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Spotify Technology SA | North America

Back on The Train - Reiterate
OW

✔ Stock Rating	◉ Industry View	◎ Price Target
Overweight	In-Line	\$350.00

The 3Q results were supportive of the SPOT investment thesis with strong user growth and improving unit economics. On the user front, rising engagement as markets reopen is helping net adds. On margins, podcasting and marketplace are contributing - both trends that should continue into '22.

WHAT'S
CHANGED

Spotify Technology SA (SPOT.N)	From	To
Price Target	\$325.00	\$350.00

Impact on our thesis: We reiterate our OW rating and list SPOT as our top pick in the Media & Entertainment coverage group. This is based on the view that the global streaming audio TAM is substantial, that Spotify can continue to be the global market leader, and that ultimately that will translate into substantial earnings power (see our recent updated MS Global Music Forecast [here](#)). The 3Q results saw user growth, MAUs (+19% YoY growth) and Premium subscribers (+19% YoY growth), come in broadly in line with expectations while advertising revenue growth (+75%) and Premium ARPU (+3% ex FX) were both better than expected.

Most importantly, this stronger than expected revenue growth - headlined by podcasting - drove another increase in gross margins YoY. YTD, gross profit is up 30% and is expected to grow 20-25% from 2021-2025. Spotify is poised to end 2021 with over 400mm global MAUs and 180mm paid users. At an enterprise value of under \$50bn, this highly engaged user base appears undervalued with real upside if Spotify can improve its profit per user over time. Our \$350 price target implies shares trade at ~14x EV/23E gross profit, broadly in-line with current trading levels (and implies ~4x EV/23E sales).

The success Spotify is seeing in podcasting and marketplace this year suggests an inflection point on margins may be around the corner. Gross margins have been essentially flat since Spotify direct listed, but the scale of these non-music related profit drivers suggests 2022 may be the beginning of a steady gross margin ramp going forward.

Gross margin debate - podcasting increasingly looks like a real opportunity: As we detailed in our podcasting deep dive, [Mic'd Up - Is Podcasting the Next Big Thing?](#), we believe the industry may be at an inflection point and that global leadership in this still nascent market is Spotify's to win if it can execute. The

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Spotify Technology SA (SPOT.N, SPOT US)

Top Pick

Media & Entertainment / United States of America

Stock Rating	Overweight			
Industry View	In-Line			
Price target	\$350.00			
Shr price, close (Oct 27, 2021)	\$273.13			
Mkt cap, curr (mm)	€45,050			
52-Week Range	\$387.43-201.71			
Fiscal Year Ending	12/20	12/21e	12/22e	12/23e
ModelWare EPS (€)	(3.10)	0.14	0.16	1.39
Prior ModelWare EPS (€)	-	(0.32)	(0.48)	0.90
P/E	NM	1,648.3	1,473.5	168.3
EPS (€)§	(2.95)	(0.90)	(0.07)	1.02
Div yld (%)	0.0	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework

§ = Consensus data is provided by Thomson Reuters Estimates
e = Morgan Stanley Research estimates

QUARTERLY MODELWARE EPS (€)

Quarter	2020	2021e		2022e	
		Prior	Current	Prior	Current
Q1	0.01	-	0.12a	-	-
Q2	(1.91)	-	(0.10)a	-	-
Q3	(0.53)	-	0.01a	-	-
Q4	(0.66)	(0.19)	0.12	-	-

e = Morgan Stanley Research estimates, a = Actual Company reported data

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percentage of MAUs listening to podcasts increased in the quarter (~30%?) with podcasts' share of engagement at an all-time high. Spotify's internal data now matches our Alphawise survey data (see [here](#)) that it is the #1 podcast platform in the US. What is equally encouraging for investors, however, is the growing monetization both on Spotify owned and exclusives (O&E) and third party podcasts.

While Joe Rogan and the Ringer get the attention, **~80% of podcast listening on Spotify is essentially from third party publishers**. To monetize this listening, Spotify acquired Megaphone in late '20 and launched the Spotify Audience Network (SAN) in early '21. This is starting to pay dividends as more publishers see better monetization potential through SAN (even with Spotify taking a cut) than monetizing on their own. Advertiser demand for podcast inventory exceeds supply at Spotify, so this incremental third party supply is key to growing the business. The number of podcasts in the network grew over 50% since launch, SAN has been launched in more int'l markets, and Spotify is adding podcasts from its Anchor platform to SAN in the coming weeks.

This year, podcast revenues have grown faster than podcast costs although podcasting is still not profitable. **Flipping podcasting to profitability and then scaling the business looks like a real driver of gross margins over the next few years**. Marketplace has also been a quiet but steady contributor to gross margins, by effectively lowering royalty rates as labels and artists take advantage of these nascent demand creation tools. As Spotify's user base scales, those offerings should only increase in value to partners.

User and subscriber growth debate - no major change post 3Q: Consensus net adds for '22 of 26-28mm continues to be an area of debate post 3Q, with ad MAU net adds ahead of expectations and Premium net adds modestly below. We continue to see reopening, and the related increase in mobility by consumers (commuting, etc.), as a tailwind to engagement on the platform. Engagement was up YoY in most regions in 3Q.

The bull case on user growth is that the success in streaming generally and Spotify specifically in North America is a leading indicator for the global opportunity. **The North American market appears poised to end 2021 at 47% penetration of smartphone users, while the rest of the regions Spotify operates in average just 10-11% suggesting a long runway**. US ad revenues were up ~20% in 3Q21 (in USD), as the US represents the majority of Spotify's ad revenues.

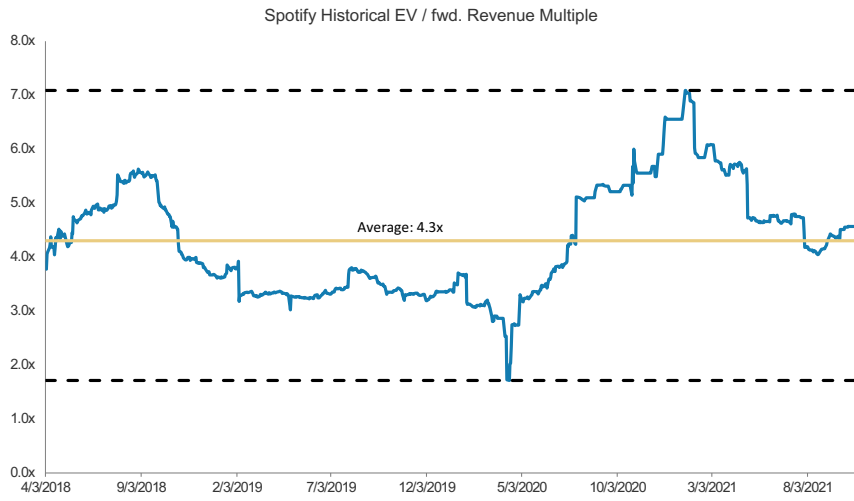
The risk is that the willingness of consumers outside developed markets to pay for music is structurally low and when combined with less developed payment systems suggests a more difficult growth path and Premium net additions have already peaked.

Changes to our estimates: Our user and Premium sub outlook remains broadly unchanged. Revenue comes up slightly on stronger advertising flowing through in addition to better Premium ARPU growth. We raise gross profit estimates on the revenue outlook and margin beat but also expectations for YoY margin improvement in 2022. Stronger gross profit flows through to an improved EBITDA forecast, though we still expect the company to be only slightly profitable on EBITDA near-term.

Exhibit 2 has a comparison of results vs. expectations, and Exhibit 4 a comparison of

our current vs. prior estimates.

Exhibit 1: Spotify is trading near its historical average since listing



Source: Refinitiv. Note EV/Sales multiples are higher here than MSe by between half to a full turn

3Q21 Actual Results/Guidance vs. Morgan Stanley Estimates

Exhibit 2: Actual Results/Guidance vs. Morgan Stanley Estimates

(\$ millions unless otherwise stated)	3Q21 Actual vs. Morgan Stanley Estimates						4Q21E			FY21E		
	3Q21A	3Q20A	% YoY Change	3Q21E	Change (A vs. E)	% Change (A vs. E)	Guide (70th Percentile)	Guide vs. M&E	Guide vs. M&E	Guide (70th Percentile)	Guide vs. M&E	Guide vs. M&E
MAUs												
Total Monthly Active Users, EOP	381.0	320.0	19.1%	380.5	0.5	0.1%	404.9	404.9	0.0%	404.9	404.9	0.0%
Total MAUs Net Additions	16.0	21.0	-23.8%	15.5	0.5	3.1%	23.9	24.4	(0.5)	59.9	59.9	(0.0)
Ad-Supported MAUs, EOP	220.0	185.0	18.9%	217.7	2.3	1.1%						
Ad-Supported MAU Net Additions	10.0	15.0	-33.3%	7.7	2.3	30.3%						
Premium Subs												
Total Premium Subscribers, EOP	172.0	144.0	19.4%	172.8	(0.8)	-0.5%	179.8	179.8	0.0%	179.8	179.8	0.0%
Total Premium Net Additions	7.0	6.0	16.7%	7.8	(0.8)	-10.8%	7.8	7.0	0.8	24.8	24.8	(0.0)
Other Sub Metrics												
Premium ASPU	€ 4.34	€ 4.19	3.6%	€ 4.26	€ 0.08	1.9%						
YoY Growth %	3.6%	-10.4%		1.6%								
Operating Model												
Premium Revenue	€ 2,178.0	€ 1,790.0	21.7%	€ 2,157.6	€ 20.4	0.9%						
Ad Revenue	323.0	385.0	-18.7%	294.0	29.0	9.9%	€ 2,638.0	€ 2,682.3	-0.5%	€ 9,617.0	€ 9,581.9	0.4%
Total Revenue	€ 2,501.0	€ 1,975.0	28.6%	€ 2,451.6	€ 49.4	2.0%						
YoY Growth %	26.6%	14.1%		24.1%			21.7%	22.3%		22.0%	21.6%	
YoY Growth % (organic)	25.9%	19.2%		23.4%			19.2%	20.1%		23.6%	23.4%	
Premium Gross Profit	€ 634.1	€ 488.0	29.9%	€ 609.2	€ 25.0	4.1%						
Margin %	29.1%	27.3%		28.2%								
Ad Gross Profit	€ 33.9	€ 1.0	3291.5%	€ 34.4	€ 0.4	9.5						
Margin %	10.5%	0.5%		8.3%								
Total Gross Profit	€ 668.0	€ 489.0	36.6%	€ 643.6	€ 24.4	5.4%	€ 668.6	€ 676.7	0.6%	€ 2,559.6	€ 2,521.3	1.5%
Margin %	26.7%	24.8%		26.6%			25.6%	25.9%	29 bps	26.6%	26.5%	30 bps
R&D												
R&D	€ 209.0	€ 176.0	18.2%	€ 255.2	€ (47.2)	-18.5%						
S&M	280.0	256.0	9.4%	285.0	(5.0)	-1.8%						
G&A	105.0	97.0	8.2%	119.2	(14.2)	-11.9%						
Total Operating Expenses (incl. D&A) as % of Revenue	€ 593.0	€ 529.0	12.1%	€ 659.5	€ (66.5)	-10.1%	€ 776.6	€ 763.9	1.7%	€ 2,554.6	€ 2,606.3	-2.1%
EBIT	€ 75.0	€ (40.0)	-287.5%	€ (25.9)	€ 100.9	NM	€ (6.0)	€ (87.1)	10.2%	€ 5.0	€ (87.0)	-105.7%
Margin %	3.0%	-2.0%		-1.1%			-3.6%	-3.3%		0.1%	-0.9%	
EPS												
EPS	(€ 0.41)	(€ 0.53)	-23.3%	(€ 0.14)	(€ 0.27)	192.9%				(€ 125.8)	(€ 132.5)	-5.1%
FX Revenue tailwind/headwind	€ 15.0	(€ 89.0)	NM	€ 13.7	€ 1.3	9.8%	€ 54.2	€ 48.8	11.1%			

Source: Company data, Morgan Stanley Research

Exhibit 3: Actual Results vs. Morgan Stanley Estimates (continued)

	3Q21A	3Q21E	% Change (A vs. E)
MAUs			
North America	90.5	89.2	1.5%
Europe	128.6	130.5	-1.4%
Latin America	82.9	82.1	0.9%
ROW	79.1	78.8	0.4%
EOP Premium Subs			
North America	49.9	49.3	1.3%
Europe	68.8	69.4	-0.9%
Latin America	34.4	34.2	0.5%
ROW	18.9	20.0	-5.2%
Sub Net Adds			
North America	2.0	1.4	0.6
Europe	2.8	3.4	(0.6)
Latin America	1.4	1.2	0.2
ROW	0.8	1.8	(1.0)

Source: Company data, Morgan Stanley Research

Prior vs. Current Estimates

Exhibit 4: Spotify Current Subscriber Estimates vs. Prior

Subscriber Prior vs. Current (millions unless otherwise stated)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2021				
												1Q	2Q	3Q	4QE	
USERS																
Global																
Current MAUs	404.9	467.7	531.6	593.7	651.8	699.8	743.3	781.5	816.8	848.6	878.9		356.0	365.0	381.0	404.9
Prior MAUs	404.9	467.7	531.5	594.0	651.7	699.8	743.2	781.3	816.6	848.8	878.7		356.0	365.0	380.5	404.9
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.1%	0.0%
Current Subs	179.8	206.0	232.2	257.6	282.5	306.8	328.0	346.1	362.5	378.0	393.0		158.0	165.0	172.0	179.8
Prior Subs	179.8	206.9	232.2	257.5	282.5	306.8	328.0	346.1	362.5	378.0	393.0		158.0	165.0	172.8	179.8
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	-0.5%	0.0%
Current Net Adds	24.8	26.2	26.2	25.3	25.0	24.3	21.2	18.1	16.4	15.5	15.0		3.0	7.0	7.0	7.8
Prior Net Adds	24.8	26.1	26.2	25.3	25.0	24.3	21.2	18.1	16.4	15.5	15.0		3.0	7.0	7.8	7.0
% Change	-0.1%	0.5%	-0.1%	-0.1%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%		0.0%	0.0%	-10.8%	11.7%
North America																
Current MAUs	95.2	101.6	104.7	107.4	109.7	111.4	112.7	113.5	114.3	114.7	115.0		85.4	87.6	91.4	95.2
Prior MAUs	91.2	96.9	100.2	102.8	105.3	107.0	108.9	110.3	111.3	112.3	113.1		85.4	87.6	89.2	91.2
% Change	4.4%	4.8%	4.5%	4.5%	4.2%	4.1%	3.4%	2.9%	2.7%	2.1%	1.7%		0.0%	0.0%	2.6%	4.4%
Current Subs	50.3	54.6	56.3	57.8	59.0	60.0	60.7	61.3	61.8	62.2	62.5		45.8	47.9	49.9	50.3
Prior Subs	49.8	52.9	54.4	55.9	57.2	58.1	59.2	60.1	60.7	61.4	62.1		45.8	47.9	49.3	49.8
% Change	1.1%	3.2%	3.4%	3.5%	3.2%	3.2%	2.5%	2.0%	1.8%	1.2%	0.6%		0.0%	0.0%	1.3%	1.1%
Europe																
Current MAUs	135.9	155.7	174.4	191.1	205.2	216.2	225.5	231.3	235.3	238.5	241.5		121.0	124.1	127.6	135.9
Prior MAUs	138.2	158.2	177.2	193.7	208.1	217.3	225.7	231.2	235.3	238.5	241.4		121.0	124.1	130.5	138.2
% Change	-1.7%	-1.6%	-1.6%	-1.4%	-1.4%	-0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	-2.2%	-1.7%
Current Subs	71.9	81.1	89.6	97.7	105.0	110.6	115.6	119.1	121.6	123.6	125.4		63.2	66.0	68.8	71.9
Prior Subs	72.3	81.5	90.1	98.2	105.5	110.8	115.6	119.1	121.6	123.6	125.4		63.2	66.0	69.4	72.3
% Change	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	-0.9%	-0.5%
Latin America																
Current MAUs	87.4	96.7	105.2	112.5	118.4	122.7	125.9	128.8	131.1	133.0	134.4		78.3	80.3	83.8	87.4
Prior MAUs	86.3	95.9	104.3	111.8	118.4	122.6	125.9	128.8	131.1	133.0	134.4		78.3	80.3	82.1	86.3
% Change	1.2%	0.9%	0.8%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	2.1%	1.2%
Current Subs	36.0	39.1	41.6	43.5	45.2	46.6	47.9	49.0	49.8	50.6	51.5		31.6	33.0	34.4	36.0
Prior Subs	36.0	39.1	41.6	43.5	45.2	46.6	47.9	49.0	49.8	50.7	51.5		31.6	33.0	34.2	36.0
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.5%	0.0%
Rest of World																
Current MAUs	86.4	113.8	147.3	182.7	218.5	249.5	279.3	307.8	336.0	362.4	388.0		71.2	73.0	78.1	86.4
Prior MAUs	89.2	116.8	149.8	185.6	220.0	252.8	282.7	311.0	338.9	365.0	389.8		71.2	73.0	78.8	89.2
% Change	-3.1%	-2.6%	-1.7%	-1.6%	-0.7%	-1.3%	-1.2%	-1.0%	-0.8%	-0.7%	-0.5%		0.0%	0.0%	-0.8%	-3.1%
Current Subs	21.6	31.2	44.7	58.5	73.3	89.6	103.8	116.8	129.2	141.6	153.7		17.4	18.2	18.9	21.6
Prior Subs	21.8	32.4	46.1	59.9	74.6	91.3	105.3	118.0	130.3	142.3	154.1		17.4	18.2	20.0	21.8
% Change	-0.8%	-3.8%	-3.0%	-2.3%	-1.7%	-1.8%	-1.4%	-1.0%	-0.8%	-0.5%	-0.3%		0.0%	0.0%	-5.2%	-0.8%

Source: Company data, Morgan Stanley Research

Exhibit 5: Spotify Current Operating Estimates vs. Prior

Prior vs. Current (€ millions unless otherwise stated)	Current Estimates						Previous Estimates						Change					
	4Q21E	2021E	2022E	2023E	2024E	2025E	4Q21E	2021E	2022E	2023E	2024E	2025E	4Q21E	2021E	2022E	2023E	2024E	2025E
Global Subscriber Model																		
Total Monthly Active Users, EOP	404.9	404.9	467.7	531.6	593.7	651.8	404.9	404.9	467.7	531.5	594.0	651.7	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY Growth %	17.4%	17.4%	15.5%	13.7%	11.7%	9.8%	17.4%	17.4%	15.5%	13.6%	11.8%	9.7%	-1 bps	-1 bps	1 bps	1 bps	-6 bps	5 bps
Total Premium Subscribers, EOP	179.8	179.8	206.0	232.2	257.6	282.5	179.8	179.8	205.9	232.2	257.5	282.5	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY Growth %	16.0%	16.0%	14.6%	12.7%	10.9%	9.7%	16.0%	16.0%	14.5%	12.7%	10.9%	9.7%	-2 bps	-2 bps	7 bps	-2 bps	-1 bps	-1 bps
Other Global Metrics																		
Premium ARPU	€ 4.37	€ 4.28	€ 4.34	€ 4.45	€ 4.61	€ 4.82	€ 4.34	€ 4.25	€ 4.30	€ 4.40	€ 4.56	€ 4.77	0.8%	0.7%	1.0%	1.1%	1.1%	1.1%
YoY Growth %	2.7%	-0.7%	1.3%	2.4%	3.6%	4.7%	1.9%	-1.4%	1.1%	2.3%	3.6%	4.7%	80 bps	70 bps	25 bps	11 bps	2 bps	-2 bps
Premium Churn	3.9%	3.9%	3.8%	3.8%	3.8%	3.7%	4.0%	3.9%	3.8%	3.8%	3.8%	3.7%	-15 bps	9 bps	0 bps	1 bps	1 bps	1 bps
YoY Change (bps)	-9 bps	-6 bps	-15 bps	-2 bps	-3 bps	-3 bps	6 bps	-15 bps	-6 bps	-3 bps	-3 bps	-3 bps						
LTV/SAC (Premium + Ad-Supported)	2.3x	2.6x	2.8x	3.1x	3.4x	3.8x	2.1x	2.5x	2.7x	3.0x	3.3x	3.7x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x
Operating Model																		
Premium Revenue	€ 2,308.2	€ 8,473.2	€ 10,052.1	€ 11,693.5	€ 13,534.8	€ 15,627.2	€ 2,295.8	€ 8,440.4	€ 9,954.4	€ 11,565.2	€ 13,385.6	€ 15,458.9	0.5%	0.4%	1.0%	1.1%	1.1%	1.1%
YoY Growth %	22.3%	18.8%	18.6%	16.3%	15.7%	15.5%	21.7%	18.3%	17.9%	16.2%	15.7%	15.5%						
Share of Total Revenue	86.2%	87.7%	86.2%	85.1%	84.3%	83.9%	86.6%	88.1%	86.6%	85.4%	84.6%	84.1%						
Premium Gross Profit	€ 670.6	€ 2,474.6	€ 2,933.4	€ 3,530.4	€ 4,231.1	€ 5,053.7	€ 659.7	€ 2,439.8	€ 2,836.8	€ 3,438.4	€ 4,140.8	€ 4,939.3	1.7%	1.4%	3.4%	2.7%	2.2%	1.7%
Margin %	29.1%	29.2%	29.2%	30.2%	31.3%	32.3%	28.7%	28.9%	28.5%	29.7%	30.9%	32.1%	32 bps	30 bps	68 bps	46 bps	33 bps	19 bps
Ad-Supported Revenue	€ 370.2	€ 1,194.2	€ 1,602.7	€ 2,041.5	€ 2,519.2	€ 3,002.3	€ 356.5	€ 1,141.5	€ 1,545.2	€ 1,981.9	€ 2,442.9	€ 2,920.0	3.9%	3.7%	3.7%	3.0%	3.1%	2.8%
YoY Growth %	31.7%	39.0%	35.3%	27.4%	23.4%	19.2%	28.9%	53.2%	35.4%	28.3%	23.3%	19.5%						
Share of Total Revenue	13.8%	12.3%	13.8%	14.9%	15.7%	16.1%	13.4%	11.9%	13.4%	14.6%	15.4%	15.9%						
Ad-Supported Gross Profit	€ 19.2	€ 94.2	€ 200.5	€ 368.9	€ 561.1	€ 768.5	€ 17.1	€ 81.5	€ 186.1	€ 354.7	€ 539.9	€ 745.1	12.3%	15.5%	7.7%	4.0%	3.9%	3.1%
Margin %	5.2%	8.0%	12.5%	18.1%	22.3%	25.6%	4.8%	7.1%	12.0%	17.9%	22.1%	25.5%	39 bps	81 bps	46 bps	18 bps	17 bps	8 bps
Total Revenue	€ 2,678.4	€ 9,657.4	€ 11,654.8	€ 13,735.0	€ 16,053.9	€ 18,629.6	€ 2,652.3	€ 9,581.9	€ 11,499.6	€ 13,547.1	€ 15,828.5	€ 18,379.0	1.0%	0.8%	1.3%	1.4%	1.4%	1.4%
YoY Growth %	23.5%	22.6%	20.7%	17.8%	16.9%	16.0%	22.3%	21.6%	20.0%	17.8%	16.8%	16.1%						
Total Gross Profit	€ 689.7	€ 2,568.7	€ 3,133.9	€ 3,899.3	€ 4,792.2	€ 5,822.2	€ 676.7	€ 2,521.3	€ 3,022.9	€ 3,793.1	€ 4,680.7	€ 5,714.3	1.9%	1.9%	3.7%	2.8%	2.4%	1.9%
Margin %	25.8%	26.6%	26.9%	28.4%	29.9%	31.3%	25.5%	26.3%	26.3%	28.0%	29.6%	31.1%	24 bps	29 bps	60 bps	39 bps	28 bps	16 bps
Operating Expenses as % of Revenue	€ 769.1	€ 2,547.1	€ 3,014.0	€ 3,456.6	€ 3,942.2	€ 4,472.5	€ 763.9	€ 2,608.3	€ 3,040.1	€ 3,478.9	€ 3,954.4	€ 4,475.0	0.7%	-2.3%	-0.9%	-0.6%	-0.3%	-0.1%
as % of Revenue	28.7%	26.4%	25.9%	25.2%	24.6%	24.0%	28.8%	27.2%	26.4%	25.7%	25.0%	24.3%						
Operating Income as % of Revenue	(€ 79.3)	€ 21.7	€ 119.8	€ 442.7	€ 849.9	€ 1,349.8	(€ 87.1)	(€ 87.0)	(€ 17.2)	€ 314.3	€ 726.3	€ 1,239.3	-9.0%	-124.9%	-796.7%	40.9%	17.0%	8.9%
as % of Revenue	-3.0%	0.2%	1.0%	3.2%	5.3%	7.2%	-3.3%	-0.9%	-0.1%	2.3%	4.6%	6.7%	32 bps	113 bps	118 bps	90 bps	71 bps	50 bps
EBITDA	(€ 47.5)	€ 147.5	€ 255.3	€ 581.5	€ 992.8	€ 1,498.4	(€ 53.4)	€ 39.3	€ 120.2	€ 455.0	€ 871.3	€ 1,390.4	-11.1%	275.8%	112.4%	27.8%	14.0%	7.8%
YoY Growth %	18.7%	-181.1%	73.0%	127.8%	70.7%	50.9%	33.5%	-121.6%	206.1%	278.6%	91.5%	59.6%						
Margin %	-1.8%	1.5%	2.2%	4.2%	6.2%	8.0%	-2.0%	0.4%	1.0%	3.4%	5.5%	7.6%	24 bps	112 bps	115 bps	87 bps	68 bps	48 bps
Diluted EPS	€ 0.12	€ 0.14	€ 0.16	€ 1.39	€ 2.97	€ 4.97	(€ 0.19)	(€ 0.32)	(€ 0.48)	€ 0.90	€ 2.46	€ 4.47	-160.4%	-144.3%	-133.1%	55.6%	20.9%	11.3%
FCF (OFFO - Capex)	€ 400.6	€ 990.2	€ 1,436.2	€ 1,937.6	€ 2,383.9	€ 621.1	€ 855.0	€ 1,289.4	€ 1,794.4	€ 2,392.3	€ 2,383.9		-35.5%	15.8%	11.4%	8.0%	-0.3%	
FCF (MSE Defined)	€ 301.3	€ 652.9	€ 1,033.3	€ 1,467.3	€ 1,852.3	€ 427.6	€ 518.5	€ 905.3	€ 1,348.3	€ 1,899.2	€ 1,899.2		-29.5%	25.9%	14.1%	8.8%	-2.0%	
FCF/share	€ 1.53	€ 3.29	€ 5.18	€ 7.44	€ 9.58	€ 2.21	€ 2.63	€ 4.47	€ 6.73	€ 9.61	€ 9.61		-30.9%	25.0%	16.0%	10.6%	-0.3%	

Source: Company data, Morgan Stanley Research

Bull, Bear, Base Scenarios

Exhibit 6: Bull, Bear, Base Scenarios

Bull/Bear/Base (€ millions unless otherwise stated)	Base Case					Bear Case					Bull Case					
	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E	2021E	2022E	2023E	2024E	2025E	
Global Subscriber Model																
Total Monthly Active Users, EOP	404.9	467.7	531.6	593.7	651.8	400.0	455.9	506.8	555.9	600.5	407.0	498.9	605.6	710.0	808.0	
YoY Growth %	17.4%	15.5%	13.7%	11.7%	9.8%	16.0%	14.0%	11.2%	9.7%	8.0%	18.0%	22.6%	21.4%	17.2%	13.8%	
as % of Est. Potential Smartphones	20.1%	21.3%	22.6%	23.6%	24.5%	19.9%	20.8%	21.5%	22.1%	22.6%	20.2%	22.7%	25.7%	28.3%	30.4%	
Total MAUs Net Additions	59.9	62.8	63.9	62.2	58.0	55.0	55.9	51.0	49.0	44.6	62.0	91.9	106.7	104.4	98.0	
YoY Growth %	-19.1%	4.8%	1.7%	-2.6%	-6.7%	-25.6%	1.5%	-8.8%	-3.7%	-9.1%	-16.2%	48.2%	16.1%	-2.2%	-6.1%	
Total Premium Subscribers, EOP	179.8	206.0	232.2	257.6	282.5	177.0	197.5	215.6	230.6	241.8	181.0	211.6	245.8	286.9	331.0	
YoY Growth %	16.0%	14.6%	12.7%	10.9%	9.7%	14.2%	11.6%	9.1%	7.0%	4.9%	16.8%	16.9%	16.2%	16.7%	15.4%	
Premium Subs as % of Total Active Users	44.4%	44.1%	43.7%	43.4%	43.3%	44.2%	43.3%	42.5%	41.5%	40.3%	44.5%	42.4%	40.6%	40.4%	41.0%	
as % of Est. Potential Smartphones	8.9%	9.4%	9.9%	10.3%	10.6%	8.8%	9.0%	9.2%	9.2%	9.1%	9.0%	9.6%	10.4%	11.4%	12.4%	
Total Premium Net Additions	24.8	26.2	26.2	25.3	25.0	22.0	20.6	18.0	15.0	11.2	26.0	30.5	34.2	41.1	44.1	
YoY Growth %	-20.0%	5.7%	0.0%	-3.4%	-1.4%	-29.1%	-6.5%	-12.2%	-16.8%	-25.1%	-16.0%	17.4%	11.9%	20.2%	7.4%	
Other Global Metrics																
Premium ARPU	€ 4.28	€ 4.34	€ 4.45	€ 4.61	€ 4.82	€ 4.27	€ 4.26	€ 4.37	€ 4.55	€ 4.78	€ 4.29	€ 4.43	€ 4.58	€ 4.78	€ 5.01	
YoY Growth %	-0.7%	1.3%	2.4%	3.6%	4.7%	-0.9%	-0.4%	2.6%	4.1%	5.1%	-0.4%	3.0%	3.4%	4.5%	4.7%	
Premium Churn	3.9%	3.8%	3.8%	3.8%	3.7%	4.0%	4.0%	3.9%	3.9%	3.9%	3.9%	3.7%	3.6%	3.4%	3.2%	
YoY Change (bps)	-6 bps	-15 bps	-2 bps	-3 bps	-3 bps	-2 bps	3 bps	-5 bps	-5 bps	0 bps	-6 bps	-25 bps	-12 bps	-23 bps	-12 bps	
LTV/SAC (Premium + Ad-Supported)	2.6x	2.8x	3.1x	3.4x	3.8x	2.5x	2.6x	2.7x	2.9x	3.0x	2.6x	3.1x	3.7x	4.5x	5.3x	
Operating Model																
Premium Revenue	€ 8,473.2	€ 10,052.1	€ 11,693.5	€ 13,534.8	€ 15,627.2	€ 8,434.3	€ 9,563.4	€ 10,823.4	€ 12,169.3	€ 13,543.3	€ 8,500.2	€ 10,425.0	€ 12,554.9	€ 15,286.0	€ 18,571.2	
YoY Growth %	18.8%	18.8%	16.3%	15.7%	15.5%	18.2%	13.4%	13.2%	12.4%	11.3%	19.1%	22.6%	20.4%	21.8%	21.5%	
Share of Total Revenue	87.7%	86.2%	85.1%	84.3%	83.9%	88.1%	87.1%	86.5%	86.3%	86.2%	87.6%	85.5%	83.6%	82.4%	82.2%	
Premium Gross Profit	€ 2,474.6	€ 2,933.4	€ 3,530.4	€ 4,231.1	€ 5,053.7	€ 2,446.4	€ 2,717.8	€ 3,088.0	€ 3,505.1	€ 3,942.4	€ 2,485.6	€ 3,146.8	€ 3,952.7	€ 5,011.3	€ 6,317.7	
Margin %	29.2%	29.2%	30.2%	31.3%	32.3%	29.0%	28.4%	28.5%	28.8%	29.1%	29.2%	30.2%	31.5%	32.8%	34.0%	
Ad-Supported Revenue	€ 1,184.2	€ 1,602.7	€ 2,041.5	€ 2,519.2	€ 3,002.3	€ 1,137.8	€ 1,420.2	€ 1,684.3	€ 1,927.3	€ 2,176.5	€ 1,198.9	€ 1,772.3	€ 2,468.8	€ 3,261.1	€ 4,024.7	
YoY Growth %	59.0%	35.3%	27.4%	23.4%	19.2%	52.7%	24.8%	18.6%	14.4%	12.9%	60.9%	47.8%	39.3%	32.1%	23.4%	
Share of Total Revenue	12.3%	13.8%	14.9%	15.7%	16.1%	11.9%	12.9%	13.5%	13.7%	13.8%	12.4%	14.5%	16.4%	17.6%	17.8%	
Ad-Supported Gross Profit	€ 94.2	€ 200.5	€ 368.9	€ 561.1	€ 768.5	€ 84.3	€ 167.8	€ 232.3	€ 305.8	€ 381.5	€ 103.8	€ 280.1	€ 582.6	€ 953.7	€ 1,309.1	
Margin %	8.0%	12.5%	18.1%	22.3%	25.6%	7.4%	11.8%	13.8%	15.9%	17.5%	8.7%	15.8%	23.6%	29.2%	32.5%	
Total Revenue	€ 9,657.4	€ 11,654.8	€ 13,735.0	€ 16,053.9	€ 18,629.6	€ 9,572.1	€ 10,983.6	€ 12,507.7	€ 14,096.6	€ 15,719.8	€ 9,699.1	€ 12,197.2	€ 15,023.7	€ 18,547.1	€ 22,595.9	
YoY Growth %	22.6%	20.7%	17.8%	16.9%	16.0%	21.5%	14.7%	13.9%	12.7%	11.5%	23.1%	25.8%	23.2%	23.5%	21.8%	
Total Gross Profit	€ 2,568.7	€ 3,133.9	€ 3,899.3	€ 4,792.2	€ 5,822.2	€ 2,530.8	€ 2,885.6	€ 3,318.3	€ 3,810.9	€ 4,323.9	€ 2,589.4	€ 3,426.9	€ 4,535.3	€ 5,965.1	€ 7,626.7	
Margin %	26.6%	26.9%	28.4%	29.9%	31.3%	26.4%	26.3%	26.5%	27.0%	27.5%	26.7%	28.1%	30.2%	32.2%	33.8%	
Operating Expenses as % of Revenue	€ 2,547.1	€ 3,014.0	€ 3,456.6	€ 3,942.2	€ 4,472.5	€ 2,533.7	€ 2,876.0	€ 3,178.9	€ 3,487.7	€ 3,755.0	€ 2,550.6	€ 3,153.6	€ 3,704.8	€ 4,437.1	€ 5,213.4	
	26.4%	25.9%	25.2%	24.6%	24.0%	26.5%	26.2%	25.4%	24.7%	23.9%	26.3%	25.9%	24.7%	23.9%	23.1%	
EBITDA	€ 147.5	€ 255.3	€ 581.5	€ 992.8	€ 1,498.4	€ 122.9	€ 145.1	€ 278.2	€ 466.1	€ 717.6	€ 164.7	€ 408.7	€ 969.3	€ 1,670.9	€ 2,562.0	
YoY Growth %	-181.1%	73.0%	127.8%	70.7%	50.9%	-167.5%	18.1%	91.7%	67.5%	54.0%	-190.5%	148.2%	137.1%	72.4%	53.3%	
Margin %	1.5%	2.2%	4.2%	6.2%	8.0%	1.3%	1.3%	2.2%	3.3%	4.6%	1.7%	3.4%	6.5%	9.0%	11.3%	
Diluted EPS	€ 0.14	€ 0.16	€ 1.39	€ 2.97	€ 4.97	€ 0.05	(€ 0.36)	€ 0.24	€ 0.97	€ 2.01	€ 0.21	€ 0.74	€ 2.85	€ 5.53	€ 9.00	
FCF (CFFO - Capex)	€ 400.6	€ 990.2	€ 1,436.2	€ 1,937.6	€ 2,383.9	€ 356.0	€ 677.2	€ 880.7	€ 1,072.0	€ 1,319.8	€ 428.6	€ 1,301.5	€ 2,075.1	€ 2,866.6	€ 3,486.2	
FCF (MSe Defined)	€ 301.3	€ 652.9	€ 1,033.3	€ 1,467.3	€ 1,852.3	€ 258.1	€ 406.5	€ 597.7	€ 766.7	€ 990.7	€ 327.9	€ 921.0	€ 1,595.7	€ 2,292.1	€ 2,827.6	
FCF/share	€ 1.53	€ 3.29	€ 5.18	€ 7.44	€ 9.58	€ 1.31	€ 2.10	€ 3.05	€ 4.03	€ 5.46	€ 1.66	€ 4.64	€ 7.96	€ 11.52	€ 14.37	
Valuation																
Current Valuation:																
Stock Price	\$273.04										\$273.04					
EV/fwd. Revenue	3.7x										3.5x					
EV/fwd. Gross Profit	13.6x										14.8x					
PT Valuation																
Price Target	\$350.00										\$200.00					
Upside/(Downside)	28%										-27%					
FMV	\$375.09										\$182.75					
EV/fwd. Revenue	4.0x										2.4x					
EV/fwd. Gross Profit	14.2x										8.9x					
YE25 adj. P / fwd. FCF (discounted to YE22)	35.0x										37.0x					

Source: Company data, Morgan Stanley Research

Financials

Exhibit 7: Spotify Multiples Analysis

(millions unless otherwise stated)

	Trading Multiple (\$millions)			Target Price (\$millions)		
	2021E	2022E	2023E	2021E	2022E	2023E
Basic Outstanding Shares	191.1	196.1	195.1	191.1	196.1	195.1
Dilutive Securities	4.4	4.2	3.6	4.4	4.2	3.6
Warrants	0.8	0.0	0.0	0.8	0.0	0.0
Fully Diluted Shares	196.3	200.3	198.8	196.3	200.3	198.8
Stock Price	\$273.04	\$273.04	\$273.04	\$350.00	\$350.00	\$350.00
Market Value	\$53,603.5	\$54,695.8	\$54,267.8	\$68,712.3	\$70,112.6	\$69,563.9
Plus:						
Total Debt	\$1,514.3	\$1,500.0	\$1,500.0	\$1,514.3	\$1,500.0	\$1,500.0
Convertible Preferred Stock	0.0	0.0	0.0	0.0	0.0	0.0
Less:						
Cash + Marketable Securities	\$4,242.0	\$6,109.2	\$6,739.6	\$4,242.0	\$6,109.2	\$6,739.6
Cash from Warrant Exercise	152.1	0.0	0.0	152.1	0.0	0.0
Unconsolidated assets (after-tax)	858.7	858.7	858.7	858.7	858.7	858.7
PV of Tax Savings	420.5	441.9	374.6	420.5	441.9	374.6
Enterprise Value	\$49,444.5	\$48,786.0	\$47,794.9	\$64,553.3	\$64,202.7	\$63,091.0
Financial Multiples						
Revenue	\$11,462.8	\$13,512.6	\$15,924.3	\$11,462.8	\$13,512.6	\$15,924.3
EV / Sales	4.3x	3.6x	3.0x	5.6x	4.8x	4.0x
Forward Revenue	\$13,512.6	\$15,924.3	\$18,612.9	\$13,512.6	\$15,924.3	\$18,612.9
EV / Forward Sales	3.7x	3.1x	2.6x	4.8x	4.0x	3.4x
Gross Profit	\$3,049.0	\$3,633.4	\$4,520.9	\$3,049.0	\$3,633.4	\$4,520.9
EV / Gross Profit	16.2x	13.4x	10.6x	21.2x	17.7x	14.0x
Forward Gross Profit	\$3,633.4	\$4,520.9	\$5,556.0	\$3,633.4	\$4,520.9	\$5,556.0
EV / Forward Gross Profit	13.6x	10.8x	8.6x	17.8x	14.2x	11.4x
Subscriber Multiples						
EOP Premium Subs	179.8	206.0	232.2	179.8	206.0	232.2
EV / EOP Premium Subs	\$275.0	\$236.8	\$205.8	\$359.0	\$311.6	\$271.7
EOP Total Monthly Average Users (MAUs)	404.9	467.7	531.6	404.9	467.7	531.6
EV / EOP Total MAUs	\$122.1	\$104.3	\$89.9	\$159.4	\$137.3	\$118.7
Trailing 3-yr Revenue CAGR	22.5%	19.9%	20.3%	22.5%	19.9%	20.3%

Source: Company data, Morgan Stanley Research

Exhibit 8: Spotify DCF-driven Fair Market Value

(USD millions unless otherwise stated)

	2021E	2022E	2023E
Total Present Value	\$64,808.7	\$69,228.4	\$74,365.3
PV of Tax Savings	420.5	441.9	374.6
Total Consolidated Asset Value	\$65,229.2	\$69,670.3	\$74,739.9
Unconsolidated Assets (after-tax)	858.7	858.7	858.7
Total Estimated Asset Value	\$66,088.0	\$70,529.0	\$75,598.6
Less: Debt	1,514.3	1,500.0	1,500.0
Less: Preferred Stock	0.0	0.0	0.0
Plus: Cash	4,242.0	6,109.2	6,739.6
Plus: Cash from Warrant Exercise	152.1	0.0	0.0
Total Fair Market Value	\$68,967.7	\$75,138.3	\$80,838.2
Basic Outstanding Shares	191.1	196.1	195.1
Dilutive Securities	4.4	4.2	3.6
Warrants	0.8	0.0	0.0
Fully Diluted Common Shares	196.3	200.3	198.8
Preferred Shares	0.0	0.0	0.0
Total Shares Outstanding	196.32	200.32	198.75
FMV per Share	\$351.30	\$375.09	\$406.73
% Upside	28.7%	37.4%	49.0%
Fwd EV/Sales			
Core Business	4.8x	4.3x	4.0x
Fwd EV/Gross Profit			
Core Business	17.8x	15.3x	13.4x

Source: Company data, Morgan Stanley Research

Exhibit 9: Free Cash Flow (for valuation purposes) Forecast
(€ millions unless otherwise stated)

	2021E	2022E	2023E	2024E	2025E
EBITDA (incl. SBC)	€ 147.5	€ 255.3	€ 581.5	€ 992.8	€ 1,498.4
Net Cash Interest Expense	171.8	16.7	20.8	22.5	23.9
Capital Expenditures	(128.5)	(81.4)	(88.0)	(95.0)	(102.6)
Cash Taxes	0.0	0.0	0.0	0.0	(147.8)
Changes in Working Capital	110.5	462.3	519.0	547.0	580.3
Free Cash Flow	€ 301.3	€ 652.9	€ 1,033.3	€ 1,467.3	€ 1,852.3
% Growth	-28.7%	116.7%	58.3%	42.0%	26.2%
Cash Flow from Operations	€ 500.6	€ 1,035.2	€ 1,482.5	€ 1,985.4	€ 2,433.1
Capital Expenditures	(100.0)	(45.0)	(46.4)	(47.7)	(49.2)
Change in Restricted Cash	0.0	0.0	0.0	0.0	0.0
Free Cash Flow (company-defined)	€ 400.6	€ 990.2	€ 1,436.2	€ 1,937.6	€ 2,383.9
% Growth	118.9%	147.2%	45.0%	34.9%	23.0%
Average Basic Shares	191.59	193.60	195.62	193.55	189.99
Average Fully Diluted Shares	197.01	198.32	199.54	197.10	193.42
FCF/Share	€ 1.53	€ 3.29	€ 5.18	€ 7.44	€ 9.58
% Growth	-32.1%	115.3%	57.3%	43.8%	28.6%
FCF/Share (Company-Defined)	€ 2.03	€ 4.99	€ 7.20	€ 9.83	€ 12.33
% Change	108.4%	145.6%	44.2%	36.6%	25.4%
Fully Taxed FCF	€ 41.6	€ 642.4	€ 940.9	€ 1,272.8	€ 1,680.5
Fully Taxed FCF / Share	€ 0.21	€ 3.24	€ 4.72	€ 6.46	€ 8.69
% Change	-92.8%	NM	45.6%	37.0%	34.5%
Fully Taxed FCF (ex-WC)	(€ 68.9)	€ 180.1	€ 421.9	€ 725.8	€ 1,100.1
Fully Taxed FCF (ex-WC) / Share	(€ 0.36)	€ 0.91	€ 2.11	€ 3.68	€ 5.69
% Change	-148.7%	-352.6%	132.8%	74.2%	54.5%

Source: Company data, Morgan Stanley Research

Exhibit 10: Spotify Annual Sub and User Summary

(€ millions unless otherwise stated)

	2019	2020	2021E	2022E	2023E	2024E	2025E
USERS							
Global							
Total Monthly Active Users, EOP	271.0	345.0	404.9	467.7	531.6	593.7	651.8
YoY Growth %	30.9%	27.3%	17.4%	15.5%	13.7%	11.7%	9.8%
Total MAUs Net Additions	64.0	74.0	59.9	62.8	63.9	62.2	58.0
YoY Growth %	36.2%	15.6%	-19.1%	4.8%	1.7%	-2.6%	-6.7%
Total Ad-supported MAUs, EOP	153.0	199.0	236.1	272.7	310.3	347.2	380.2
YoY Growth %	31.9%	30.1%	18.6%	15.5%	13.8%	11.9%	9.5%
Total Premium Subscribers, EOP	124.0	155.0	179.8	206.0	232.2	257.6	282.5
YoY Growth %	29.2%	25.0%	16.0%	14.6%	12.7%	10.9%	9.7%
Premium Subs as % of MAUs	45.8%	44.9%	44.4%	44.1%	43.7%	43.4%	43.3%
as % of Est. Smartphones in Launched Markets	8.5%	9.0%	8.9%	9.4%	9.9%	10.3%	10.6%
YoY Change (bps)	-72bp	57bp	-12bp	47bp	48bp	39bp	37bp
Total Premium Net Additions	28.0	31.0	24.8	26.2	26.2	25.3	25.0
YoY Growth %	12.0%	10.7%	-20.0%	5.7%	0.0%	-3.4%	-1.4%
DAU/MAU	46.5%	47.5%	48.5%	49.5%	50.5%	51.5%	52.5%
YoY Change (bps)	100 bps	100 bps	100 bps	100 bps	100 bps	100 bps	100 bps
Premium ARPU	€ 4.72	€ 4.31	€ 4.28	€ 4.34	€ 4.45	€ 4.61	€ 4.82
YoY Growth %	-1.9%	-8.6%	-0.7%	1.3%	2.4%	3.6%	4.7%
Premium Churn	4.5%	4.0%	3.9%	3.8%	3.8%	3.8%	3.7%
YoY Change (bps)	-31 bps	-51 bps	-6 bps	-15 bps	-2 bps	-3 bps	-3 bps
Content Hours	73.0	92.0	121.7	148.1	174.3	201.2	227.7
YoY Growth %	34.1%	26.0%	32.3%	21.7%	17.7%	15.4%	13.2%
Content Hours / MAU	25.5	24.9	27.1	28.3	29.1	29.8	30.5
YoY Growth %	5.4%	-2.2%	8.7%	4.6%	2.8%	2.5%	2.3%
LTV/SAC (Premium + Ad-Supported)	2.8x	2.6x	2.6x	2.8x	3.1x	3.4x	3.8x
Lifetime Value of Premium Sub (LTV) + Advert.	€ 26.6	€ 27.5	€ 28.9	€ 30.7	€ 33.4	€ 36.6	€ 40.4
SAC (incl. Advertising)	€ 9.6	€ 10.6	€ 11.2	€ 10.9	€ 10.7	€ 10.7	€ 10.6
North America							
NA Monthly Active Users, EOP	73.2	82.8	95.2	101.6	104.7	107.4	109.7
YoY Growth %	17.8%	13.2%	14.9%	6.7%	3.1%	2.6%	2.1%
NA Ad-supported MAUs, EOP	41.3	47.8	56.0	58.2	59.6	60.9	61.8
YoY Growth %	18.7%	15.6%	17.4%	3.8%	2.4%	2.1%	1.6%
NA Premium Subscribers, EOP	37.2	45.0	50.3	54.6	56.3	57.8	59.0
YoY Growth %	29.2%	20.8%	12.0%	8.4%	3.2%	2.7%	2.1%
Premium Subs as % of MAUs	50.8%	54.3%	52.9%	53.8%	53.8%	53.8%	53.9%
NA Net Additions	8.4	7.8	5.4	4.3	1.7	1.5	1.2
YoY Growth %	29.2%	-7.7%	-30.4%	-21.2%	-59.5%	-12.7%	-18.4%
Europe							
Europe Monthly Active Users, EOP	94.9	120.8	135.9	155.7	174.4	191.1	205.2
YoY Growth %	27.3%	27.3%	12.6%	14.5%	12.0%	9.6%	7.4%
Europe Ad-supported MAUs, EOP	53.6	69.7	78.9	89.5	99.6	108.2	115.1
YoY Growth %	28.2%	30.1%	13.2%	13.4%	11.3%	8.7%	6.4%
Europe Premium Subscribers, EOP	49.6	62.0	71.9	81.1	89.6	97.7	105.0
YoY Growth %	29.2%	25.0%	16.0%	12.7%	10.6%	9.0%	7.4%
Premium Subs as % of MAUs	52.3%	51.3%	52.9%	52.1%	51.4%	51.2%	51.2%
Europe Net Additions	11.2	12.4	9.9	9.1	8.6	8.1	7.2
YoY Growth %	10.9%	10.7%	-20.0%	-7.8%	-6.3%	-5.6%	-10.9%
Latin America							
LA Monthly Active Users, EOP	59.6	75.9	87.4	96.7	105.2	112.5	118.4
YoY Growth %	30.9%	27.3%	15.1%	10.6%	8.8%	7.0%	5.3%
LA Ad-supported MAUs, EOP	33.7	43.8	50.4	56.5	62.6	68.0	72.2
YoY Growth %	31.9%	30.1%	15.1%	12.1%	10.7%	8.6%	6.2%
LA Premium Subscribers, EOP	24.8	31.8	36.0	39.1	41.6	43.5	45.2
YoY Growth %	29.2%	28.1%	13.2%	8.9%	6.2%	4.7%	3.9%
Premium Subs as % of MAUs	41.6%	41.9%	41.2%	40.5%	39.5%	38.7%	38.2%
LA Net Additions	5.6	7.0	4.2	3.2	2.4	2.0	1.7
YoY Growth %	14.3%	24.6%	-40.0%	-24.0%	-23.8%	-19.4%	-14.2%
Rest of World							
ROW Monthly Active Users, EOP	43.4	65.6	86.4	113.8	147.3	182.7	218.5
YoY Growth %	74.6%	51.2%	31.8%	31.7%	29.5%	24.0%	19.6%
ROW Ad-Supported MAUs, EOP	24.5	37.8	50.8	68.5	88.5	110.2	131.1
YoY Growth %	75.9%	54.5%	34.2%	34.9%	29.3%	24.4%	19.0%
ROW Premium Subscribers, EOP	12.4	16.3	21.6	31.2	44.7	58.5	73.3
YoY Growth %	29.2%	31.3%	32.6%	44.7%	43.2%	30.8%	25.4%
Premium Subs as % of MAUs	28.6%	24.8%	25.0%	27.4%	30.3%	32.0%	33.6%
ROW Net Additions	2.8	3.9	5.3	9.6	13.5	13.8	14.8
YoY Growth %	-20.0%	38.4%	36.8%	81.7%	40.0%	2.0%	7.9%

Source: Company data, Morgan Stanley Research

Exhibit 11: Spotify Quarterly Sub and User Summary

(€ millions unless otherwise stated)

	1Q20	2Q20	3Q20	4Q20		1Q21	2Q21	3Q21	4Q21E
USERS									
Global									
Total Monthly Active Users, EOP	286.0	299.0	320.0	345.0	-	356.0	365.0	381.0	404.9
YoY Growth %	31.8%	28.9%	29.0%	27.3%		24.5%	22.1%	19.1%	17.4%
Total MAUs Net Additions	15.0	13.0	21.0	25.0		11.0	9.0	16.0	23.9
YoY Growth %	50.0%	-13.3%	31.3%	8.7%		-26.7%	-30.8%	-23.8%	-4.4%
Total Ad-supported MAUs, EOP	163.0	170.0	185.0	199.0	-	208.0	210.0	220.0	236.1
YoY Growth %	32.5%	31.8%	31.2%	30.1%		27.6%	23.5%	18.9%	18.6%
Total Premium Subscribers, EOP	130.0	138.0	144.0	155.0	-	158.0	165.0	172.0	179.8
YoY Growth %	30.0%	27.8%	27.4%	25.0%		21.5%	19.6%	19.4%	16.0%
Premium Subs as % of MAUs	45.5%	46.2%	45.0%	44.9%		44.4%	45.2%	45.1%	44.4%
as % of Est. Smartphones in Launched Markets	8.5%	8.7%	8.7%	9.0%	-	8.9%	9.0%	9.0%	8.9%
YoY Change (bps)	-18bp	7bp	40bp	57bp		38bp	29bp	33bp	-12bp
Total Premium Net Additions	6.0	8.0	6.0	11.0	-	3.0	7.0	7.0	7.8
YoY Growth %	50.0%	0.0%	20.0%	0.0%		-50.0%	-12.5%	16.7%	-29.0%
DAU/MAU	47.5%	47.5%	47.5%	47.5%		48.5%	48.5%	48.5%	48.5%
YoY Change (bps)	100 bps	0 bps	200 bps	100 bps		100 bps	100 bps	100 bps	100 bps
Premium ARPU	€ 4.42	€ 4.41	€ 4.19	€ 4.26		€ 4.12	€ 4.29	€ 4.34	€ 4.37
YoY Growth %	-6.2%	-9.4%	-10.4%	-8.5%		-6.7%	-2.7%	3.6%	2.7%
Premium Churn	4.1%	4.2%	3.7%	4.0%		4.0%	4.0%	3.9%	3.9%
YoY Change (bps)	-70 bps	-46 bps	-89 bps	-5 bps		-14 bps	-23 bps	20 bps	-9 bps
Content Hours	20.7	19.5	24.8	27.1	-	28.1	29.3	31.0	33.3
YoY Growth %	27.4%	10.7%	32.5%	32.0%		35.9%	50.4%	25.3%	22.9%
Content Hours / MAU	24.8	22.2	26.7	27.1		26.8	27.1	27.7	28.2
YoY Growth %	-3.0%	-15.0%	2.7%	3.0%		8.0%	22.0%	4.0%	4.0%
LTV/SAC (Premium + Ad-Supported)	2.6x	2.7x	2.4x	2.8x		2.4x	2.9x	2.8x	2.3x
Lifetime Value of Premium Sub (LTV) + Advert.	€ 27.3	€ 26.5	€ 27.9	€ 28.4		€ 26.3	€ 30.6	€ 29.6	€ 29.0
SAC (incl. Advertising)	€ 10.5	€ 10.0	€ 11.7	€ 10.3		€ 10.9	€ 10.7	€ 10.5	€ 12.5
North America									
NA Monthly Active Users, EOP	74.4	77.7	80.0	82.8	-	85.4	87.6	91.4	95.2
YoY Growth %	18.2%	19.7%	19.5%	13.2%		14.9%	12.7%	14.3%	14.9%
NA Ad-supported MAUs, EOP	42.4	44.2	46.3	47.8	-	49.9	50.4	52.8	56.0
YoY Growth %	18.8%	22.4%	21.5%	15.6%		17.8%	14.0%	14.2%	17.4%
NA Premium Subscribers, EOP	37.7	40.0	41.8	45.0	-	45.8	47.9	49.9	50.3
YoY Growth %	25.7%	23.5%	23.2%	20.8%		21.5%	19.6%	19.4%	12.0%
Premium Subs as % of MAUs	50.7%	51.5%	52.2%	54.3%		53.6%	54.6%	54.5%	52.9%
NA Net Additions	0.5	2.3	1.7	3.2	-	0.9	2.0	2.0	0.5
YoY Growth %	-58.3%	-3.3%	16.0%	-3.3%		74.0%	-12.5%	16.7%	-85.3%
Europe									
Europe Monthly Active Users, EOP	100.1	101.7	108.8	120.8	-	121.0	124.1	127.6	135.9
YoY Growth %	28.1%	21.7%	25.3%	27.3%		20.9%	22.1%	17.3%	12.6%
Europe Ad-supported MAUs, EOP	57.1	57.8	62.9	69.7	-	70.7	71.4	73.7	78.9
YoY Growth %	28.8%	24.5%	27.5%	30.1%		24.0%	23.5%	17.2%	13.2%
Europe Premium Subscribers, EOP	50.7	53.8	57.6	62.0	-	63.2	66.0	68.8	71.9
YoY Growth %	26.8%	24.6%	27.4%	25.0%		24.7%	22.6%	19.4%	16.0%
Premium Subs as % of MAUs	50.6%	52.9%	52.9%	51.3%		52.2%	53.2%	53.9%	52.9%
Europe Net Additions	1.1	3.1	3.8	4.4	-	1.2	2.8	2.8	3.1
YoY Growth %	-31.2%	-2.5%	89.0%	0.0%		9.1%	-10.3%	-25.9%	-29.0%
Latin America									
LA Monthly Active Users, EOP	62.9	65.8	70.4	75.9	-	78.3	80.3	83.8	87.4
YoY Growth %	31.8%	35.0%	29.0%	27.3%		24.5%	22.1%	19.1%	15.1%
LA Ad-supported MAUs, EOP	35.9	37.4	40.7	43.8	-	45.8	46.2	48.4	50.4
YoY Growth %	32.5%	38.1%	31.2%	30.1%		27.6%	23.5%	18.9%	15.1%
LA Premium Subscribers, EOP	27.3	29.0	30.2	31.8	-	31.6	33.0	34.4	36.0
YoY Growth %	36.5%	34.2%	33.8%	28.1%		15.8%	13.9%	13.8%	13.2%
Premium Subs as % of MAUs	43.4%	44.1%	43.0%	41.9%		40.3%	41.1%	41.0%	41.2%
LA Net Additions	2.5	1.7	1.3	1.5	-	(0.2)	1.4	1.4	1.6
YoY Growth %	212.5%	5.0%	26.0%	-30.2%		-107.0%	-16.7%	11.1%	1.8%
Rest of World									
ROW Monthly Active Users, EOP	48.6	53.8	60.8	65.6	-	71.2	73.0	78.1	86.4
YoY Growth %	72.4%	54.7%	53.2%	51.2%		46.4%	35.6%	28.5%	31.8%
ROW Ad-Supported MAUs, EOP	27.7	30.6	35.2	37.8	-	41.6	42.0	45.1	50.8
YoY Growth %	73.3%	58.1%	55.8%	54.5%		50.1%	37.3%	28.3%	34.2%
ROW Premium Subscribers, EOP	14.3	15.2	14.4	16.3	-	17.4	18.2	18.9	21.6
YoY Growth %	43.0%	40.6%	27.4%	31.3%		21.5%	19.6%	31.4%	32.6%
Premium Subs as % of MAUs	29.4%	28.2%	23.7%	24.8%		24.4%	24.9%	24.2%	25.0%
ROW Net Additions	1.9	0.9	(0.8)	1.9	-	1.1	0.8	0.8	2.7
YoY Growth %	375.0%	10.0%	-256.0%	70.5%		-41.8%	-12.5%	-198.7%	41.7%

Source: Company data, Morgan Stanley Research

Exhibit 12: Spotify Annual Operating Model

(€ millions unless otherwise stated)

	2019	2020	2021E	2022E	2023E	2024E	2025E
OPERATIONS							
Revenue							
Total Revenue	€ 6,764.0	€ 7,880.0	€ 9,657.4	€ 11,654.8	€ 13,735.0	€ 16,053.9	€ 18,629.6
Total Cost of Revenue	5,042.0	5,865.0	7,088.6	8,520.9	9,835.6	11,261.7	12,807.3
Gross Profit	€ 1,722.0	€ 2,015.0	€ 2,568.7	€ 3,133.9	€ 3,899.3	€ 4,792.2	€ 5,822.2
<i>Gross Margin</i>	25.5%	25.6%	26.6%	26.9%	28.4%	29.9%	31.3%
Premium Revenue	€ 6,086.0	€ 7,135.0	€ 8,473.2	€ 10,052.1	€ 11,693.5	€ 13,534.8	€ 15,627.2
Premium Cost of Revenue	4,443.0	5,126.0	5,998.6	7,118.8	8,163.1	9,303.7	10,573.5
Gross profit	€ 1,643.0	€ 2,009.0	€ 2,474.6	€ 2,933.4	€ 3,530.4	€ 4,231.1	€ 5,053.7
<i>Gross Margin</i>	27.0%	28.2%	29.2%	29.2%	30.2%	31.3%	32.3%
Ad-Supported Revenue	€ 678.0	€ 745.0	€ 1,184.2	€ 1,602.7	€ 2,041.5	€ 2,519.2	€ 3,002.3
Ad-Supported Cost of Revenue	599.0	739.0	1,090.1	1,402.2	1,672.5	1,958.0	2,233.8
Gross Profit	€ 79.0	€ 6.0	€ 94.2	€ 200.5	€ 368.9	€ 561.1	€ 768.5
<i>Gross Margin</i>	11.7%	0.8%	8.0%	12.5%	18.1%	22.3%	25.6%
Revenue Growth							
Total Revenue	28.6%	16.5%	22.6%	20.7%	17.8%	16.9%	16.0%
Total Revenue (Organic)	26.2%	19.9%	24.3%	19.3%	17.8%	16.9%	16.0%
Premium Revenue	29.0%	17.2%	18.8%	18.6%	16.3%	15.7%	15.5%
Ad-Supported Revenue	25.1%	9.9%	59.0%	35.3%	27.4%	23.4%	19.2%
Total Cost of Revenue							
Cost of Revenue - Content Acquisition Costs	€ 4,294.2	€ 5,023.1	€ 6,111.4	€ 7,411.0	€ 8,582.5	€ 9,843.1	€ 11,211.1
<i>YoY Growth %</i>	30.0%	17.0%	21.7%	21.3%	15.8%	14.7%	13.9%
Cost of Revenue - Other Direct Costs	€ 747.8	€ 841.9	€ 977.2	€ 1,110.0	€ 1,253.1	€ 1,418.6	€ 1,596.2
<i>YoY Growth %</i>	24.0%	12.6%	16.1%	13.6%	12.9%	13.2%	12.5%
Total Cost of Revenue	€ 5,042.0	€ 5,865.0	€ 7,088.6	€ 8,520.9	€ 9,835.6	€ 11,261.7	€ 12,807.3
Gross Profit	€ 1,722.0	€ 2,015.0	€ 2,568.7	€ 3,133.9	€ 3,899.3	€ 4,792.2	€ 5,822.2
<i>YoY Growth %</i>	27.3%	17.0%	27.5%	22.0%	24.4%	22.9%	21.5%
<i>Margin %</i>	25.5%	25.6%	26.6%	26.9%	28.4%	29.9%	31.3%
Operating expenses							
Research and Development	€ 615.0	€ 837.0	€ 936.4	€ 1,194.6	€ 1,435.3	€ 1,709.7	€ 2,012.0
<i>as % of Revenue</i>	9.1%	10.6%	9.7%	10.3%	10.5%	10.7%	10.8%
<i>YoY Growth %</i>	24.7%	36.1%	11.9%	27.6%	20.1%	19.1%	17.7%
Sales and Marketing	€ 826.0	€ 1,029.0	€ 1,148.2	€ 1,249.7	€ 1,349.9	€ 1,447.7	€ 1,549.7
<i>as % of Revenue</i>	12.2%	13.1%	11.9%	10.7%	9.8%	9.0%	8.3%
<i>YoY Growth %</i>	33.2%	24.6%	11.6%	8.8%	8.0%	7.2%	7.0%
General and Administrative	€ 354.0	€ 442.0	€ 462.5	€ 569.8	€ 671.5	€ 784.8	€ 910.7
<i>as % of Revenue</i>	5.2%	5.6%	4.8%	4.9%	4.9%	4.9%	4.9%
<i>YoY Growth %</i>	25.1%	24.9%	4.6%	23.2%	17.8%	16.9%	16.0%
Total Operating Expenses	€ 1,795.0	€ 2,308.0	€ 2,547.1	€ 3,014.0	€ 3,456.6	€ 3,942.2	€ 4,472.5
<i>YoY Growth %</i>	28.6%	28.6%	10.4%	18.3%	14.7%	14.0%	13.4%
EBIT	(€ 73.0)	(€ 293.0)	€ 21.7	€ 119.8	€ 442.7	€ 849.9	€ 1,349.8
<i>Margin %</i>	-1.1%	-3.7%	0.2%	1.0%	3.2%	5.3%	7.2%
Depreciation & Amortization	87.0	111.0	125.8	135.4	138.8	142.9	148.7
EBITDA	€ 14.0	(€ 182.0)	€ 147.5	€ 255.3	€ 581.5	€ 992.8	€ 1,498.4
<i>YoY Growth %</i>	-227.3%	-1400.0%	-181.1%	73.0%	127.8%	70.7%	50.9%
<i>Margin %</i>	0.2%	-2.3%	1.5%	2.2%	4.2%	6.2%	8.0%
Stock-Based Compensation	€ 122.0	€ 176.0	€ 242.6	€ 317.7	€ 382.0	€ 445.5	€ 502.1
Adjusted EBITDA	€ 136.0	(€ 6.0)	€ 390.1	€ 572.9	€ 963.5	€ 1,438.4	€ 2,000.6
<i>YoY Growth %</i>	76.6%	NA	NA	46.9%	68.2%	49.3%	39.1%
<i>Margin %</i>	2.0%	-0.1%	4.0%	4.9%	7.0%	9.0%	10.7%

Exhibit 13: Spotify Quarterly Operating Model

(€ millions unless otherwise stated)

	1Q20	2Q20	3Q20	4Q20		1Q21	2Q21	3Q21	4Q21E
OPERATIONS									
Revenue									
Total Revenue	€ 1,848.0	€ 1,889.0	€ 1,975.0	€ 2,168.0	-	€ 2,147.0	€ 2,331.0	€ 2,501.0	€ 2,678.4
Total Cost of Revenue	1,376.0	1,410.0	1,486.0	1,593.0	-	1,599.0	1,668.0	1,833.0	1,988.6
Gross Profit	€ 472.0	€ 479.0	€ 489.0	€ 575.0	-	€ 548.0	€ 663.0	€ 668.0	€ 689.7
Gross Margin	25.5%	25.4%	24.8%	26.5%	-	25.5%	28.4%	26.7%	25.8%
Premium Revenue	€ 1,700.0	€ 1,758.0	€ 1,790.0	€ 1,887.0	-	€ 1,931.0	€ 2,056.0	€ 2,178.0	€ 2,308.2
Premium Cost of Revenue	1,219.0	1,263.0	1,302.0	1,342.0	-	1,393.0	1,423.0	1,545.0	1,637.6
Gross profit	€ 481.0	€ 495.0	€ 488.0	€ 545.0	-	€ 538.0	€ 633.0	€ 633.0	€ 670.6
Gross Margin	28.3%	28.2%	27.3%	28.9%	-	27.9%	30.8%	29.1%	29.1%
Ad-Supported Revenue	€ 148.0	€ 131.0	€ 185.0	€ 281.0	-	€ 216.0	€ 275.0	€ 323.0	€ 370.2
Ad-Supported Cost of Revenue	157.0	147.0	184.0	251.0	-	206.0	245.0	288.0	351.1
Gross Profit	(€ 9.0)	(€ 16.0)	€ 1.0	€ 30.0	(0)	€ 10.0	€ 30.0	€ 35.0	€ 19.2
Gross Margin	-6.1%	-12.2%	0.5%	10.7%		4.6%	10.9%	10.8%	5.2%
Revenue Growth									
Total Revenue	22.3%	13.3%	14.1%	16.9%		16.2%	23.4%	26.6%	23.5%
Total Revenue (Organic)	21.6%	15.4%	19.2%	23.9%		22.3%	27.7%	25.9%	21.0%
Premium Revenue	22.7%	17.0%	14.7%	15.2%		13.6%	17.0%	21.7%	22.3%
Ad-Supported Revenue	17.5%	-20.6%	8.8%	29.5%		45.9%	109.9%	74.6%	31.7%
Total Cost of Revenue									
Cost of Revenue - Content Acquisition Costs	€ 1,145.5	€ 1,236.7	€ 1,282.1	€ 1,358.8	-	€ 1,354.5	€ 1,493.7	€ 1,581.1	€ 1,682.0
YoY Growth %	23.0%	16.5%	15.4%	14.2%		18.2%	20.8%	23.3%	23.8%
Cost of Revenue - Other Direct Costs	€ 230.5	€ 173.3	€ 203.9	€ 234.2	-	€ 244.5	€ 174.3	€ 251.9	€ 306.6
YoY Growth %	11.6%	1.1%	14.0%	22.5%		6.1%	0.6%	23.5%	30.9%
Total Cost of Revenue	€ 1,376.0	€ 1,410.0	€ 1,486.0	€ 1,593.0	-	€ 1,599.0	€ 1,668.0	€ 1,833.0	€ 1,988.6
Gross Profit	472.0	479.0	489.0	575.0	-	548.0	663.0	668.0	689.7
YoY Growth %	26.5%	10.4%	10.9%	21.3%		16.1%	38.4%	36.6%	20.0%
Margin %	25.5%	25.4%	24.8%	26.5%		25.5%	28.4%	26.7%	25.8%
Operating expenses									
Research and Development	€ 162.0	€ 267.0	€ 176.0	€ 232.0	-	€ 196.0	€ 255.0	€ 208.0	€ 277.4
as % of Revenue	8.8%	14.1%	8.9%	10.7%		9.1%	10.9%	8.3%	10.4%
YoY Growth %	4.5%	76.8%	29.4%	34.1%		21.0%	-4.5%	18.2%	19.6%
Sales and Marketing	€ 231.0	€ 248.0	€ 256.0	€ 294.0	-	€ 236.0	€ 279.0	€ 280.0	€ 353.2
as % of Revenue	12.5%	13.1%	13.0%	13.6%		11.0%	12.0%	11.2%	13.2%
YoY Growth %	34.3%	24.0%	43.8%	6.5%		2.2%	12.5%	9.4%	20.1%
General and Administrative	€ 96.0	€ 131.0	€ 97.0	€ 118.0	-	€ 102.0	€ 117.0	€ 105.0	€ 138.5
as % of Revenue	5.2%	6.9%	4.9%	5.4%		4.8%	5.0%	4.2%	5.2%
YoY Growth %	3.2%	52.3%	32.9%	15.7%		6.3%	-10.7%	8.2%	17.3%
Total Operating Expenses	€ 489.0	€ 646.0	€ 529.0	€ 644.0	-	€ 534.0	€ 651.0	€ 593.0	€ 769.1
YoY Growth %	16.4%	47.8%	36.7%	16.9%		9.2%	0.8%	12.1%	19.4%
EBIT	(€ 17.0)	(€ 167.0)	(€ 40.0)	(€ 69.0)	-	€ 14.0	€ 12.0	€ 75.0	(€ 79.3)
Margin %	-0.9%	-8.8%	-2.0%	-3.2%		0.7%	0.5%	3.0%	-3.0%
Depreciation & Amortization	26.0	28.0	28.0	29.0	-	30.0	31.0	33.0	31.8
EBITDA	€ 9.0	(€ 139.0)	(€ 12.0)	(€ 40.0)	-	€ 44.0	€ 43.0	€ 108.0	(€ 47.5)
YoY Growth %	-134.6%	-917.6%	-115.8%	-24.5%		388.9%	-130.9%	-1000.0%	18.7%
Margin %	0.5%	-7.4%	-0.6%	-1.8%		2.0%	1.8%	4.3%	-1.8%
Stock-Based Compensation	€ 37.0	€ 50.0	€ 46.0	€ 43.0	-	€ 48.0	€ 68.0	€ 57.0	€ 69.6
Adjusted EBITDA	€ 46.0	(€ 89.0)	€ 34.0	€ 3.0	-	€ 92.0	€ 111.0	€ 165.0	€ 22.1
YoY Growth %	NA	-264.8%	-68.2%	-112.0%		NA	-224.7%	385.3%	636.4%
Margin %	2.5%	-4.7%	1.7%	0.1%		4.3%	4.8%	6.6%	0.8%

Source: Company data, Morgan Stanley Research

Exhibit 14: Spotify Annual Income Statement

(€ millions unless otherwise stated)

	2019	2020	2021E	2022E	2023E	2024E	2025E
Income Statement							
Premium Revenue	€ 6,086.0	€ 7,135.0	€ 8,473.2	€ 10,052.1	€ 11,693.5	€ 13,534.8	€ 15,627.2
Premium Cost of Revenue	4,443.0	5,126.0	5,998.6	7,118.8	8,163.1	9,303.7	10,573.5
Gross Profit	€ 1,643.0	€ 2,009.0	€ 2,474.6	€ 2,933.4	€ 3,530.4	€ 4,231.1	€ 5,053.7
Ad-Supported Revenue	€ 678.0	€ 745.0	€ 1,184.2	€ 1,602.7	€ 2,041.5	€ 2,519.2	€ 3,002.3
Ad-Supported Cost of Revenue	599.0	739.0	1,090.1	1,402.2	1,672.5	1,958.0	2,233.8
Gross Profit	€ 79.0	€ 6.0	€ 94.2	€ 200.5	€ 368.9	€ 561.1	€ 768.5
Total Revenue	€ 6,764.0	€ 7,880.0	€ 9,657.4	€ 11,654.8	€ 13,735.0	€ 16,053.9	€ 18,629.6
Total Cost of Revenue	5,042.0	5,865.0	7,088.6	8,520.9	9,835.6	11,261.7	12,807.3
Gross Profit	€ 1,722.0	€ 2,015.0	€ 2,568.7	€ 3,133.9	€ 3,899.3	€ 4,792.2	€ 5,822.2
Research and Development	€ 615.0	€ 837.0	€ 936.4	€ 1,194.6	€ 1,435.3	€ 1,709.7	€ 2,012.0
Sales and Marketing	826.0	1,029.0	1,148.2	1,249.7	1,349.9	1,447.7	1,549.7
General and Administrative	354.0	442.0	462.5	569.8	671.5	784.8	910.7
Total Operating Expense	€ 1,795.0	€ 2,308.0	€ 2,547.1	€ 3,014.0	€ 3,456.6	€ 3,942.2	€ 4,472.5
Operating Income/(Loss)	(€ 73.0)	(€ 293.0)	€ 21.7	€ 119.8	€ 442.7	€ 849.9	€ 1,349.8
Depreciation	71.0	86.0	93.0	96.2	96.3	96.7	97.6
Amortization	16.0	25.0	32.8	39.2	42.4	46.2	51.1
EBITDA	€ 14.0	(€ 182.0)	€ 147.5	€ 255.3	€ 581.5	€ 992.8	€ 1,498.4
Finance Income	275.0	94.0	229.0	22.2	27.7	30.0	31.9
Finance Costs	333.0	510.0	95.0	100.0	100.0	100.0	100.0
Other	0.0	0.0	132.0	0.0	0.0	0.0	0.0
Total Interest Income/(Costs) & Other	(€ 58.0)	(€ 416.0)	€ 266.0	(€ 77.8)	(€ 72.3)	(€ 70.0)	(€ 68.1)
Gain/(Loss) Before Tax	(€ 131.0)	(€ 709.0)	€ 287.7	€ 42.1	€ 370.4	€ 779.9	€ 1,281.6
Total Current Tax Expense/(Benefit)	44.0	16.0	0.0	0.0	0.0	0.0	147.8
Total Deferred Tax Expense/(Benefit)	11.0	(144.0)	259.7	10.5	92.4	194.5	171.8
Income Tax Expense	55.0	(128.0)	259.7	10.5	92.4	194.5	319.6
Net Income/(Loss) Attributable to Owners of the Parent	(€ 186.0)	(€ 581.0)	€ 28.0	€ 31.6	€ 278.0	€ 585.4	€ 962.0
Weighted-Average Ordinary Shares Outstanding	181.0	187.6	191.6	193.6	195.6	193.6	190.0
Basic Net Income/(Loss) Per Share	(€ 1.03)	(€ 3.10)	€ 0.15	€ 0.16	€ 1.42	€ 3.02	€ 5.06
Weighted-Average Diluted Shares Outstanding	181.0	187.6	197.0	198.3	199.5	197.1	193.4
Diluted Net Income/(Loss) Per Share	(€ 1.03)	(€ 3.10)	€ 0.14	€ 0.16	€ 1.39	€ 2.97	€ 4.97

Source: Company data, Morgan Stanley Research

Exhibit 15: Spotify Quarterly Income Statement

(€ millions unless otherwise stated)

	1Q20	2Q20	3Q20	4Q20		1Q21	2Q21	3Q21	4Q21E
Income Statement									
Premium Revenue	€ 1,700.0	€ 1,758.0	€ 1,790.0	€ 1,887.0	-	€ 1,931.0	€ 2,056.0	€ 2,178.0	€ 2,308.2
Premium Cost of Revenue	1,219.0	1,263.0	1,302.0	1,342.0	-	1,393.0	1,423.0	1,545.0	1,637.6
Gross Profit	€ 481.0	€ 495.0	€ 488.0	€ 545.0	-	€ 538.0	€ 633.0	€ 633.0	€ 670.6
Ad-Supported Revenue	€ 148.0	€ 131.0	€ 185.0	€ 281.0	-	€ 216.0	€ 275.0	€ 323.0	€ 370.2
Ad-Supported Cost of Revenue	157.0	147.0	184.0	251.0	-	206.0	245.0	288.0	351.1
Gross Profit	(€ 9.0)	(€ 16.0)	€ 1.0	€ 30.0	0	€ 10.0	€ 30.0	€ 35.0	€ 19.2
Total Revenue	€ 1,848.0	€ 1,889.0	€ 1,975.0	€ 2,168.0	-	€ 2,147.0	€ 2,331.0	€ 2,501.0	€ 2,678.4
Total Cost of Revenue	1,376.0	1,410.0	1,486.0	1,593.0	-	1,599.0	1,668.0	1,833.0	1,988.6
Gross Profit	€ 472.0	€ 479.0	€ 489.0	€ 575.0	-	€ 548.0	€ 663.0	€ 668.0	€ 689.7
Research and Development	€ 162.0	€ 267.0	€ 176.0	€ 232.0	-	€ 196.0	€ 255.0	€ 208.0	€ 277.4
Sales and Marketing	231.0	248.0	256.0	294.0	-	236.0	279.0	280.0	353.2
General and Administrative	96.0	131.0	97.0	118.0	-	102.0	117.0	105.0	138.5
Total Operating Expense	€ 489.0	€ 646.0	€ 529.0	€ 644.0	-	€ 534.0	€ 651.0	€ 593.0	€ 769.1
Operating Income/(Loss)	(€ 17.0)	(€ 167.0)	(€ 40.0)	(€ 69.0)	-	€ 14.0	€ 12.0	€ 75.0	(€ 79.3)
Depreciation	21.0	23.0	21.0	21.0	-	22.0	23.0	24.0	24.0
Amortization	5.0	5.0	7.0	8.0	-	8.0	8.0	9.0	7.8
EBITDA	€ 9.0	(€ 139.0)	(€ 12.0)	(€ 40.0)	-	€ 44.0	€ 43.0	€ 108.0	(€ 47.5)
Finance Income	70.0	6.0	14.0	4.0	-	104.0	21.0	101.0	3.0
Finance Costs	12.0	294.0	90.0	114.0	-	31.0	25.0	14.0	25.0
Other	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	132.0
Total Interest Income/(Costs) & Other	€ 58.0	(€ 288.0)	(€ 76.0)	(€ 110.0)	-	€ 73.0	(€ 4.0)	€ 87.0	€ 110.0
Gain/(Loss) Before Tax	€ 41.0	(€ 455.0)	(€ 116.0)	(€ 179.0)	-	€ 87.0	€ 8.0	€ 162.0	€ 30.7
Total Current Tax Expense/(Benefit)									
Total Deferred Tax Expense/(Benefit)									
Income Tax Expense	40.0	(99.0)	(15.0)	(54.0)	-	64.0	28.0	160.0	7.7
Net Income/(Loss) Attributable to Owners of the Parent	€ 1.0	(€ 356.0)	(€ 101.0)	(€ 125.0)	-	€ 23.0	(€ 20.0)	€ 2.0	€ 23.0
Weighted-Average Ordinary Shares Outstanding	185.0	186.6	188.8	189.9	NA	190.6	191.2	191.5	193.1
Basic Net Income/(Loss) Per Share	€ 0.01	(€ 1.91)	(€ 0.53)	(€ 0.66)	NA	€ 0.12	(€ 0.10)	€ 0.01	€ 0.12
Weighted-Average Diluted Shares Outstanding	185.6	186.6	189.1	189.9	NA	191.8	194.1	194.6	198.4
Diluted Net Income/(Loss) Per Share	€ 0.01	(€ 1.91)	(€ 0.53)	(€ 0.66)	NA	€ 0.12	(€ 0.10)	€ 0.01	€ 0.12

Source: Company data, Morgan Stanley Research

Exhibit 16: Spotify Balance Sheet
(€ millions unless otherwise stated)

	2019	2020	2021E	2022E	2023E	2024E	2025E
Balance Sheet							
Assets							
Current Assets							
Cash and Cash Equivalents	€ 1,065.0	€ 1,151.0	€ 3,028.2	€ 4,673.3	€ 5,217.0	€ 5,578.8	€ 5,978.8
Trade and Other Receivables	402.0	464.0	906.7	1,140.8	1,392.5	1,699.8	2,037.8
Income Tax Receivable	4.0	4.0	4.9	5.9	7.0	8.1	9.5
Short Term Investments	692.0	596.0	596.0	596.0	596.0	596.0	596.0
Other Current Assets	68.0	151.0	185.1	223.3	263.2	307.6	357.0
Total Current Assets	€ 2,231.0	€ 2,366.0	€ 4,720.8	€ 6,639.4	€ 7,475.7	€ 8,190.4	€ 8,979.0
Non-Current Assets							
Property, Plant & Equipment	€ 291.0	€ 313.0	€ 368.8	€ 366.4	€ 365.2	€ 365.0	€ 365.2
Intangible Assets Including Goodwill	536.0	833.0	919.7	925.8	925.0	926.0	928.4
Investment in Associates and Joint Ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term investment	1,497.0	2,277.0	2,277.0	2,277.0	2,277.0	2,277.0	2,277.0
Restricted Cash	69.0	78.0	78.0	78.0	78.0	78.0	78.0
Other Non-Current Assets	489.0	444.0	395.2	346.4	297.6	248.9	200.3
Deferred Tax Assets	9.0	15.0	15.0	15.0	15.0	15.0	15.0
Total Non-Current Assets	€ 2,891.0	€ 3,960.0	€ 4,053.7	€ 4,008.6	€ 3,957.8	€ 3,909.9	€ 3,863.8
Total Assets	€ 5,122.0	€ 6,326.0	€ 8,774.5	€ 10,647.9	€ 11,433.5	€ 12,100.3	€ 12,842.8
Liabilities and Equity							
Current Liabilities							
Trade and Other Payables	€ 549.0	€ 638.0	€ 783.8	€ 990.2	€ 1,250.8	€ 1,535.8	€ 1,819.4
Income Tax Payable	9.0	9.0	11.0	13.3	15.7	18.3	21.3
Deferred Revenue	319.0	380.0	421.5	500.4	582.4	674.4	778.8
Accrued Expenses and Other Liabilities	1,438.0	1,748.0	2,142.3	2,585.4	3,046.8	3,561.2	4,132.5
Provisions	13.0	20.0	24.5	29.6	34.9	40.7	47.3
Derivative Liability	111.0	105.0	105.0	105.0	105.0	105.0	105.0
Total Current Liabilities	€ 2,439.0	€ 2,900.0	€ 3,488.1	€ 4,223.9	€ 5,035.5	€ 5,935.5	€ 6,904.4
Non-Current Liabilities							
Long-Term Debt	€ 0.0	€ 0.0	€ 1,293.8	€ 1,293.8	€ 1,293.8	€ 1,293.8	€ 1,293.8
Accrued Expenses and Other Liabilities	642.0	619.0	619.0	619.0	619.0	619.0	619.0
Provisions	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Deferred Tax Liabilities	2.0	0.0	259.7	270.1	362.5	557.0	728.9
Total Non-Current Liabilities	€ 646.0	€ 621.0	€ 2,174.4	€ 2,184.9	€ 2,277.3	€ 2,471.8	€ 2,643.6
Total Liabilities	€ 3,085.0	€ 3,521.0	€ 5,662.5	€ 6,408.8	€ 7,312.8	€ 8,407.3	€ 9,548.0
Equity							
Share Capital	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0
Other Paid in Capital	4,192.0	4,583.0	4,995.9	6,013.8	5,545.0	4,461.9	3,033.5
Other Reserves	554.0	1,512.0	1,512.0	1,512.0	1,512.0	1,512.0	1,512.0
Retained Earnings/ (Accumulated Deficit)	(2,709.0)	(3,290.0)	(3,396.0)	(3,286.6)	(2,936.3)	(2,280.9)	(1,250.8)
Equity Attributable to Owners of Parent	€ 2,037.0	€ 2,805.0	€ 3,111.9	€ 4,239.2	€ 4,120.7	€ 3,693.1	€ 3,294.8
Total Liabilities and Equity	€ 5,122.0	€ 6,326.0	€ 8,774.5	€ 10,647.9	€ 11,433.5	€ 12,100.3	€ 12,842.8

Source: Company data, Morgan Stanley Research

Exhibit 17: Spotify Statement of Cash Flows

(€ millions unless otherwise stated)

	2019	2020	2021E	2022E	2023E	2024E	2025E
Cash Flow Statement							
Operating Activities							
Net loss	(€ 186.0)	(€ 581.0)	€ 28.0	€ 31.6	€ 278.0	€ 585.4	€ 962.0
Adjustments to Reconcile Net Gain/Loss to Net Cash Flows							
Depreciation of Property and Equipment	€ 71.0	€ 86.0	€ 93.0	€ 96.2	€ 96.3	€ 96.7	€ 97.6
Amortization of Intangible Assets	16.0	25.0	32.8	39.2	42.4	46.2	51.1
Stock-Based Compensation	122.0	176.0	242.6	317.7	382.0	445.5	502.1
Impairment Loss on Trade Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Disposal of Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finance Income	(275.0)	(94.0)	(229.0)	(22.2)	(27.7)	(30.0)	(31.9)
Noncash Interest	333.0	510.0	95.0	100.0	100.0	100.0	100.0
Noncash Taxes	55.0	(128.0)	259.7	10.5	92.4	194.5	171.8
Payments to labels	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share in Earnings of Associates and Joint Ventures	0.0	0.0	(132.0)	0.0	0.0	0.0	0.0
Net Foreign Exchange (Gains)/Losses & Other	13.0	7.0	0.0	0.0	0.0	0.0	0.0
Changes in Working Capital:							
Increase in Trade Receivables and Other Assets	(27.0)	(187.0)	(477.6)	(273.4)	(292.6)	(353.0)	(388.6)
Increase in Trade and Other Liabilities	454.0	425.0	542.1	651.8	724.3	802.1	857.9
Increase/(Decrease) in Deferred Revenue	59.0	73.0	41.5	78.9	82.0	92.0	104.4
Increase in Provisions	(35.0)	6.0	4.5	5.1	5.3	5.9	6.5
Interest Received	14.0	4.0	0.0	0.0	0.0	0.0	0.0
Interest Paid	(37.0)	(55.0)	0.0	0.0	0.0	0.0	0.0
Income Tax Paid	(4.0)	(8.0)	0.0	0.0	0.0	0.0	0.0
Net Cash Flows Used in Operating Activities	€ 573.0	€ 259.0	€ 500.6	€ 1,035.2	€ 1,482.5	€ 1,985.4	€ 2,433.1
Investing Activities							
Business Combinations, Net of Cash Acquired	(€ 331.0)	(€ 336.0)	€ 41.0	(€ 9.0)	€ 0.0	€ 0.0	€ 0.0
Investment in Associates and Joint Ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of Equipment	(135.0)	(78.0)	(100.0)	(45.0)	(46.4)	(47.7)	(49.2)
Purchase of Intangibles	0.0	0.0	(28.5)	(36.4)	(41.7)	(47.2)	(53.4)
Purchase of Short Term Investments	(901.0)	(1,354.0)	0.0	0.0	0.0	0.0	0.0
Sale and Maturities of Short Term Investments	1,163.0	1,421.0	0.0	0.0	0.0	0.0	0.0
Change in Restricted Cash	2.0	2.0	0.0	0.0	0.0	0.0	0.0
Change in Other Non-Current Assets	(16.0)	(27.0)	0.0	0.0	0.0	0.0	0.0
Net Cash Flows Used in Investing Activities	(€ 218.0)	(€ 372.0)	(€ 87.5)	(€ 90.4)	(€ 88.0)	(€ 95.0)	(€ 102.6)
Financing Activities							
Proceeds from Credit Facilities / Revolver, net	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0	€ 0.0
Financial Lease Payments	(2.0)	(4.0)	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Share Issuance / Share Repurchases	(438.0)	0.0	(30.0)	0.0	(1,500.0)	(2,250.0)	(2,700.0)
Proceeds from Issuance of Debt, Net of Costs	0.0	0.0	1,293.8	0.0	0.0	0.0	0.0
Proceeds from the Issuance of Warrants	15.0	0.0	0.0	152.1	0.0	0.0	0.0
Proceeds from Exercise of Share Options	222.0	289.0	200.3	548.2	649.2	721.4	769.4
Net Cash Flow from Financing Activities	(€ 203.0)	€ 285.0	€ 1,464.1	€ 700.2	(€ 850.8)	(€ 1,528.6)	(€ 1,930.6)
Cash and Cash Equivalents at January 1	€ 891.0	€ 1,065.0	€ 1,151.0	€ 3,028.2	€ 4,673.3	€ 5,217.0	€ 5,578.8
Net Increase/(Decrease) in Cash and Cash Equivalents	152.0	172.0	1,877.2	1,645.1	543.7	361.7	400.0
Net Exchange Gains/(Losses) on Cash and Cash Equivalents	22.0	(86.0)	0.0	0.0	0.0	0.0	0.0
Cash and Cash Equivalents at December 31	€ 1,065.0	€ 1,151.0	€ 3,028.2	€ 4,673.3	€ 5,217.0	€ 5,578.8	€ 5,978.8
Cash & Equivalents (incl. ST Investments)	€ 1,757.0	€ 1,747.0	€ 3,624.2	€ 5,269.3	€ 5,813.0	€ 6,174.8	€ 6,574.8

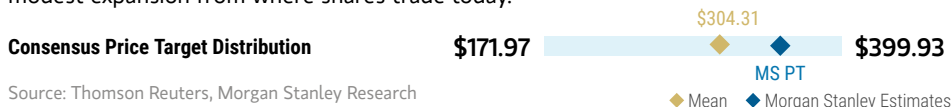
Source: Company data, Morgan Stanley Research

Risk Reward – Spotify Technology SA (SPOT.N) Top Pick

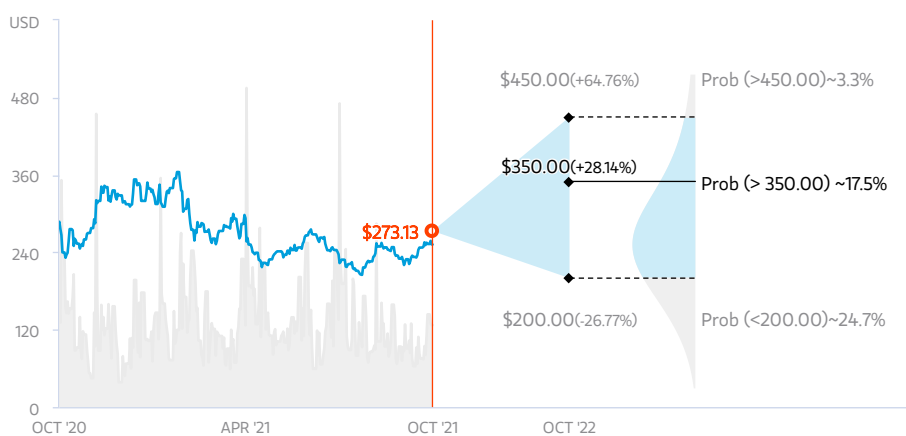
Market leader in a secular growth industry

PRICE TARGET \$350.00

Our \$350 YE22 price target is based on a ~4x fwd. base case revenue multiple, implying modest expansion from where shares trade today.



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

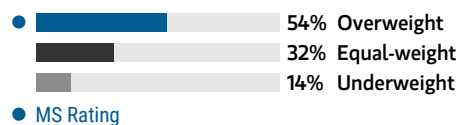


Source: Thomson Reuters, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 27 Oct, 2021. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

- Spotify is the market leader in subscription streaming, with growing user engagement, and we believe scale brings an opportunity for ancillary revenues including podcasts and artist/label tools
- We see the 3bn+ global smartphones (ex-China) as a large opportunity currently in early innings, with penetration below 15% today
- Advertising is also a significant opportunity, with the company's current <\$1bn advertising business a fraction of the overall \$20bn global radio ad market opportunity

Consensus Rating Distribution



Source: Thomson Reuters, Morgan Stanley Research

Risk Reward Themes

- Disruption: *Positive*
- Secular Growth: *Positive*
- Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$450.00

BASE CASE

\$350.00

BEAR CASE

\$200.00

~5x bull case fwd. revenue

Subscription streaming adoption increases more rapidly than in base case and Spotify maintains global share: Total Premium subscribers grow to ~330M by 2025E. Significantly greater scale and market-leading position give company operating leverage from advertising, helped by robust podcasting growth. This contributes to greater gross margin growth than in our base case, reaching ~34% by 2025E and driving DD EBITDA margins that year.

~4x base case fwd. revenue

Streaming adoption ramps nicely, while Spotify protects its market share and revenue grows nearly 20% on a CAGR basis: Total Premium subscribers grow to ~280M by 2025E. Scale, along with non-core service offerings and monetization of non-music content listening collectively drive gross margin expansion to ~31% by 2025E and help the company generate a HSD EBITDA margin that year.

~2.5x bear case fwd. revenue

Driving subscription streaming adoption proves to be more challenging, with Spotify losing global market share: Total Premium subscribers reach ~240M by 2025E. Smaller scale limits leverage from the advertising business, but non-core service offerings and monetization of non-music content listening help increase gross margins modestly over time but short of 30% by 2025E, with MSD EBITDA margins that year.

Risk Reward – Spotify Technology SA (SPOT.N)

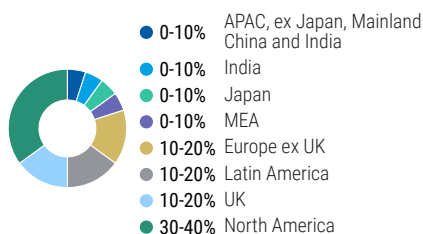
KEY EARNINGS INPUTS

Drivers	2020	2021e	2022e	2023e
Monthly Active Users (mm)	345.0	404.9	467.7	531.6
Premium Subscribers (mm)	155.0	179.8	206.0	232.2
Premium ARPU (€)	4.31	4.28	4.34	4.45
Premium Churn (%)	4.0	3.9	3.8	3.8
LTV/SAC	2.6	2.6	2.8	3.1

INVESTMENT DRIVERS

- Investment in content perceived as highly unique or expected to generate high engagement
- Increased detail on two-sided marketplace products and contribution to margin expansion
- New market launches
- Successful price increases

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon
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Source: Thomson Reuters, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Attractive label licensing renewals
- Growth in podcast engagement and monetization
- Broad price increases with limited/no impact on churn
- Increased conversion from ad-supported to Premium subs

RISKS TO DOWNSIDE

- The company operates with a concentrated supplier group
- Large tech competitors could view interactive music as a loss leader
- Smart speakers: Amazon Echo accelerating adoption, Google Home, and Apple HomePod

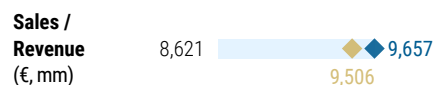
OWNERSHIP POSITIONING

Inst. Owners, % Active	90.6%	
HF Sector Long/Short Ratio	3.1x	
HF Sector Net Exposure	15%	

Thomson Reuters; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2021e



◆ Mean ◆ Morgan Stanley Estimates

Source: Thomson Reuters, Morgan Stanley Research

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(as of September 30, 2021)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1500	43%	399	47%	27%	668	43%
Equal-weight/Hold	1510	43%	380	44%	25%	683	44%
Not-Rated/Hold	0	0%	0	0%	0%	0	0%
Underweight/Sell	506	14%	77	9%	15%	192	12%
TOTAL	3,516		856			1543	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)

Spotify Technology SA (SPOT.N) - As of 10/27/21 in USD
Industry : Media & Entertainment



Stock Rating History: 10/1/16 : /C; 1/30/17 : /A; 1/30/18 : /I; 4/30/18 : 0/I

Price Target History: 4/30/18 : 190; 7/27/18 : 225; 11/2/18 : 200; 1/10/19 : 170; 8/1/19 : 180; 4/30/20 : 190; 6/29/20 : 275; 10/27/20 : 300; 12/17/20 : 350; 7/29/21 : 325

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)

Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) —

Stock and Industry Ratings (abbreviations below) appear as * Stock Ratings/Industry View

Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)

Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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INDUSTRY COVERAGE: Media & Entertainment

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/27/2021)
Benjamin Swinburne, CFA		
Cinemark Holdings, Inc. (CNK.N)	E (10/05/2017)	\$19.45
Clear Channel Outdoor Holdings, Inc. (CCO.N)	E (11/02/2020)	\$2.83
Discovery Inc. (DISCK.O)	E (07/20/2009)	\$22.78
Endeavor Group Holdings, Inc (EDR.N)	E (05/24/2021)	\$27.13
Fox Corporation (FOXA.O)	O (10/15/2018)	\$40.20
iHeartMedia Inc (IHRT.O)	E (08/26/2019)	\$19.59
Interpublic Group (IPG.N)	E (10/15/2018)	\$36.02
Lamar Advertising Co. (LAMR.O)	O (11/02/2020)	\$112.39
Liberty Braves Group (BATR.K.O)	E (05/09/2018)	\$29.59
Liberty Formula One (FWONK.O)	E (04/13/2020)	\$55.17
Live Nation Entertainment Inc. (LYV.N)	E (10/08/2019)	\$100.61
Madison Square Garden Entertainment Corp (MSGE.N)	U (08/17/2021)	\$69.54
Madison Square Garden Sports Corp (MSGS.N)	O (03/26/2021)	\$184.13
Netflix Inc (NFLX.O)	O (06/17/2014)	\$662.92
Omnicom Group Inc. (OMC.N)	U (10/16/2017)	\$69.02
OUTFRONT MEDIA INC (OUT.N)	E (04/20/2020)	\$24.93
Roku Inc. (ROKU.O)	U (12/02/2019)	\$316.57
Spotify Technology SA (SPOT.N)	O (04/30/2018)	\$273.13
ViacomCBS Inc (VAC.O)	E (01/24/2020)	\$35.83
Walt Disney Co (DIS.N)	O (01/30/2017)	\$169.55
Warner Music Group Corp. (WMG.O)	O (12/17/2020)	\$48.44
World Wrestling Entertainment Inc (WWE.N)	E (01/31/2020)	\$59.86
Thomas Yeh		
AMC Networks, Inc. (AMCX.O)	E (11/02/2020)	\$39.83
Lions Gate Entertainment Corp. (LGFb.N)	E (11/02/2020)	\$11.51
New York Times Co (NYT.N)	O (10/14/2020)	\$53.51

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.