



Q3 2025 Earnings Call Prepared Remarks

November 2025

Bryan Goldberg, Head of Investor Relations

Thanks operator and welcome to Spotify's Third Quarter 2025 Earnings Conference Call. Joining us today will be Daniel Ek, our CEO, Alex Norström, our Co-President and Chief Business Officer, Gustav Söderström, our Co-President and Chief Product and Technology Officer and Christian Luiga, our CFO. We'll start with opening comments from the team and afterwards we'll be happy to answer your questions.

Questions can be submitted by going to slido.com (S L I D O.com) and using the code #SpotifyEarningsQ325. Analysts can ask questions directly into Slido and all participants can then vote on the questions they find the most relevant.

If for some reason you don't have access to slido, you can email investor relations at ir@spotify.com and we'll add in your question.

Before we begin, let me quickly cover the Safe Harbor. During this call, we'll be making certain forward-looking statements including projections or estimates about the future performance of the Company. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of factors discussed on today's call, in our Shareholder Deck and in filings with the Securities and Exchange Commission.

During this call, we'll also refer to certain non-IFRS financial measures. Reconciliations between our IFRS and non-IFRS financial measures can be found in our Shareholder Deck, in the financial section of our Investor Relations website and also furnished today on Form 6-K.

And with that, I'll turn it over to Daniel.

Daniel Ek, Founder and CEO

Thanks, Bryan. Hello everyone and thanks for joining us.

Overall, it was a very strong quarter - especially on the user side. We reached a significant milestone, surpassing 700 million MAU, beating our guidance. And we were right in line with Subscribers. We also beat on revenue, gross margin and operating income.

Given that this is a year of transition for me, I've been reflecting on what has proven time and again to drive this company forward. And when I strip everything else away, it comes back to the same thing: our user fundamentals. It's where everything starts and stops.

And as this quarter shows, the user side of the business is really strong. Engagement continues to strengthen across music, podcasts, video, and audiobooks. People come to Spotify and they stay on Spotify. And this is across all markets and formats. Gustav will give you more color on the pace of



shipping during this “Year of Accelerated Execution” and the impact it’s having, but the data is clear - our multi-format strategy is working exactly as we hoped.

With that foundation in mind, let me talk about how we think about building the business. I've said this before but it's worth repeating: we don't optimize for quarterly results. We optimize for lifetime value because at our scale, very few metrics shift quickly. The decisions we’re executing on today were set in motion well before they show up in the numbers. In some cases, this means we made these calls many quarters ago - or in some cases, even years.

But that doesn't mean we get a free pass on our performance. Our job is to make smart investments that create more value over time. And we fully expect you to hold us accountable for that. Our goal is to deliver extraordinary results, and that means having both a great product and a great business. Those things aren't in conflict - they compound each other.

Take our partner dynamics as one example. I get asked about these relationships all the time. When we sign new multi-year licensing deals with our partners, the market mostly assumes it's a zero sum game - there's a winner and a loser and everyone tries to figure out who fell into what camp. Our view is different. We don't think it's zero sum at all. Quarter to quarter, the math might not be immediately obvious. But here's what actually happens: those deals give us the flexibility to innovate and move us closer to our long-term financial goals. We can build new products. Launch new features. Experiment faster. That drives better user outcomes - more growth, higher engagement, stronger retention. Which then drives a better business. It's a flywheel and a playbook we've run many, many times. Our partners also do better. So, both sides win. That's what good long-term investments look like.

Before I hand it over to Alex, one note: following today, I have one earnings call left as CEO. As you know, I'll be transitioning to Executive Chairman on January 1st, with Alex and Gustav stepping into their roles as co-CEOs. You'll hear more from them today than you typically would, and on our Q4 call in February, they'll run point.

With that, I'll turn it over to Alex.

Alex Norström, Co-President and Chief Business Officer

Thanks, Daniel. No pressure!

Our Q3 results once again highlight just how well positioned Spotify is as we keep pushing boundaries through innovation and bringing even more value to artists, podcasters, authors, and users around the world.

A few weeks ago, we had our leadership team together in New York for strategy sessions. Gustav and I shared our thoughts about Spotify's future and how we'll evolve over the next few years. I cannot remember a time when the company was more aligned, which is having an outsized impact on our performance.

To build on what Daniel said, the real magic is in our ability to ship faster and smarter and you'll hear more from Gustav about this in a minute. These efforts are driving user growth across the top of the



funnel, which then propels the flywheel and fuels the strength of our overall business. When you look at MAU in isolation, the global rollout of our enhanced Free experience was a key contributor, bringing millions of new listeners into the Spotify ecosystem. It's having a huge impact on engagement and retention, which we know is the key leading indicator of even more growth and conversion.

On the subscriber side, we saw continued growth across all regions and users are spending more days and more hours on Spotify than ever before. Notably, we continue to take market share even in our most competitive markets.

We also saw steady retention rates following the rollout of our recent price increases across more than 150 markets. These results show the power of the product and the loyalty of our subscribers.

And as we look at the growth across these three content verticals, I want to share a few highlights:

In music, we continue to help artists reach massive global audiences. This quarter, we saw artists break multiple streaming records across genres and we've seen a number of new artists emerge as global fan favorites climbing our streaming charts at record pace. We also hosted several immersive fan activations and intimate performances, launched in-app experiences that celebrate some of the most iconic discographies. And we continued our partnership with FC Barcelona, which unites fan communities around the world, proving to be a strong user recruitment tool for Spotify. Daniel also mentioned the relationship with our music label partners. Over the quarter, we finalized groundbreaking direct license deals bringing value to artists, songwriters, rightsholders and Spotify. What's good for Spotify is also good for the industries we support: music, podcasts, and audiobooks. We're excited to now capture the opportunities that these deals unlock.

In podcasts, more than 390 million users have streamed a video podcast on Spotify, a 54% increase year over year. We now have almost 500,000 video podcast shows on our platform. Time spent with video content has more than doubled year over year—driven mostly by video podcasts. And this consumption has increased by more than 80% since the launch of the Spotify Partner Program in January of this year. We also recently announced that we are bringing some of our top video podcasts from Spotify Studios and The Ringer to Netflix starting in early 2026 in the US, with more markets to follow. We want our creators to grow and scale their audiences around the world and in turn, this also opens up an interesting monetization opportunity for Spotify. This partnership extends our ecosystem, building new fans and serving up wider distribution channels.

And in audiobooks, we're continuing to reshape the category, fueling growth and discovery across the publishing world. In just two years, Spotify has introduced tens of millions of new, younger listeners to audiobooks. We've brought audiobooks to 14 global markets and have more than tripled our catalog in English-language markets to over 500,000 titles. More than half our eligible Premium users have played an audiobook and the number of people listening to an audiobook rose 36% year over year, with listening hours up even more. We also recently launched add-on subscriptions for Premium users, giving listeners more choice, opening up the format to new potential fans worldwide and enhancing the experience itself. There's still work to be done to continue to grow the entire book industry, but it's incredible progress and great to see so much enthusiasm for these offerings.



I also want to quickly speak to our ads business. Last quarter, we talked about the need to recalibrate to improve our execution. We remain confident in our long-term strategy and dynamics are improving. We're pushing hard to build for the long term and while changes will take time, we believe they'll yield significant results in the years ahead.

Overall, our strong performance this quarter is proof that our work isn't just adding up, it's compounding. We're seeing faster growth, higher efficiencies, and a product that's getting better and better as we continue to add value and solve problems for users, artists, creators and authors.

Now I'll toss it over to Gustav.

Gustav Söderström, Co-President and Chief Product & Technology Officer

Thanks, Alex.

This quarter really brought the "Year of Accelerated Execution" to life. There is incredible momentum and the things we've been investing in for years - personalization, interactivity and ubiquity - are really paying off .

We've been doubling down on what's working as we relentlessly try to build the most valuable experience in the world. While we spent much of last year and part of this laying and building foundations, the pace of shipping and the speed of iteration are now at record levels. We've both strengthened the core experience and added new value with a variety of first-to-market features and improvements in almost every facet of the product. That's the balance we're constantly driving toward — enhancing what millions already love about Spotify, while expanding into new areas that make the platform even more attractive for users and creators alike. And the results clearly show how this is growing both MAU and Subscribers.

Over just the last few months, we've shipped more than 30 new core features – more than all of last year - and we're not even done with the year yet.... We have a comprehensive list of these in our Q3 infographic that's on our newsroom, but I wanted to share a few that really stand out as we focus on giving listeners more control, more ways to discover, and more ways to connect:

First, as Alex mentioned, we rolled out big enhancements to our Free tier - the first real update to it since 2018. With the majority of users starting their Spotify journey on Free and our bold ambitions to continue to attract new users to streaming, it was critically important to make this experience even better. And building on what Alex said, it's now a much more competitive offering - improvements are resonating globally and we are already outpacing our planned growth in MAU.

For the true audio fans, we also finally launched lossless audio for Spotify Premium users, along with mixing tools and support for 3rd party DJ decks. We know these were some of our most anticipated features and users around the world have responded very enthusiastically to its arrival.

Users are constantly trading content and recommendations back and forth between each other. With our new in-app Messages feature, we've made it even easier to share and discuss music, podcasts and audiobooks with friends. Since our launch in the initial markets just a few months ago, almost 25



million users have sent nearly 200 million messages. We're unlocking a powerful new way for users to connect on Spotify.

Something many of you on this call have long been asking for is an Apple TV version of Spotify, which now has a dramatically improved user experience as it is built natively for the platform. What I really love about this specifically is that - while the reason we had previously held off on a dedicated Apple TV App was the extra development cost - we were able to drastically reduce this cost by leveraging AI to translate our general iOS application to TVOS. This speaks to the ways we are now able to use AI to accelerate productivity and development.

In last quarter's Q&A, I talked about how excited we are about AI and the potential arrival of new form factors. While there are lots of bold predictions out there, we think Spotify will benefit as products become even more media focused as they extend to new hardware experiences that are always in your ears and on your face. Perhaps you caught the live demo of Spotify on MetaAI's latest Meta Ray-Bans at their recent developer event? This integration allows users to connect, stream and fully control Spotify and we were excited to be featured as an example of one of the new - and most requested - innovations in the AI space.

Then there's our new partnership with ChatGPT, which is another example of the ways we are expanding on our ubiquity strategy, helping users discover and engage with Spotify in new ways. Once you've connected your Spotify account to ChatGPT, you can ask ChatGPT to create things like....the perfect playlist for the countdown to your 2025 Wrapped experience or maybe a playlist with a Zen-like vibe for when your in-laws come to visit for the holidays.

I also want to highlight features we've previously announced that continue to gain popularity. The first is Jam, which lets friends listen together in real time. We hit 100 million monthly listening hours on Jam this quarter with over 200 million users sharing content monthly. It's proven to be a big driver of both topline growth and retention.

Listening to Spotify in cars is also outperforming every expectation and it's become a huge part of users' daily engagement. In fact, there are 245 million people now listening in cars, which is 34% of MAU and 15% of all consumption hours. And zeroing in on the US, this puts us well ahead of all other subscription-based audio services.

All of these features and enhancements lead to richer experiences that in turn lead to deeper engagement, and that deeper engagement drives value for everyone in the ecosystem.

Now I'll pass it over to Christian to share details about the numbers.

Christian Luiga, Chief Financial Officer

Thanks Gustav, and thanks everyone for joining us today. Let me cover the Q3 results and then give some perspective on our outlook.



Q3 OPERATING PERFORMANCE

MAU grew by 17 million to 713 million in total, exceeding our guidance by 3 million. We added 5 million net **Subscribers** finishing at 281 million, up 12% Y/Y and in-line with guidance.

Total Revenue was €4.3 billion and grew 12% Y/Y on a constant currency basis. Premium revenue rose 13% Y/Y on a constant currency basis, driven primarily by subscriber growth. Our advertising business was consistent with prior year results on a currency neutral basis, and, as expected, our automated ad sales channels saw strong growth in the quarter. On a like-for-like basis—excluding the near-term impacts from the optimization of our licensed podcasts and the rollout of the Spotify Partner Program—we had mid-single-digit constant currency advertising growth. We continue to see 2025 as a transition year for our Ads business, and expect growth to improve in the back half of 2026.

Moving to profitability, **Gross Margin** came in at 31.6%, 50 basis points ahead of guidance and expanding roughly 50 bps Y/Y. Our outperformance here was primarily driven by changes in prior period estimates for rights holder liabilities, nearly all related to the first half of 2025. Excluding these amounts, our Gross Margin would have been modestly ahead of guidance due to content cost favorability.

Operating Income of €582 million was €97 million above forecast, of which Social Charges had a positive impact of €41 million, due to share price movements. As a reminder, we don't forecast share price movements in our outlook for the business since they are outside of our control. The remaining variance to guidance was driven by favorability in marketing timing and personnel and related expenses, as well as Gross Margin outperformance.

Finally, **Free Cash Flow** was €806 million in the quarter. We ended the quarter with €9.1 billion in cash and short term investments, and we repurchased \$77 million dollars in shares in Q3. Year-to-date and through November 3rd, we have repurchased \$410 million dollars in shares. As we announced last quarter, our focus is to opportunistically buy back shares, primarily to offset the dilution arising from our employee equity programs.

BUSINESS OUTLOOK & GUIDANCE

Looking ahead to guidance. In Q4, we are forecasting 745 million **MAU**, an increase of 32 million from Q3, and 289 million **Subscribers**.

Our subscriber outlook implies net additions of 8 million, which is slightly below prior year net adds due to the expected small amount of churn we see when we raise prices. This year we have new pricing in more than 150 markets vs. 6 in the prior year. In addition, we recently rolled out our enhanced free tier globally and are very encouraged by the early benefits we're seeing to our funnel. We view the business as set up well for conversion and continued healthy subscriber growth in 2026.



We are also forecasting €4.5 billion in **Total Q4 Revenue**, representing an improved constant currency Y/Y growth rate of ~13% vs. the 12% we just delivered in Q3. We are also forecasting Y/Y ARPU growth of ~2% on a constant currency basis.

We expect a Q4 **Gross Margin** of 32.9% and **Operating Income** of €620 million.

In summary, we are very pleased with how the business is tracking into year-end. As Daniel mentioned, we will continue to make investments to generate long-term growth and returns for the company. While this can lead to quarter-to-quarter variability in terms of margin progression, we believe this is the right approach that sets us up well to advance towards our long-term goals.

Turning to 2026, while it is too early to provide guidance, I do want to point out that our first quarter Gross Margin typically sees a sequential step-down from the fourth quarter from advertising seasonality, and we expect the same for Q1'26. Beyond this, we are confident in our path and expect 2026 to be another year of healthy Revenue growth, disciplined reinvestment and margin and cash flow improvement.

With that, I'll hand things back to Bryan for Q&A.

Bryan Goldberg, Head of Investor Relations

Thanks Christian. Again, if you have any questions, please go to Slido.com, #SpotifyEarningsQ325. We'll be reading the questions in the order they appear in the queue, with respect to how people vote up their preference for questions.

And our first question today comes from ...

[Q&A]

Daniel Ek, Founder and CEO

Thanks, Bryan.

The headline here is simple: the business is healthy. We're shipping faster than ever. And we have the tools we need - pricing, product innovation, operational leverage, and eventually the ads turnaround - to deliver both revenue growth and profit expansion.

I said earlier it all comes back to user fundamentals. That's where we are: 700 million users who keep coming back, engagement at all-time highs. We're building Spotify for the long-term.



As I transition to Executive Chairman, I couldn't be more confident in what's ahead. Alex and Gustav have been instrumental in getting us here, and I'm excited to watch them take Spotify to the next level.

Bryan Goldberg, Head of Investor Relations

Ok, and that concludes today's call. A replay of the call will be available on our website and also on the Spotify app under "Spotify Earnings Call Replays". Thanks everyone for joining.