

Q1 Update 2025

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Spotify Technology SA (NYSE:SPOT)

Spotify reported Q1 operating income of €509M vs consensus €519.9M (missed by 2.1%).

Revenue grew 15% y/y or -1% Q/Q to €4.2B vs consensus €4.20B (in line with expectations), reflecting:

Premium Revenue grew 16% Y/Y to €3,771 million (or 16% Y/Y constant currency*), reflecting subscriber growth of 12% Y/Y and a Premium ARPU increase of 4% Y/Y to €4.73 (or up 4% Y/Y constant currency*). Excluding the impact of FX, ARPU performance was driven by price increase benefits, partially offset by product/market mix.

Ad-Supported Revenue grew 8% Y/Y (or 5% Y/Y constant currency*). Music and podcast advertising was driven by growth in impressions sold, partially offset by softness in pricing and optimization of our podcasting inventory in our Owned & Licensed portfolio.

'The underlying data at the moment is very healthy: engagement remains high, retention is strong, and thanks to our freemium model, people have the flexibility to stay with us even when things feel more uncertain... So yes, the short term may bring some noise, but we remain confident in the long-term story, and the direction we're heading in feels clearer than ever.'

Key metrics:

- Total MAUs grew 10% Y/Y to 678 million, up from 675 million last quarter, vs consensus 679.1M (in line)

- Premium Subscribers grew 12% Y/Y to 268 million, reflecting Y/Y and Q/Q growth across all regions; this marked the highest Q1 net additions since 2020 and the second-highest Q1 in Spotify's history.

- Premium ARPU grew 4% Y/Y to €4.73 vs consensus €4.78 (missed by 1.0%).

Gross Margin was 31.6% in Q1, up 403 bps Y/Y reflecting: Premium gains driven by audiobooks and music; and Ad-Supported gains driven by podcasts, music and Other Costs of Revenue. Operating Margin was 7.2% vs consensus 7.6% (missed by 40 bps) and year-ago 4.6% (+750bps y/y).

Free Cash Flow was €534 million in Q1, a record high Q1 as a result of higher Net Income adjusted for non-cash items and improving net working capital. Capital expenditures rose €1 million Y/Y to €6 million.

Q2 2025 Guidance:

- Operating Income: €539M (vs no consensus provided)

- Revenue: €4.3B vs consensus €4.37B (missed by 1.6%)

- Gross Margin: 31.5% (vs Q1 actual 31.6%)

- **MAUs: 689M (implies net adds of ~11M)**

- **Premium Subscribers: 273M (implies net adds of ~5M)**

Spotify shares traded slightly lower (-3.5%) after first-quarter miss and downbeat Q2 revenue outlook.

Spotify Technology SA (NYSE:SPOT) is held in Halo Technologies “Entertainment” thematic portfolio.