	11%	9%	12%	12%	10%	10%	10%	10%	10%	10%
Total Operating Exp	1,998.7	2,823.2	2,839.8	3,831.4	3,901.8	3,511.2	4,377.02	4,595.87	4,779.71	4,970.89	5,120.02
Operating Profit	(66.21)	(358.41)	106.90	(704.29)	(90.64)	759.67	181.51	190.58	198.21	206.14	212.32
Operating Margin	-1%	-4%	1%	-6%	-1%	5%	1%	1%	1%	1%	1%
Net Interest Exp	(13.5)	(45.3)	(66.0)	(11.8)	90.6	155.4	50.0	50.0	50.0	50.0	50.0
Earnings Before Tax	(147.0)	(867.3)	283.2	(395.4)	(558.2)	413.6	131.52	140.60	148.22	156.15	162.34
Income Tax Exp	61.7	(156.6)	321.8	64.1	29.8	(85.7)	17.89	19.12	20.16	21.24	22.08
Net Income	(208.7)	(710.7)	(38.7)	(459.5)	(588.0)	499.3	113.64	121.48	128.06	134.91	140.26
Diluted Shares Outstanding							200.8	200.8	200.8	200.8	200.8
Diluted EPS	(\$1.16)	(\$3.79)	(\$1.17)	(\$3.13)	(\$3.02)	\$2.49	0.57	0.60	0.64	0.67	0.70
EPS Growth		227%	-69%	168%	-4%	-182%	-77%	7%	5%	5%	4%
EBITDA	31.4	(22.6)	251.3	(602.8)	11.1	801.5	341.11	358.17	372.49	387.39	399.01
EBIT	(66.2)	(358.4)	106.9	(704.3)	(90.6)	759.7	181.51	190.58	198.21	206.14	212.32
Gross Margin	25%	26%	27%	25%	26%	28%	28%	28%	28%	28%	28%
EBITDA Margin	0%	-2%	2%	-5%	0%	5%	2%	2%	2%	2%	2%
Operating Margin	-1%	-4%	1%	-6%	-1%	5%	1%	1%	1%	1%	1%
Net Margin	-3%	-7%	0%	-4%	-4%	3%	1%	1%	1%	1%	1%
Depreciation	79.5	98.2	111.2	124.3	119.0	155.1	159.6	167.6	174.3	181.3	186.7
Depreciation/Sales	1.0%	1.0%	1.0%	1.0%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cost of Debt							2.50%	2.50%	2.50%	2.50%	2.50%
Tax Rate	-42%	18%	114%	-16%	-5%	-21%	14%	14%	14%	14%	14%

Total Return

Return	Stock	S&P 500
YTD	145.67%	20.27%
Last 2 Years	502%	78.12%
Last 5 Years	229.21%	93.36%

CSR Characteristics

Prepared by Bloomberg