

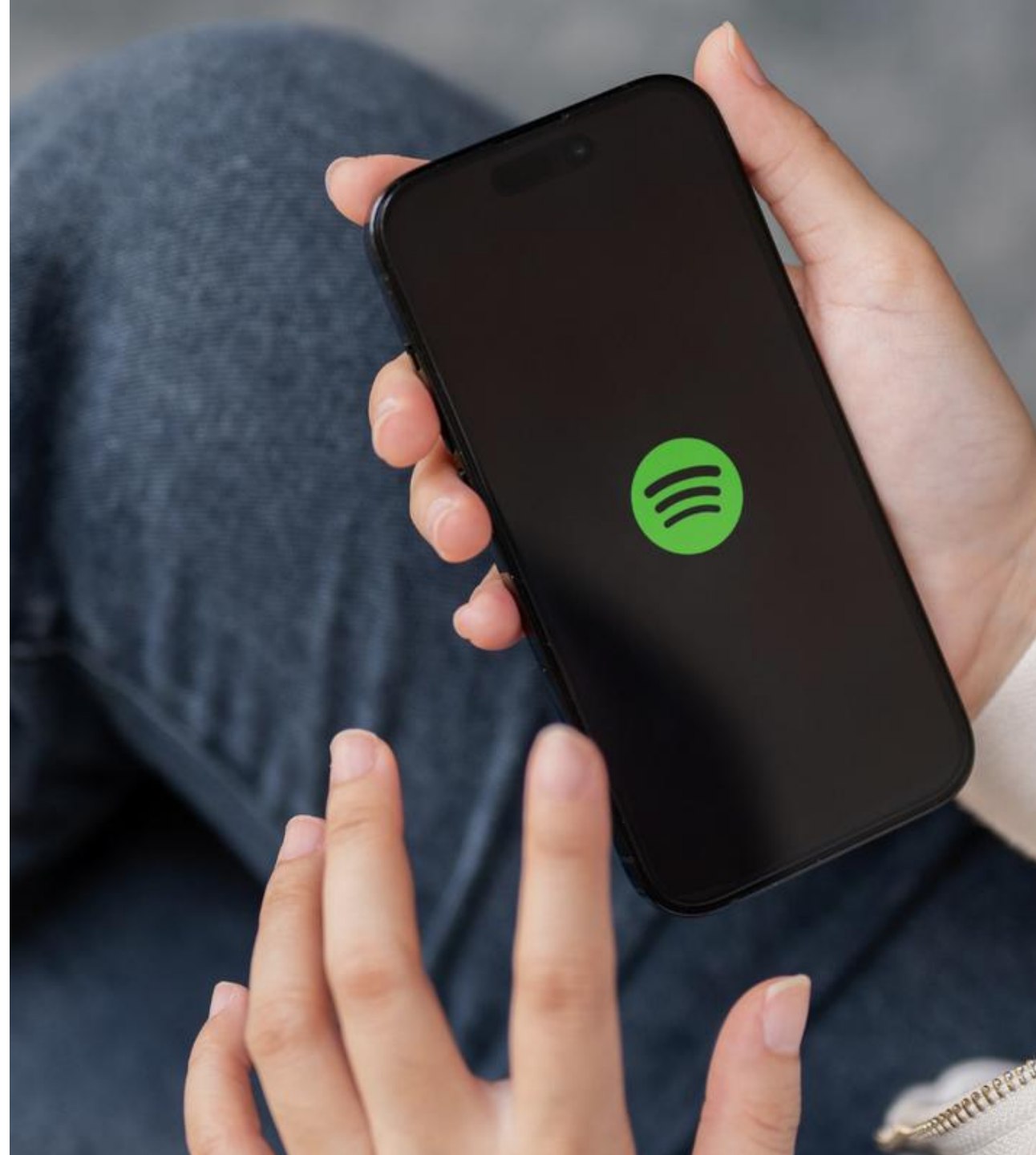
# SPOTIFY

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# COMPANY REPORT



# Make valuation great again

Spotify reported an overall very strong, better-than-expected Q4 report. The report had many bright spots, including a notable beat in MAUs and subscribers. Considering this, the MAU/subs guidance for Q1'25 was conservative, indicating a modest increase of +3m MAU and +2m subs. However, the management remains confident on user growth to be in line with last 4-5 year for 2025. In addition, Q1'25 EBIT guidance was well-above our and consensus estimate, showcasing strong operational efficiency. On the back of the better-than-expected Q4 report, we have raised our estimates, particularly for profitability. However, despite these adjustments, the continued appreciation in the share price keeps the valuation picture unattractive. As such, we continue to view the risk/reward as insufficient and reiterate our Reduce recommendation, while raising the target price to USD 535 (was USD 470).

## Strong numbers across the board

We think the key takeaways from Spotify's Q4'24 print was the strong intake in MAU/subs as well as the increased evidence of improved resource utilization to sustain strong growth at a lower cost profile. Revenue grew 16% year-on-year to 4.2 BNEUR (Q4'23: 3.7 BNEUR), driven by a 12%/11% increase in MAU/subs and a 5% rise in premium ARPU. Gross margin expanded to 32.2% (Q4'23: 26.7%), marking a ~560 bps y-y increase, supported by content cost favorability and bundled subscriptions, among others. Operating income (EBIT) reached 477 MEUR (Q4'23: -75 MEUR), reflecting an 11% EBIT margin, which was 10% above our estimate of 434 MEUR. The deviation stemmed primarily from stronger gross margins and lower OPEX. FCFF came in at 877 MEUR (Q4'23: 396 MEUR), reflecting a 21% margin.

## We raise our estimates on strong user and earnings beat

Forward commentary indicated an accelerated pace of product

launches during 2025, with increased investments aimed at improving the music experience on the platform (e.g. video, higher price super-fan tier etc.) while maintaining high cost discipline. Given these expected investments in the platform, the management hinted that the gross margin may be slightly more variable during 2025 but expects the full-year gross margin to be higher than in 2024. Regarding the new UMG deal and potential launch of educational courses in the U.S., no specific details were shared during the earnings call. However, regarding the former, the management was clear that the new agreement is a win-win and reflecting on this, we believe it is unlikely that Spotify would have extended the deal early on unfavorable terms. Following the Q4 report, we have raised our estimates across the board, particularly for profitability. For 2025, we now estimate Spotify to add some 60 MAU (of which 23m subs) which, combined with improved monetization, supports a revenue growth of 18% to 18.5 BNEUR. Additionally, we raise our EBIT estimate for 2025 by 15% to 2.3 BNEUR (13% margin).

## Valuation still unattractive

Despite raised estimates, Spotify's valuation remains stretched. Based on our updated estimates, Spotify trades at EV/EBIT 49x, EV/FCFF 35x, and EV/GP 19x for 2025e. We believe these multiples are on the high side, even when considering next year's corresponding multiples (26e: 38x, 30x, and 16x). To arrive at more reasonable valuation levels, we need to extend our scope to 2027e, where Spotify trades at EV/EBIT of 31x, EV/FCFF of 26x, and EV/GP of 13x. Our DCF model, assuming sustained strong growth and margin expansion, supports our view on the valuation, indicating a fair value of USD 529. That said, we do think that the Q4 report reaffirms Spotify's market-leading position and operational excellence, but that current valuation does not offer a compelling risk/reward profile, making it difficult to justify entering the stock at this time.

## Recommendation

**Reduce**

(prev. Reduce)

## Target price:

**535 USD**

(prev. 470 USD)

## Share price:

622 USD

## Business risk



## Valuation risk



	2024	2025e	2026e	2027e
<b>Revenue (MEUR)</b>	15,673	18,516	21,412	24,354
<b>growth-%</b>	18%	18%	16%	14%
<b>EBIT adj. (MEUR)</b>	1,365	2,325	2,880	3,408
<b>EBIT-% adj.</b>	8.7 %	12.6 %	13.5 %	14.0 %
<b>Net Income (MEUR)</b>	1,138	2,535	2,948	3,340
<b>EPS (adj.) (EUR)</b>	5.6	12.4	14.1	15.7
<b>P/E (adj.)</b>	77.4	48.4	42.4	38.2
<b>P/B</b>	15.9	15.2	11.1	8.5
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	60.5	49.1	38.4	31.3
<b>EV/EBITDA</b>	54.0	46.6	37.1	30.5
<b>EV/S</b>	5.3	6.2	5.2	4.4

Source: Inderes

## Guidance

(New guidance)

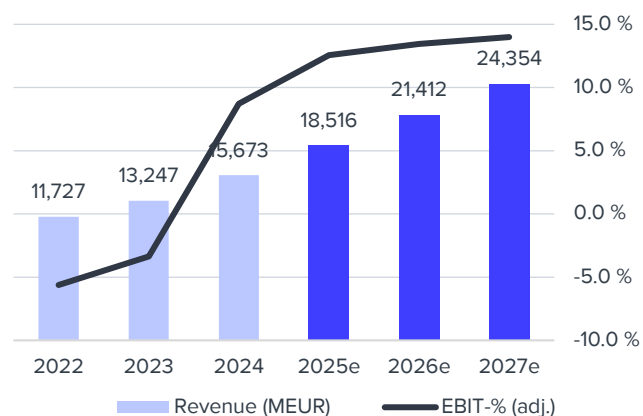
For Q1'25, Spotify expects:  
 MAU: 678m (+3m q/q)  
 Premium subscribers: 265m (+2m q/q)  
 Revenue: 4.2 BNEUR  
 Gross margin: 31.5%  
 Operating income: 548 MEUR

## Share price



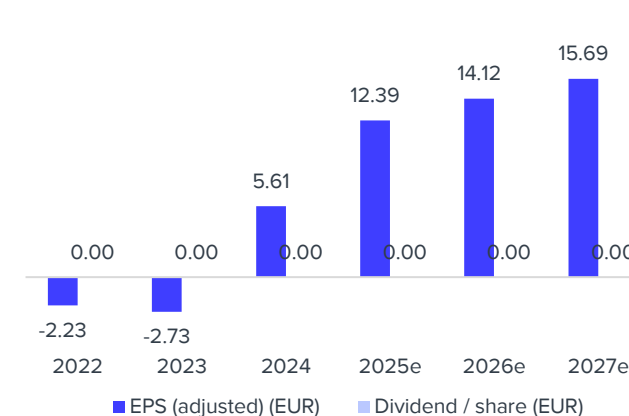
Source: Millstream Market Data AB

## 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 enable 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 contains 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
<b>Share price (EUR)</b>	599.5	599.5	599.5
<b>Number of shares, millions</b>	204.6	208.7	212.9
<b>Market cap (MEUR)</b>	122,671	122,671	122,671
<b>EV (MEUR)</b>	114,125	110,676	106,805
<b>P/E (adj.)</b>	48.4	42.4	38.2
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<b>EV/Sales</b>	6.2	5.2	4.4
<b>EV/EBITDA</b>	46.6	37.1	30.5
<b>EV/EBIT (adj.)</b>	49.1	38.4	31.3

# Strong numbers across the board

## The user growth exceeded our estimates

Spotify's Q4'24 MAUs of 675m were 2% above our estimate of 664 (Q4'24: 602m). This was also ahead of Street's estimates and company guidance (665m). Premium subscribers of 263m were +3m ahead of both our and consensus estimate. Hence, the delta in MAU was driven by a strong inflow of ad-supported users (+23m y-y vs Inderes est: 14m). Premium ARPU continued its steady acceleration and printed EUR 4.85, corresponding to a 5% increase y-y (Q4'23: EUR 4.60), as previous price hikes followed through the whole quarter. This was higher than our forecast of EUR 4.75.

Putting these variables together, Q4 revenue of 4.2 BNEUR was slightly ahead of the guided 4.1 BNEUR (Inderes est: 4.1 BNEUR), representing a 16% y-y growth. Favorable FX effects reduced expected headwinds, pushing constant currency revenue growth to 17%. Premium revenue grew 17% y-y to 3.7 BNEUR (Inderes est: 3.6 BNEUR), while ad

revenue came in at 537 MEUR, reflecting a 7% increase y-y. Despite pricing softness affecting ad growth, ad-supported revenue still exceeded both consensus and our estimate (Inderes estimate: 479 MEUR).

## Showcasing strong operational efficiency execution

Spotify exceeded its own gross margin guidance of 31.8% (Q4'24: 26.7%) yet again, reaching a 32.2% gross margin in Q4'24 (~560 bps increase y-y), which was ahead of our and consensus estimate (31.8%). 2024 has really been a GM story, where actions taken (price hikes, bundled subscriptions) combined with general content cost favorability has borne fruit.

Moving down the income statement, the operating income came in at 477 MEUR (Q4'24: -75 MEUR), reflecting an 11% EBIT margin. This was +1% vs Street's est and 10% vs our updated estimates (434 MEUR). Social charges impacted EBIT by 96 MEUR, compared to our estimates of 60 MEUR.

Thus, despite the more-than-expected headwind in Q4, Spotify still exceeded our estimates, thanks to gross margin outperformance and further cost efficiencies. Overall, operating expenses (as a percentage of revenue) were about 100 bps lower than our estimates.

## Strong cash conversion in the quarter

Spotify's reported free cash flow reached 877 MEUR, equivalent to a 20.7% margin and was supported by favorable working capital changes and improved net income. The outcome was well above our estimated ~600 MEUR\*. In 2024, Spotify's reported FCFF amounted to 2.3 BNEUR, translating to a 14.6% FCFF margin. The liquidity and balance sheet remain very strong, with a net cash position of 5.4 BNEUR (incl. leases). While Spotify did not provide specific details on capital allocation, the company reiterated that business priorities come first, with shareholder interests also considered if the excess capacity continues to rise.

Estimates MEUR / EUR	Q4'23	Q4'24	Q4'24e	Q4'24e	Consensus		Difference (%)	2024 2025
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	
Revenue	3,671	4,242	4,123	4,153	4,101	4,237	3%	15,673
EBITDA	82.0	507	463	503	423	585	10%	1,529
EBIT	-75.0	477	433	470	416	524	10%	1,365
PTP	-131.0	499	437	478	416	563	14%	1,341
EPS (adj.)	-0.36	1.81	2.15	1.96	1.50	2.48	-16%	5.61
Revenue growth-%	16.0 %	15.6 %	12.3 %	13.1 %	11.7 %	15.4 %	3.2 pp	18.3 %
EBIT-% (adj.)	-2.0 %	11.2 %	10.5 %	11.3 %	10.1 %	12.4 %	0.7 pp	8.7 %

Source: Inderes & Bloomberg (consensus)

\*Adding back SCB and excluding lease payments to make it easier to compare to reported figures.

# We raise our estimates, particularly on the profitability

## Estimate revisions

- Our 2025-2026 revenue estimates inch around 3% higher respectively on higher MAUs in Q4, with our MAU estimates move from 725m/793m to 734m/804m.
- Spotify's monetization pace in Q4 accelerated somewhat faster than expected which led us to increase our premium ARPU slightly for the forecast period.
- Despite guiding for increased investments in video and music for 2025, Spotify's gross margin and EBIT beat in Q4 combined with the Q1'25 guidance gives us more confidence in its ongoing margin expansion, leading us to raise EBIT estimates by 15-17% in 25-26e, with a follow-through effect on the rest of the forecast period.
- Our terminal EBIT margin has been revised up from 18% to ~19%.
- Due to higher profitability estimates, our FCFF estimates have been raised by high single-digits.

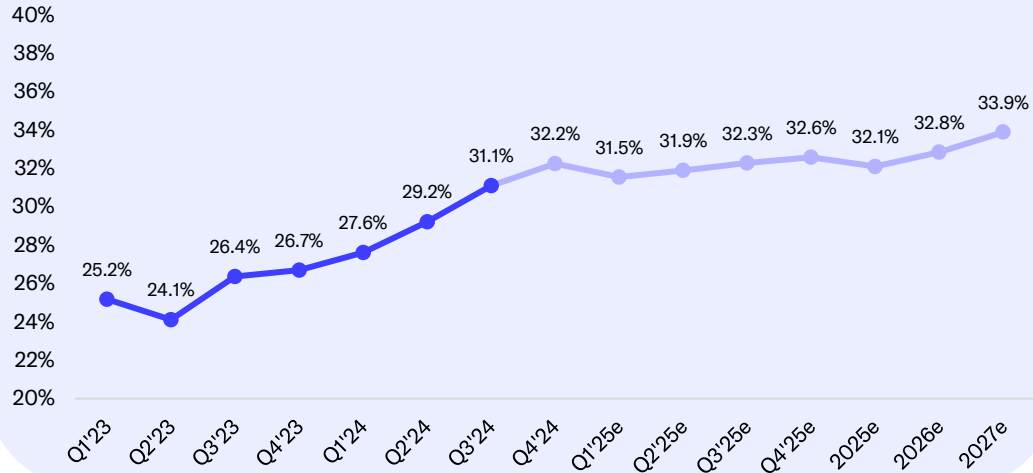
Estimate revisions	2024	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	15,554	15,673	1%	18,046	18,516	3%	20,828	21,412	3%
EBITDA	1,460	1,529	5%	2,146	2,449	14%	2,571	2,981	16%
EBIT (excl. NRIs)	1,321	1,365	3%	2,022	2,325	15%	2,471	2,880	17%
EBIT	1,321	1,365	3%	2,022	2,325	15%	2,471	2,880	17%
PTP	1,279	1,341	5%	2,191	2,535	16%	2,653	3,103	17%
EPS (excl. NRIs)	5.94	5.61	-6%	10.57	12.39	17%	11.92	14.12	18%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

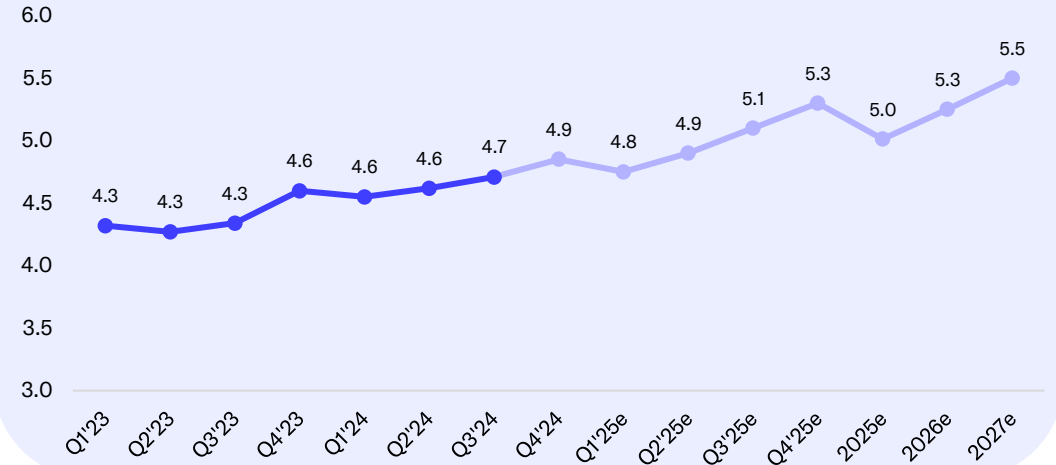
# Key KPI's



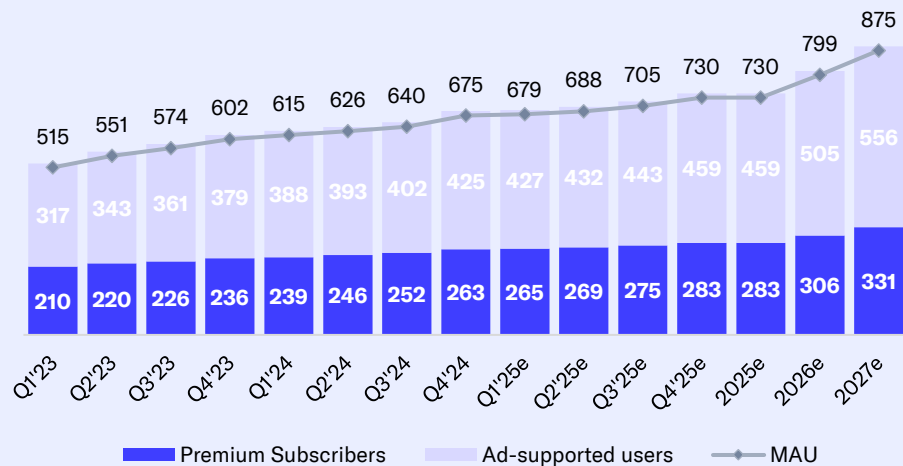
## Gross margin trajectory (est.)



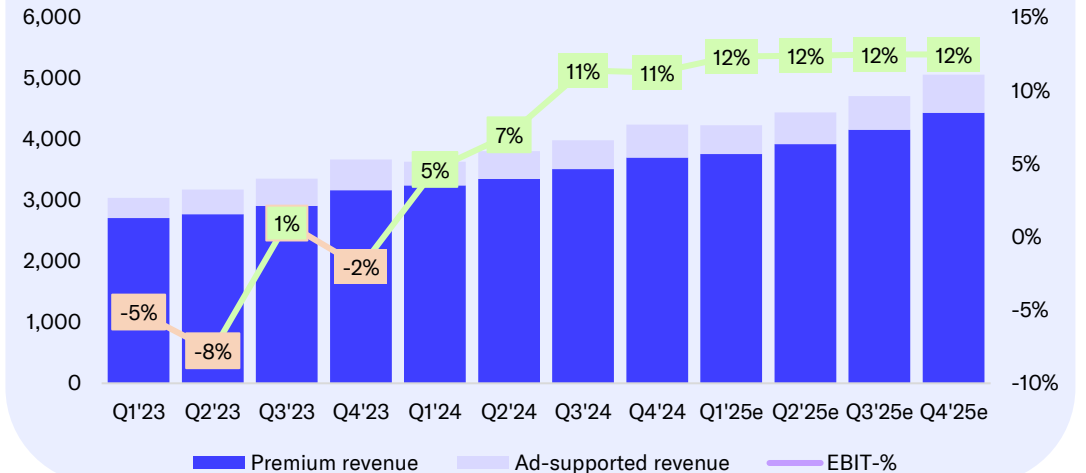
## Monthly Premium ARPU trajectory (est.)



## User growth trajectory (est.)



## Revenue and EBIT-% (est.)





# The valuation picture is not compelling

## Valuation summary - Reduce

We forecast strong earnings growth for Spotify in 2025-2026 (EBIT growth 25-26e: 70-24%) 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.). However, we view the current valuation as too rich, with much of the earnings growth for 2025-2026 already reflected in the share price, warranting a more cautious stance at this point. Hence, we reiterate our Reduce recommendation, while raising the target price to USD 535 (was USD 470).

## Absolute multiples in 2025-2026

Based on our 2025 estimates, Spotify trades at 49x EV/EBIT, 35x EV/FCFF, and 19x EV/GP, respectively. We believe these multiple to be elevated in absolute terms, especially when considering current high-interest rate environment, low underlying profitability, dependency on licensed content, and its still limited track-record of pricing power execution in more mature markets.

Looking at Spotify's historical valuation and its current margin, ROIC, and growth profile, we believe the acceptable range for EV/GP is 13x–17x (5-year median: 14x), and for EV/FCFF, 25x–30x, as approximately half of Spotify's gross profit converts to FCFF. For EV/EBIT, we think an acceptable range to be 33x–36x. However, we acknowledge that Spotify remains in the early stages of its profitability turnaround, albeit with significant progress already made. Given Spotify's strong business momentum, we believe a valuation near the upper end of these ranges is justified.

However, looking at our 2026 estimates, we still believe the overall earnings/FCFF multiples picture to be on the high side, with Spotify trading at EV/EBIT 38x, EV/FCFF 30x and EV/GP 16x. We have to extend our scope to 2027 in order to find more attractive multiples for Spotify (EV/EBIT 27': 31x, EV/FCFF 27': 26x & EV/GP 27': 13x).

## 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, engages 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 2025e (SPOT: 35x & 49x vs SS: 19x & 11x). While we believe Spotify deserves a premium valuation compared to the SS group as whole, the absolute multiples are excessive, in our view, despite the relatively stronger expected earnings/FCFF growth.

At the same time, Spotify trades at a discount to Netflix (25e: 52x) on a FCFF basis, but at a premium on an EBIT basis (NTFL: 33x). While we argue this dynamic (on a FCFF basis) if 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 current the valuation gap (on EV/FCFF) between the companies is too steep. However, we note that both companies trade at very high absolute multiples.

Valuation	2025e	2026e	2027e
Share price (EUR)	599.5	599.5	599.5
Number of shares, millions	204.6	208.7	212.9
Market cap (MEUR)	122,671	122,671	122,671
EV (MEUR)	114,125	110,676	106,805
P/E (adj.)	48.4	42.4	38.2
P/E	48.4	42.4	38.2
P/FCF	42.5	37.9	34.1
P/B	15.2	11.1	8.5
P/S	6.6	5.7	5.0
EV/Sales	6.2	5.2	4.4
EV/EBITDA	46.6	37.1	30.5
EV/EBIT (adj.)	49.1	38.4	31.3

## Selection of peers in each group

Big tech (BT)



Subscription services (SS)



Media & Entertainment (ME)



Digital ad-supported (DAS)



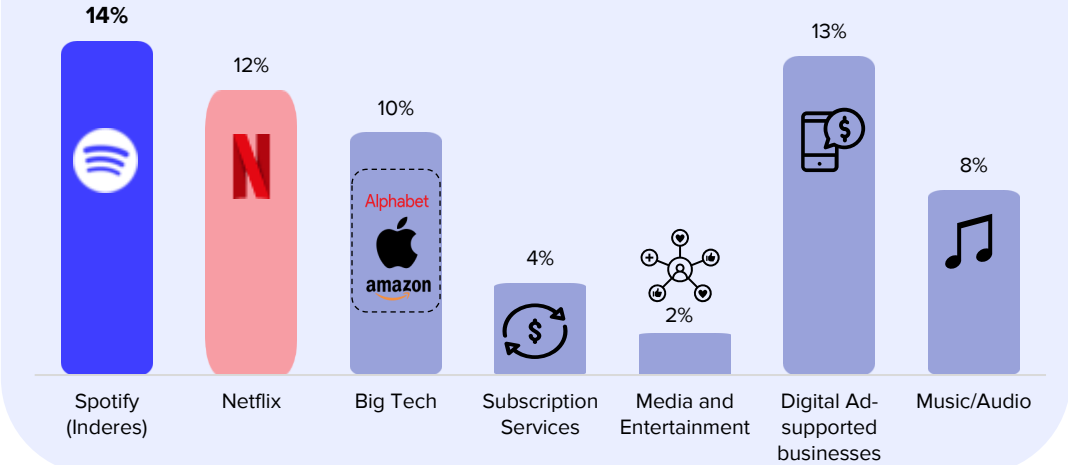
Music/Audio (MA)



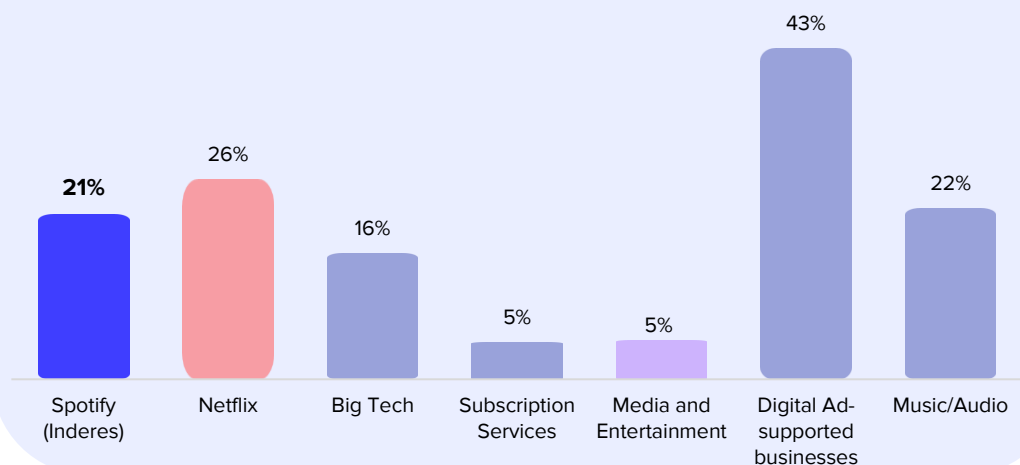
# Valuation graphs: Spotify vs various peer groups



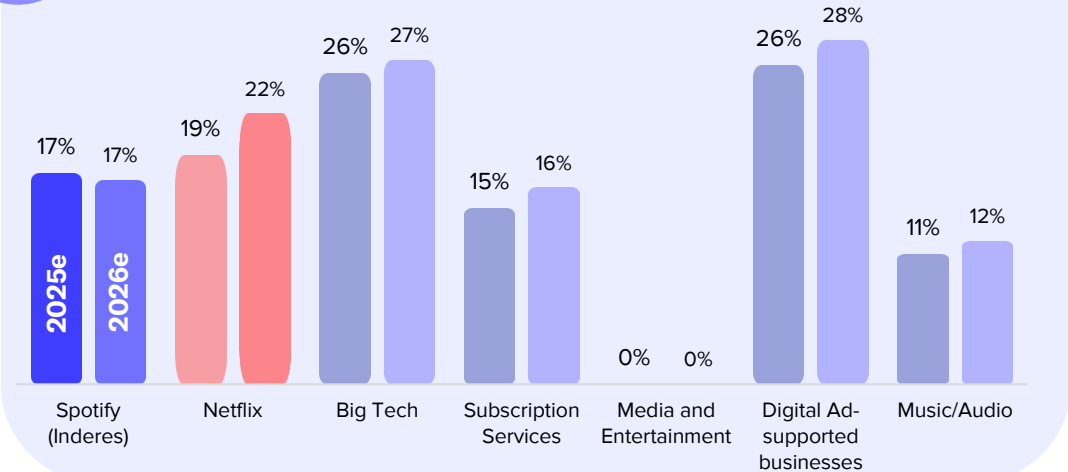
**Revenue CAGR (2025-2027e)**



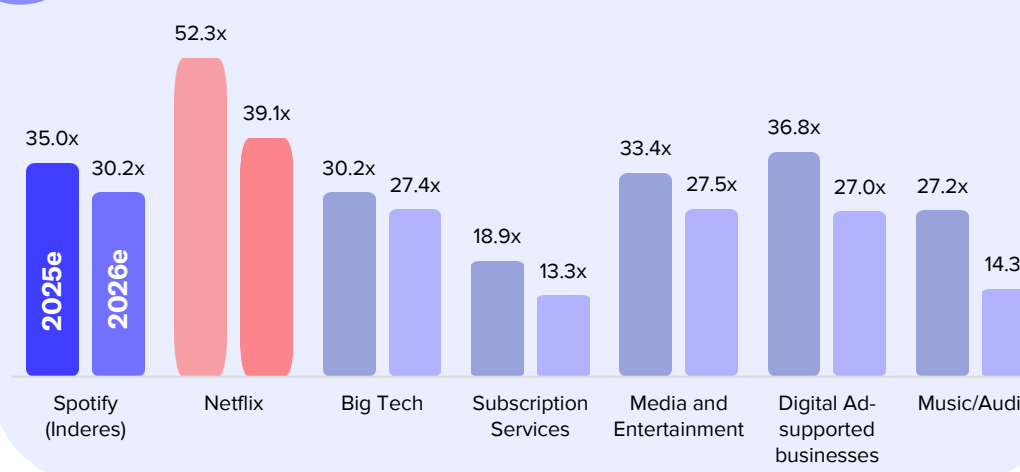
**FCFF CAGR (2025-2027e)**



**FCFF margin-% (2025-2026)**



**EV/FCFF (2025-2026e)**



Source: Inderes

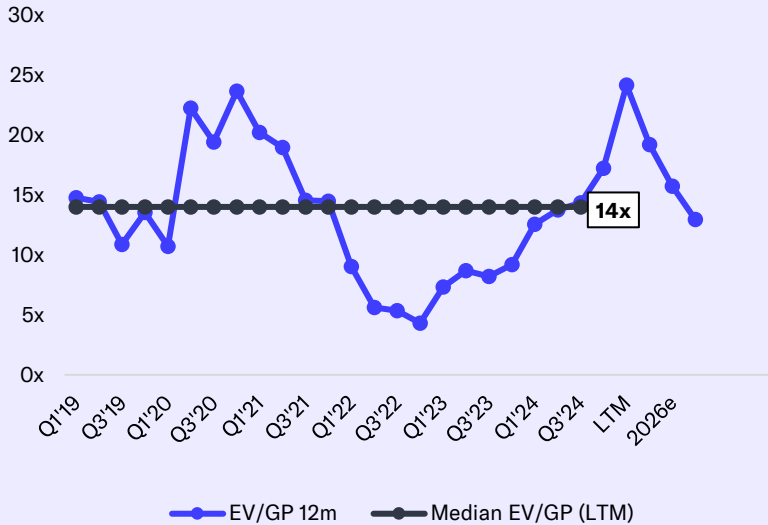


# The valuation picture is not compelling

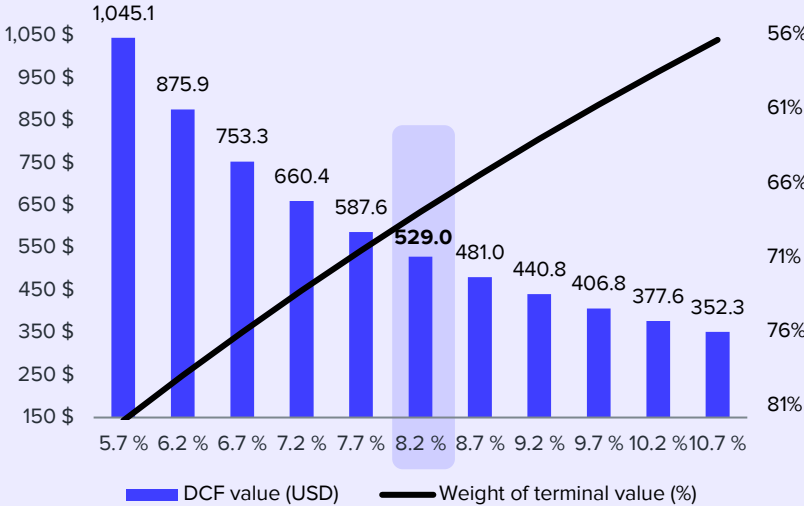
## DCF suggests current price to be too high

We expect strong double-digit growth (CAGR: 14%) 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 19% (prev. 18%). We estimate Spotify's cost of equity and WACC (due to no traditional financial debt) at 8.2%, which is fairly low but supported by its strong and wide market presence, superior global brand, robust balance sheet and improved profitability profile. With these assumptions, our DCF model arrives at an EV and equity value of around 108 BNUSD, which translates to around USD 529 per share. This is more or less in line with our target price and below the current share price, suggesting a downside for the share.

EV/Gross profit development



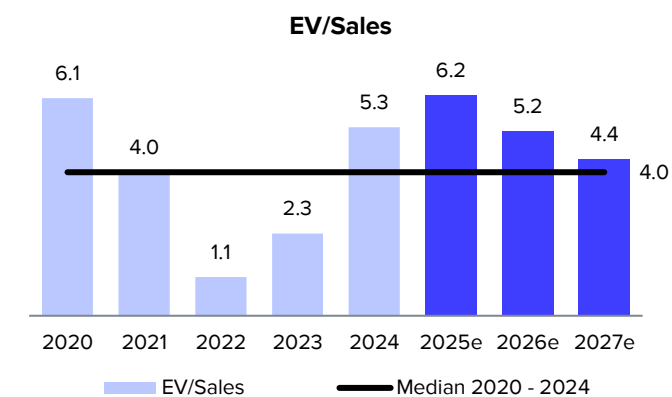
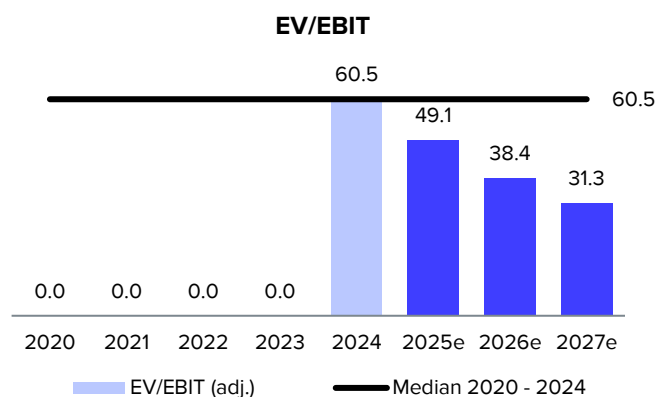
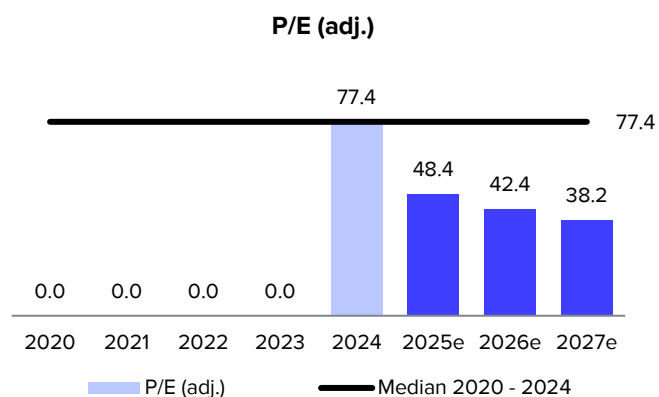
Sensitivity of DCF to changes in the WACC-%



Source: Inderes

# 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	599.5	599.5	599.5	599.5
Number of shares, millions	187.6	191.3	192.9	194.7	202.9	204.6	208.7	212.9	217.2
Market cap (MEUR)	49,122	40,507	14,318	32,933	88,062	122,671	122,671	122,671	122,671
EV (MEUR)	47,952	38,788	12,650	30,415	82,615	114,125	110,676	106,805	102,543
P/E (adj.)	neg.	neg.	neg.	neg.	77.4	48.4	42.4	38.2	33.9
P/E	neg.	neg.	neg.	neg.	77.4	48.4	42.4	38.2	33.9
P/FCF	neg.	37.6	neg.	>100	43.6	42.5	37.9	34.1	30.8
P/B	17.5	19.1	6.0	13.1	15.9	15.2	11.1	8.5	6.7
P/S	6.2	4.2	1.2	2.5	5.6	6.6	5.7	5.0	4.5
EV/Sales	6.1	4.0	1.1	2.3	5.3	6.2	5.2	4.4	3.8
EV/EBITDA	neg.	>100	neg.	neg.	54.0	46.6	37.1	30.5	24.7
EV/EBIT (adj.)	neg.	>100	neg.	neg.	60.5	49.1	38.4	31.3	25.2
EV/FCFF	109.0	212.0	45.7	1448.3	121.9	35.0	30.2	26.1	22.7



# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2025e
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	
<b>Big Tech</b>													
Apple	3,372,443	3,413,889	27.1	24.8	25.0	22.9	8.7	8.0	31.7	28.4	0.4	0.5	57.6
Amazon.com	2,451,928	2,442,751	31.8	26.0	15.3	12.9	3.6	3.3	38.8	31.6			7.0
Alphabet	2,435,356	2,359,671	19.3	17.2	14.2	12.5	6.3	5.7	23.2	20.3	0.4	0.4	6.4
<b>Subscription businesses</b>													
Netflix	409,957	415,737	33.4	27.7	32.1	26.9	9.8	8.7	40.2	32.9			14.2
Match Group	8,821	11,698	13.5	12.2	9.5	8.9	3.5	3.3	16.9	14.3			
Bumble	900	1,253	8.0	7.2	4.5	4.3	1.2	1.2	11.1	10.4			0.8
Chegg	150	381	8.4	7.0	3.1	3.7	0.8	0.9	2.4	3.0			0.8
Vimeo	1,107	794	51.7	31.9	15.5	12.9	2.0	1.8	44.7	37.5			
Roku	11,212	9,197			33.1	20.9	2.1	1.8		269.9			4.3
<b>Media/Entertainment</b>													
Warner Bros. Discovery	23,774	59,295	38.4	26.7	6.5	6.4	1.6	1.5		314.4			0.7
The Walt Disney Company	197,385	240,238	15.3	14.0	12.6	11.5	2.6	2.5	20.9	18.4	0.9	1.0	1.9
Paramount Global	7,468	19,199	7.6	7.1	6.6	6.3	0.7	0.7	7.4	6.4	1.8	1.8	0.4
<b>Digital Ad-supported businesses</b>													
Snap	18,892	19,325			26.8	18.0	3.3	2.9	28.4	19.0			7.3
Meta Platforms	1,718,914	1,672,064	23.2	20.3	15.7	13.5	9.2	8.1	27.7	24.3	0.3	0.3	7.7
Reddit	36,708	35,027	304.6	101.6	70.6	46.1	20.8	16.1	246.4	109.7			14.5
Pinterest	21,739	19,389	56.2	34.4	16.7	13.4	4.8	4.2	18.6	15.5			5.5
<b>Music/Audio</b>													
iHeartMedia	333	4,947	15.2	11.8	6.7	5.8	1.3	1.3		3.6			
Sirius XM Holdings	8,035	17,873	9.7	9.9	7.2	7.2	2.2	2.2	8.1	7.9	4.5	4.7	0.9
Deezer	150	121			186.2	9.5	0.2	0.2					
Tencent Music Entertainment Group	20,145	17,036	13.8	12.0	12.3	10.8	4.2	3.8	16.3	14.4	1.2	1.4	2.0
Warner Music Group Corp.	16,195	19,534	18.5	16.2	14.0	12.6	3.1	2.9	25.2	21.2	2.3	2.4	19.2
Universal Music Group	49,574	52,719	22.2	20.0	18.6	16.7	4.2	3.9	26.3	23.3	2.2	2.4	12.1
Live Nation Entertainment	33,141	33,867	23.4	20.8	14.7	13.2	1.3	1.2	56.0	47.7			25.1
<b>Spotify (Inderes)</b>	<b>122,671</b>	<b>114,125</b>	<b>49.1</b>	<b>38.4</b>	<b>46.6</b>	<b>37.1</b>	<b>6.2</b>	<b>5.2</b>	<b>48.4</b>	<b>42.4</b>	<b>0.0</b>	<b>0.0</b>	<b>15.2</b>
<b>Average</b>			<b>37.1</b>	<b>22.4</b>	<b>24.7</b>	<b>13.8</b>	<b>4.2</b>	<b>3.7</b>	<b>36.3</b>	<b>48.8</b>	<b>1.5</b>	<b>1.7</b>	<b>9.9</b>
<b>Median</b>			<b>20.8</b>	<b>18.6</b>	<b>14.7</b>	<b>12.6</b>	<b>3.1</b>	<b>2.9</b>	<b>25.2</b>	<b>20.8</b>	<b>1.2</b>	<b>1.4</b>	<b>6.4</b>
<b>Diff-% to median</b>			<b>136%</b>	<b>107%</b>	<b>218%</b>	<b>195%</b>	<b>99%</b>	<b>78%</b>	<b>92%</b>	<b>104%</b>	<b>-100%</b>	<b>-100%</b>	<b>138%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement (MEUR)	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue</b>	<b>13247</b>	<b>3636</b>	<b>3807</b>	<b>3988</b>	<b>4242</b>	<b>15,673</b>	<b>4,235</b>	<b>4,441</b>	<b>4,713</b>	<b>5,126</b>	<b>18,516</b>	<b>21,412</b>	<b>24,354</b>	<b>27,537</b>
Premium revenue	11566	3247	3351	3516	3705	13,819	3,763	3,926	4,162	4,502	16,353	18,739	21,222	23,996
Ad-supported revenue	1681	389	456	472	537	1,854	473	515	551	624	2,162	2,673	3,132	3,542
<b>EBITDA</b>	<b>-165.0</b>	<b>203</b>	<b>310</b>	<b>484</b>	<b>532</b>	<b>1,529</b>	<b>554</b>	<b>590</b>	<b>629</b>	<b>677</b>	<b>2,449</b>	<b>2,981</b>	<b>3,497</b>	<b>4,154</b>
Depreciation	-281.0	-35.0	-44.0	-30.0	-55.0	-164	-31	-31	-31	-31	-124	-100	-89	-90
<b>EBIT (excl. NRI)</b>	<b>-446.0</b>	<b>168</b>	<b>266</b>	<b>454</b>	<b>477</b>	<b>1,365</b>	<b>523</b>	<b>559</b>	<b>598</b>	<b>646</b>	<b>2,325</b>	<b>2,880</b>	<b>3,408</b>	<b>4,064</b>
<b>EBIT</b>	<b>-446.0</b>	<b>168</b>	<b>266</b>	<b>454</b>	<b>477</b>	<b>1,365</b>	<b>523</b>	<b>559</b>	<b>598</b>	<b>646</b>	<b>2,325</b>	<b>2,880</b>	<b>3,408</b>	<b>4,064</b>
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	52	52	52	52	210	222	304	321
<b>PTP</b>	<b>-505.0</b>	<b>174</b>	<b>270</b>	<b>398</b>	<b>499</b>	<b>1,341</b>	<b>575</b>	<b>611</b>	<b>650</b>	<b>698</b>	<b>2,535</b>	<b>3,103</b>	<b>3,711</b>	<b>4,385</b>
Taxes	-27.0	23.0	4.0	-98.0	-132.0	-203	0	0	0	0	0	-155	-371	-548
Minority interest	0.0	0.0	0.0	0.0	0.0	0	0	0	0	0	0	0	0	0
<b>Net earnings</b>	<b>-532.0</b>	<b>197</b>	<b>274</b>	<b>300</b>	<b>367</b>	<b>1,138</b>	<b>575</b>	<b>611</b>	<b>650</b>	<b>698</b>	<b>2,535</b>	<b>2,948</b>	<b>3,340</b>	<b>3,837</b>
<b>Net earnings</b>	<b>-532.0</b>	<b>197</b>	<b>274</b>	<b>300</b>	<b>367</b>	<b>1,138</b>	<b>575</b>	<b>611</b>	<b>650</b>	<b>698</b>	<b>2,535</b>	<b>2,948</b>	<b>3,340</b>	<b>3,837</b>
<b>EPS (adj.) (EUR)</b>	<b>-2.73</b>	<b>0.97</b>	<b>1.35</b>	<b>1.48</b>	<b>1.81</b>	<b>5.61</b>	<b>2.81</b>	<b>2.99</b>	<b>3.18</b>	<b>3.41</b>	<b>12.39</b>	<b>14.12</b>	<b>15.69</b>	<b>17.67</b>
<b>EPS (rep.) (EUR)</b>	<b>-2.73</b>	<b>0.97</b>	<b>1.35</b>	<b>1.48</b>	<b>1.81</b>	<b>5.61</b>	<b>2.81</b>	<b>2.99</b>	<b>3.18</b>	<b>3.41</b>	<b>12.39</b>	<b>14.12</b>	<b>15.69</b>	<b>17.67</b>

Key figures	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25e	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
<b>Revenue growth-%</b>	13.0 %	19.5 %	19.8 %	18.8 %	15.6 %	18.3 %	16.5 %	16.7 %	18.2 %	20.8 %	18.1 %	15.6 %	13.7 %	13.1 %
<b>Adjusted EBIT growth-%</b>	-32.3 %	-207.7 %	-207.7 %	1318.8 %	-735.9 %	-406.0 %	211.2 %	110.2 %	31.6 %	35.4 %	70.4 %	23.9 %	18.3 %	19.3 %
<b>EBITDA-%</b>	-1.2 %	5.6 %	8.1 %	12.1 %	12.5 %	9.8 %	13.1 %	13.3 %	13.3 %	13.2 %	13.2 %	13.9 %	14.4 %	15.1 %
<b>Adjusted EBIT-%</b>	-3.4 %	4.6 %	7.0 %	11.4 %	11.2 %	8.7 %	12.3 %	12.6 %	12.7 %	12.6 %	12.6 %	13.5 %	14.0 %	14.8 %
<b>Net earnings-%</b>	-4.0 %	5.4 %	7.2 %	7.5 %	8.7 %	7.3 %	13.6 %	13.8 %	13.8 %	13.6 %	13.7 %	13.8 %	13.7 %	13.9 %

Source: Inderes

<b>Monthly active user (MAU)</b>	<b>602</b>	<b>615</b>	<b>626</b>	<b>640</b>	<b>675</b>	<b>675</b>	<b>679</b>	<b>688</b>	<b>705</b>	<b>734</b>	<b>734</b>	<b>804</b>	<b>880</b>	<b>954</b>
Premium subscribers	<b>236</b>	239	246	252	263	<b>263</b>	265	269	275	286	<b>286</b>	<b>309</b>	<b>334</b>	<b>358</b>
Ad-supported users	<b>379</b>	388	393	402	425	<b>425</b>	427	432	443	461	<b>461</b>	<b>507</b>	<b>558</b>	<b>608</b>
Premium ARPU	<b>4.4</b>	4.6	4.6	4.7	4.9	<b>4.7</b>	4.8	4.9	5.1	5.4	<b>5.0</b>	<b>5.3</b>	<b>5.5</b>	<b>5.7</b>

# Balance sheet

Assets (MEUR)	2023	2024	2025e	2026e	2027e
<b>Non-current assets</b>	<b>3,086</b>	<b>3,626</b>	<b>3,572</b>	<b>3,563</b>	<b>3,568</b>
Goodwill	1,137	1,201	1,201	1,201	1,201
Intangible assets	84	48	12	0	0
Tangible assets	547	414	416	419	424
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	122	122	122
Deferred tax assets	28	186	186	186	186
<b>Current assets</b>	<b>5,260</b>	<b>8,379</b>	<b>11,442</b>	<b>13,940</b>	<b>17,987</b>
Inventories	0	0	0	0	0
Other current assets	188	160	160	160	160
Receivables	858	771	1,037	1,285	1,461
Cash and equivalents	4,214	7,448	10,246	12,495	16,366
<b>Balance sheet total</b>	<b>8,346</b>	<b>12,005</b>	<b>15,014</b>	<b>17,503</b>	<b>21,555</b>

Source: Inderes

Liabilities & equity (MEUR)	2023	2024	2025e	2026e	2027e
<b>Equity</b>	<b>2,523</b>	<b>5,525</b>	<b>8,060</b>	<b>11,008</b>	<b>14,348</b>
Share capital	0	0	0	0	0
Retained earnings	-4,182	-3,044	-509	2,439	5,779
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
<b>Non-current liabilities</b>	<b>1,754</b>	<b>2,055</b>	<b>1,754</b>	<b>554</b>	<b>554</b>
Deferred tax liabilities	8	21	21	21	21
Provisions	24	28	28	28	28
Interest bearing debt	1,696	2,001	1,700	500	500
Convertibles	0	0	0	0	0
Other long term liabilities	26	5	5	5	5
<b>Current liabilities</b>	<b>4,069</b>	<b>4,425</b>	<b>5,200</b>	<b>5,941</b>	<b>6,653</b>
Interest bearing debt	0	0	0	0	0
Payables	4,040	4,372	5,147	5,888	6,600
Other current liabilities	29	53	53	53	53
<b>Balance sheet total</b>	<b>8,346</b>	<b>12,005</b>	<b>15,014</b>	<b>17,503</b>	<b>21,555</b>

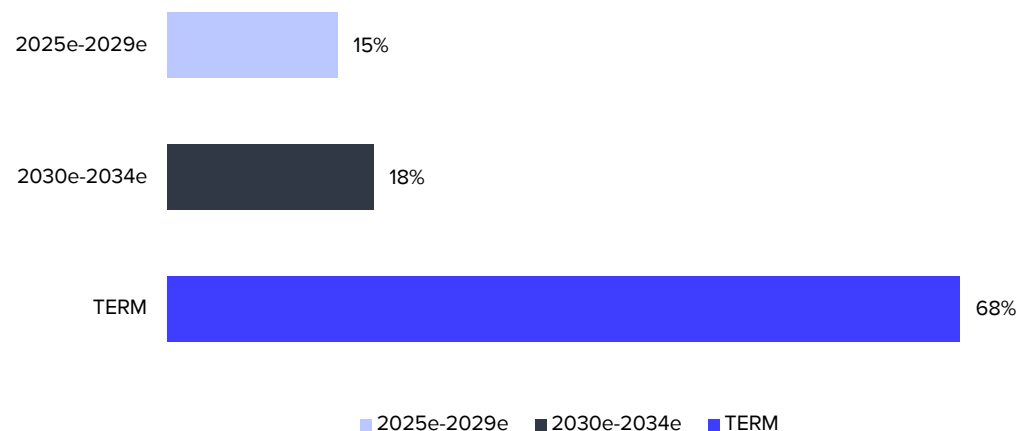
# DCF-calculation

DCF model (MEUR)	2024	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	TERM
Revenue growth-%	18.3 %	18.1 %	15.6 %	13.7 %	12.1 %	11.4 %	10.9 %	10.5 %	9.7 %	9.0 %	3.0 %	3.0 %
EBIT-%	8.7 %	12.6 %	13.5 %	14.0 %	14.9 %	16.1 %	17.3 %	18.2 %	18.6 %	19.2 %	19.2 %	19.2 %
<b>EBIT (operating profit)</b>	<b>1,365</b>	<b>2,325</b>	<b>2,880</b>	<b>3,408</b>	<b>4,064</b>	<b>4,909</b>	<b>5,839</b>	<b>6,779</b>	<b>7,600</b>	<b>8,551</b>	<b>8,807</b>	
+ Depreciation	164	124	100	89	90	91	93	94	96	97	99	
- Paid taxes	-348	0	-155	-371	-548	-784	-1,091	-1,453	-1,636	-1,849	-1,761	
- Tax, financial expenses	-52	0	-2	-4	-5	-6	-7	-8	-8	-8	0	
+ Tax, financial income	48	0	13	34	45	54	76	105	124	147	0	
- Change in working capital	471	509	493	535	430	420	516	571	319	844	247	
<b>Operating cash flow</b>	<b>1,648</b>	<b>2,959</b>	<b>3,330</b>	<b>3,691</b>	<b>4,076</b>	<b>4,684</b>	<b>5,426</b>	<b>6,088</b>	<b>6,494</b>	<b>7,781</b>	<b>7,392</b>	
+ Change in other long-term liabilities	-17	0	0	0	0	0	0	0	0	0	0	
- Gross CAPEX	-546	-70	-92	-94	-96	-97	-99	-101	-103	-105	-113	
<b>Free operating cash flow</b>	<b>1,085</b>	<b>2,889</b>	<b>3,238</b>	<b>3,598</b>	<b>3,981</b>	<b>4,586</b>	<b>5,327</b>	<b>5,987</b>	<b>6,391</b>	<b>7,676</b>	<b>7,279</b>	
+/- Other	933	0	0	0	0	0	0	0	0	0	0	
FCFF	2,018	2,889	3,238	3,598	3,981	4,586	5,327	5,987	6,391	7,676	7,279	145,576
<b>Discounted FCFF</b>		<b>2,692</b>	<b>2,790</b>	<b>2,866</b>	<b>2,933</b>	<b>3,124</b>	<b>3,355</b>	<b>3,486</b>	<b>3,441</b>	<b>3,822</b>	<b>3,351</b>	<b>67,019</b>
Sum of FCFF present value		98,879	96,187	93,397	90,531	87,598	84,475	81,119	77,633	74,192	70,370	67,019
<b>Enterprise value DCF</b>		<b>98,879</b>										
- Interest bearing debt		-2,001										
+ Cash and cash equivalents		7,448										
-Minorities		0										
-Dividend/capital return		0										
<b>Equity value DCF (MEUR)</b>		<b>104,326</b>										
<b>Equity value DCF per share (EUR)</b>		<b>509.8</b>										
<b>Equity value DCF per share (USD)</b>		<b>529.0</b>										

## WACC

Tax-% (WACC)	21.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	0.0 %
Equity Beta	1.19
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>8.2 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.2 %</b>

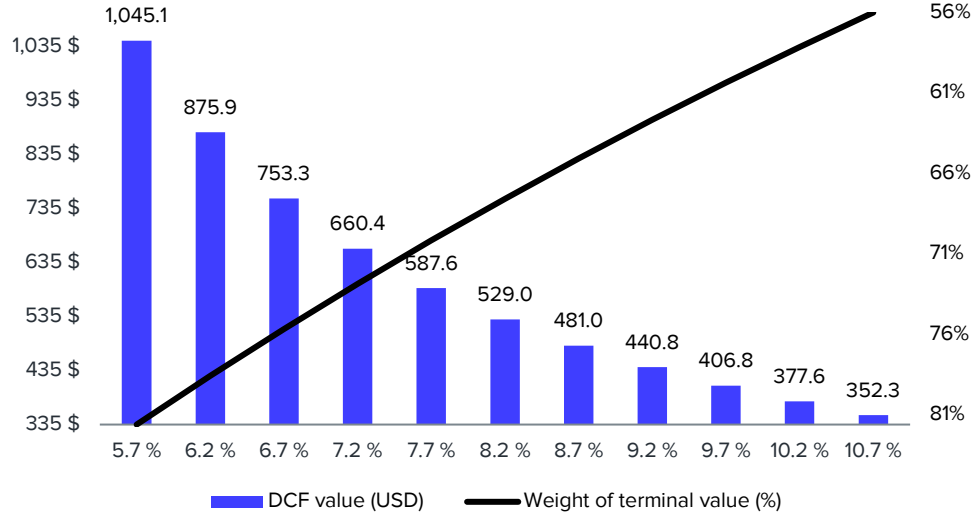
## Cash flow distribution



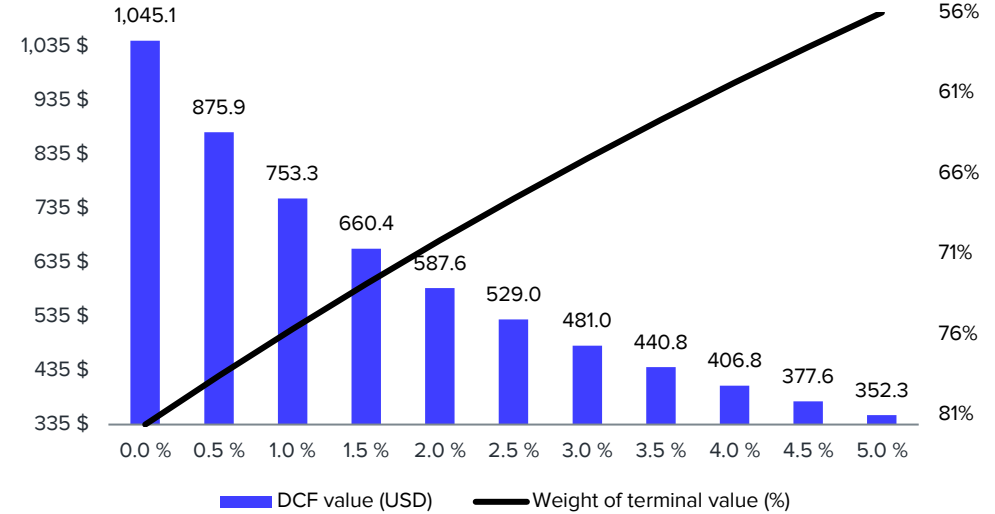


# DCF sensitivity calculations and key assumptions in graphs

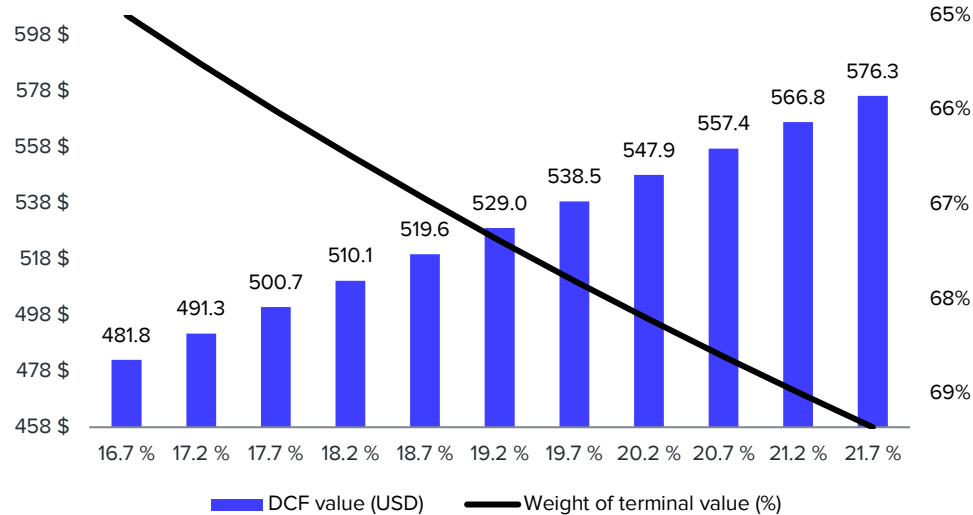
Sensitivity of DCF to changes in the WACC-%



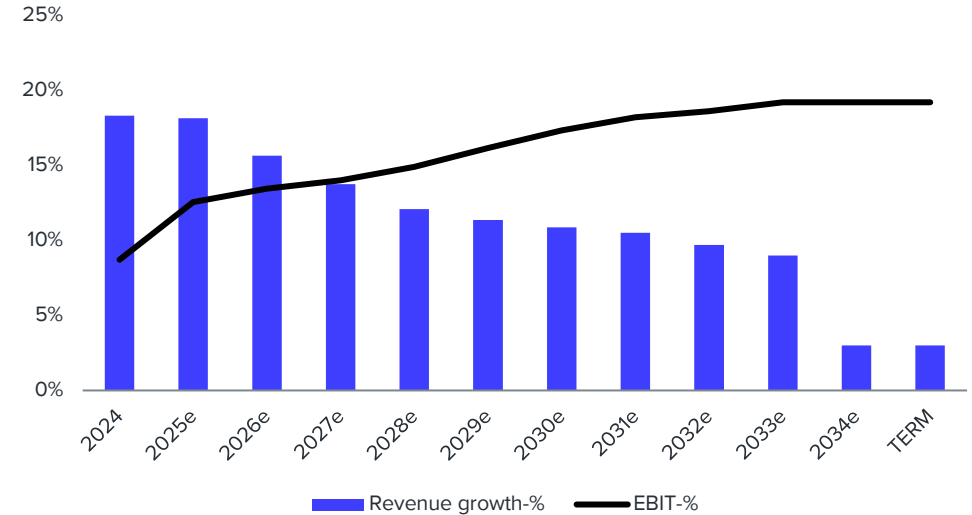
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Lähde: Inderes. Huomaa, että terminaaliarvon paino (%) on esitetty käännteisellä asteikolla selkeyden vuoksi.

# Summary

Income statement (MEUR)	2022	2023	2024	2025e	2026e	Per share data (EUR)	2022	2023	2024	2025e	2026e
Revenue	11,727	13,247	15,673	18,516	21,412	EPS (reported)	-2.23	-2.73	5.61	12.39	14.12
EBITDA	-488	-165	1,529	2,449	2,981	EPS (adj.)	-2.23	-2.73	5.61	12.39	14.12
EBIT	-659	-446	1,365	2,325	2,880	OCF / share	-2.22	1.70	8.12	14.46	15.95
PTP	-370	-505	1,341	2,535	3,103	FCF / share	-5.70	1.34	9.95	14.12	15.51
Net Income	-430	-532	1,138	2,535	2,948	Book value / share	12.44	12.96	27.23	39.39	52.74
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet (MEUR)	2022	2023	2024	2025e	2026e	Growth and profitability	2022	2023	2024	2025e	2026e
Balance sheet total	7,636	8,346	12,005	15,014	17,503	Revenue growth-%	21%	13%	18%	18%	16%
Equity capital	2,401	2,523	5,525	8,060	11,008	EBITDA growth-%	-321%	-66%	-1027%	60%	22%
Goodwill	1,168	1,137	1,201	1,201	1,201	EBIT (adj.) growth-%	-801%	-32%	-406%	70%	24%
Net debt	-1,668	-2,518	-5,447	-8,546	-11,995	EPS (adj.) growth-%	1154%	23%	-305%	121%	14%
Cash flow (MEUR)	2022	2023	2024	2025e	2026e	EBITDA-%	-4.2 %	-1.2 %	9.8 %	13.2 %	13.9 %
EBITDA	-488	-165	1,529	2,449	2,981	EBIT (adj.)-%	-5.6 %	-3.4 %	8.7 %	12.6 %	13.5 %
Change in working capital	156	535	471	509	493	EBIT-%	-5.6 %	-3.4 %	8.7 %	12.6 %	13.5 %
Operating cash flow	-429	330	1,648	2,959	3,330	ROE-%	-19.0 %	-21.6 %	28.3 %	37.3 %	30.9 %
CAPEX	-662	-63	-546	-70	-92	ROI-%	-6.0 %	-6.9 %	28.8 %	29.8 %	29.6 %
Free cash flow	-1,100	260	2,018	2,889	3,238	Equity ratio	31.4 %	30.2 %	46.0 %	53.7 %	62.9 %
						Gearing	-69.5 %	-99.8 %	-98.6 %	-106.0 %	-109.0 %
Valuation multiples	2022	2023	2024	2025e	2026e						
EV/S	1.1	2.3	5.3	6.2	5.2						
EV/EBITDA	neg.	neg.	54.0	46.6	37.1						
EV/EBIT (adj.)	neg.	neg.	60.5	49.1	38.4						
P/E (adj.)	neg.	neg.	77.4	48.4	42.4						
P/B	6.0	13.1	15.9	15.2	11.1						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Inderes' recommendation policy is based on the following distribution relative to the 12-month risk-adjusted expected total shareholder return.

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

The assessment of the 12-month risk-adjusted expected total shareholder return based on the above-mentioned definitions is company-specific and subjective. Consequently, similar 12-month expected total shareholder returns between different shares may result in different recommendations, and the recommendations and 12-month expected total shareholder returns between different shares should not be compared with each other. The counterpart of the expected total shareholder return is Inderes' view of the risk taken by the investor, which varies considerably between companies and scenarios. Thus, a high expected total shareholder return does not necessarily lead to positive performance when the risks are exceptionally high and, correspondingly, a low expected total shareholder return does not necessarily lead to a negative recommendation if Inderes considers the risks to be moderate.

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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



# CONNECTING INVESTORS AND COMPANIES.

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Inderes was created by investors, for investors.

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