

Spotify Technology S.A. (SPOT)

Initiating Coverage at MO; Spotify's Leading Audio Platform is Structurally Positioned to Compound FCF

MARKET OUTPERFORM

Price: \$579.07

Price Target: \$800.00

INVESTMENT HIGHLIGHTS

- **We initiate coverage on Spotify Technology at Market Outperform with an \$800 price target, reflecting our view that Spotify's multi-vertical audio platform is structurally positioned to drive sustained, compounding engagement, revenue, and FCF.** Spotify has built a best-in-class, multi-format audio experience through sustained product innovation, deep personalization, and ubiquity, which we believe supports durable user growth and underappreciated pricing power. In turn, we believe this positions Spotify to deliver long-term, compounding revenue and free cash flow growth.
- **We see a clear path to Spotify reaching its 1B user target.** Today, ~8% of the global population uses Spotify, with ~3% subscribing. We believe Spotify's differentiated, multi-format offering—spanning music, audio podcasts, video podcasts, and audiobooks—continues to resonate across geographies, supporting steady penetration gains. As a result, we expect Spotify to reach its 1B user target approximately one year ahead of expectations, driven by broad-based regional growth.
- **We believe the sustainability of Premium ARPU growth is underappreciated.** Spotify's ongoing product innovation reinforces its price-to-value proposition, enabling consistent price increases across markets with limited churn impact. Looking ahead, we expect Spotify to further optimize subscription tiering on a localized basis in 2026, representing an incremental monetization lever as the company maximizes user LTV. We also view subscription add-ons, such as Audiobooks+, as an additional catalyst. Taken together, we see multiple, durable drivers supporting sustained Premium revenue growth going forward.
- **2026 represents an inflection point for Spotify's advertising business.** While we acknowledge recent execution challenges, we believe Spotify possesses the structural assets required to become the leading global audio advertising platform, including a scaled user base of 713M MAU and high-fidelity first-party data. With key infrastructure now in place—most notably the Spotify Ad Exchange (SAX)—we expect 2H26 to mark an inflection point as Spotify transitions from a primarily direct brand advertising model toward a programmatic buying platform, driving accelerating growth.
- **We project Spotify to generate €5B of free cash flow in 2027.** This is supported by continued gross margin expansion from marketplace growth and a continued contribution from higher-margin formats such as podcasts and audiobooks. On OpEx, we believe Spotify's best-in-class marketing efficiency is sustainable while AI-enabled R&D productivity gains can contribute to continued fixed-cost leverage over time. Putting this together, with sustainable top-line growth, we expect Spotify to drive durable FCF growth to our €5B projection in 2027.
- **Valuation:** Spotify shares last closed at \$579.07, implying shares trade for 26.4x our 2027E EBITDA of €4.4B. Our \$800 price target reflects an ~37x 2027E EBITDA multiple, representing a premium to peers. We believe this premium is warranted given Spotify's category leadership, durable pricing power, and clear path to sustained margin and free cash flow expansion.

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MARKET DATA

Price:	\$579.07
52-Week Range:	\$443.21 - \$785.00
Shares Out. (M):	213.8
Market Cap (\$M):	\$123,799.2
Cash (M):	\$9,062
Cash/Share:	\$42.39
Free Cash Flow Yield:	1.7%

Source: Company reports and Citizens JMP Securities, LLC

FY DEC		2025E	2026E	2027E
Revenue	1Q	€4,190.0A	€4,679.7	--
	2Q	€4,193.0A	€4,908.6	--
	3Q	€4,272.0A	€5,034.0	--
	4Q	€4,553.0	€5,314.2	--
	FY	€17,208.0	€19,936.4	€22,857.5
EBITDA	1Q	€578.0A	€746.2	--
	2Q	€505.0A	€777.8	--
	3Q	€681.0A	€889.6	--
	4Q	€729.1	€998.0	--
	FY	€2,493.1	€3,411.6	€4,413.7

Source: Company reports and Citizens JMP Securities, LLC

STOCK PRICE PERFORMANCE



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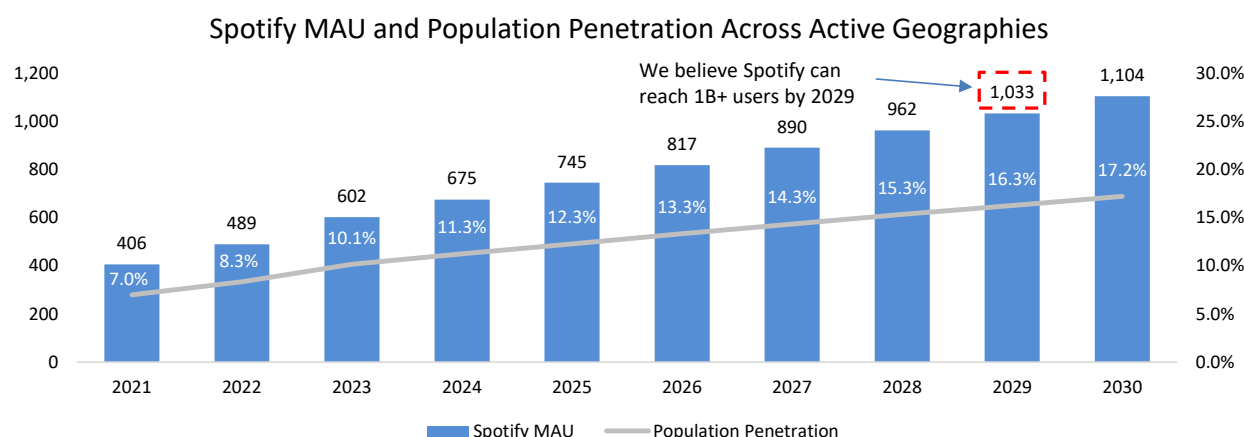
INVESTMENT THESIS 1: WE SEE A CLEAR PATH TO 1B+ MAU BY 2029

We expect Spotify to reach its 1B users target in 2029 after it reached 713M in 3Q25. At its 2022 Investor Day, Spotify laid out a target of reaching 1B users by 2030. The company is tracking ahead of schedule, and we believe it will reach these targets by 2029. Currently ~3% of the global population subscribes to Spotify and its total user base represents ~8% of the global population, highlighting significant room for expansion ahead as it engages users across music, podcasts, audiobooks, and video formats.

Our 1B+ users projection in 2029 is driven by further penetration across all geographies. In Figure 1, we highlight Spotify's MAU as a percentage of populations across its 184 active global markets, and our projection for steady penetration increases to the achievement of its 1B user target in 2029. In Figure 2, we break these projections down by region, highlighting our belief that steady penetration in all territories over the past several years can continue going forward.

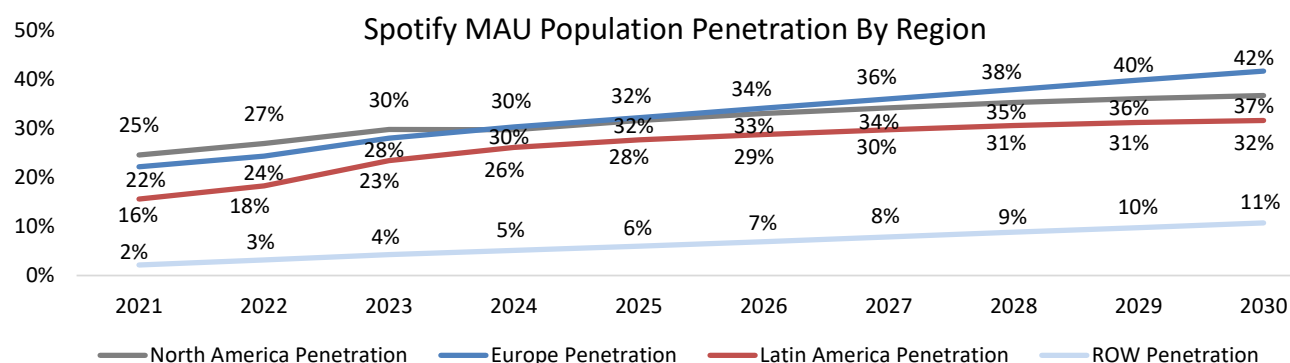
We expect Spotify to reach its 1B user target in 2029, with penetration increasing across all markets.

FIGURE 1. We Believe Spotify Can Reach 1B+ MAU by 2029



Source: Company reports, UN, Citizens JMP Securities, LLC

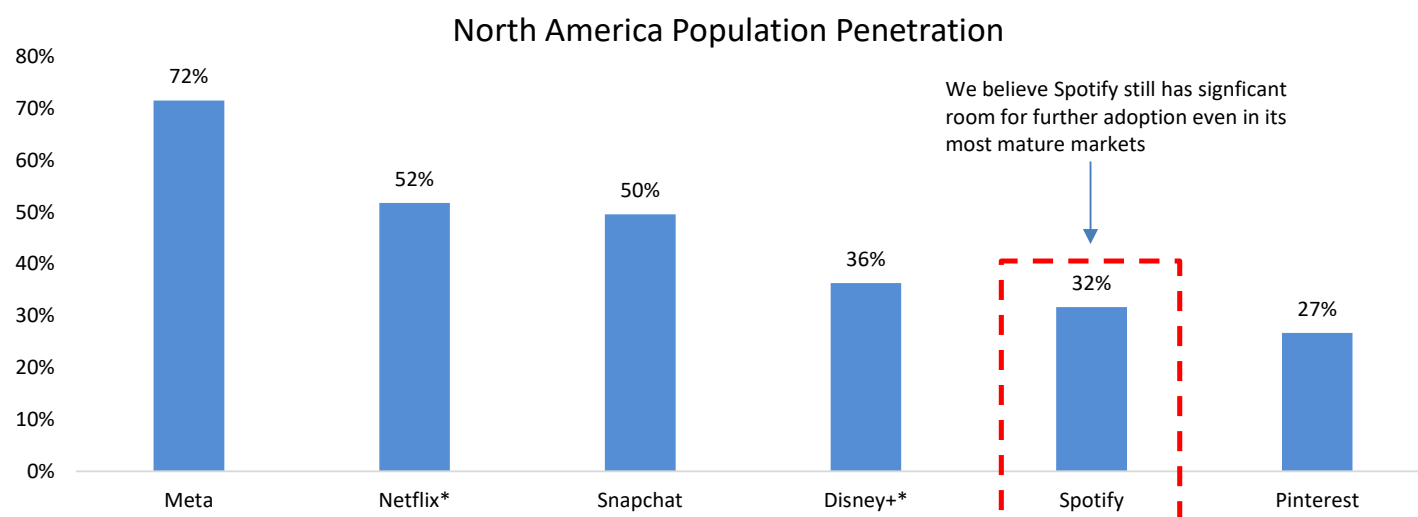
FIGURE 2. Our Projections Imply Steady Population Penetration Across Spotify Active Geographies



Source: Company reports, UN, Citizens JMP Securities, LLC

Spotify's penetration in North America lags other entertainment platforms, giving us confidence user growth can continue even in its most mature markets. Supporting our belief that Spotify has meaningful room for further growth even in its most mature markets, in Figure 3, we highlight its penetration in North America relative to other leading entertainment platforms. Even within the audio category, Spotify music listening represents only ~11% of audio time in the U.S.—though we note its total share is higher when including podcasts and audiobooks—while AM/FM radio continues to dominate time spent, with a 35% share (Figure 4).

FIGURE 3. We Believe Spotify Remains Underpenetrated, Even in Its Most Mature Markets, Such as North America

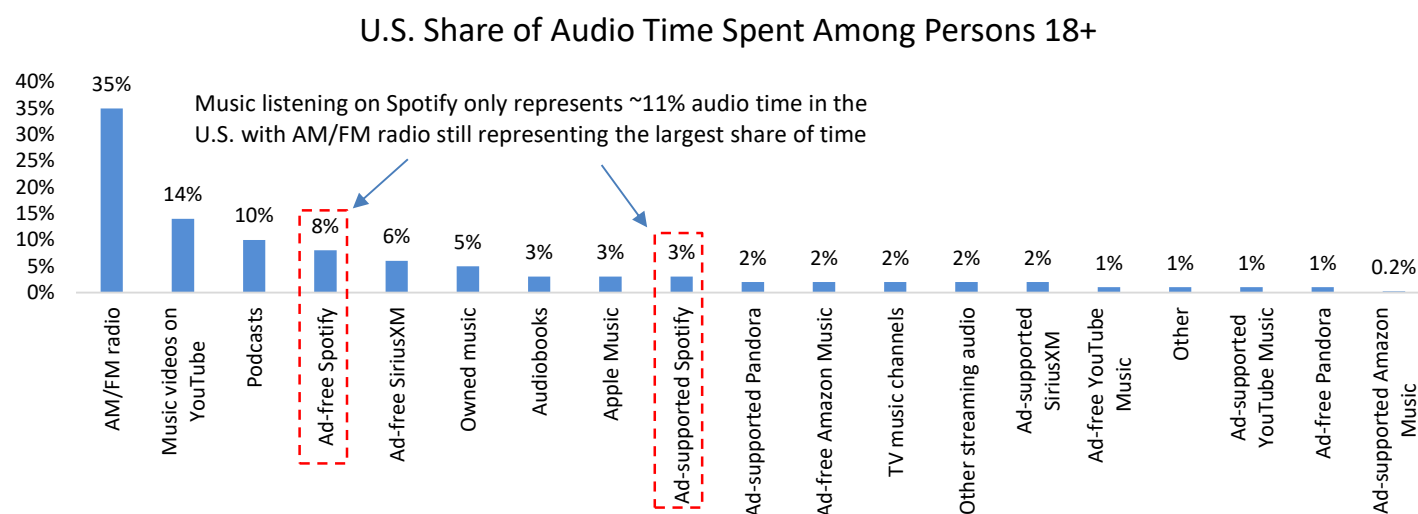


*We assume 2.5 members per household

**Meta, Netflix, Disney+, and Pinterest are U.S. & Canada but Spotify and Snapchat are North America

Source: Company reports, UN, Visible Alpha, Citizens JMP Securities, LLC

FIGURE 4. Even Among Audio Platforms Spotify has Significant Room for Share Gains as AM/FM Still Dominates Audio Time



Source: Edison Research, Citizens JMP Securities, LLC

Spotify’s multi-format content strategy, personalization, ubiquity, and social features can drive user growth.

Spotify’s multi-format strategy is successfully driving engagement and compounding user value. Spotify hosts 100M+ tracks, nearly 7M podcast titles, 500K video podcasts, and 500K audiobooks, highlighting the immense breadth of content offered through a subscription. At its 2022 Investor Day, the company noted that users who listen to both music and podcasts consume 2x as much content as those who listen to music alone, highlighting the additive nature (not cannibalistic) as Spotify adds more verticals. In Figure 5, we illustrate the LTV benefits of podcast activated listeners over music-only listeners across geographies from its Investor Day in 2022.

Spotify’s multi-format offering spanning music, podcasts, video podcasts, and audiobooks, deepens engagement and significantly add user value.

FIGURE 5. Adding Podcasts to Spotify Significantly Increased LTV of Users

Increase in T10M Avg LTV: Podcast vs music only		
	Free	Premium
NA	+21%	+19%
Europe	+68%	+7%
LatAm	+112%	+7%
Global	+76%	+19%

Source: Company Reports

Video podcasts represent an ongoing growth level. Spotify launched video podcasts on its platform in July 2020, and in 3Q25, 390M users (+54% Y/Y) streamed a video podcast, with the platform now hosting 500K video podcast shows, up from 330K in 4Q24. Consequently, time spent with video content has more than doubled Y/Y, attributable mainly to video podcasts. Contributing to this is The Spotify Partner Program which launched in early 2025. The program represents a meaningful evolution in creator monetization by introducing direct payouts tied to engagement from Spotify Premium subscribers—particularly for video podcasts—rather than relying solely on advertising-based monetization. By enabling creators to earn from premium viewing consumption, Spotify establishes a recurring revenue stream that is less dependent on advertising demand and more closely aligned with subscriber engagement. This shift materially changes creator incentives, as video podcasts can now participate directly in the Premium revenue pool, in addition to generating ad revenue, encouraging greater investment in video formats and increasing the likelihood that creators prioritize Spotify as a primary distribution platform. For users, this dynamic enhances the value proposition of a Premium subscription through a broader video podcast catalog and an ad-free viewing experience.

Audiobooks are now live in 22 global markets, with the catalog in English-language markets reaching 500K+ titles (+3x Y/Y) in 3Q25. More than half of eligible Premium users have played an audiobook, with the number of unique listeners growing 36% Y/Y and listening hours rising even faster. We believe Spotify’s breadth of content across music, podcasts, and audiobooks adds meaningful value, contributing to improved retention and user growth.

Spotify has repeatedly articulated a strategy to expand beyond music into new verticals, including sports, news, and education. At its 2022 Investor Day, management emphasized that Spotify’s success in music and podcasts has created a scalable platform capable of supporting additional verticals, all bundled into a single consumer experience. Spotify has explicitly identified sports, news, and education as large, adjacent markets where Spotify can apply its personalization, monetization, and discovery infrastructure. While we are unsure what these new verticals will look like, we expect new verticals to add value to the Spotify platform, further benefitting user retention and LTV.

Spotify's scale and rich consumer data enable one of the most personalized and engaging experiences in digital media.

Spotify offers users a best-in-class audio experience, with 90% of users saying Spotify is essential to their day. Over 81% of listeners cite personalization as the feature they value most from Spotify, as we believe Spotify's personalized experience remains its greatest differentiator. As of the 2022 Investor Day, Spotify's unified recommendation engine personalizes across all content categories, powering 22B monthly artist discoveries (up from 10 billion in 2018) and ~100M monthly new connections between podcast hosts and listeners, which we believe has only increased over the last several years. Today, within Spotify's Discovery Mode—a tool for artists and music marketers to find new listeners—artists see an average 50% increase in saves, a 44% increase in user playlist adds, and a 37% increase in follows during their first month using the program, while we note 33% of discoveries overall happening via personalized recommendations in algorithmic contexts. Spotify has also leveraged its shared recommendation infrastructure to audiobooks; as we note in internal tests, training recommendation models on users' combined music and podcast histories increased audiobook stream rates by 23% and boosted the number of people starting new audiobooks by 46%. Ultimately, Spotify's personalization is a core reason users choose and stay on platform, delivering a uniquely curated experience for every listener.

"Personalization 2.0" serves as an ongoing catalyst, further elevating Spotify's personalized experience. With advancements in generative AI, Spotify has shifted to a generative recommender system to better understand user intent by interpreting content context, not just blunt signals, such as clicks or saves, in what Spotify is calling internally "Personalization 2.0." In experiments, these AI playlist generation models increased listening time by 4% and made users more likely to save the generated playlists. Spotify also improved its homepage recommendation algorithms by incorporating richer contextual signals, which drove an ~37% increase in impression-to-stream conversion for podcasts and an overall ~4% improvement across formats. Generative AI also enables Spotify's DJ feature to understand natural language and deliver conversational, context-aware recommendations. User engagement with DJ nearly doubled Y/Y in 2Q25, underscoring the appeal of an interactive, human-like recommendation experience. Most recently, Spotify launched Prompted Playlists to Premium users in New Zealand which lets users describe exactly what they want to hear and set the rules for their personalized playlist, whereby Spotify leverages the user's entire listening history to develop these playlists. Point being, we believe generative AI serves as a key catalyst that can deepen personalization, driving engagement and retention benefits, particularly as new products leverage user listening history data.

Spotify's ubiquity strategy is a primary lever for discoverability and retention. Spotify supports its app across 2K+ device partners, enabling users to listen wherever, however, and whenever they please. In October, Spotify announced that video podcasts from Spotify Studios and The Ringer will be available on Netflix (NFLX, NC) starting in early 2026. This deal will unlock a meaningful new distribution opportunity for Spotify and its creators, helping them reach new audiences. Additionally, Spotify was a launch partner for ChatGPT's Apps SDK, enabling ChatGPT users to create personalized playlists via text prompts. Spotify also launched a redesigned Apple TV app with a significantly improved user experience, natively built for the platform. These stand in contrast to competitors, such as Apple Music which operates best within its ecosystem of products. We believe these partnerships and products enable greater distribution of Spotify's content while deeply embedding it into personal workflows and experiences, highlighting the value provided to both users and creators.

Social features create unique sharing experiences that can drive retention improvements. Spotify recently introduced an in-app messaging feature that simplifies sharing music, podcasts, and audiobooks. Since its launch in initial markets in August 2025, nearly 25M users have sent close to 200M messages. This builds on other social features such as Collaborative Playlists, Blend (which combines collaborative playlists with Spotify's personalization capabilities), and Spotify Jam (a personalized, real-time group listening experience). Spotify has also enhanced integration with Instagram via sound-on stories and real-time song sharing in Instagram Notes. We believe integrating these social features is a key lever for increasing retention, as users become more engaged through shared listening moments and deeper connections with their social circles.

Spotify leverages its extensive listening data to deliver a highly personalized and engaging experience.

Generative AI is emerging as a powerful catalyst for enhancing personalized experiences across the platform.

We view Spotify's ubiquity strategy spanning 2K+ device partners, as a key differentiator.

Spotify is further leaning into social sharing features that can drive engagement and increase the stickiness of Spotify's platform.

Wrapped remains a key cultural annual moment for Spotify. Spotify’s annual Wrapped campaign continues to showcase the power of its data, personalization, and social features. In 2025, 200M+ users (+19% Y/Y) engaged with Wrapped within the first 24 hours. Wrapped generates 1.5B+ social media impressions annually, highlighting its importance as a cultural moment that drives engagement and user acquisition. The campaign exemplifies Spotify’s ability to turn listening data into shareable, emotionally resonant content that reinforces user attachment to the platform.

Wrapped has become a defining cultural moment that reinforces Spotify’s brand identity and deepens its connection with listeners.

Overall, Spotify’s massive dataset, AI-driven recommendation systems, and personalized experiences are deepening user engagement, reducing churn, and enhancing long-term consumer value. As generative AI matures and Spotify improves personalization across music, podcasts, and audiobooks, we see continued upside to user retention and time spent on the platform.

Spotify recently launched the largest improvement to its Free Tier since 2018, serving as a key catalyst for top-of-funnel user growth.

In September 2025, Spotify rolled out a major upgrade to its Free tier—the platform’s primary entry point for new users—introducing greater control, personalization, and social sharing. The most significant change allows Free users to Search & Play, Pick & Play, and Share & Play tracks on-demand for a limited amount of daily time, compared to its shuffle-only policy for free users prior. We believe Spotify was looking to modernize its experience as a key point of friction had been Premium users sharing songs with free users who could not listen to tracks on-demand. Additional enhancements include new playlist features, such as Daylist, a dynamic playlist tailored to the music users prefer at different times of day or days of the week, as well as Discovery Weekly and Release Radar, and the ability for free users to customize playlist cover art. Free users also now have the ability to see and share lyrics. We view these improvements as a critical component of Spotify’s strategy to deepen engagement at the top of the funnel, strengthening retention and driving increased free-to-premium conversion.

Spotify’s recent enhancements to its free tier represent a significant top-of-funnel catalyst, and we are closely monitoring their impact on MAU growth heading into 2026.

We expect Spotify to reach 400M+ subscribers in 2030

Most of our projected growth in Premium subscribers is driven by overall MAU growth. We model Spotify’s premium subscriber penetration continuing to decline slightly as MAU growth outpaces subscriber growth, particularly in countries with lower GDP per capita where MAU acquisition is highest.

We project Spotify reaching 400M+ subscribers in 2030.

With 60% of Premium subscribers originating from the Free tier, we expect healthy MAU growth to continue to drive Premium subscriber growth while enhancements to its Premium value proposition can improve free-to-paid conversion over time. In Figure 6, we detail the key Premium features that drive free-to-paid conversion, including recent additions such as Lossless Audio (launched Sept. 2025), AI Playlists (launched Sept. 2024), AI DJ (launched Feb. 2023), and Spotify Jam (launched Sept. 2023).

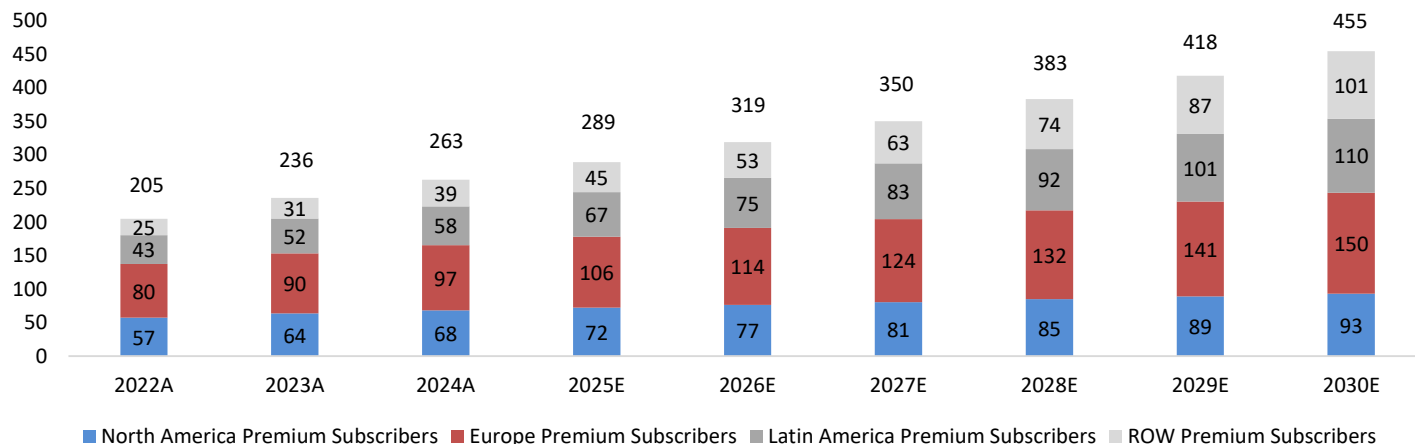
FIGURE 6. Spotify’s Premium Offering Adds Immense Value, Facilitating Free-to-Premium Conversion

Premium Feature	Description
Ad-Free Listening	Premium users do not hear audio ads during music listening
Offline Playback	Only Premium users can download music and podcasts for offline listening
Unlimited Skips	Free users are limited to 6 skips per hour
On-Demand Playback	Premium users can listen to unlimited hours of any song, anytime
Audiobooks	15 hours of listening time per month is included for Premium subscribers. Free users must pay for every title à la carte
Lossless Audio	Spotify recently enabled Premium subs in certain markets to listen to Lossless Audio (up to 24-bit/44.1 kHz FLAC)
AI Playlists	Premium users can use generative AI to build playlists via text prompts
Music Videos Uninterrupted	Premium users in select markets can toggle between audio and official music videos without ads
Spotify Jam	Premium users can host a jam or join a jam with anyone in the world
AI DJ	Premium users have access to AI DJ, a personalized AI voice that curates and introduces songs
Mix Playlists	Premium users can create smoother, more seamless listening experiences by adding transitions between tracks in a playlist

Source: Spotify, Citizens JMP Securities, LLC

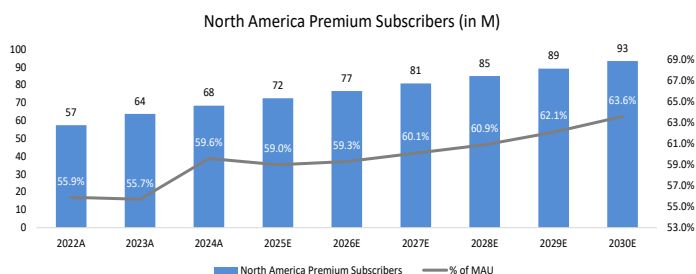
FIGURE 7. We Project Spotify to Reach 400M Premium Subscribers in 2029

Spotify Premium Subscribers By Geography



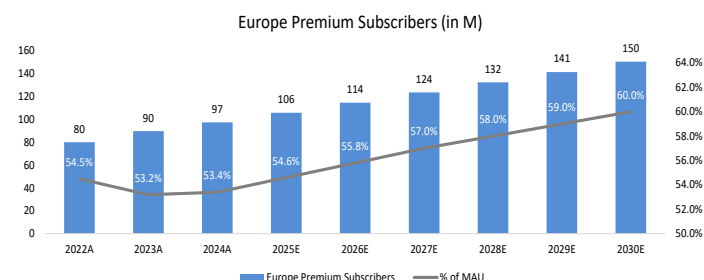
Source: Company reports, Citizens JMP Securities, LLC

FIGURE 8. North America Premium Subscribers



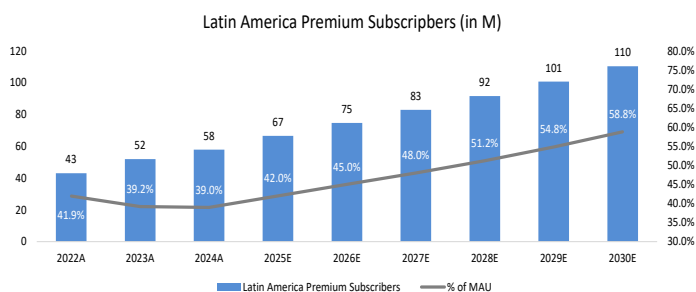
Source: Company reports, Citizens JMP Securities, LLC

FIGURE 9. Europe Premium Subscribers



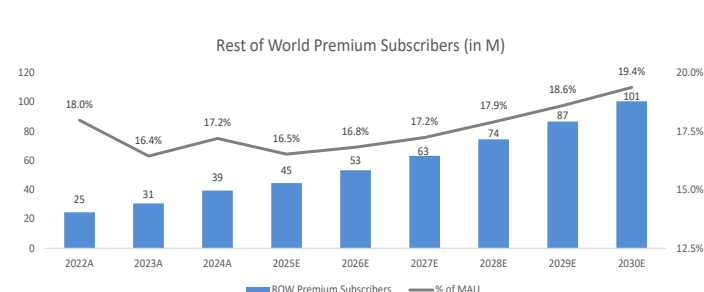
Source: Company reports, Citizens JMP Securities, LLC

FIGURE 10. Latin America Premium Subscribers



Source: Company reports, Citizens JMP Securities, LLC

FIGURE 11. ROW Premium Subscribers



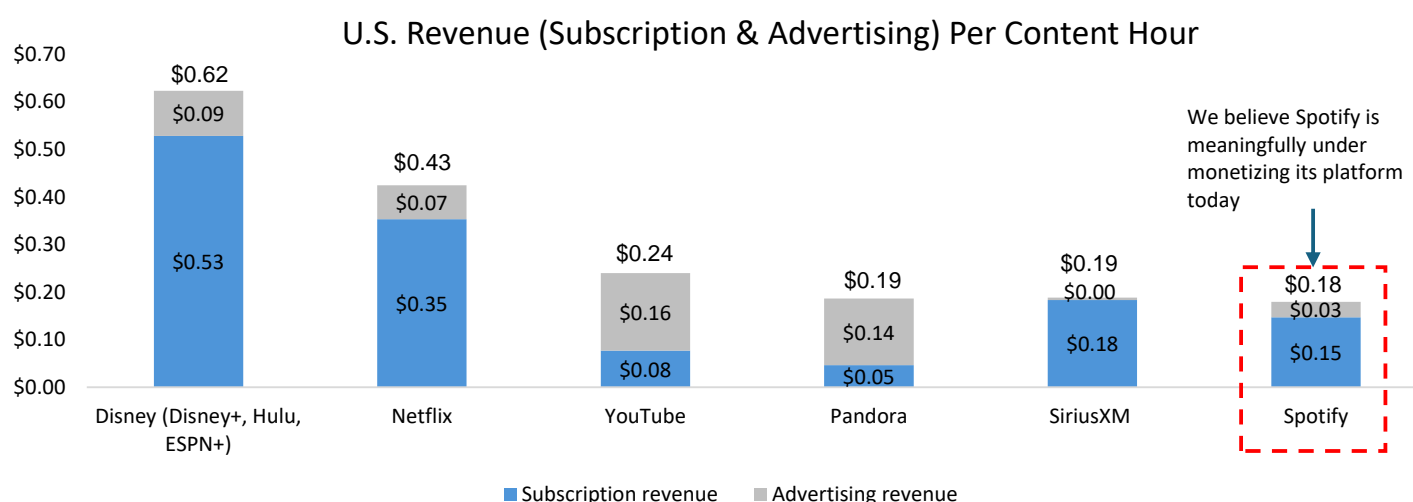
Source: Company reports, Citizens JMP Securities, LLC

INVESTMENT THESIS 2: SPOTIFY HAS IMMENSE PRICING POWER WHILE TIERING OPTIMIZATION AND ADD-ONS REPRESENT ADDITIONAL MONETIZATION CATALYSTS

Through persistent price increases, the optimization of subscription tiers, and the rollout of add-on subscriptions, we believe Spotify has meaningful room to improve Premium user monetization. In Figure 12, we highlight Spotify's U.S. monetization on a per-hour-spent basis compared to other entertainment platforms, finding that the company currently under-monetizes its platform to a significant degree. In this section, we focus on Spotify's ability to grow Premium revenue through price increases and the optimization of its subscription tiers, add-on offerings, and à la carte purchase options.

We believe Spotify is significantly under-monetizing its platform relative to its share of engagement.

FIGURE 12. Spotify is Significantly Under-Monetizing Its Platform on a Time Spent Basis



*For Spotify we assume 20% of content hours are in the U.S.

Source: Company reports, Nielsen, Edison, Visible Alpha, Citizens JMP Securities, LLC

Spotify is early in its price increasing journey

Spotify's price increase history has unfolded in three major waves over the past few years. In July 2023, Spotify implemented its first broad global price hike, raising Premium prices across 50+ markets—including the United States, Canada, the UK, and much of Europe—covering Individual, Duo, Family, and Student plans. In 2024, Spotify followed with a more targeted round of adjustments across six markets, again including the U.S. Most recently, in fall 2025, Spotify executed its largest pricing action yet, rolling out increases across 150+ markets—spanning virtually all major regions (excluding the U.S.)—and all key subscription plans. These three waves constitute the core of Spotify's recent pricing strategy. Importantly, Spotify has not seen meaningful increases in churn from these pricing actions, highlighting the value it provides users and its inherent pricing power.

Product innovation drives pricing power. Spotify's price-to-value strategy is predicated on raising prices only after adding sufficient platform value to warrant such increases. Spotify believes this has ultimately enabled it to keep churn at immaterial levels when increasing prices thus far. We view Spotify's persistent product innovation as supportive of continued price increases going forward. In Figure 13, we outline key product updates in 2025 to underscore the sustained pace of innovation, which we believe is accelerating through the internal use of AI.

We believe Spotify is at the early stages of a sustainable price optimization strategy.

Persistent product innovation can drive sustained price increases going forward.

FIGURE 13. Spotify's Innovation Adds Significant Value to the Platform, Unlocking Future Price Increases

Date	Product/Feature	Description
Feb-25	Expanding Audiobook Supply	Spotify partnered with 3 new publishers to grow audiobook offering
Mar-25	Concerts Near You	Playlist showcasing artists performing near users locations
Apr-25	Expanding Audiobooks Access	Offering 12 audiobook hours to premium users in 5 European countries
Apr-25	Expanding AI Playlists	AI-created playlists available to Premium users in 40+ new markets worldwide
May-25	Updated Queue	Updated queue UI including features like shuffle, smart shuffle, sleep timer, and repeat songs
May-25	Customized Playlist Listening	Mobile playlist tools enabling users to easily add, sort, edit, and customize playlists
May-25	Convert Liked Songs to Playlist	Ability to turn Liked Songs into playlists available in seven key markets
May-25	Hide Button	Refreshed hide button allowing users to hide songs from playlists across all devices
May-25	30-Day Snooze Feature	Allows users to temporarily (30-days) remove a track from their recommendations
May-25	Create Button	Quick access to playlist creation, collaboration, Blend, Jam, and AI Playlist
May-25	DJ Music Requests	Voice-enabled music requests now available in English across 60 markets
May-25	Upcoming Releases Hub	Dedicated hub for personalized pre-save recommendations, track lists, video clips, and merch
May-25	Countdown Charts	Weekly release on Spotify's socials ranking the top 10 most pre-saved upcoming releases globally
May-25	Recommendation Podcasts	Personalized podcast recommendations on the Home tab, with notes explaining why they're a great fit
May-25	Podcasts Following Feed	Allows listeners to access the latest episodes from shows they follow in one place
May-25	Podcasts "In This Episode" Section	Enables creators to link songs, podcasts, audiobooks, and playlists mentioned in episodes
May-25	Podcast Comments	Enhanced comments with threaded replies and emoji reactions
Jul-25	Expanded Customized Playlist Covers	Customizable cover art now available 41 new languages and 63 additional markets
Jul-25	Audiobooks+	Expanded Audiobooks+ and top-up offering to 10+ European countries
Jul-25	Music Following Feed	Dedicated hub for music from followed artists, giving fans instant access to new releases
Aug-25	Mix And Transition Songs	Create unique playlists with seamless transitions and advanced audio tools
Aug-25	Sound-On Instagram Stories	Share Spotify tracks to Instagram Stories with sound-on snippets for instant music discovery.
Aug-25	Instagram Notes Sharing	Share real-time listening updates on Instagram stories
Aug-25	In-App Messaging	In-app feature allowing users to share and discuss content
Sep-25	Smart Filters	Allows users in key markets to instantly sort saved content by activity, mood, or genre
Sep-25	Discovery Weekly w/ Genres	Allows users refresh their discovery weekly playlists based on a selected genre
Sep-25	Lossless Audio Quality	Rollout of lossless audio quality (highest audio quality) in 50+ markets
Sep-25	The Drop Weekly	A new weekly video and music feed in the "Home" tab with curated content from Spotify's music editors
Sep-25	DJ Software Integration	Access your Spotify library on top DJ apps (rekordbox, Serato, and djay) to create personalized sets
Sep-25	Impersonation Policy	Combat AI vocal deepfakes, giving artists stronger protections and faster recourses
Sep-25	Music Spam Filter	Protects creators by detecting and demoting mass uploads, duplicates, and other exploitative tactics
Sep-25	AI Disclosures For Track Creation	Gives artists and rights holders a transparent way to indicate AI's role in track creation
Oct-25	Exclude Tracks From Taste Profile	Lessen the impact of past and future streams of selected songs on your taste profile
Oct-25	Playlist Creation In ChatGPT	Personalized playlists based on your prompts in OpenAI's Apps SDK
Oct-25	Expanded Managed Accounts	Stronger parental controls and content filtering for Family plans
Oct-25	Video Podcasts on Netflix	Spotify to stream select video podcasts from Spotify Studios and The Ringer on Netflix
Oct-25	Expanded DJ Requests	Request music from DJ in Spanish and English across 60+ markets
Oct-25	Audiobooks Selects	Publishes and distributes audiobooks from handpicked independent authors
Oct-25	Expanded Customized Playlist Covers	Create customizable playlists covers in Brazil
Oct-25	Live Events Feed	Follow favorite venues to find local live events
Nov-25	Listening Stats	Get weekly highlights of your top tracks and artists
Nov-25	Share to WhatsApp Status	Letting users post tracks, playlists, podcasts, and audiobooks to their WhatsApp Status
Nov-25	Audiobook Recaps	Create short audio summaries based on user's most recent listening point
Nov-25	Smart Shuffle	Updated shuffle for less repetition and full control over Smart Shuffle
Nov-25	Expanded Audiobooks Access	Expanded audiobook access in 5 European countries
Nov-25	TuneMyMusic	Transfer playlists from other platforms directly to your Spotify account
Dec-25	Expanding Music Videos Beta	Stream select artists' music videos directly on Spotify in the U.S. and Canada
Dec-25	Prompt Playlists	Users can create personalized playlists from text prompts based on personal listening history (beta launch in New Zealand)

Source: Spotify, Citizens JMP Securities, LLC

The Spotify Partner Program adds meaningful incremental value to Spotify Premium subscriptions and supports the company's "price-to-value" strategy. Under the program, Premium users no longer receive dynamic ads in participating video podcast episodes as creators are compensated directly from Premium revenue pools, delivering a more differentiated and ad-free viewing experience. At the same time, the program strengthens creator incentives to invest in and distribute video podcasts on Spotify, expanding the depth and quality of the video catalog available to subscribers. We believe this combination of improved user experience and richer content supply reinforces Spotify's product differentiation, enhances perceived value, and supports greater pricing power over time.

Spotify is priced at parity with peers despite offering a superior product, in our view. Spotify's pricing across its tiers in the U.S. is at parity with peer platforms (Figure 14). However, we believe Spotify's offers a vastly superior product through its personalization features and cross-platform ubiquity strategy enabling seamless use across 2k+ device partners.

Spotify is priced at parity with peers but offers a vastly better user experience, in our view.

FIGURE 14. Spotify Is Priced At Parity With Other Platforms While Offering a Superior Offering

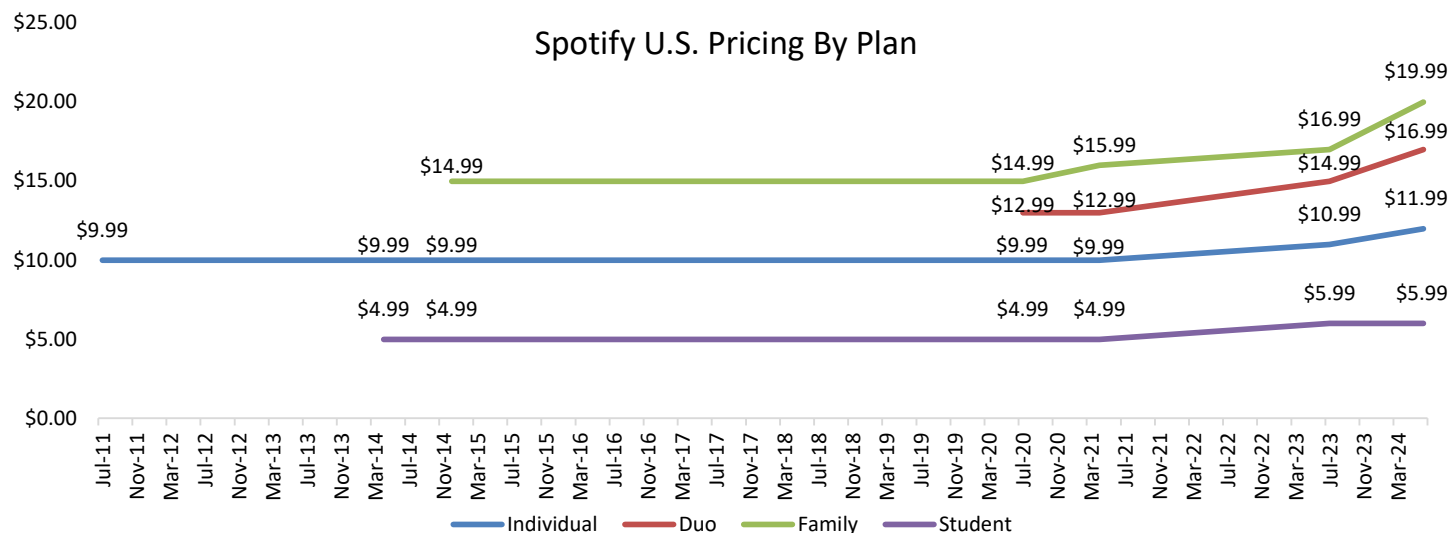
Company							
Individual							
Price	• \$11.99/mo	• \$10.99/mo	• \$10.99/mo	• \$13.99/mo	• \$11.99/mo (\$10.99 w/ Prime)	• \$10.99/mo	• \$14.95/mo
Members	• 1 Premium Account	• 1 Premium Account	• 1 Premium Account	• 1 Premium Account	• 1 Premium Account	• 1 Premium Account	• 1 Premium Plus Account
Features	• Ad-free listening • Download songs • Personalized playlists • Collaborative listening (Spotify Jam) • AI DJ	• Ad-free listening • Download songs • Collaborative listening (Jam) • Live radio • AI Automix	• Ad-free listening • Download songs • Background play	• Ad-free videos and listening • Download videos and songs • Switch from audio to video • Background play	• Ad-free listening • Download songs • Alexa+	• Ad-free listening • Podcasts • Unlimited offline listening	• Audiobooks and Originals • Podcasts • 1 credit/mo to buy an audiobook
Songs Count:	• 100M	• 100M	• 100M	• 100M	• 100M	-	-
Audio Quality:	• Lossless (Highest)	• Lossless (Highest)	• 256 kbps (High)	• 256 kbps (High)	• Lossless (Highest)	-	-
Podcasts:	• Podcasts	-	• Podcasts	• Podcasts	• Podcasts	-	• Podcasts
Audiobooks:	• 15 hours/mo of Audiobooks	-	-	-	• 1 downloadable audiobook/mo	-	• 1 credit/mo to buy an audiobook
Add-ons:	• Audiobooks + • Top-ups (adding audiobook hours)	-	-	-	-	-	• Audiobook credits available
Duo							
Price	• \$16.99/mo	-	-	-	-	-	-
Members	• 2 Premium Accounts	-	-	-	-	-	-
Additional Features	• Access to individual plan features	-	-	-	-	-	-
Family							
Price	• \$19.99/mo	• \$16.99/mo	• \$16.99/mo	• \$22.99/mo	• \$19.99/mo	• \$17.99/mo	-
Members	• 6 Premium Accounts	• 5 Premium Accounts	• 5 Premium Accounts	• 5 Premium Accounts	• 6 Premium Accounts	• 6 Premium Accounts	-
Additional Features	• Access to individual plan features • Spotify Kids • Parental monitoring	• Access to individual plan features	• Access to individual plan features • YouTube Kids • Parental monitoring	• Access to individual plan features • YouTube Kids • Parental monitoring	• Access to individual plan features	• Access to individual plan features	-
Student							
Price	• \$5.99/mo	• \$5.99/mo	• \$5.49/mo	• \$7.99/mo	• \$5.99/mo	• \$5.99/mo	• \$7.95/mo
Members	• 1 Premium Account	• 1 Premium Account	• 1 Premium Account	• 1 Premium Lite Account	• 1 Premium Account	• 1 Premium Account	• 1 Plus Account
Additional Features	• Access to individual plan features • Comes with Hulu (with ads)	• Access to individual plan features • Comes with Apple TV+	• Access to individual plan features	• Access to individual plan features	• Access to individual plan features	• Access to individual plan features	• Audiobooks and Originals • Podcasts

Source: Spotify.com, Competitor Websites, Citizens JMP Securities, LLC

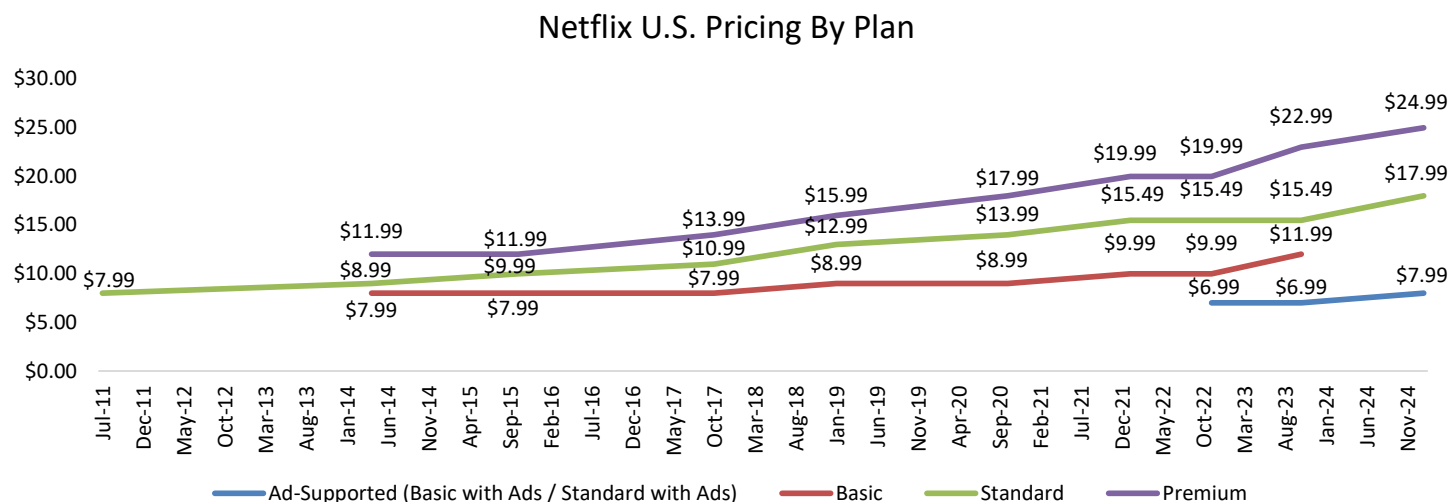
We believe product enhancement and engagement improvements support persistent price increases. In

Figure 15, we highlight Spotify's historical price increases in the U.S., which began in July 2023 when the company raised prices across all plans. Spotify raised prices in the U.S. again 11 months later, in June 2024. We compare this cadence to Netflix, which has a longer history of regular price increases (Figure 16). Netflix began raising prices in October 2017 and has since increased U.S. pricing on a relatively consistent 15–19-month rhythm. While Spotify has been clear that it is not adopting a scheduled cadence, but rather relying on its price-to-value framework to determine timing, we believe Spotify's persistent product innovation supports consistent price increases, similar to Netflix. Additionally, we expect Spotify's pricing strategy to become increasingly individualized on a country-by-country basis, as it optimizes each market to maximize LTV. Following its 150+ country pricing wave in fall 2025, we expect the next major price increase to occur in the U.S. in late 1Q26.

We believe Spotify can follow a similar price increase cadence to what Netflix has done over the past several years.

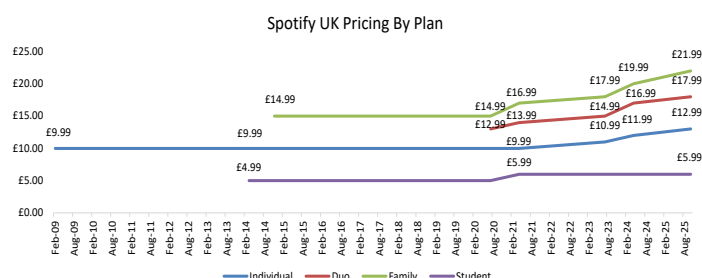
FIGURE 15. Spotify has Recently Begun Raising Prices in Key Geographies, Such as the U.S.


Source: Spotify.com Citizens JMP Securities, LLC

FIGURE 16. Netflix has Been Raising Subscription Prices on a Consistent Basis for ~6 Years


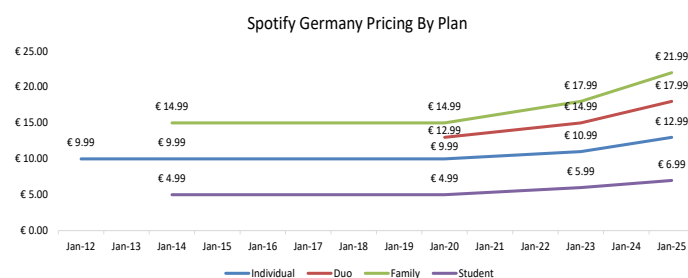
Source: Netflix.com, Citizens JMP Securities, LLC

FIGURE 17. Spotify UK Pricing By Plan



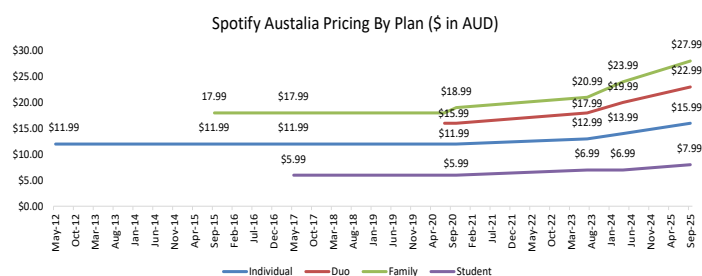
Source: Spotify.com, Citizens JMP Securities, LLC

FIGURE 18. Spotify Germany Pricing By Plan



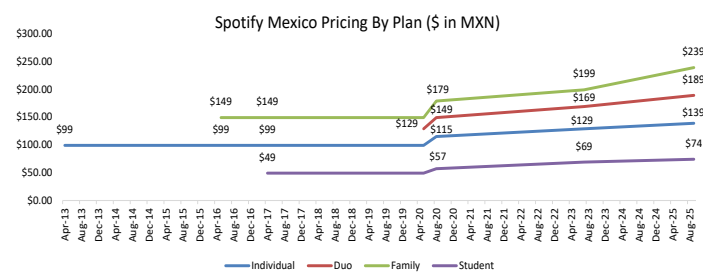
Source: Spotify.com; Citizens JMP Securities, LLC

FIGURE 19. Spotify Australia Pricing By Plan



Source: Spotify.com Citizens JMP Securities, LLC

FIGURE 20. Spotify Mexico Pricing By Plan



Source: Spotify.com; Citizens JMP Securities, LLC

We believe Spotify's recent price increases and anticipated U.S. increases support our above-consensus 2026 Premium ARPU outlook. In Figure 21, we outline our analysis of Spotify's fall 2025 price increases across 150+ markets, as well as our assumed U.S. increase in late 1Q26, and quantify their combined impact on 2026 Premium ARPU. We estimate that the fall 2025 increases affected ~25% of Spotify's global subscriber base at an average uplift of ~9.5%, consistent with our tracking across key markets. We apply a 1.2x mix multiplier to reflect the heavier concentration of price increases in higher-ARPU markets such as Western Europe and Australia. We assume ~80% of the ARPU benefit is recognized in 2026, given that price changes for new subscribers began in August with a 30-day notification period, while other markets received 90-day notice. Taken together, we estimate these increases add 2.3% to 2026 Premium ARPU.

For our expected late-1Q26 U.S. price increase, we assume an average uplift of ~10% across plans—roughly a \$1 increase for the Individual plan and a \$2 increase for Family and Duo. We estimate the U.S. represents ~23% of Spotify's Premium subscriber base and apply a 1.5x multiplier to reflect that U.S. ARPU is ~1.5x global ARPU, per our estimates. We assume the price increase is implemented at the end of 1Q26 with a 30-day notification period, resulting in Spotify capturing ~75% of the ARPU benefit in 2026. Under these assumptions, U.S. pricing contributes an incremental 2.5% uplift to global Premium ARPU.

In combination, we estimate the fall-2025 price increases across 150+ markets and the late-1Q26 U.S. increase together drive a 4.9% uplift to 2026 Premium ARPU. We believe an additional ~170 bps of ARPU growth can come from tiering and add-ons, supporting our 6.6% Premium ARPU growth projection for 2026. Further price adjustments in additional markets could provide upside to our estimates.

Recent price increases across 150+ markets and a potential U.S. price hike in 1Q26 support our above-consensus Premium ARPU growth in 2026.

FIGURE 21. Spotify's Recent Price Increases & Expected Upcoming U.S. Price Hikes Support Our Above-Consensus Premium ARPU

150+ Markets Price Increase Late 2025

Share of sub impact		25.0%
Price increase	x	9.5%
Multiplier	x	1.2
Share of year effected	x	80.0%
2026 ARPU impact	=	2.3%

U.S. Price Increase Early 2026

U.S. share of premium subscribers		23.0%
Price increase	x	10.0%
Multiplier	x	1.5
Share of year effected	x	75%
2026 ARPU impact	=	2.6%

2025 price increase		2.3%
2026 U.S. price increase	+	2.6%
Total ARPU uplift from pricing	=	4.9%
Add-on and tiering lift	+	1.7%
Total ARPU uplift	=	6.6%

2025 ARPU		4.64
Total ARPU uplift from pricing	x	6.6%
2026 ARPU	=	4.94

Consensus Premium ARPU		4.87
Citizens Premium ARPU Projection		4.94
% upside		1.4%

We believe there is upside to Premium ARPU projections as Spotify raises price across key geographies.

Source: Spotify, Citizens JMP Securities, LLC

Subscription tiering and add-ons offer additional ways to optimize Premium subscriber monetization.

Spotify remains early in tiering its subscription offerings, offering another catalyst for Premium revenue growth. In November, Spotify revamped its subscription tiers in five markets (India, Indonesia, the United Arab Emirates, Saudi Arabia, and South Africa), now offering three Premium tiers: Premium Lite, Premium Standard, and Premium Platinum. Prior to these changes, Spotify offered Premium Standard, Duo and Family plans. Premium Lite, priced at ₹139 per month (\$1.57), offers ad-free listening and 160 kbps audio; Premium Standard, priced at ₹199 per month (\$2.25), offers offline support and 320 kbps audio; and Premium Platinum, priced at ₹299 per month (\$3.37), offers users newly launched Lossless audio and two additional seats. The Platinum tier also provides access to AI DJ features, AI-powered playlist creation tools, and integrations with new AI software tools such as rekordbox, Serato, and djay, which allow users to import libraries and create sets and mixes. While we anticipate Spotify's tiering strategy to be optimized on a market-by-market basis, we expect Spotify to launch new subscription tiers in additional markets in 2026.

We expect Spotify to optimize its subscription tiers in 2026, while add-ons and à la carte purchases offer additional ways to further optimize its platform.

Similar to Spotify's price-to-value strategy, we believe Spotify's continuous product innovation enables it to package its offering in a more nuanced way to drive monetization and LTV. This was clearly seen in the recent change in tiering across the five markets mentioned above. As Spotify enters new verticals and rolls out new AI-driven product experiences in the coming years, we expect this to be a key contributor to its tiering strategy, enabling the company to offer users access to varying levels of content and features at varying price points. We envision Spotify's tiering strategy to open opportunities at the low end of the Premium subscriber market (such as Premium Lite) and at the high end of the market with a Super Fan tier. At one end, Spotify can offer a lower-priced, feature-limited option that still provides ad-free listening (such as Premium Lite), which we believe can be a key driver of Premium subscriber penetration of MAU. Additionally, we believe Spotify can provide some of its highest value features (we envision future AI products) in a Super Fan tier. While this would only impact a small subset of top users, its financial impact could be meaningful.

Spotify recently began offering add-on subscriptions for audiobooks, unlocking an additional monetization lever. In July across 11 European markets, in August in the U.S., and five additional European markets in November 2025, Spotify launched Audiobooks+, an add-on subscription that gives users an additional 15 hours of audiobook listening time each month for an extra \$11.99 per month on top of their Premium subscription. Following the initial launch, consumption among audiobook users in the U.S. increased 18% within the first 30 days, highlighting strong demand for flexible offerings. For users not wanting a recurring add-on, Spotify offers a 10-hour top-up for \$12.99, further demonstrating its ability to offer flexible choices. We believe Audiobooks+ and top-ups highlight Spotify's ability to offer unique subscription and à la carte options that fit user preferences, enabling the company to maximize monetization and LTV per user.

We believe Spotify can grow its Premium ARPU at an ~5% five-year CAGR. Supported by persistent market-by-market price increases, new subscription tiering, and the addition of add-on subscriptions and à la carte purchases, we believe Spotify has a broad set of monetization levers to support sustained monetization improvements across its Premium subscriber base. In the analysis below, we evaluate Spotify's Premium ARPU by geography (U.S., Europe, and International—encompassing all regions outside the U.S. and Europe). Using our MAU and Premium subscriber estimates from Investment Thesis 1, we estimate Spotify can grow U.S. ARPU at a 6.8% five-year CAGR to €9.84 in 2030, Europe ARPU at a 6.8% five-year CAGR to €8.00, and International ARPU at a 4.9% CAGR to €2.83. Together, this results in a company-wide ARPU five-year CAGR of 4.9% to €5.88 in 2030. We note that Netflix grew its UCAN ARPU at a 6.5% CAGR from 2019–2024, supporting our belief that Spotify can grow Premium ARPU in its highest-monetizing markets—the U.S. and Europe—at similar levels as it adopts a persistent price increase cadence.

Through pricing increases and subscription tier optimization, we believe Spotify can drive sustainable Premium ARPU growth above expectations.

FIGURE 22. We Believe Spotify Can Grow Premium ARPU and Revenue at Five-Year CAGRs of ~5% and ~15%, Respectively

U.S.	2025	2030	5-Year CAGR
U.S. MAU	111	132	3.6%
U.S. premium subscribers	63	82	5.3%
% of MAU	57%	62%	
% of total premium subscribers	23%	19%	
ARPU	€ 7.08	€ 9.84	6.8%
U.S. premium revenue	€ 5,382	€ 9,697	12.5%
Europe	2025	2030	5-Year CAGR
Europe MAU	194	251	5.3%
Europe premium subscribers	102	146	7.5%
% of MAU	52%	58%	
% of total premium subscribers	37%	33%	
ARPU	€ 5.76	€ 8.00	6.8%
Europe premium revenue	€ 7,012	€ 14,007	14.8%
International	2025	2030	5-Year CAGR
International MAU	440	721	10.4%
International premium subscribers	111	208	13.4%
% of MAU	25%	29%	
% of total premium subscribers	40%	48%	
ARPU	€ 2.23	€ 2.83	4.9%
International premium revenue	€ 2,983	€ 7,081	18.9%
Total	2025	2030	5-Year CAGR
Total MAU	745	1,104	8.2%
Total premium subscribers	276	436	9.6%
% of MAU	37.1%	39.5%	
ARPU	€ 4.64	€ 5.88	4.9%
Total premium revenue	€ 15,377	€ 30,785	14.9%

We believe that price increases, subscription tiering, and the optimization of subscription add-ons and à la carte purchases will enable Spotify to achieve a ~5% CAGR in Premium ARPU over the next five years and drive a Premium revenue growth CAGR of ~13% over the same period

Source: Company reports, Citizens JMP Securities, LLC

INVESTMENT THESIS 3: IMPROVING ADVERTISING CAPABILITIES ARE SET TO UNLOCK REVENUE ACCELERATION IN 2026

Spotify's scaled audience and high-fidelity signal give it the opportunity to create a differentiated advertising platform. Spotify offers advertisers audio, podcast, and video ads across its scaled logged-in global audience of 713M MAU. By adding verticals (mainly podcasts and video podcasts) and a long list of meaningful product enhancements over the past several years, we believe Spotify is setting the stage to significantly expand its advertising platform to its long-term target of €10B of revenue.

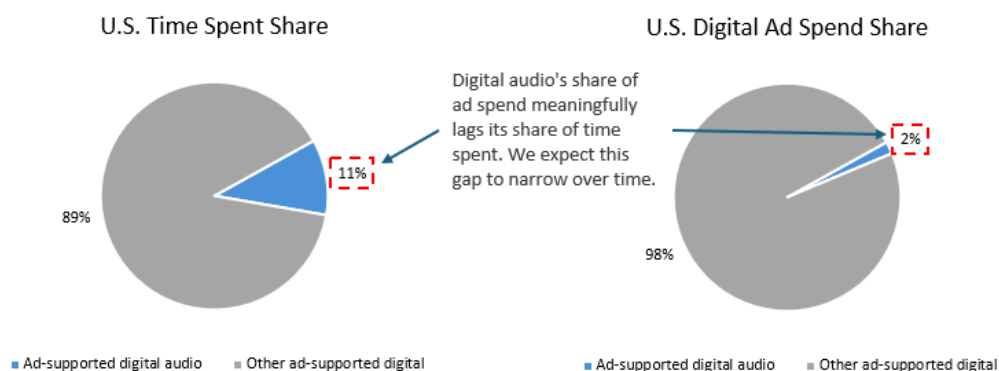
2026 represents a transformative year for Spotify's advertising business. While we acknowledge Spotify has been slow to optimize its advertising platform, we view 2026 as a pivotal year for the development of its ad platform. Spotify has recently made changes to its advertising management team, as it focused on increasing the pace of innovation and execution, which it believes has been the main contributor to its slower-than-expected advertising revenue ramp. In 2H26, Spotify expects an inflection point in its advertising business whereby it will have transitioned most of its business from direct brand advertising to programmatic advertising, which has been growing at a significantly faster pace than its brand advertising business.

Audio advertising's share of budgets lags its share of time spent. From a macro perspective, audio advertising's share of advertising lags its share of time spent (Figure 23). While we acknowledge audio is a less engaging ad format compared to other digital channels such as digital video, we believe the gap between time spent and ad spend is too wide and can close over time as more advertising tools are developed that can improve the performance of the channel, particularly generative AI-based creative.

Across Spotify's scaled audience and meaningful first-party data, it has the assets to offer a differentiated platform.

Spotify's scaling programmatic advertising business represents a key inflection point for the business in 2H26.

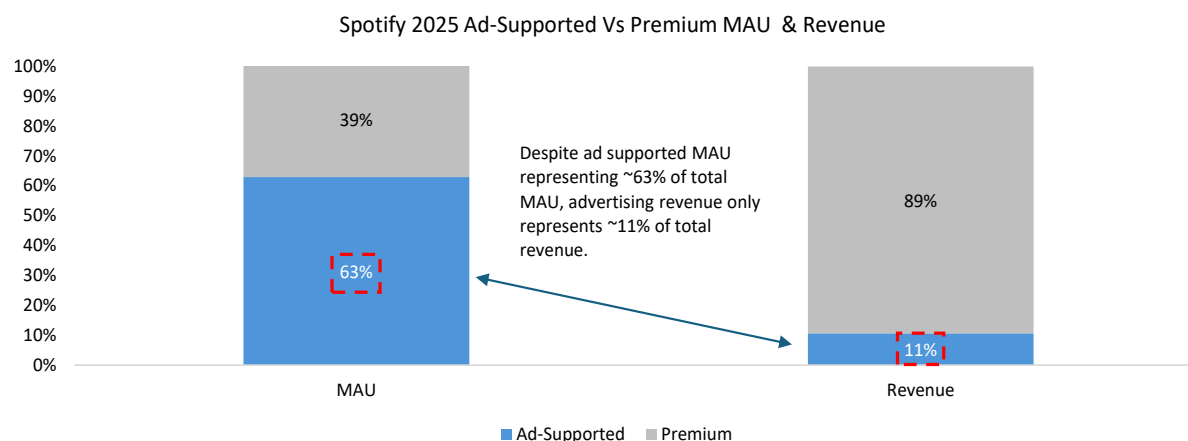
FIGURE 23. Digital Audio's Share of Time Spent Vastly Outweighs Its Share of Ad Budgets



Source: eMarketer, WPP, Edison Research, Citizens JMP Securities, LLC

We expect the gap between Spotify's ad supported users share of MAU and advertising revenue share of total revenue to narrow over time. Today, Spotify's ad-supported revenue only represents 11% of total revenue despite ad-supported MAU representing 63% of total MAU. Discussed in more detail below, through product innovation and expanding video podcast inventory, we expect this gap to narrow over time.

FIGURE 24. We Expect the Gap Between Ad-Supported Share of Total MAU and Ad Revenue's Share of Total Revenue to Narrow

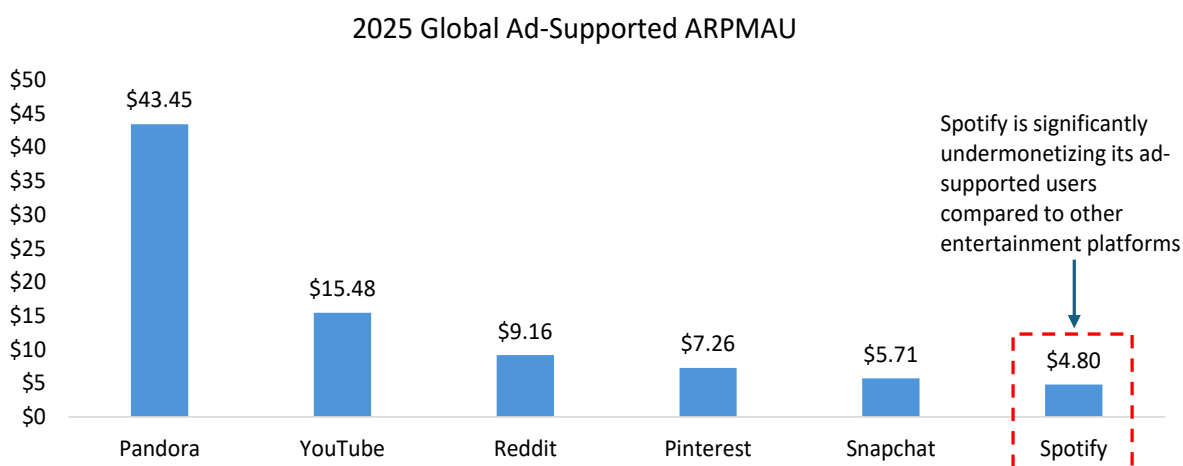


Source: Company reports, Citizens JMP Securities, LLC

Spotify ad-supported ARPU lags other entertainment platforms. In Figure 25, we highlight Spotify advertising ARPU compared to other entertainment platforms, highlighting the significant monetization gap and the meaningful potential Spotify has to monetize its ad-supported users.

Spotify is under-monetizing its ad platform relative to peers.

FIGURE 25. We See Significant Opportunity for Spotify to Close the Advertising Monetization Gap With Other Scaled Platforms



Source: Company reports, Visible Alpha, Citizens JMP Securities, LLC

Spotify's multi-format platform offers advertisers a unique channel to reach audiences.

Historically, Spotify's advertising business was limited to basic ad placements on its free, ad-supported service. Prior to 2019, the company's ad offerings were largely confined to display, sponsored playlist takeovers, and basic audio ads sold through direct sales with monetization tightly coupled to the size of Spotify's free user base. This began to change as Spotify repositioned itself as a multi-format audio platform.

The first major inflection came in 2019–2020, when Spotify acquired Anchor, the largest DIY podcast-creation platform, and Megaphone, the leading enterprise podcast-hosting provider. These acquisitions dramatically expanded Spotify's podcast catalog—from fewer than 500K podcasts in 2019 to more than 4M+ by 2022, with its catalog now spanning nearly 7M podcasts—and gave the company end-to-end control of hosting, creation, measurement, and delivery. Anchor supplied long-tail creator inventory, while Megaphone gave Spotify a premium roster of enterprise publishers including Vox, NPR, ESPN, and Disney. Crucially, Megaphone's infrastructure allowed Spotify to insert ads not just on Spotify, but across all major podcast apps, including Apple Podcasts, enabling Spotify to monetize off-platform listening for the first time. Spotify data highlights the effectiveness of podcast advertising with 71% of daily podcast consumers saying podcast content gets most or all of their attention, 70% of Spotify podcast listeners are receptive to podcast ads, and 42% trust their favorite podcast host as much as they trust their friends. Maybe most importantly, as of its Investor Day in 2022, Spotify sees advertising spend increase 4x for its average campaign when bundling music and podcast advertising, compared to the average music-only campaign.

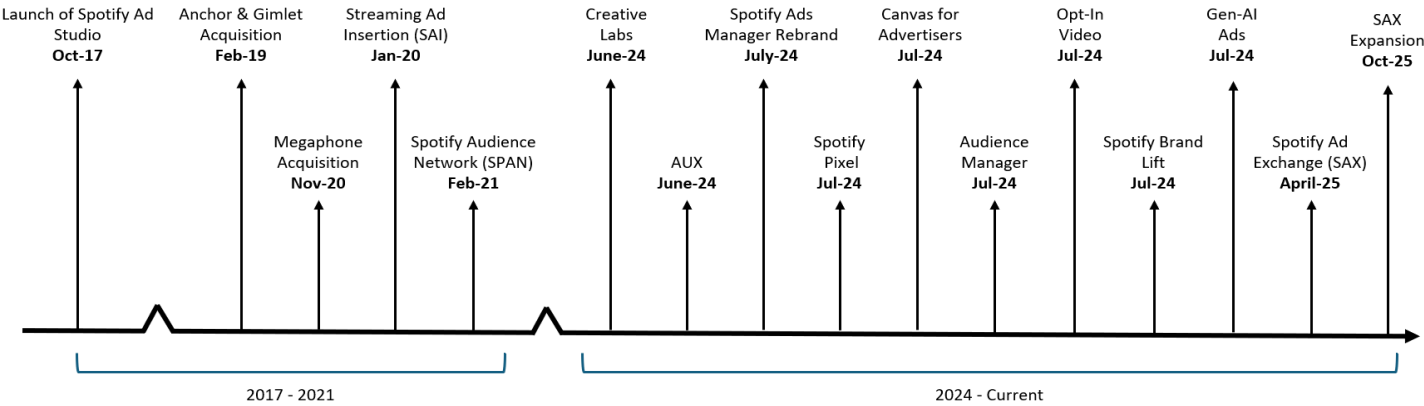
Video podcasting opens Spotify's platform to video budgets. Video podcasting on Spotify is gaining engagement on Spotify's platform, with 350M (+65% Y/Y) users having streamed a video podcast on Spotify's platform as of 3Q25. The importance here is that this moves Spotify from audio-only advertisers into digital video advertising. Highlighting this importance, video podcasts ad packages benchmark 20-40% price premiums over audio-only CPMs (per IAB). However, given Spotify's Partner Program removes video ads from participating creators' podcast videos, this may limit the video advertising opportunity somewhat.

Spotify for Artists offers artists the tools to drive discovery on the largest music streaming platform. Spotify is increasingly where artists are found, not just streamed, as we note the majority of listening on Spotify comes from algorithmic playlists and Home screen experiences, underscoring the platform's role in driving discovery beyond an artist's existing fan base. In fact, 33% of all discoveries on Spotify happen via personalized recommendations in algorithmic contexts. Through Spotify for Artists, creators gain access to a comprehensive suite of promotion, analytics, and monetization tools that help translate discovery into sustained growth. Key products include Marquee and Showcase, which allow artists and labels to promote new releases and catalog directly to targeted listeners, and Discovery Mode, which enables artists to drive algorithmic lift in personalized playlists—we note Discovery mode has been shown to drive 50% increase in saves, 44% increase to playlist adds, and a 37% increase in follows during the first month using the offering. These capabilities are supported by robust audience analytics and insights, giving artists visibility into who their listeners are, how they are being discovered, and where engagement is growing. We view Spotify for Artists as a differentiated, scaled toolkit that deepens Spotify's value to creators, reinforces its role as the industry's primary discovery engine, and contributes to growing advertising revenue.

Growing video podcast engagement represents an important catalyst for accessing digital video advertising budgets.

Spotify has introduced substantial innovations to its ad platform, significantly enhancing performance and delivering advanced capabilities for advertisers. In Figure 26, we highlight the evolution of Spotify’s advertising business and the key product releases that we believe have set the stage for an acceleration in its advertising business in 2H26.

FIGURE 26. Evolution of Spotify’s Ad Platform: Recent Focus on Innovation in Performance Capabilities (2017–Present)



Source: Company website, Citizens JMP Securities, LLC

Spotify’s Streaming Ad Insertion (SAI) was its first major step into driving performance and scalability into audio advertising. Spotify’s Streaming Ad Insertion technology underpins its podcast and broader audio monetization strategy by making audio ads targetable and measurable with real-time, impression-based delivery. Launched in 2020 and expanded globally in 2022–2024, SAI allows advertisers to target audiences with demographic, behavioral, and contextual precision. Unlike traditional podcast ads, where ads are embedded in downloaded podcast files, SAI dynamically serves ads in real time while content is streamed, giving advertisers verified reach and performance metrics such as impressions, completion rate, and conversion. SAI essentially makes audio advertising addressable and measurable, like display or digital video ads.

Spotify’s ad product innovation and platform enhancements set the stage for improving revenue trends.

The Spotify Audience Network (SPAN) enabled audience-based targeting. Building on its launch of SAI and its acquisitions of Megaphone and Anchor, Spotify launched SPAN in 2021, its audio-first advertising marketplace. SPAN enables advertisers to target audiences on and off Spotify, across Spotify’s Originals & Exclusives (O&E), creator shows hosted through Spotify for Creators, and enterprise publishers on Megaphone. SPAN allows advertisers to buy impressions across thousands of shows using audience-level and contextual targeting, vs. strictly buying at the podcast level. Importantly, Spotify operates one of the leading podcast networks by reach in the U.S. (Figure 27), providing advertisers with a scaled audience to target. We believe SPAN effectively transforms Spotify into a true programmatic, performance-driven advertising platform by making its entire podcast and audio supply audience targetable, measurable, and addressable at scale.

FIGURE 27. Top 10 U.S. Podcast Networks By Weekly Reach: Spotify Consistently Ranks In The Top Two

Rank	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25
1	Spotify	SiriusXM	SiriusXM	Spotify	Spotify	Spotify	Spotify	Spotify	Spotify	Spotify	Spotify	Spotify	Spotify	SiriusXM
2	SiriusXM	Spotify	Spotify	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	SiriusXM	Spotify
3	iheartradio	iheartradio	iheartradio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio	iHeartRadio
4	Audioboom	Audioboom	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery	Wondery
5	NPR	NPR	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	Audioboom	The NY Times
6	The NY Times	Wondery	The NY Times	The NY Times	Audacy	Audacy	Acast	Acast	The NY Times	The NY Times	The NY Times	NPR	The NY Times	Audioboom
7	Audacy	The NY Times	NPR	NPR	NPR	Acast	Audacy	The NY Times	NPR	NPR	Acast	Audacy	Acast	Acast
8	Wondery	Audacy	Audacy	Audacy	Acast	The NY Times	The NY Times	NPR	Studio71	Audacy	NPR	The NY Times	NPR	NPR
9	Cumulus	Cumulus	Acast	Acast	The NY Times	NPR	Cumulus	Audacy	Acast	Acast	Audacy	Acast	Audacy	Audacy
10	Pxx	Kast Media	Cumulus	Cumulus	Cumulus	Cumulus	NPR	Studio71	Audacy	Cumulus	Studio71	Studio71	Disney	Disney

Source: Edison Research, Citizens JMP Securities, LLC

Spotify's in-house creative agencies help advertisers effectively reach consumers on its platform. Spotify launched two in-house creative agencies, Creative Lab and AUX. Creative Lab helps brands and agencies build unique and effective campaigns made for the Spotify platform leveraging Spotify's unique cultural, data, and audience. AUX is Spotify's in-house music consulting agency for brands looking to effectively leverage music to enrich their campaigns. We believe both offers are designed to help familiarize advertisers with audio advertising and effectively drive performance through the channel in order to drive more ad budgets to its platform.

Spotify Ads Manager simplifies ad buying for SMBs as new generative AI tools can help Spotify further unlock budgets. Launched in 2017 (originally as Spotify Ad Studio and rebranded to Spotify Ads Manager in 2024), The Spotify Ads Manager is the company's self-service ad platform for SMBs and agencies to easily create, target, and measure audio, video and podcast ads by leveraging Spotify's logged-in audience data. Spotify has seen consistent double-digit revenue growth from the ads manager as it has significantly increased its abilities over time such as expanding its menu of interest segments for targeting, offering new lower funnel objectives, such as app installs and website traffic objectives, launching Audience Managers (a designated space to manage saved audiences), rolling out new visual ad formats such as Canvas for Advertisers (providing advertisers looping visual ad slots) and Opt-In Video (which gives advertisers access to video ads in the Now Playing View), while it also introduced the Spotify Pixel and Spotify Brand Lift to Ads Managers enhancing its measurement capabilities. In April, Spotify launched Gen AI Ads within the Spotify Ads Manager enabling advertisers to create AI-powered scripts and voiceovers, at no additional costs, which we believe has the potential to significantly lower the bar for high-quality audio ads on Spotify.

Spotify Ad Exchange (SAX) enhances Spotify's programmatic capabilities. Launched in April 2025, Spotify Ad Exchange enables advertisers to buy Spotify inventory through real-time bidding. Advertisers can use their preferred DSP to buy ad inventory across Spotify's audio, video, and display formats. SAX is integrated with Spotify's streaming ad insertion (SAI) technology and leverages Spotify's first-party data to enable targeting by behavior, context, demographics and device type with verified reach. By owning its own ad exchange, this gives Spotify more control over pricing, yield and transparency, setting its own auction dynamics, floor pricing and take rates, while also enabling better utilization of its first-party data. Spotify first launched the ad exchange in partnership with The Trade Desk (TTD, MO, \$60 PT) but has since expanded to other partners including DV360, Yahoo, and most recently Amazon DSP. As these partnerships ramp throughout 2026, we believe programmatic advertising to surpass direct brand advertising in 2026, contributing to the inflection point and acceleration we expect to see from Spotify's advertising business in 2Q26.

INVESTMENT THESIS 4: WE EXPECT DURABLE FCF GROWTH TO €5B BY 2027

We see continued runway for durable growth in Free Cash Flow, reaching €5B in 2027. We see a path for Spotify to drive sustainable FCF growth through improving music gross margins from continued Marketplace growth, scaling podcast and audiobooks margins, and disciplined OpEx investments. Spotify's stock performance has been tightly correlated to its growth in FCF per share which began to inflect in 2023, where FCF per share went from -€0.27 in 2022 to €13.72 in 2025. We believe through sustained top-line growth and disciplined margin expansion, Spotify is positioned to continue driving free cash flow per share growth going forward.

We believe long-term gross margins of 40% are achievable driven by scaling marketplace, podcasting, and audiobooks. In 2022, Spotify disaggregated profitability by vertical, with management laying out long-term targets across each of its verticals. For music, the primary contributor to its gross margin trajectory is its growing marketplace business, which primarily consists of marketing tools for artists and merch sales. For its podcast vertical, it had sharply negative gross profit of €103M (implying a -50%+ gross margin) in 2021, with its peak drag on gross margins in 2022. However, Spotify was confident in the long-term opportunity for podcasts as it laid out intermediate (3-5 year) targets of 30-35% and long-term target (10 years) of 40-50%. Podcasts turned profitable in 2024 and we believe margins have continued to improve. Audiobooks were expected to go through a similar investment curve, with management believing long-term margins could reach 40%+ and be highly accretive to the business. We project Audiobooks turning positive in 2025. Putting this together, we lay out our breakdown of gross margins by vertical in Figure 28, whereby we reach company-wide gross margins of 35% in 2030.

We expect Spotify to generated €5B+ of FCF in 2027.

Marketplace, podcasts, and audiobooks are drivers of improving gross margins.

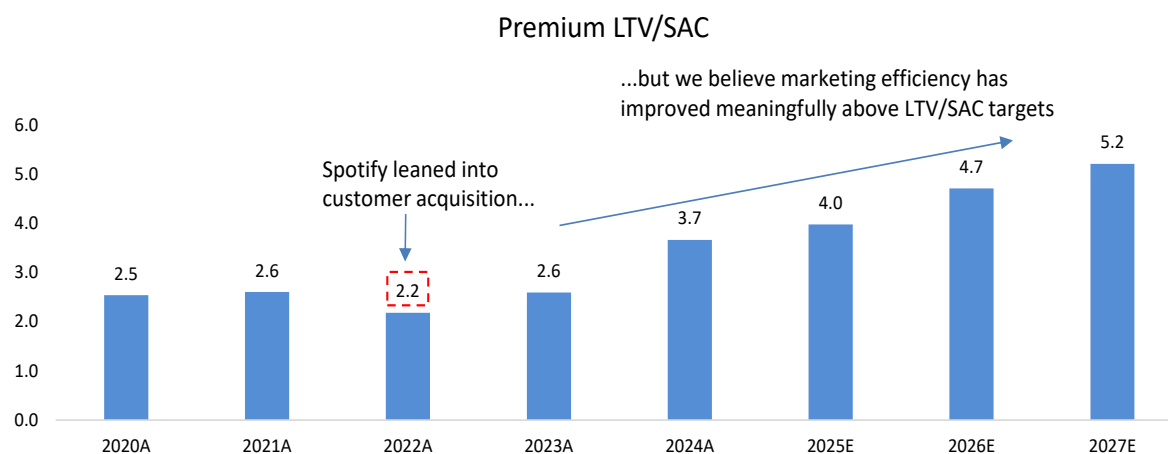
FIGURE 28. Our Product Gross Margin Build Suggests Continued Opportunity for Margin Expansion

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Long-Term Target
Total revenue	9,668	11,727	13,247	15,673	17,208	19,936	22,857	26,491	30,095	34,314	
Y/Y growth	22.7%	21.3%	13.0%	18.3%	9.8%	15.9%	14.7%	15.9%	13.6%	14.0%	
Gross profit	2,591	2,926	3,397	4,724	5,493	6,471	7,619	9,037	10,449	12,092	
Margin	26.8%	25.0%	25.6%	30.1%	31.9%	32.5%	33.3%	34.1%	34.7%	35.2%	40%
Music revenue	9,468	11,377	12,647	14,838	16,108	18,546	21,182	24,541	27,865	31,814	
Y/Y growth	NA	20.2%	11.2%	17.3%	8.6%	15.1%	14.2%	15.9%	13.5%	14.2%	
Music gross profit	2,694	3,146	3,545	4,667	5,337	6,199	7,201	8,440	9,671	11,125	
Margin	28.5%	27.7%	28.0%	31.5%	33.1%	33.4%	34.0%	34.4%	34.7%	35.0%	35%
Podcast revenue	200	300	425	560	700	850	1,000	1,150	1,300	1,450	
Y/Y growth	NA	50.0%	41.7%	31.8%	25.0%	21.4%	17.6%	15.0%	13.0%	11.5%	
Podcast gross profit	(103)	(180)	(43)	112	196	272	350	437	546	653	
Margin	-51.5%	-60.0%	-10.0%	20.0%	28.0%	32.0%	35.0%	38.0%	42.0%	45.0%	40%-50%
Audiobooks revenue	0	50	175	275	400	540	675	800	930	1,050	
Y/Y growth	NA	NA	250.0%	57.1%	45.5%	35.0%	25.0%	18.5%	16.3%	12.9%	
Audiobooks gross profit	0	(40)	(105)	(55)	(40)	0	68	160	233	315	
Margin	NA	-80.0%	-60.0%	-20.0%	-10.0%	0.0%	10.0%	20.0%	25.0%	30.0%	40%+

Source: Company reports, Citizens JMP Securities, LLC

We believe Spotify continues to drive improvements in marketing efficiency above its LTV to SAC target range of 2.5x-3.0x. At its Investor Day in 2022, Spotify discussed its historical 2.5x-3.0 LTV/SAC. In 2022, Spotify increased customer acquisition spend in certain markets where it saw an opportunity to take meaningful share, which we believe caused it to fall temporarily before its historical LTV/SAC range. However, we believe over the past several years, Spotify's LTV/SAC has improved meaningfully, contributing significantly to its improving operating income margins. In Figure 29, we lay out our LTV/SAC analysis, whereby we believe its LTV/SAC ratio has reached 4.0x in 2025, with sustainable improvements going forward. Given our limited information, we acknowledge the limitations to our analysis, but we believe our analysis is directionally correct and illustrative of Spotify's improving marketing efficiencies. We expect these efficiencies to continue as we believe churn continues to improve, ARPU increases with pricing optimization, and marketing ROI improves through channel optimization and AI enhancements.

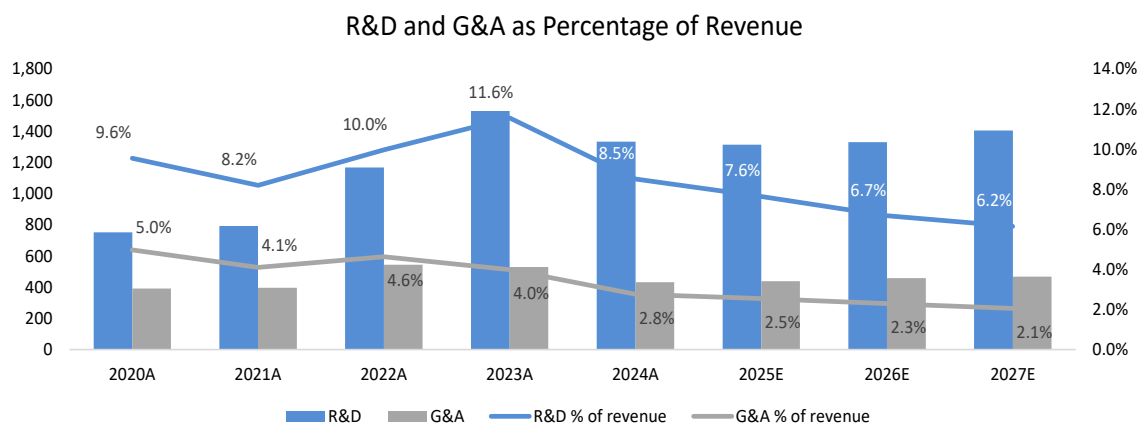
We expect Spotify's marketing efficiency to continue to improve above its 2.5x-3.0 LTC/SAC historical targets.

FIGURE 29. We Believe Spotify has Driven Significant Sustainable Marketing Efficiency Gain Over the Past Several Years


Source: Company reports, Citizens JMP Securities, LLC

Spotify remains disciplined on fixed costs, while we believe efficiencies can continue with AI improving engineering efficiency. In addition to marketing efficiency gains, Spotify has driven meaningful fixed-cost leverage over the past several years. We believe Spotify can sustain leverage over the next several years, driven by AI-driven efficiencies. A recent example is Spotify's initial reluctance to invest in developing a product for Apple TV. However, the engineering team leveraged AI to analyze the iOS mobile setup and identify similarities in Apple TV's architecture. This allowed them to efficiently adapt the existing product for the Apple TV platform. We expect continued efficiencies, similar to the Apple TV opportunity, to drive R&D productivity and efficiency going forward.

We expect continued fix-cost leverage going forward.

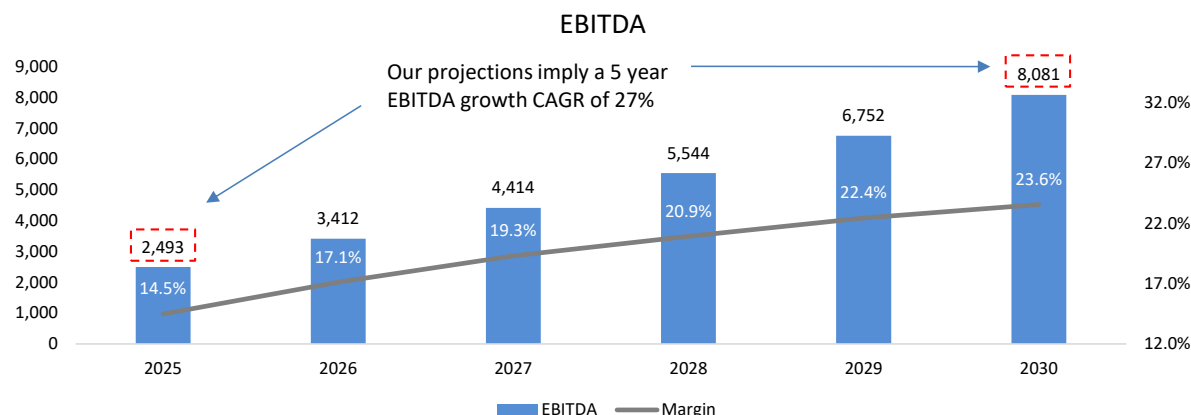
FIGURE 30. Spotify has Driven Meaningful Fixed-Cost Leverage, While AI is a Sustainable Catalyst for Continued R&D Leverage


Source: Company reports, Citizens JMP Securities, LLC

We believe this can result in EBITDA growing at a 27% CAGR over the next five years. Through continued gross margin expansion, improving marketing efficiency and fixed-cost leverage, we believe EBITDA can grow at a 27% CAGR over the next five years to €8.1B in 2030 (Figure 32), translating to a FCF growth CAGR from 2025-2030 of 27% as we project FCF reaching €9.6B in 2030 (Figure 33).

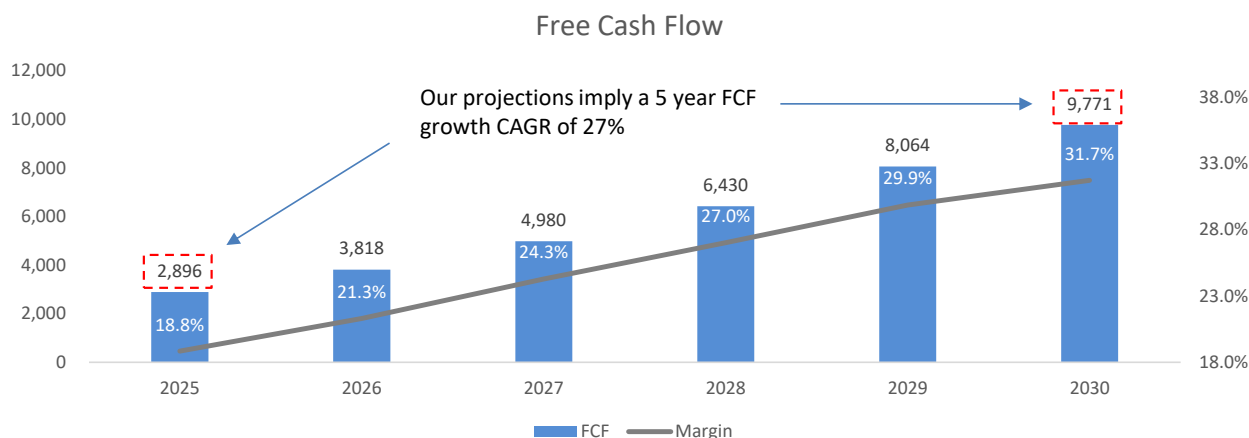
We expect durable 20%+ growth in EBITDA and FCF.

FIGURE 31. We Expect EBITDA to Grow at a 24% Five-Year CAGR, Reaching €8.1B in 2030



Source: Company reports, Citizens JMP Securities, LLC

FIGURE 32. We Expect EBITDA to Grow at a 23% Five-Year CAGR, Reaching €9.6B in 2030

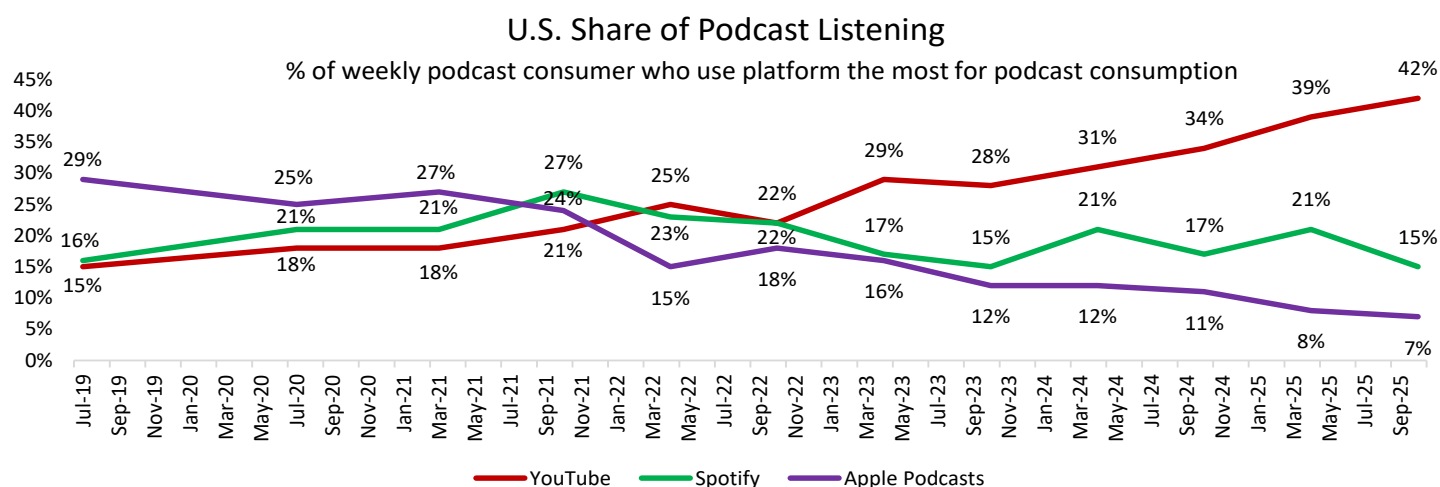


Source: Company reports, Citizens JMP Securities, LLC

INVESTMENT RISKS: STREAMING AUDIO IS INTENSLY COMPETITIVE, ADVERTISING EXECUTION HAS LAGGED, MATURE MARKETS ARE WELL PENETRATED, NEW VERTICALS MAY NOT BE AS ADDITIVE TO ENGAGEMENT AS PRIOR ADDITIONS

- Streaming music platforms largely have access to the same music.** Because licensed music catalogs are broadly undifferentiated across major streaming platforms, Spotify's product moat relies more on user experience, personalization, and ecosystem reach than on exclusive content. This dynamic raises the risk that commoditization intensifies over time, particularly as Apple, Amazon, and YouTube can bundle music with larger hardware or subscription ecosystems, diluting the relative value of Spotify's standalone offering. While Spotify remains the global share leader, the lack of meaningful catalog differentiation could limit pricing power and places sustained pressure on the company to innovate through product features, UX, and recommendation quality to maintain engagement and reduce churn.
- Podcast market is highly competitive.** Spotify competes in a fragmented and intensely competitive podcast market, where Apple, YouTube, Amazon, and independent platforms continue to capture significant listening time and monetization. While Megaphone and Spotify For Creators gave Spotify the tools to monetize off-platform podcast listening (such as Apple Podcasts), YouTube is a closed ecosystem where Spotify does not monetize. In Figure 33, we highlight the most used platforms for podcast listening in the U.S., with the data indicating YouTube has dominant and growing share.

FIGURE 33. YouTube Has Leading and Growing Share of Podcast Listening



Source: Cumulus, Citizens JMP Securities, LLC

- Spotify has not executed well on its advertising strategy.** Despite meaningful investment in ad-tech infrastructure, marketplace tools, and programmatic distribution, Spotify's advertising business has consistently underperformed management's expectations. Execution issues—including slow product rollout, limited advertiser education, inconsistent salesforce productivity, and historically weak measurement—have delayed the scaling of high-margin programmatic channels. As a result, advertising remains a smaller-than-expected driver of revenue, and continued mis-execution risks undercutting a key growth initiative and the overall monetization potential of the platform. However, we believe 2026 is a pivotal year for Spotify's advertising business as we believe recent management changes and product releases have put the pieces in place to accelerate revenue.

- **Spotify is well penetrated in established markets with growth mainly driven by lower monetizing markets.** Spotify's mature markets—North America and Western Europe—now exhibit high penetration levels, reducing the scope for outsized subscriber additions and shifting growth toward lower-ARPU emerging markets. While Spotify continues to scale MAUs rapidly on a global basis, mix shift toward regions with structurally lower disposable income and weaker ad markets places downward pressure on blended ARPU and elongates the payback period on user acquisition. This geographic transition makes sustained ARPU expansion more dependent on pricing power in mature markets and on execution of incremental monetization layers (advertising, audiobooks, marketplace tools) across the broader base.
- **The additive engagement from new verticals may not be as impactful as past additions.** Spotify's strategic roadmap increasingly depends on expanding into adjacent verticals—podcasts, audiobooks, video, creator tools—to drive incremental engagement, retention, and monetization. However, each successive format faces a higher bar to create measurable uplift, and early data suggests that the incremental engagement curves may be flattening relative to the outsized impact music-to-podcasts provided. Should new verticals fail to deliver the targeted step-up in time spent or conversion, Spotify risks over-indexing on costly product expansion without unlocking commensurate revenue or margin benefits, pressuring long-term LTV assumptions.
- **Generative music platforms take engagement share.** The rapid emergence of generative AI music platforms introduces a new competitive vector, as AI-native creation tools enable an unprecedented volume of synthetic content that can compete for listening time, particularly within ambient, lo-fi, focus, and mood-oriented categories. If consumer acceptance of AI-generated music grows—or if creators increasingly leverage AI platforms to distribute outside Spotify's ecosystem—listening hours could fragment across alternative channels. Moreover, platforms like Suno, Udio, and Boomy have potential to divert both engagement and supply-side relationships (creators, long-tail content) from Spotify, raising risk that the company's content moat erodes unless it establishes clear policies, partnerships, or product responses to the generative music wave.

SPOTIFY IS WELL POSITIONED FOR THE GENERATIVE AI ERA OF THE MUSIC INDUSTRY

Spotify's scaled audience and vast library of personal listening data give it structural advantages as generative AI drives the next evolution in music distribution and consumption. We view generative AI as enabling three major shifts in the industry: 1) greater personalization of listening; 2) augmentation of existing music; and 3) creation of fully AI-generated music. Across each theme, we believe Spotify is well positioned to defend—and potentially extend—its leadership as the dominant global music streaming platform.

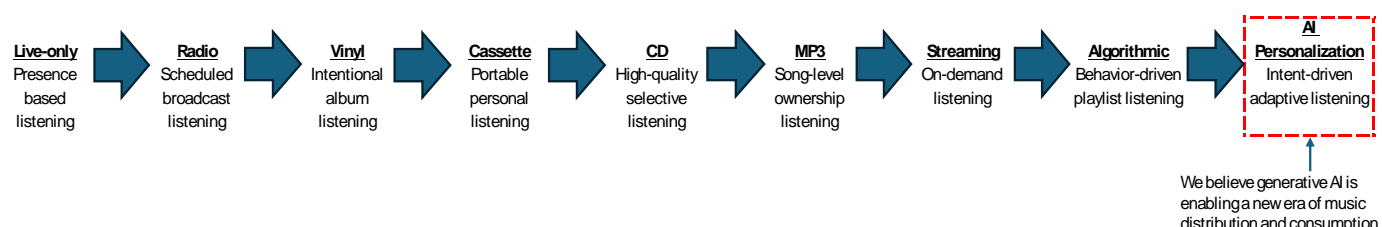
Personalization: Spotify's listening data is a durable advantage in the next era of consumption.

As with prior technology transitions, we believe the music industry is entering another pivotal period, driven by advances in generative AI enabling deeper personalized listening experiences (Figure 34). We expect listening to shift toward intent-driven experiences, where users express what they want in natural language and receive dynamic, adaptive playlists that evolve in real time based on context and feedback.

Strategically, Spotify's advantages here are straightforward: its 700M+ MAU scale, deep relationships with record labels, and large repository of individualized listening history provide a meaningful edge in building differentiated personalization products. Spotify has already begun moving in this direction with AI DJ, AI Playlists, and most recently Prompted Playlists. We expect continued product innovation that pairs generative AI with Spotify's proprietary data to deliver more engaging and personalized listening experiences.

We believe Spotify's scaled user base and vast library of personal listening history data give it structural advantages as gen AI reshapes the music industry.

FIGURE 34. Technology has Continually Reshaped Music Distribution and Consumption. Gen AI is the Next Era.



Source: Citizens JMP Securities, LLC

Augmentation: We expect Spotify's next AI products and features to focus on remixing and reinterpreting existing music.

We expect Spotify's next meaningful AI product cycle to emphasize music augmentation—tools that remix, extend, re-arrange, or otherwise reinterpret existing tracks—rather than prioritizing net-new, fully AI-generated music creation. In our view, augmentation is the most natural bridge use case – it can deepen engagement and expand creative expression while remaining more compatible with rightsholder economics than pure synthetic music.

Spotify is working closely with music labels to develop responsible AI products. In October 2025, Spotify announced plans to collaborate with Sony Music Group, Universal Music Group, Warner Music Group, Merlin, and Believe to develop AI products guided by four principles: 1) AI products are developed in partnership with labels, distributors, and publishers; 2) artists and rightsholders control if and how they participate; 3) artists, songwriters, and rightsholders are compensated and share in new revenue streams; and 4) products are designed to deepen artist–fan connections.

Metadata and attribution are foundational for AI augmentation. In November 2025, we believe Spotify released products that help establish the “plumbing” needed for future AI-enabled music experiences: expanded Song Credits, SongDNA, and About the Song. Expanded Song Credits broaden attribution beyond topline credits to include contributors across production, engineering, songwriting, and featured artists. SongDNA surfaces relationships between tracks—collaborators, samples, covers, and remixes—enabled by Spotify's acquisition of WhoSampled. About the Song adds creative context (inspiration, storytelling, cultural

We expect Spotify's to launch new products in the coming years focused on augmenting and remixing existing music.

impact). Collectively, these product updates improve attribution and transparency, which we view as essential prerequisites for scaling augmentation features responsibly.

We expect Spotify to launch gen AI features and tools to enable remixes and augmentation on-platform. We expect Spotify's next AI features to focus on augmentation and remixing of licensed music. Potential use cases include genre-shifted remixes, context-optimized versions of tracks, or fan-facing tools that let listeners engage with a song in new ways (e.g., reimagining a track's style or blending elements across songs). To be clear, Spotify has not announced such products, but this direction is consistent with its strategy of building highly personalized, high-engagement experiences. If executed well, AI-driven augmentation could be a meaningful catalyst for engagement and could also create new pricing and tiering optionality, as certain remixing/augmentation capabilities may be monetizable as premium features or add-ons.

Fully AI-generated music: Spotify's platform value increases as curation becomes more critical.

Many consumers are hesitant to engage with generative AI created music. A 2025 Deezer-Ipsos poll of ~9K listeners across several countries found that 97% of respondents could not distinguish AI-generated songs from human-made tracks. Some research also suggests certain AI models may outperform human-created tracks in listener preference (Figure 35). However, a meaningful subset of consumers remains skeptical: 40% say they would skip AI-generated music if they learned it was synthetic, and 45% want the ability to filter AI songs entirely (Deezer-Ipsos). However, Luminate data suggests 56% of consumers are at least indifferent to very comfortable with generative AI created music (Figure 36). Importantly, preferences also differ by format: 67% of respondents would change their opinion if vocals were AI-generated vs. 45% if only instrumentals were AI-generated (NEA). Across surveys, the most consistent takeaway is that users want transparency—73% want AI-made songs clearly labeled (Deezer-Ipsos), and 90% believe it is important to know whether media was made by a real person (iHeartMedia).

Consumers are hesitant to adopt fully AI-generated music.

FIGURE 35. Several Generative Music Models Already Outperform Human Made Music in Listening Preference

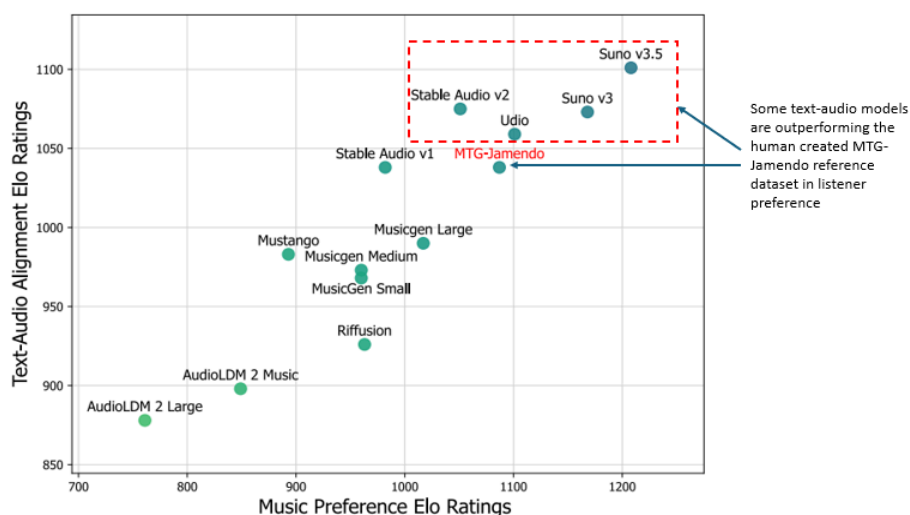
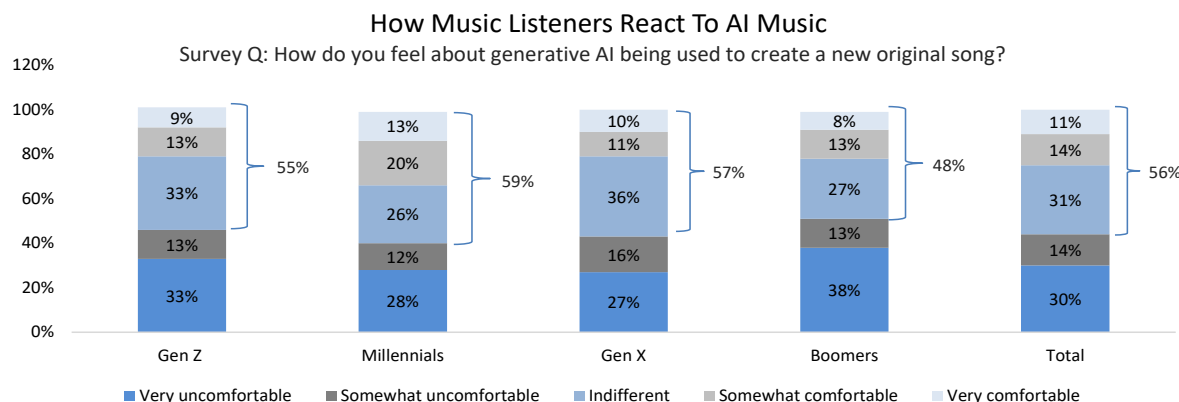


Fig. 1. Elo ratings for all music generation models in the music preference and text-audio alignment human evaluation experiments. The reference dataset is shown in red.

Source: ETH Zürich

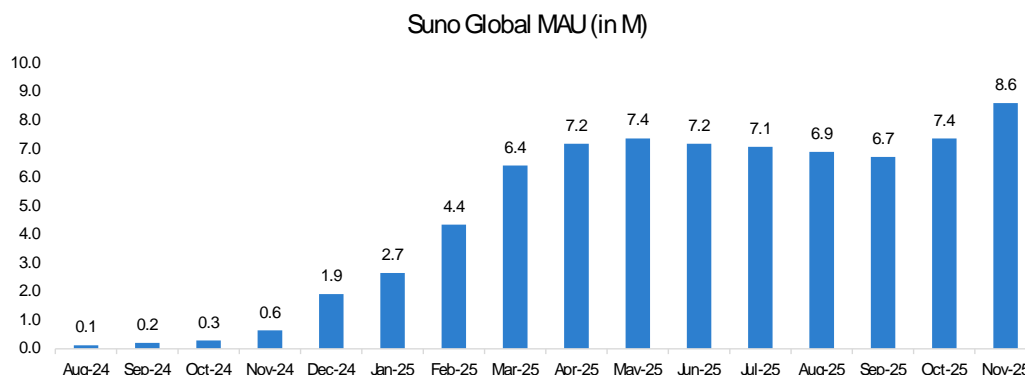
FIGURE 36. Most People are Indifferent to Supportive of AI-Generated Music


Source: Luminate, Citizens JMP Securities, LLC

Despite skepticism, AI-native tracks have amassed significant listenership and topped charts. The watershed moment came in 2023 with “Heart on My Sleeve,” released by Ghostwriter, which used AI simulations of Drake and The Weeknd’s voices with original lyrics and generated millions of streams before takedowns were issued by Universal Music Group. More recently, AI-native acts have scaled quickly on Spotify. The Velvet Sundown gained traction in summer 2025 and peaked around 1.4M monthly listeners before declining after its synthetic origins were disclosed. Xania Monet, created using Suno by a human creator uploading poetry, achieved meaningful chart success and signed a reported \$3M deal with Hallwood Media. In November 2025, “Walk My Walk” by Breaking Rust topped Billboard’s Country Digital Song Sales chart, reportedly marking the first time a fully AI-composed track achieved that milestone; Breaking Rust currently has ~2.7M monthly Spotify listeners. While consumer skepticism persists, these cases suggest willingness to engage with AI-generated music may grow as quality improves and AI content becomes more normalized.

Despite consumer hesitancy with fully-AI generated music, there have been several songs that have topped the charts.

Start-up music generation platforms are seeing small but ramping engagement. AI music generation platforms remain early but scaling. Suno, a leading text-to-music platform launched in late 2023, allows users to generate original songs (vocals and instrumentals) from prompts, and encourages AI-native creation rather than artist imitation. Udio offers similar capabilities and was founded by former Google DeepMind researchers, but with a greater focus on professional music creation and augmentation. While engagement is growing quickly (Figure 37), Suno’s global MAU was only ~1.1% of Spotify’s in November, highlighting adoption remains very early.

FIGURE 37. Suno Is Seeing Significant Growth, But Consumer Adoption Remains Very Early


Source: Sensor Tower, Citizens JMP Securities, LLC

Importantly, the label stance appears to be evolving from litigation to licensing. In 2024, Sony, Universal Music Group, and Warner Music Group sued Suno and Udio over copyright infringement. By late November 2025, Suno reportedly reached a settlement/partnership with Warner Music Group that allows Suno to operate with licensed IP and provides mechanisms to track and monetize AI-generated songs that incorporate label content. Udio reportedly reached a settlement and licensing agreement with Universal Music Group. We interpret these agreements as evidence that labels may accept AI-generated music—but only under clear licensing, attribution, and compensation frameworks.

Addressing key debate points: We believe Spotify’s platform advantages are defensible.

Concerns that AI-native music platforms such as Suno could emerge as destination listening services and meaningfully displace engagement on Spotify appear overstated. While usage on these platforms has ramped quickly, absolute engagement remains very early. Suno’s monthly active users represent ~1.1% of Spotify’s MAU base, underscoring that these platforms are still niche relative to mainstream music consumption. More importantly, this comparison highlights a fundamental difference in use case. AI music platforms are primarily creation-oriented tools, optimized for generating music, experimentation, and short-burst engagement, whereas Spotify is a consumption-oriented platform built around habitual, daily listening. Historically, platforms optimized for creation—whether music tools, creator platforms, or social audio, such as SoundCloud, Bandcamp, GarageBand, TikTokSounds—have not displaced consumption platforms as the primary destination for listening.

We also believe this debate underestimates the structural defensibility of Spotify’s multi-vertical ecosystem.

Spotify is no longer a single-format music service; it is a scaled audio platform spanning music, podcasts, video podcasts, and audiobooks. This breadth matters because it anchors Spotify in users’ daily routines across multiple listening modes. Even if AI music creation grows meaningfully, Spotify remains the default destination for long-form audio consumption and discovery. By contrast, AI music platforms are largely single-purpose and lack the cross-format gravity that drives time-based engagement. As a result, Spotify captures a much larger share of total audio time, reinforcing user lock-in and limiting the risk of engagement displacement.

The proliferation of generative AI music may also increase, rather than diminish, the value of Spotify’s platform. As AI dramatically lowers the cost of music creation, content supply is likely to expand rapidly, raising the risk of low-quality, deceptive, or spam-like content (“slop”). In this environment, curation, trust, and discovery infrastructure become more valuable, not less. Spotify has spent more than a decade building systems to surface high-quality content, combat spam and impersonation, and maintain user trust at scale. We note in the past 12 months (as of September 2025) Spotify has removed 75M+ spammy tracks from its platform. Its ability to filter, rank, contextualize, and label content positions it as a critical gatekeeper in an AI-abundant world. AI music platforms, by contrast, are still developing basic governance and discovery mechanisms and lack Spotify’s track record in ecosystem management.

We also believe concerns that recent licensing agreements between labels and AI music platforms materially increase label leverage over Spotify are overstated.

While these deals are directionally important for legitimizing AI music creation, they do not change the underlying balance of power in distribution. Labels control supply, but Spotify controls demand and audience access at a scale that is orders of magnitude larger than AI-native platforms today. Even as labels license content to AI platforms, those platforms still depend on established streaming services to reach listeners and monetize at scale. In practice, this means AI-generated music—when successful—ultimately flows back into Spotify’s ecosystem, reinforcing its role as the primary clearinghouse for music consumption rather than undermining it.

Finally, Spotify’s scale creates a powerful feedback loop that will be difficult for AI-native platforms to replicate. Spotify’s vast user base, deep personalization data, and integrated monetization model allow it to experiment with AI-enabled features—such as music augmentation, remixing, and adaptive listening—while maintaining alignment with artists and rightsholders. AI music platforms, by contrast, lack Spotify’s extensive personal listening history library. Taken together, we believe these dynamics support the view that generative AI music platforms are more likely to complement Spotify’s ecosystem than displace it, and that Spotify’s platform value may increase as AI reshapes music creation and distribution.

Music generation platforms remain very early in consumer adoption.

Spotify’s multi-format platform is a key structural advantage as it aggregates and keeps audiences on its platform.

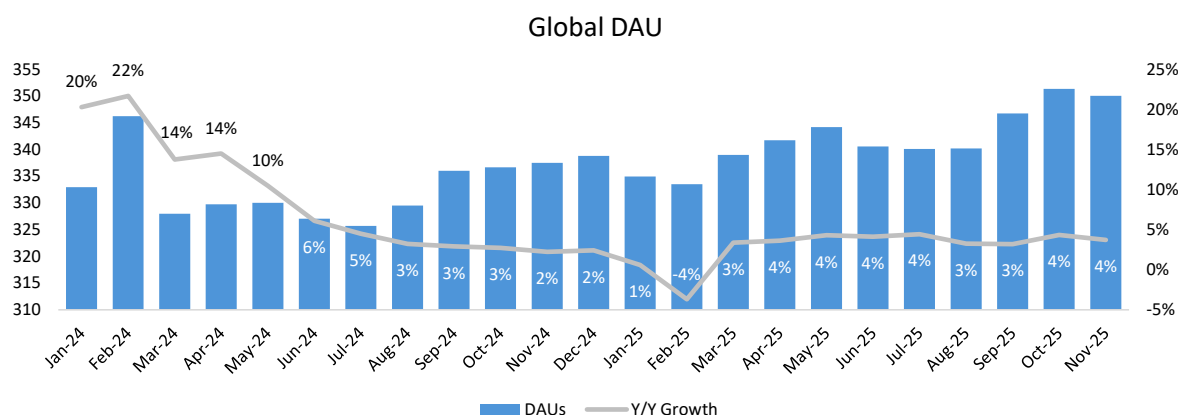
We believe Spotify’s curation of content will become increasingly valuable as generative AI increases music creation.

Spotify’s vast data of personal listening history is a key differentiator.

USER ENGAGEMENT: USER GROWTH APPEARS RESILIENT IN OCTOBER & NOVEMBER

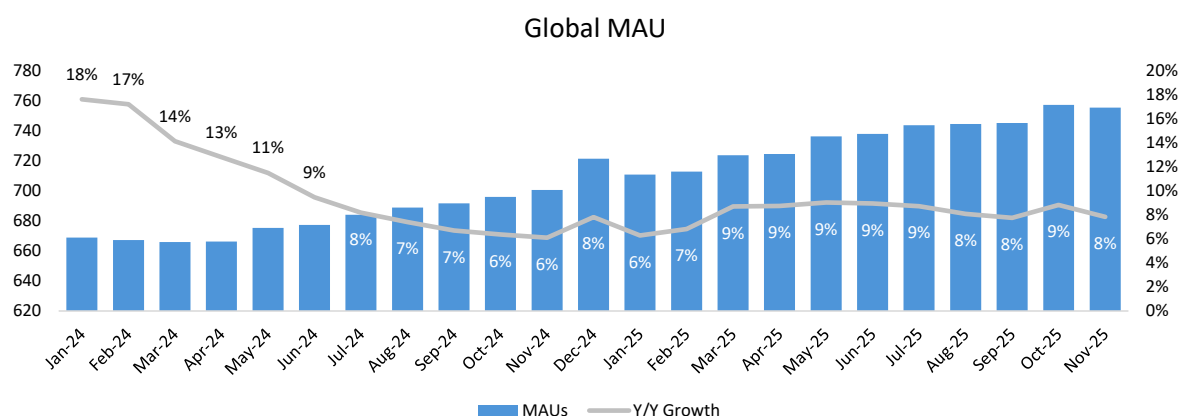
Third-party data suggest persistent DAU and MAU growth. Our third-party app engagement data suggest Spotify's user fundamentals remain resilient in 2025, with global DAUs continuing to grow at a mid-to-low single-digit rate Y/Y and global MAUs holding in the high-single digits. We note Sensor Tower MAU and reported AMU have a 99% correlation, highlighting the reliability of the data. Global time spent has seen improving growth in recent months but showed signs of marginal weakness in November. We will be watching December data carefully given the importance of Wrapped on engagement and user acquisition.

FIGURE 38. Global DAU: Y/Y Growth has Persistent in the Mid-to-Low Single-Digit Range

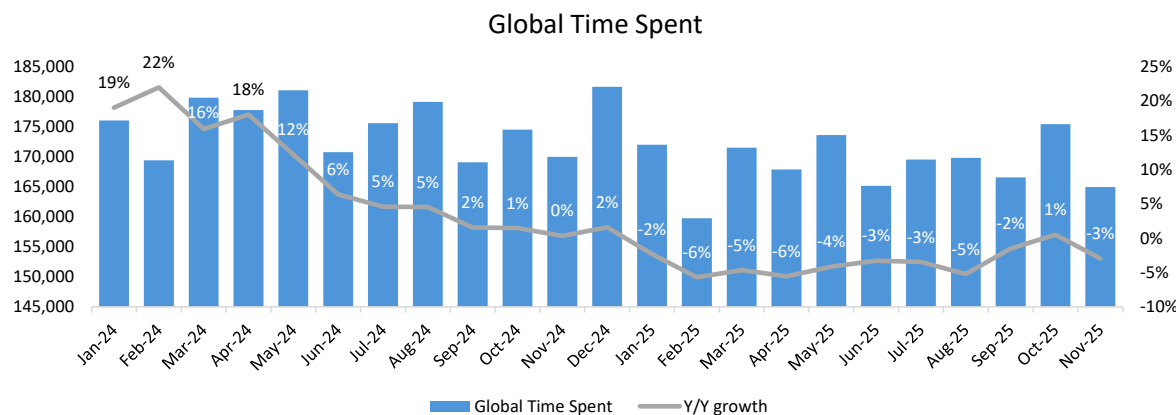


Source: Sensor Tower, Citizens JMP Securities, LLC

FIGURE 39. Global MAU: Y/Y Growth Has Remained Persistent in the High Single-Digit Range in 2025

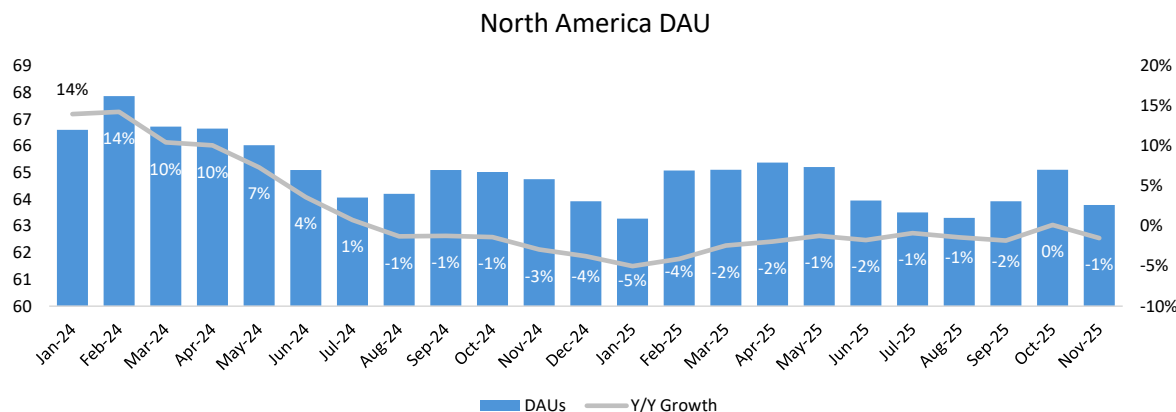


Source: Sensor Tower, Citizens JMP Securities, LLC

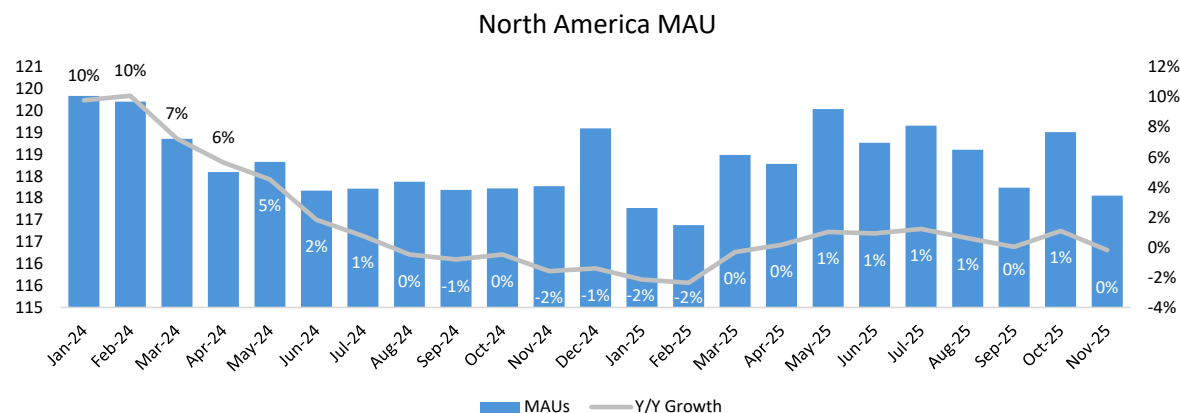
FIGURE 40. Global Time Spent: Trends Improved in October but Weakened in November


Source: Sensor Tower, Citizens JMP Securities, LLC

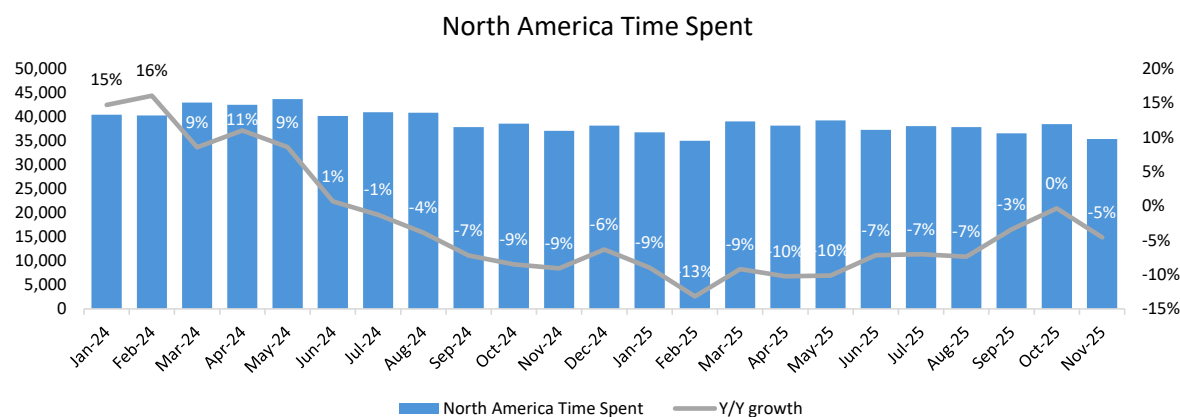
North America shows subdued users growth. For North America, third-party data point to a more mixed engagement profile in 2025, with DAUs declining at a low- to mid-single digit rate Y/Y and MAUs largely flat Y/Y, reflecting a mature and highly penetrated market. Time spent in North America has shown improving trends in recent months, reaching flat Y/Y growth in October, but weakened again in November.

FIGURE 41. North America DAU: Y/Y Growth Has Been Largely Stable in Recent Months


Source: Sensor Tower, Citizens JMP Securities, LLC

FIGURE 42. North America MAU: Y/Y Growth has Been Largely Stable in Recent Months


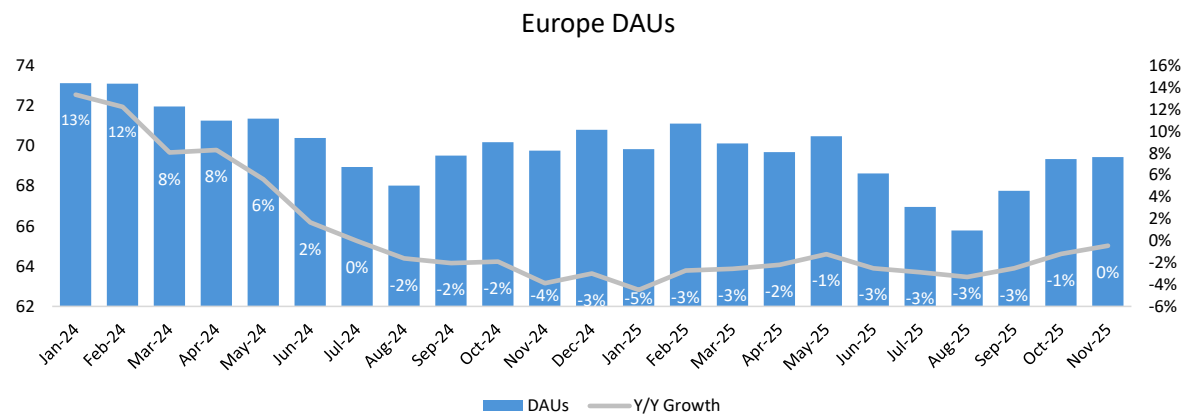
Source: Sensor Tower, Citizens JMP Securities, LLC

FIGURE 43. North America Time Spent: Trends Have Been Improving But November Time Spent Weakened From October


Source: Sensor Tower, Citizens JMP Securities, LLC

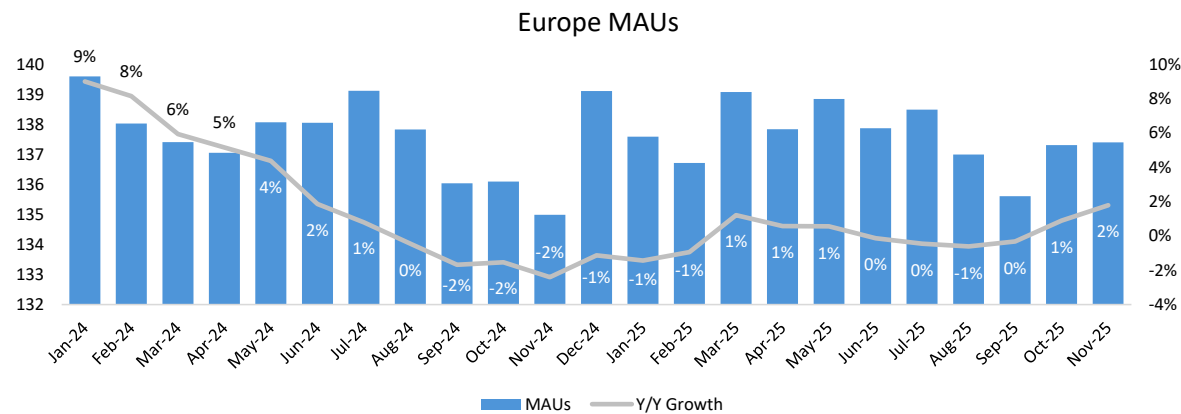
Europe is seeing improving trends in DAU and MAU trends in October and November. In November European DAU Y/Y growth returned to flat for the first time since July 2024. For Europe MAU, Y/Y growth accelerated in October and November, reaching 2% Y/Y growth in November, its highest growth rate since June 2024. Time spent in the region has seen improving trends in recent months, but softened slightly in November.

FIGURE 44. Europe DAU: Y/Y Growth Returned to Flat in November for the First Time in 2025



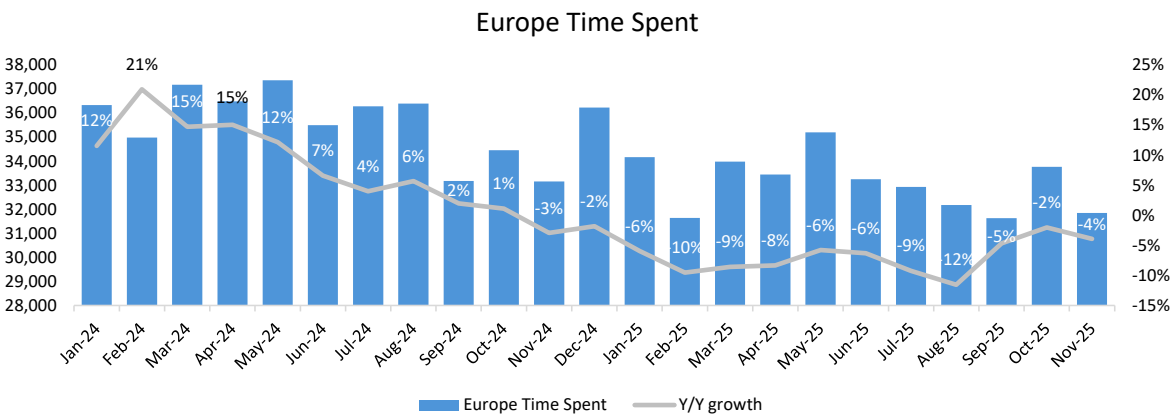
Source: Sensor Tower, Citizens JMP Securities, LLC

FIGURE 45. Europe MAU: Y/Y Growth Accelerated in October and November



Source: Sensor Tower, Citizens JMP Securities, LLC

FIGURE 46. Europe Time Spent: Y/Y Growth Trends Have Improved in Recent Months, but Softened Marginally in November



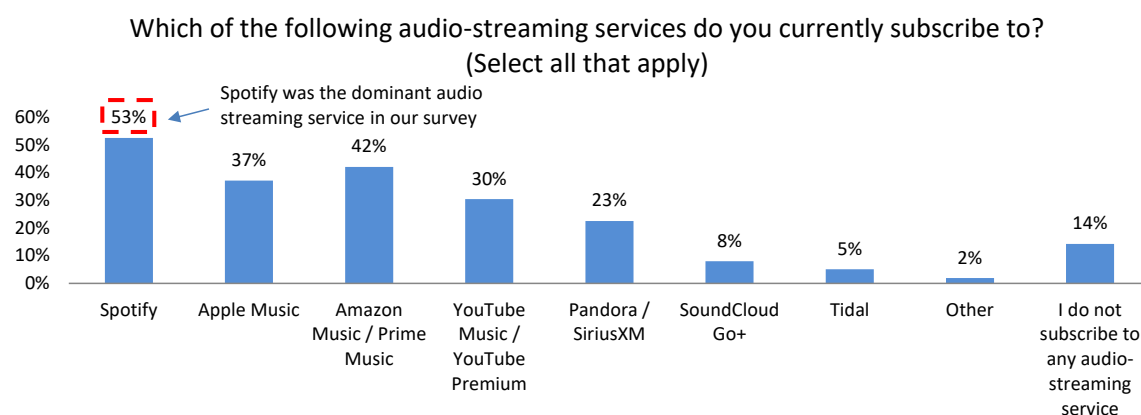
Source: Sensor Tower, Citizens JMP Securities, LLC

SPOTIFY SURVEY: OUR SURVEY CONFIRMS SPOTIFY'S LEADING POSITION IN THE U.S. AUDIO STREAMING MARKET

Our survey underscores Spotify's clear leadership in the U.S. audio streaming market. We conducted a study of 1,200 U.S. adults, asking six questions about their streaming audio subscriptions, usage of Spotify, and openness to generative AI-created music. The results reaffirm Spotify's position as the leading audio streaming platform and highlight its differentiation through personalization, ubiquity, and social sharing capabilities.

Spotify maintains a dominant share of the U.S. market. Among respondents, 53% reported subscribing to Spotify, making it the most widely used audio streaming service. Interestingly, Amazon Music emerged as the second most subscribed platform at 42%, followed by Apple Music at 37%. These findings illustrate Spotify's strong competitive advantage and its ability to sustain leadership in a dynamic and evolving market.

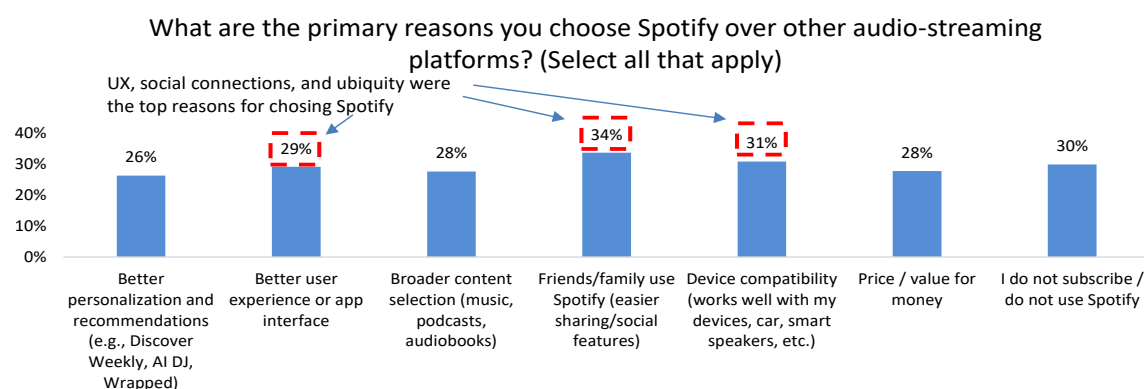
FIGURE 47. Spotify is the Leading Audio Streaming Service



Source: Survey Monkey, Citizens JMP Securities, LLC

Spotify's social features, broad device compatibility, and superior user experience emerged as the primary drivers of subscription. These findings underscore Spotify's strength in personalization—an integral part of its UX—and its ubiquity strategy. Notably, the most common reason respondents cited for subscribing was that their friends and family also use Spotify. This highlights the platform's inherent stickiness and reinforces the strategic importance of its recent investments in social sharing capabilities.

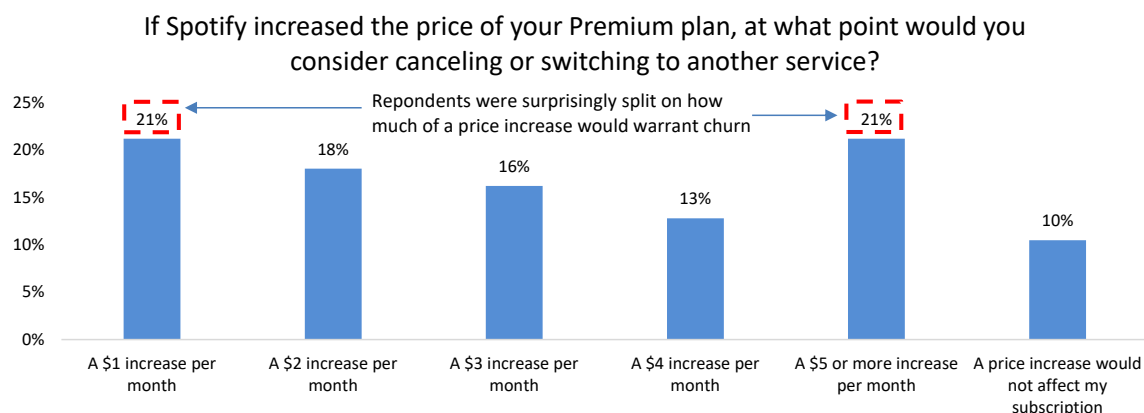
FIGURE 48. User Experience, Social Connections, and Ubiquity Were The Top Reasons People Choose Spotify



Source: Survey Monkey, Citizens JMP Securities, LLC

Consumer willingness to maintain subscriptions after a price increase appears mixed. Interestingly, the most common responses to the question of what price increase would trigger cancellation or switching were at the extremes: the lowest (\$1 increase) and the highest (\$5+ increase). We believe actual retention is likely stronger than these responses suggest, as many subscribers may not notice incremental increases due to autopay settings. This dynamic underscores the resilience of Spotify's subscription model and the potential for price optimization without significant churn.

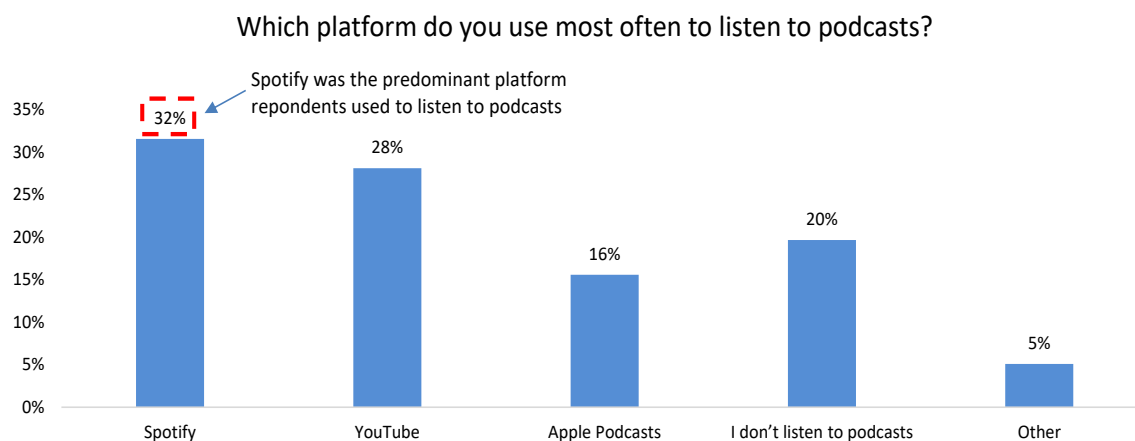
FIGURE 49. Surprisingly Subscribers Are Split on How Much of a Price Increase Would Cause Churn



Source: Survey Monkey, Citizens JMP Securities, LLC

Spotify was the top platform for listening to podcasts. We were surprised to see Spotify come in ahead of YouTube. We believe its efforts in video podcasting may be contributing to these responses.

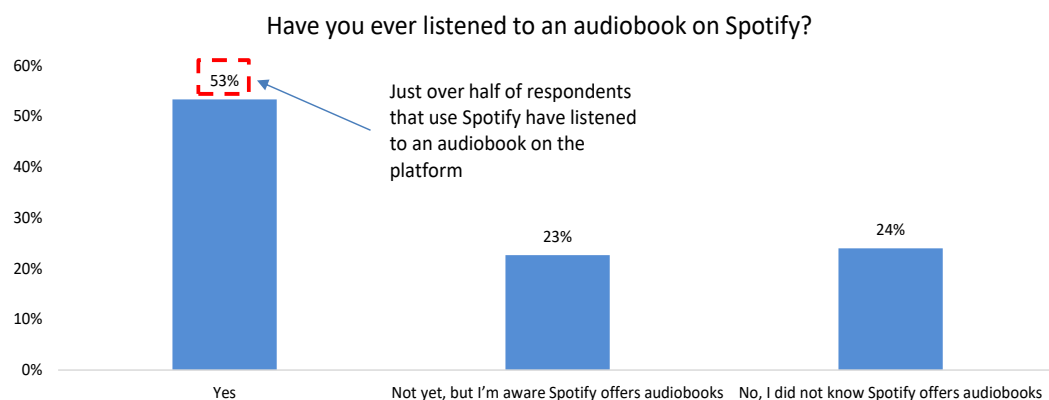
FIGURE 50. Spotify was the Top Platform That Respondents Use for Podcast Listening



Source: Survey Monkey, Citizens JMP Securities, LLC

The majority of Spotify subscribers have engaged with audiobooks on the platform. Specifically, 53% of respondents who subscribe to Spotify reported listening to an audiobook, underscoring strong initial penetration of the product. However, we believe audiobook engagement still has significant room for growth as Spotify continues to expand its catalog and enhance discovery features.

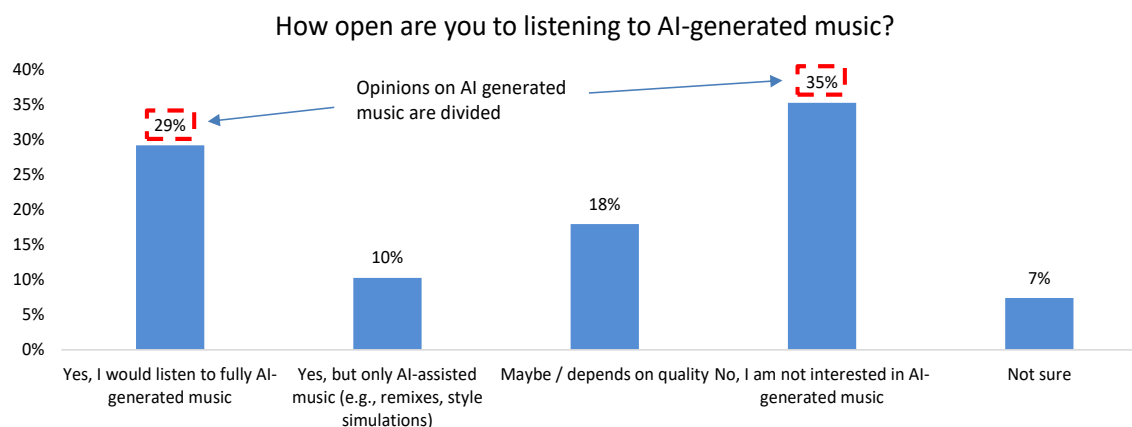
FIGURE 51. Over Half of Respondents That Use Spotify Have Listened to an Audiobook on the Platform



Source: Survey Monkey, Citizens JMP Securities, LLC

Respondents were divided in their views on AI-generated music. The data shows a clear split: 29% of respondents expressed openness to fully AI-generated music, while 35% indicated no interest. This bifurcation highlights the early-stage uncertainty around AI-driven content, and it will be important to monitor how consumer sentiment evolves as the technology and its applications mature.

FIGURE 52. Opinions are Divided on AI-Generated Music



Source: Survey Monkey, Citizens JMP Securities, LLC

RATING & VALUATION: OUR MARKET OUTPERFORM RATING IS BASED ON SPOTIFY'S PLATFORM DEFENSIBILITY, DRIVING PERSISTENT USER, REVENUE & FCF GROWTH

We initiate coverage of Spotify at Market Outperform and establish an \$800 price target. At yesterday's close of \$579.07, Spotify shares trade at 26.4x our 2027E EV/EBITDA, based on projected 2027E EBITDA of €4.4B (19.3% margin). Our \$800 price target is based on ~37x 2027E EBITDA, which represents a premium to Spotify's comparable universe of 21.0x 2027E EV/EBITDA (Figure 53). We view this premium as justified and believe the risk/reward remains attractive, as Spotify's platform defensibility and ability to drive sustained engagement, monetization, and FCF growth is under appreciated.

Our comparable set includes scaled digital entertainment and streaming platforms Netflix (NFLX, NC); free-to-paid subscription models Duolingo (DUOL, MP, Boone) and Life360 (LIF, MO, \$95); digital entertainment and gaming platform Roblox (RBLX, NC); and leading subscription-based media company The New York Times (NYT, NC).

Our Market Outperform rating reflects our view that Spotify has multiple, durable growth catalysts supporting sustained user and revenue expansion. These include continued adoption of video podcasts and audiobooks, rollout of new AI-driven features (including AI DJ and Prompted Playlists), enhancements to the free tier, ongoing pricing actions, and an improving advertising platform. In parallel, we expect Spotify to drive gross margin expansion through marketplace growth and improving podcast and audiobook economics, while maintaining OpEx discipline. Taken together, we believe Spotify is well positioned to compound free cash flow at ~20% annually over the next several years.

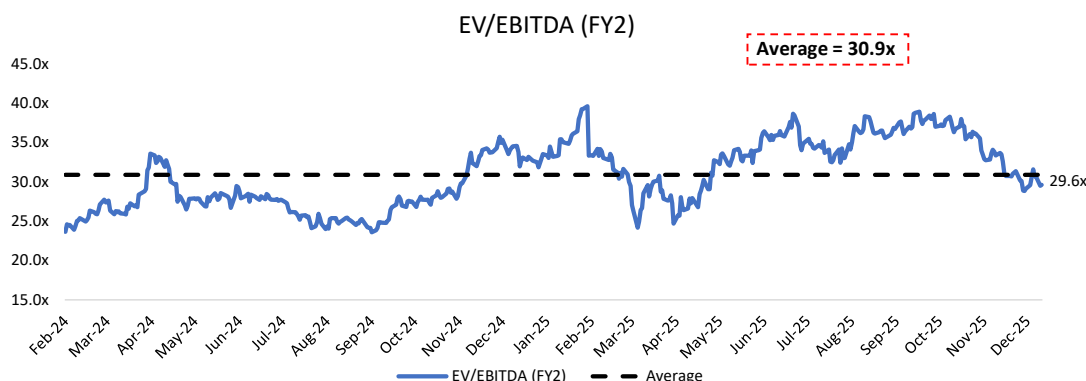
We initiate coverage of Spotify with a Market Outperform rating and \$800 price target.

FIGURE 53. Comparable Company Analysis: Spotify Trades at a Premium to Peers

Company	Ticker	Price	EV/Revenue			EV/EBITDA			P/FCF			Revenue Growth		
			2026	2027	2028	2026	2027	2028	2026	2027	2028	2026	2027	2028
Spotify -- Current Price	SPOT	\$579.07	5.8x	5.1x	4.4x	34.1x	26.4x	21.0x	32.4x	24.9x	19.3x	15.9%	14.7%	15.9%
Spotify -- Price Target	SPOT	\$800.00	8.2x	7.2x	6.2x	48.0x	37.1x	29.5x	44.8x	34.3x	26.6x	15.9%	14.7%	15.9%
Life360	LIF	\$64.25	8.5x	7.1x	6.1x	37.8x	28.9x	23.0x	45.5x	34.0x	27.0x	32.7%	20.1%	16.6%
Roblox	RBLX	\$87.44	7.5x	6.3x	5.2x	32.3x	23.9x	38.0x	47.7x	31.3x	NA	22.1%	18.6%	22.3%
Netflix	NFLX	\$94.57	8.2x	7.4x	6.8x	24.4x	20.6x	30.4x	33.1x	27.6x	22.8x	13.2%	11.2%	9.7%
Duolingo	DUOL	\$186.77	6.4x	5.4x	4.5x	20.8x	16.2x	13.0x	19.3x	15.7x	12.8x	23.8%	19.9%	19.7%
New York Times	NYT	\$67.30	3.5x	3.3x	3.1x	17.2x	15.5x	19.0x	21.0x	NA	NA	6.7%	6.1%	5.8%
Average			6.8x	5.9x	5.1x	26.5x	21.0x	24.7x	33.3x	27.2x	20.9x	19.7%	15.2%	14.8%

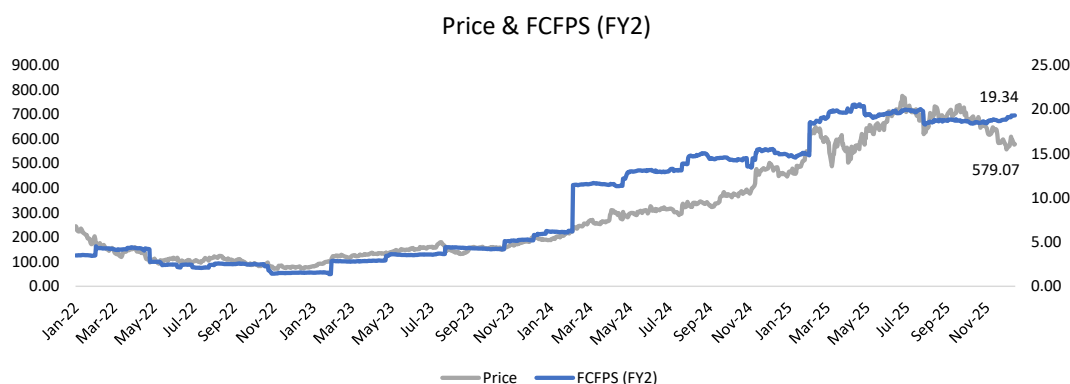
Source: FactSet, Citizens JMP Securities, LLC

FIGURE 54. Historical EV/EBITDA Multiple



Source: FactSet, Citizens JMP Securities, LLC

FIGURE 55. Spotify's Share Price Has Closely Tracked FCF/Share Estimates But Recent Stock Performance Has Under Performed



Source: FactSet, Citizens JMP Securities, LLC

FIGURE 56. Citizens vs. Consensus

	4Q25E		2025E		1Q26E		2Q26E		3Q26E		4Q26E		2026E		2027E	
	Street	Citizens	Street	Citizens	Street	Citizens	Street	Citizens	Street	Citizens	Street	Citizens	Street	Citizens	Street	Citizens
MAU	745.4	744.5	743.8	744.5	752.6	752.6	767.4	771.2	782.1	785.7	807.7	817.5	806.9	817.5	862.0	890.2
% Above / (Below) Street	-0.1%		0.1%		0.0%		0.5%		0.5%		1.2%		1.3%		3.3%	
Premium Subscribers	289.3	289.3	289.3	289.3	293.7	293.2	300.7	301.7	306.2	308.8	314.6	319.1	314.3	319.1	337.2	350.4
% Above / (Below) Street	0.0%		0.0%		-0.2%		0.3%		0.8%		1.4%		1.5%		3.9%	
Premium Revenue	3,998	4,040	15,335	15,377	4,198	4,255	4,344	4,427	4,484	4,517	4,676	4,714	17,622	17,913	20,040	20,511
% Above / (Below) Street	1.1%		0.3%		1.4%		1.9%		0.7%		0.8%		1.7%		2.4%	
Total revenue	4,518.1	4,553.0	17,172.9	17,208.0	4,610.1	4,679.7	4,821.6	4,908.6	4,991.1	5,034.0	5,272.8	5,314.2	19,652.6	19,936.4	22,397.7	22,857.5
% Above / (Below) Street	0.8%		0.2%		1.5%		1.8%		0.9%		0.8%		1.4%		2.1%	
Gross profit	1,488.2	1,497.0	5,484.1	5,497.0	1,490.8	1,500.8	1,593.0	1,570.2	1,652.2	1,621.0	1,807.5	1,782.9	6,517.3	6,474.8	7,691.9	7,622.8
% Above / (Below) Street	0.6%		0.2%		0.7%		-1.4%		-1.9%		-1.4%		-0.7%		-0.9%	
EBITDA	725.1	729.1	2,516.5	2,493.1	743.6	746.2	785.9	777.8	905.3	889.6	975.3	998.0	3,329.3	3,411.6	4,241.7	4,413.7
% Above / (Below) Street	0.6%		-0.9%		0.4%		-1.0%		-1.7%		2.3%		2.5%		4.1%	
Free cash flow	846.7	854.6	2,846.7	2,895.6	607.5	688.2	870.0	1,031.7	992.2	982.8	1,106.2	1,114.9	3,593.4	3,817.5	4,418.9	4,980.3
% Above / (Below) Street	0.9%		1.7%		13.3%		18.6%		-0.9%		0.8%		6.2%		12.7%	

Source: Visible Alpha, Citizens JMP Securities, LLC

SPOTIFY OVERVIEW: THE LEADING GLOBAL MULTI-FORMAT AUDIO STREAMING PLATFORM

Spotify is the world's largest audio streaming platform, serving 713M monthly users across music, podcasts, and audiobooks. The company enables on-demand access to 100M+ music tracks, nearly 7M podcast titles, and a 500K catalog of audiobooks. Spotify is active in 184 markets and most recently reported 713M monthly active users (MAUs) and 281M Premium subscribers in 3Q25.

The company's scale, personalization technology, and global reach remain its core competitive advantages. Spotify operates on 2K+ partner devices and increasingly leverages artificial intelligence to drive engagement and discovery. Its recommendation system—anchored by machine learning and behavioral data—underpins user retention and platform stickiness. Generative AI represents a key catalyst for the business as it enables deeper personalization, something that Spotify refers to as Personalization 2.0. Recent feature launches such as DJ, which delivers personalized commentary and curation, AI Playlists, which enable natural-language playlist generation, and Prompted Playlists, which lets users describe what they want to hear and set rules for their personalized playlists, exemplify its strategy to deepen daily engagement.

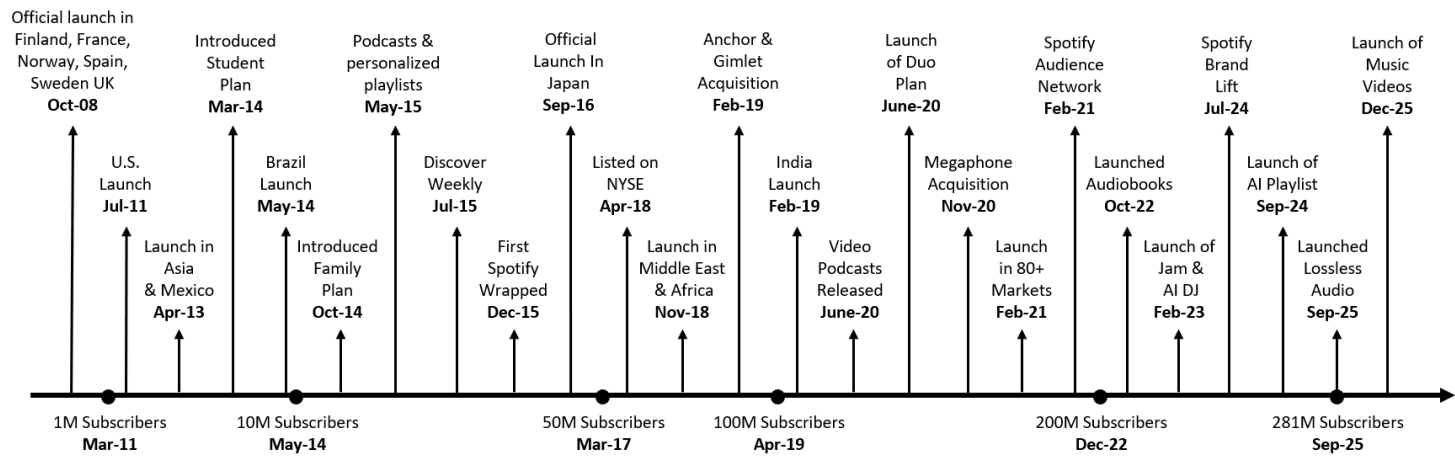
Spotify has two primary revenue streams: Premium (subscriptions) and Ad-Supported (free, ad-funded). Premium users access unlimited, ad-free music, podcasts, and—in select markets—monthly audiobook hours included in the subscription. The Ad-Supported service provides free, limited-functionality access to Spotify's catalog while serving as a key conversion funnel for Premium. In 3Q25, Premium accounted for ~40% of MAU and ~90% of revenue, with Ad-Supported contributing the remaining ~60% of MAU and ~10% of revenue.

Premium revenue growth is driven by subscriber additions, pricing optimization, and partner distribution. Spotify offers multiple plans—Individual, Duo, Family, and Student—tailored by market affordability and purchasing behavior. In 3Q25, Premium subscribers grew 9% Y/Y to 268M, and ARPU was ~flat % Y/Y ex-FX to €4.53. Spotify recently instituted one of its largest price increases in the company's history across 150+ markets in the fall of 2025 as we expect a persistent pace of price increases going forward supported by the company's insistent platform innovation. Additionally, we also expect Spotify to experiment with and launch additional pricing tiers optimized on a geographic basis, and potentially offer additional add-on subscriptions—such as its Audiobooks+ offering which gives users an additional 15 hours of audiobook listening time per month for an additional \$11.99 per month in the U.S.

We see meaningful opportunity for Spotify to grow its advertising revenue in the coming years. The Ad-Supported segment monetizes via audio, video, and display inventory, both on Spotify's owned platform and off-platform via its podcast network. Underpinning the Spotify ad platform is the Spotify Audience Network (SPAN), which connects advertisers with listeners across owned podcasts and third-party shows via Megaphone and Spotify for Creators, using dynamic ad insertion and campaign measurement. In April, Spotify launched the Spotify Ad Exchange (SAX), the company's programmatic marketplace enabling advertisers to buy audio and video inventory in real time through major DSPs, which represents a key catalyst for bringing additional advertising budgets onto its platform. The company advertising revenue has underwhelmed expectations in the recent quarter, but Spotify is confident that new management and recent platform enhancements such as the Spotify Ad Exchange can contribute to accelerating advertising revenue growth in 2026.

Founded in 2006 by Daniel Ek, Spotify is headquartered in Luxembourg and operated principally from Stockholm. Mr. Ek recently transitioned from CEO to Executive Chairman with Gustav Söderström, co-President and Chief Product and Technology Officer, and Alex Norström, co-President and Chief Business Officer, taking over as co-CEOs. The company employed 7,691 full-time staff globally as of 2024, with its primary offices located in Stockholm, Sweden and New York, New York.

FIGURE 57. Spotify Company History



Source: Spotify.com, Citizens JMP Securities, LLC

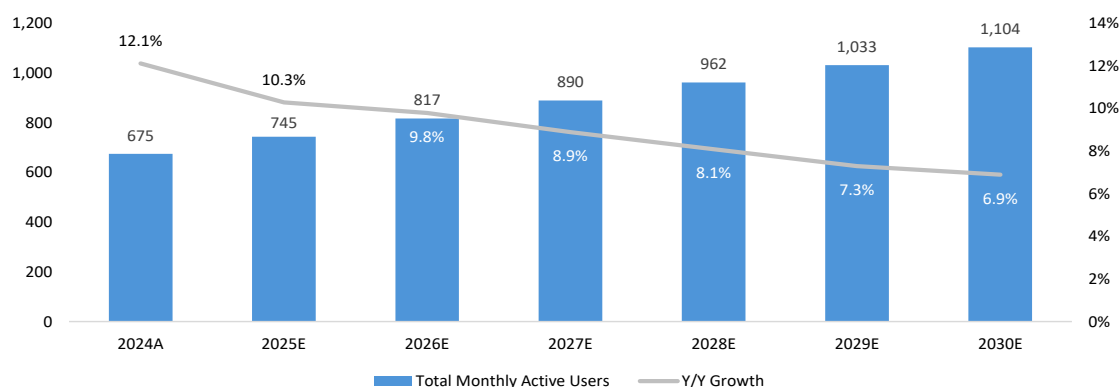
KEY OPERATING METRICS & FINANCIAL OVERVIEW

Monthly Active Users

Spotify defines MAUs as the total count of Ad-Supported Users and Premium Subscribers that have consumed content for greater than zero milliseconds in the last 30 days. This metric indicates the size of Spotify's active use base and overall reach, highlighting its growth and engagement.

For 2025, we project MAUs of 817M (+9.8% Y/Y) and growing to 1,104M (6.9% Y/Y) in 2029, representing an 8.2% five-year CAGR.

FIGURE 58. Monthly Active Users (in Millions), 2024A – 2030E



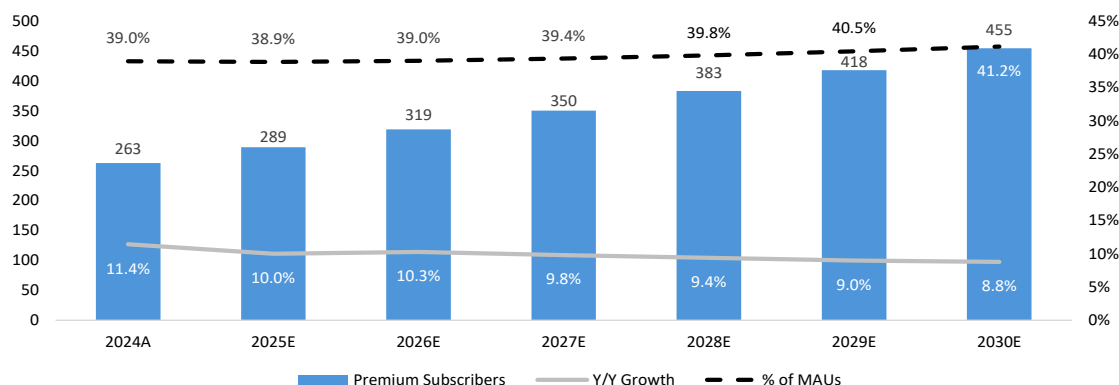
Source: Company Reports, Citizens JMP Securities, LLC

Premium Subscribers

Premium Subscribers are users who have completed registration with Spotify and activated a payment method for any of Spotify's Subscription Offerings, including all registered accounts under the Family and Duo Plan offering. Subscribers who have failed to pay their subscription fee but are within a 30-day grace period are still counted as Premium Subscribers.

We project Premium users to grow 9.2% Y/Y to 316M in 2026 and grow 7% Y/Y in 2030 to 428, representing an 8.1% CAGR. We also note that our model suggests Premium users as a percentage of total MAUs remains relatively flat through 2030 at ~39%.

FIGURE 59. Premium Subscribers (in Millions), 2024A – 2030E



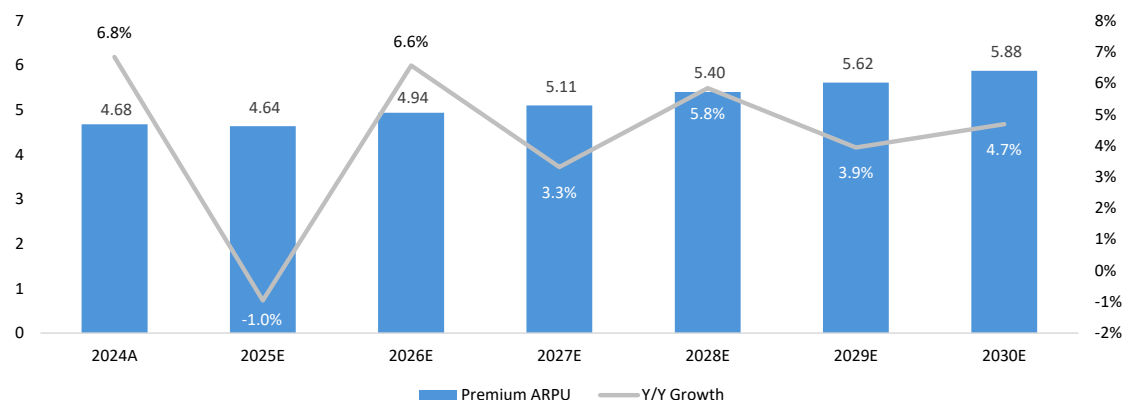
Source: Company Reports, Citizens JMP Securities, LLC

Premium ARPU

Premium ARPU represents the average monthly revenue generated per Premium subscriber. It is calculated by dividing Premium revenue for a quarter by the average daily Premium subscribers in that quarter, and then dividing by three months to express it as a monthly figure.

For 2026, we project a premium ARPU of €4.94 (6.4% Y/Y), growing to €5.93 (5% Y/Y) in 2030, representing a 5% five-year CAGR.

FIGURE 60. Premium ARPU (in Millions €), 2024A – 2030E



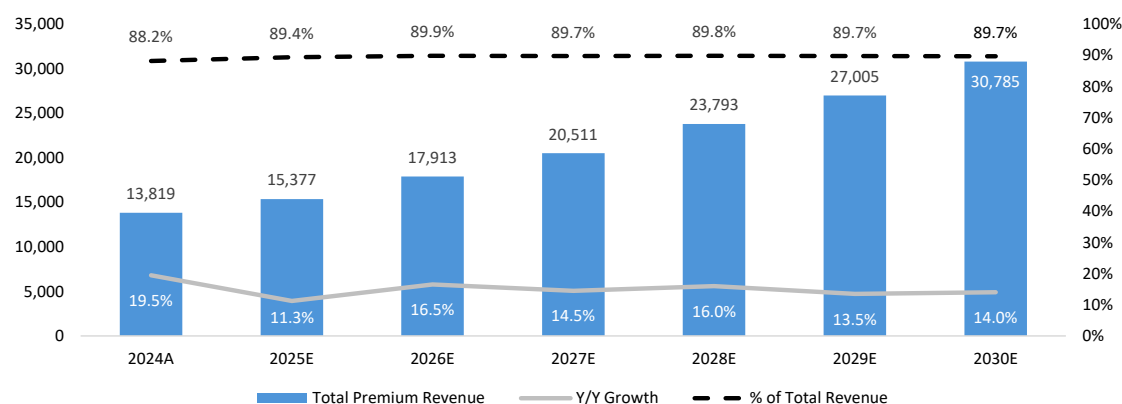
Source: Company Reports, Citizens JMP Securities, LLC

Premium Revenue

Premium Revenue is the total revenue recognized from Spotify's paid subscription offerings during a given period. This includes revenue from all Premium plans (Individual, Duo, Family, Student), accounting for any applicable discounts, promotions, and adjustments, but excludes ad-supported revenue and other non-subscription income.

We expect Premium Revenue of €17.9B (16.1%) in 2026, growing to €29.4B (12.8%) in 2030, representing a 13.8% five-year CAGR. We note that Premium Revenue represented ~88% of Spotify's revenue in 2024 and expect it to grow slightly to ~90% in 2030.

FIGURE 61. Premium Revenue (in Millions €), 2024A – 2030E

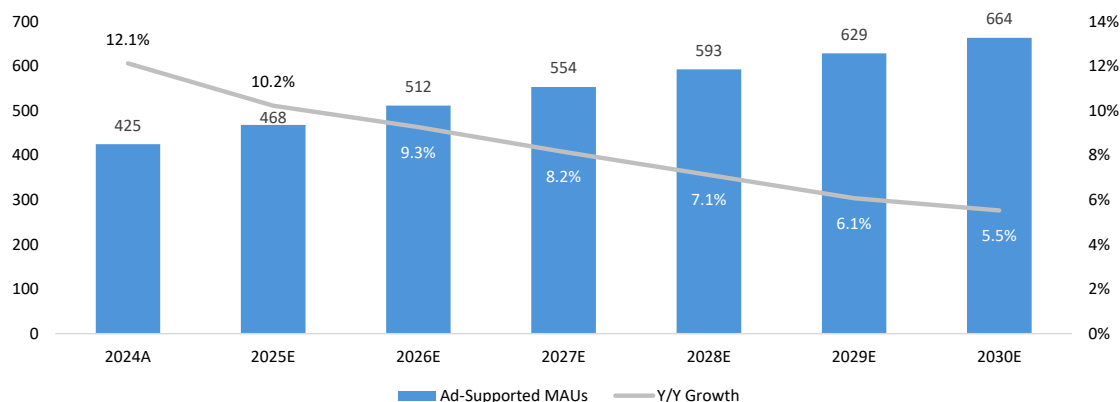


Source: Company Reports, Citizens JMP Securities, LLC

Ad-Supported MAUs

Ad-Supported MAUs represent the total number of unique non-premium users who have consumed content for more than zero milliseconds within the last 30 days. We expect Spotify to end 2026 with 515 (9.9% Y/Y) Ad-Supported MAUs. For 2030, we project 691 (6.7% Y/Y) Ad-Supported MAUs, representing an 8.1% CAGR.

FIGURE 62. Ad-Supported MAUs (in Millions €), 2024A – 2030E

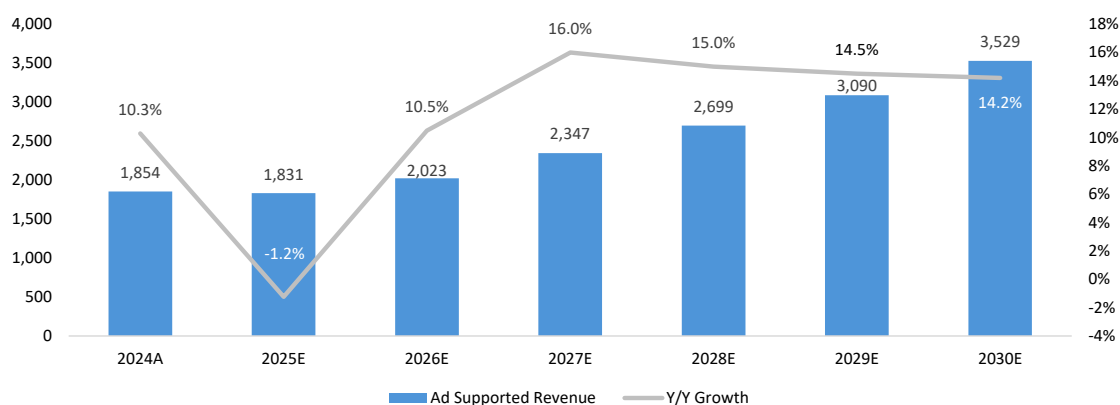


Source: Company Reports, Citizens JMP Securities, LLC

Ad-Supported Revenue

Ad-Supported Revenue is the total revenue recognized from Spotify's free, ad-supported tier. In 2026, we forecast €2.02B (10% Y/Y) of Ad-Supported Revenue, growing to €3.4B (12.4% Y/Y) in 2030, representing a 13% five-year CAGR.

FIGURE 63. Ad-Supported Revenue (in Millions €), 2024A – 2030E

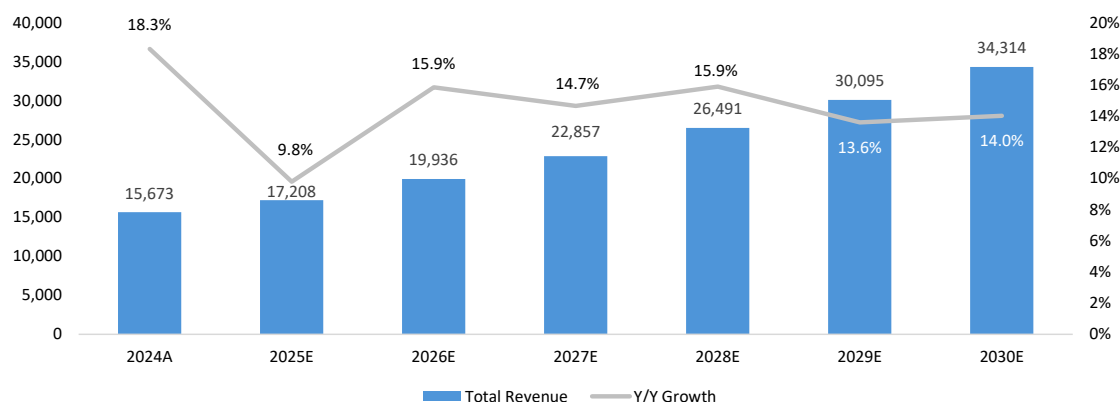


Source: Company Reports, Citizens JMP Securities, LLC

Total Revenue

We project Spotify's Total Revenue, combining Premium and Ad-Supported, to be €19.9B (15.4% Y/Y) in 2026 and growing to €34.3B (12% Y/Y) in 2030. Our 2030 projections represent a 13.8% five-year CAGR.

FIGURE 64. Total Revenue (in Millions €), 2024A – 2030E



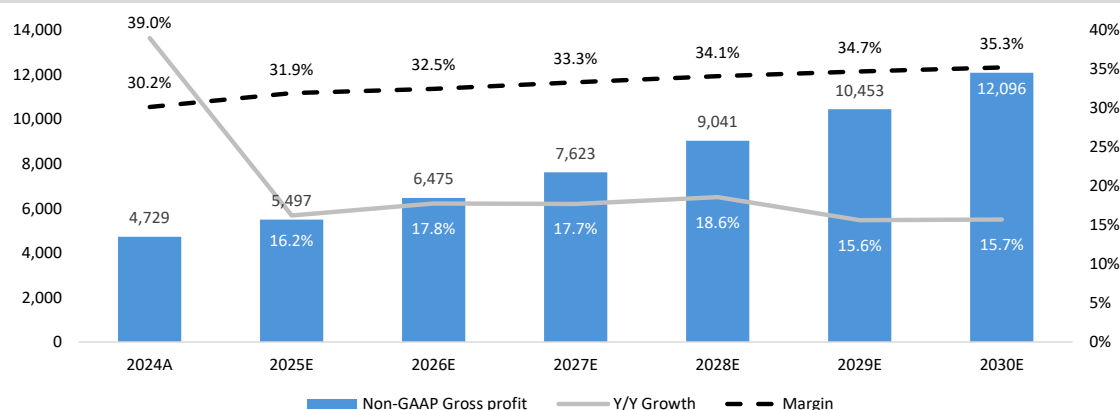
Source: Company Reports, Citizens JMP Securities, LLC

Gross Profit

Gross profit is separated into Premium segment gross profit and Ad-Supported segment gross profit. Premium segment gross profit consists of subscription revenue less royalty costs, audiobook content costs, and allocated shared costs, while Ad-Supported segment gross profit consists of advertising revenue less royalty costs, podcast content costs, and allocated shared costs based on user activity or revenue contribution.

For 2026, we project total gross profit of €6.5B (17.8% Y/Y) and growing to €12.1B (15.7% Y/Y) in 2030, representing a ~17% five-year CAGR. Additionally, we expect gross profit margin to grow to ~35% in 2030 from 32.5% in 2026.

FIGURE 65. Non-GAAP Gross Profit (in Millions €), 2024A – 2030E

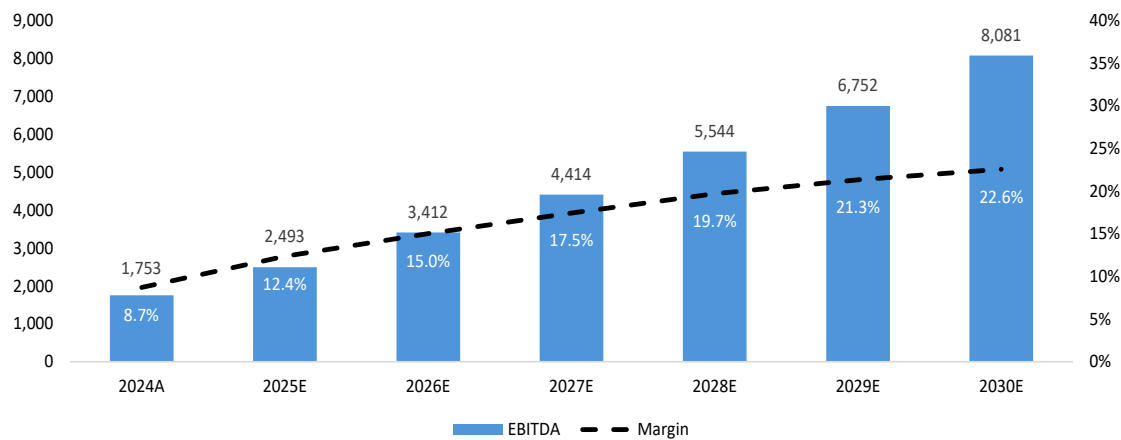


Source: Company Reports, Citizens JMP Securities, LLC

EBITDA

We forecast 2026 EBITDA of ~€3.4 billion, implying a 15% margin. By 2030, we expect margins to expand to 22.6%, driving EBITDA to €8.1 billion. This trajectory reflects a five-year CAGR of 26.5%.

FIGURE 66. EBITDA (in Millions €), 2024A – 2030E

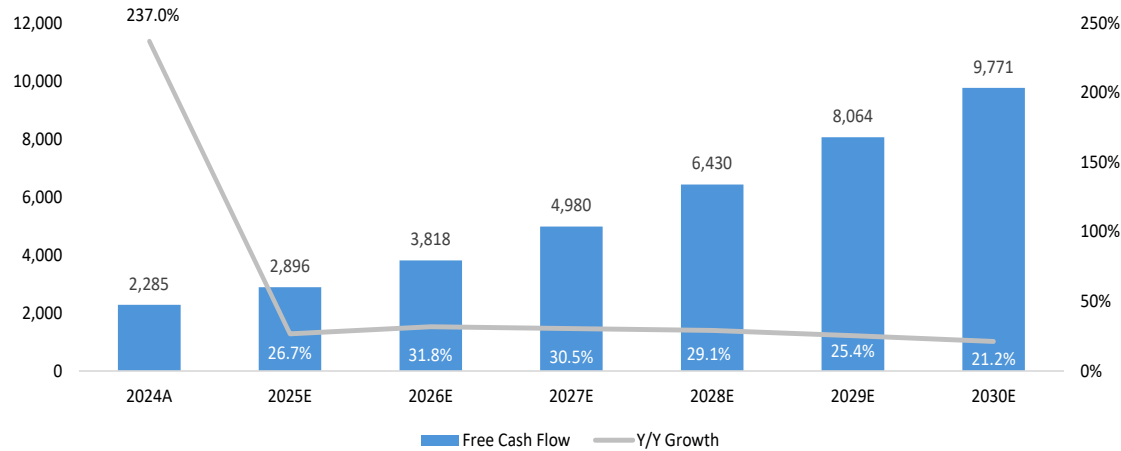


Source: Company Reports, Citizens JMP Securities, LLC

Free Cash Flow

In 2026, we expect FCF of ~€3.8B (31.9% Y/Y), growing to ~€9.8B (21.2%) in 2030, representing a 27.5% five-year CAGR.

FIGURE 67. Free Cash Flow (in Millions €), 2024A – 2030E



Source: Company Reports, Citizens JMP Securities, LLC

MANAGEMENT TEAM AND BOARD OF DIRECTORS

FIGURE 68. Management Team and Board of Director Bios

Management Team	Biography
<u>Daniel Ek</u> (Current Founder & CEO) (Executive Chairman Effective Jan 1, 2026)	<ul style="list-style-type: none"> • Founder and CEO of Spotify since 2006. • Previously founded Advertigo, held senior roles at Tradera, and served as CTO at Stardoll. • Effective Jan 1, 2026, Mr. Ek will step down as CEO and will become Executive Chairman of the Company.
<u>Gustav Söderström</u> (Co-President & Chief Product & Technology Officer) (Co-CEO Effective Jan 1, 2026)	<ul style="list-style-type: none"> • Co-President and Chief Product & Technology Officer at Spotify • Mr. Söderström previously served as Director of Product and Business Development for Yahoo! Mobile. • Effective Jan 1, 2026, Mr. Söderström will be promoted to Co-CEO alongside Mr. Norström, joining the BOD.
<u>Alex Norström</u> (Current Co-President & Chief Business Officer) (Co-CEO Effective Jan 1, 2026)	<ul style="list-style-type: none"> • Co-President & Chief Business Officer since 2023 • Mr. Norström previously held many senior roles at Spotify before becoming Chief Business Officer. • Effective Jan 1, 2026, Mr. Norström will be promoted to Co-CEO alongside Mr. Söderström, joining the BOD.
<u>Christian Luiga</u> (Current CFO)	<ul style="list-style-type: none"> • Chief Financial Officer since 2024. • Mr. Luiga served as Deputy CEO and CFO of Saab AB and held key executive roles at Telia Company AB. • Mr. Luiga serves as a member of the board of directors of Axfood AB
<u>Dustee Jenkins</u> (Chief Public Affairs Officer)	<ul style="list-style-type: none"> • Chief Public Affairs Officer at Spotify since 2017 • Ms. Jenkins previously served as SVP and CCO at Target and was a Director at Public Strategies, Inc. • Ms. Jenkins was Director of Communications at the Department of Housing and Urban Development.
<u>Anna Lundstrom</u> (CHRO)	<ul style="list-style-type: none"> • Chief Human Resource Officer since April 2025. • Ms. Lundstrom previously held senior HR leadership roles at Nasdaq and Teracom. • Holds a Master of Social Science in HR Management from Lund University.
Board of Directors	Biography
<u>Daniel Ek</u> (Founder & CEO)	<ul style="list-style-type: none"> • Founder and CEO of Spotify since 2006. • Previously founded Advertigo, held senior roles at Tradera, and served as CTO at Stardoll. • Effective Jan 1, 2026, Mr. Ek will step down as CEO and will become Executive Chairman of the Company.
<u>Martin Lorentzon</u> (Co-Founder)	<ul style="list-style-type: none"> • Co-Founder and joined Spotify board in 2008. • Mr. Lorentzon previously served on the board of Telia Company AB and founded Tradedoubler in 1999. • Mr. Lorentzon holds a Master of Science in Civil Engineering from Chalmers University of Technology.
<u>Christopher (Woody) Marshall</u>	<ul style="list-style-type: none"> • Spotify board member since 2015. • Mr. Marshall is a General Partner at Technology Crossover Ventures and spent 12 years at Trident Capital. • Mr. Marshall holds an Economics degree from Hamilton College and an MBA from Northwestern University.
<u>Barry McCarthy</u>	<ul style="list-style-type: none"> • Spotify board member since 2020 after serving as Spotify's CFO from 2015 to 2020. • Mr. McCarthy previously served as President and CEO of Peloton, CFO of Netflix, and held various board roles. • Mr. McCarthy holds a History degree from Williams College and an MBA from University of Pennsylvania.
<u>Shishir Mehrotra</u>	<ul style="list-style-type: none"> • Spotify board member since 2017. • Mr. Mehrotra is CEO of Grammarly and previously served as Strategic Advisor to Spotify's CEO. • Mr. Mehrotra holds dual Bachelor of Science degrees in Computer Science and Mathematics from MIT.
<u>Heidi O'Neill</u>	<ul style="list-style-type: none"> • Spotify board member since 2017. • Ms. O'Neill also currently sits on the board of Hyatt Hotels Corp. • Ms. O'Neill served as Nike's President of Consumer, Product & Brand and served on the board of Skullcandy.
<u>Ted Sarandos</u>	<ul style="list-style-type: none"> • Spotify board member since 2017. • Mr. Sarandos currently serves as Co-CEO of Netflix, joining the company in 2000. • Mr. Sarandos serves on the boards of Netflix, AFI, and Academy of Television Arts & Sciences.
<u>Thomas Staggs</u>	<ul style="list-style-type: none"> • Spotify board member since 2017. • Mr. Staggs is currently Co-Chairman and Co-CEO of Candle Media LLC and served 12 years at Disney. • Mr. Staggs holds a B.S. in Business from the University of Minnesota and an MBA from Stanford.
<u>Mona Sutphen</u>	<ul style="list-style-type: none"> • Spotify board member since 2021. • Ms. Sutphen is a partner at Vistria Group and a start-up co-founder, serving prior roles in finance and policy. • Ms. Sutphen holds a Bachelor of Arts from Mount Holyoke College and a Master of Science from the LSE.
<u>Padmasree Warrior</u>	<ul style="list-style-type: none"> • Spotify board member since 2017. • Ms. Warrior serves on Mahindra & Mahindra's board and previously led NIO USA as CEO. • Ms. Warrior holds degrees in Chemical Engineering from IIT and Cornell.

Source: Spotify, Company reports, Citizens JMP Securities, LLC

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FIGURE 69. Spotify Income Statement, 2024A – 2027E (€ in millions, except per share amounts)

(€ millions)	2024A	1Q25A	2Q25A	3Q25A	4Q25E	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E	2027E
Total Premium Revenue	\$13,819.0	\$3,771.0	\$3,740.0	\$3,826.0	\$4,040.0	\$15,377.0	\$4,255.1	\$4,427.1	\$4,517.2	\$4,714.0	\$17,913.4	\$20,510.9
Ad-Supported Revenue	\$1,854.0	\$419.0	\$453.0	\$446.0	\$513.1	\$1,831.1	\$424.6	\$481.4	\$516.8	\$600.2	\$2,023.0	\$2,346.6
Total revenue	\$15,673.0	\$4,190.0	\$4,193.0	\$4,272.0	\$4,553.0	\$17,208.0	\$4,679.7	\$4,908.6	\$5,034.0	\$5,314.2	\$19,936.4	\$22,857.5
Premium cost of sales	9,324.0	2,509.0	2,503.0	2,557.0	2,654.3	10,223.3	2,821.1	2,948.5	2,994.9	3,064.1	11,828.6	13,373.1
Ad-Supported cost of sales	1,625.0	355.0	370.0	364.0	402.7	1,491.7	358.8	390.9	419.1	468.2	1,636.9	1,865.6
Cost of sales	10,949.0	2,864.0	2,873.0	2,920.0	3,057.0	11,715.0	3,179.9	3,339.4	3,414.0	3,532.3	13,465.5	15,238.7
Non-GAAP gross profit	4,729.0	1,327.0	1,321.0	1,352.0	1,497.0	5,497.0	1,500.8	1,570.2	1,621.0	1,782.9	6,474.8	7,622.8
Operating expenses												
Sales and Marketing	1,331.0	303.0	345.0	331.0	373.3	1,352.3	334.6	346.1	334.8	358.7	1,374.1	1,440.0
Research and development	1,334.0	356.0	374.0	266.0	318.7	1,314.7	336.9	358.3	307.1	329.5	1,331.8	1,405.7
General and administrative	432.0	117.0	123.0	98.0	100.2	438.2	107.6	112.9	114.8	122.2	457.5	468.6
Stock-based compensation	267.0	42.0	73.0	74.0	76.0	265.0	77.0	78.0	79.0	80.0	314.0	319.0
One-time items	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	3,364.0	818.0	915.0	769.0	868.2	3,370.2	856.2	895.3	835.6	890.4	3,477.5	3,633.3
Operating income	1,365.0	509.0	406.0	583.0	628.8	2,126.8	644.6	674.9	785.4	892.5	2,997.4	3,989.5
PF Operating income	1,632.0	551.0	479.0	657.0	704.8	2,391.8	721.6	752.9	864.4	972.5	3,311.4	4,308.5
Finance Income	328.0	71.0	89.0	262.0	74.6	496.6	76.6	78.6	80.6	82.6	318.4	328.4
Finance Cost	(352.0)	(252.0)	(447.0)	(17.0)	(54.9)	(770.9)	(59.9)	(64.9)	(69.9)	(74.9)	(269.6)	(289.6)
Income before taxes	1,341.0	328.0	48.0	828.0	648.5	1,852.5	661.3	688.6	796.1	900.2	3,046.2	4,028.3
Provision for income taxes	203.0	103.0	134.0	(72.0)	97.3	262.3	99.2	103.3	119.4	135.0	456.9	604.2
Effective tax rate	15.1%	31.4%	279.2%	-8.7%	15.0%	14.2%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Net income (loss)	1,138.0	225.0	(86.0)	900.0	551.2	1,590.2	562.1	585.3	676.7	765.2	2,589.3	3,424.1
Net Income attributable to participating securities	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net income (loss) attributable to stockholders	1,138.0	225.0	(86.0)	900.0	551.2	1,590.2	562.1	585.3	676.7	765.2	2,589.3	3,424.1
Basic income (loss) per share	\$5.67	\$1.10	(\$0.42)	\$4.37	\$2.67	\$7.73	\$2.72	\$2.82	\$3.25	\$3.66	\$12.46	\$16.42
Diluted income (loss) per share	\$5.50	\$1.07	(\$0.42)	\$4.21	\$2.57	\$7.54	\$2.66	\$2.76	\$3.19	\$3.60	\$12.21	\$16.09
Basic shares outstanding (000s)	200.6	204.5	205.4	206.0	206.8	205.7	206.5	207.3	208.1	209.0	207.7	208.6
Diluted shares outstanding (000s)	207.0	210.2	205.4	213.8	214.2	210.9	211.3	211.8	212.2	212.6	212.0	212.8
EBITDA Reconciliation												
GAAP Operating Income	1,365.0	509.0	406.0	583.0	628.8	2,126.8	644.6	674.9	785.4	892.5	2,997.4	3,989.5
Depreciation and other amortization	121.0	27.0	26.0	24.0	24.3	101.3	24.6	24.9	25.2	25.5	100.2	105.2
Stock compensation expense	267.0	42.0	73.0	74.0	76.0	265.0	77.0	78.0	79.0	80.0	314.0	319.0
One-time items / Payroll tax from SBC	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	1,753.0	578.0	505.0	681.0	729.1	2,493.1	746.2	777.8	889.6	998.0	3,411.6	4,413.7
Y/Y Growth												
Total Premium Revenue	19.5%	16.1%	11.6%	8.8%	9.0%	11.3%	12.8%	18.4%	18.1%	16.7%	16.5%	14.5%
Ad-Supported Revenue	10.3%	7.7%	-0.7%	-5.5%	-4.5%	-1.2%	1.3%	6.3%	15.9%	17.0%	10.5%	16.0%
Total revenue	18.3%	15.2%	10.1%	7.1%	7.3%	9.8%	11.7%	17.1%	17.8%	16.7%	15.9%	14.7%
Cost of sales	11.2%	8.8%	6.6%	6.3%	6.4%	7.0%	11.0%	16.2%	16.9%	15.5%	14.9%	13.2%
Gross profit	39.0%	32.0%	18.6%	8.9%	9.4%	16.2%	13.1%	18.9%	19.9%	19.1%	17.8%	17.7%
Sales and Marketing	-9.3%	-1.6%	6.2%	4.1%	-1.8%	1.6%	10.4%	0.3%	1.1%	-3.9%	1.6%	4.8%
Research and development	-12.9%	1.7%	12.7%	-13.1%	-7.9%	-1.4%	-5.4%	-4.2%	15.4%	3.4%	1.3%	5.6%
General and administrative	-18.3%	6.4%	12.8%	-2.0%	-11.4%	1.4%	-8.0%	-8.2%	17.1%	22.0%	4.4%	2.4%
GAAP expenses	4.5%	6.1%	6.9%	4.4%	4.2%	5.4%	9.6%	11.8%	15.2%	12.7%	12.3%	11.4%
PF expenses	5.0%	7.1%	7.3%	4.1%	3.7%	5.5%	8.8%	11.9%	15.4%	12.8%	12.2%	11.6%
Operating income	-406.1%	203.0%	52.6%	28.4%	31.8%	55.8%	26.6%	66.2%	34.7%	41.9%	40.9%	33.1%
PF Operating income	-1405.6%	132.5%	37.6%	27.1%	33.0%	46.6%	31.0%	57.2%	31.6%	38.0%	38.4%	30.1%
GAAP Net income	-313.9%	14.2%	-131.4%	200.0%	50.2%	39.7%	149.8%	-780.6%	-24.8%	38.8%	62.8%	32.2%
PF Net income	-616.7%	-49.4%	-197.1%	321.8%	89.3%	15.9%	250.3%	-256.3%	-40.7%	34.6%	75.0%	28.8%
GAAP EPS	-301.2%	10.7%	-131.5%	191.0%	46.5%	37.1%	148.5%	-760.2%	-24.2%	39.9%	62.0%	31.7%
PF EPS	-580.2%	-51.0%	-197.4%	309.2%	84.7%	10.9%	248.5%	-251.6%	-40.2%	35.7%	78.1%	28.3%
EBITDA	5212.1%	115.7%	33.6%	24.5%	30.2%	42.2%	29.1%	54.0%	30.6%	36.9%	36.8%	29.4%
Sequential Growth												
Total revenue	-	-1.2%	0.1%	1.9%	6.6%	-	2.8%	4.9%	2.6%	5.6%	-	-
EBITDA	-	3.2%	-12.6%	34.9%	7.1%	-	2.3%	4.2%	14.4%	12.2%	-	-
% of Revenues												
Cost of sales	69.9%	68.4%	68.5%	68.4%	67.1%	68.1%	68.0%	68.0%	67.8%	66.5%	67.5%	66.7%
Marketing and sales	8.5%	7.2%	8.2%	7.7%	8.2%	7.9%	7.2%	7.1%	6.7%	6.8%	6.9%	6.3%
Research and development	8.5%	8.5%	8.9%	6.2%	7.0%	7.6%	7.2%	7.3%	6.1%	6.2%	6.7%	6.2%
General and administrative	2.8%	2.8%	2.9%	2.3%	2.2%	2.5%	2.3%	2.3%	2.3%	2.3%	2.3%	2.1%
Stock based compensation	1.7%	1.0%	1.7%	1.7%	1.7%	1.5%	1.6%	1.6%	1.6%	1.5%	1.6%	1.4%
Margins												
Gross margin	30.2%	31.7%	31.5%	31.6%	32.9%	31.9%	32.1%	32.0%	32.2%	33.6%	32.5%	33.3%
Operating margin	8.7%	12.1%	9.7%	13.6%	13.8%	12.4%	13.8%	13.7%	15.6%	16.8%	15.0%	17.5%
PF Operating margin	10.4%	13.2%	11.4%	15.4%	15.5%	13.9%	15.4%	15.3%	17.2%	18.3%	16.6%	18.8%
EBITDA margin	11.2%	13.8%	12.0%	15.9%	16.0%	14.5%	15.9%	15.8%	17.7%	18.8%	17.1%	19.3%
PF Operating Profit/Gross Profit	34.5%	41.5%	36.3%	48.6%	47.1%	43.5%	48.1%	47.9%	53.3%	54.5%	51.1%	56.5%
Operating Leverage (Δ PF op Inc / Δ Revenues)	72.4%	56.7%	33.9%	49.3%	56.2%	49.5%	34.8%	38.3%	27.2%	35.2%	33.7%	34.1%

Source: Company reports, Citizens JMP Securities, LLC

FIGURE 70. Spotify Revenue Analysis, 2024A – 2027E (€ in millions, except per share amounts)

(€ millions)	2024A	1Q25A	2Q25A	3Q25A	4Q25E	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E	2027E
MAU Net Additions	73	3	18	17	32	70	8	19	15	32	73	73
Y/Y Growth	-35.4%	-76.9%	63.6%	21.4%	-9.9%	-4.8%	168.5%	3.3%	-14.4%	0.8%	4.9%	-0.3%
Q/Q Growth		-91.4%	500.0%	-5.6%	85.4%		-74.4%	130.8%	-21.7%	118.2%		
Total Monthly Active Users	675	678	696	713	745	745	753	771	786	817	817	890
Y/Y Growth	12.1%	10.2%	11.2%	11.4%	10.3%	10.3%	11.0%	10.8%	10.2%	9.8%	9.8%	8.9%
Q/Q Growth		0.4%	2.7%	2.4%	4.4%		1.1%	2.5%	1.9%	4.0%		
Average MAU	639	677	687	705	729	710	749	762	778	802	781	854
Premium Subscribers	263	268	276	281	289	289	293	302	309	319	319	350
Y/Y Growth	11.4%	12.1%	12.2%	11.6%	10.0%	10.0%	9.4%	9.3%	9.8%	10.3%	10.3%	9.8%
Q/Q Growth		1.9%	3.0%	1.9%	2.9%		1.3%	2.9%	2.4%	3.3%		
Average premium subscribers	250	266	272	279	285	276	291	297	305	314	304	335
% of Total MAUs	39.0%	39.5%	39.7%	39.4%	38.9%	38.9%	39.0%	39.1%	39.3%	39.0%	39.0%	39.4%
% of TTM MAU	41.2%	40.9%	41.1%	40.7%	40.9%	40.9%	40.4%	40.5%	40.4%	40.8%	40.8%	41.1%
Premium ARPU	4.68	4.73	4.57	4.53	4.72	4.64	4.87	4.96	4.93	5.01	4.94	5.11
Y/Y Growth	6.8%	4.0%	-1.1%	-3.8%	-2.7%	-1.0%	3.0%	8.6%	8.9%	6.0%	6.6%	3.3%
Q/Q Growth		-2.5%	-3.4%	-0.9%	4.2%		3.2%	7.0%	1.3%	0.9%		
Y/Y Growth, ex-FX impact	14.3%	4.0%	3.0%	0.0%	1.8%	11.6%	4.6%	9.8%	9.0%	6.0%	9.6%	3.3%
Premium ARPU calculated	4.62	4.73	4.58	4.58	4.72	4.64	4.87	4.96	4.93	5.01	4.91	5.11
Y/Y Growth	5.6%	3.9%	-0.5%	-2.8%	-1.6%	0.5%	2.9%	8.3%	7.8%	6.0%	5.8%	4.1%
Total Premium Revenue	13,819	3,771	3,740	3,826	4,040	15,377	4,255	4,427	4,517	4,714	17,913	20,511
Y/Y Growth	19.5%	16.1%	11.6%	8.8%	9.0%	11.3%	12.8%	18.4%	18.1%	16.7%	16.5%	14.5%
Q/Q Growth		1.8%	-0.8%	2.3%	5.6%		5.3%	4.0%	2.0%	4.4%		
% of total revenue	88.2%	90.0%	89.2%	89.6%	88.7%	89.4%	90.9%	90.2%	89.7%	88.7%	89.9%	89.7%
Y/Y Growth, ex-FX impact	21.4%	16.0%	16.0%	13.0%	13.5%	13.2%	14.5%	19.6%	18.2%	16.7%	17.2%	14.5%
Ad-Supported MAUs	425	423	433	446	468	468	473	483	491	512	512	554
Y/Y Growth	12.1%	9.0%	10.2%	10.9%	10.2%	10.2%	11.7%	11.5%	10.2%	9.3%	9.3%	8.2%
Q/Q Growth		-0.5%	2.4%	3.0%	5.0%		0.9%	2.1%	1.8%	4.2%		
% of Total MAUs	63.0%	62.4%	62.2%	62.6%	62.9%	62.9%	62.8%	62.6%	62.5%	62.6%	62.6%	62.2%
Average ad-supported MAU	402	424	428	440	457	447	471	478	487	502	490	533
Y/Y Growth	19.3%	10.6%	9.6%	10.6%	10.6%	11.1%	11.0%	11.6%	10.8%	9.7%	9.7%	8.7%
Ad Supported ARPU	0.38	0.33	0.35	0.34	0.37	0.34	0.30	0.34	0.35	0.40	0.34	0.37
Y/Y Growth	-7.5%	-2.6%	-9.4%	-14.5%	-13.6%	-11.1%	-8.7%	-4.8%	4.5%	6.6%	0.7%	6.7%
Q/Q Growth		-23.9%	7.1%	-4.1%	10.6%		-19.6%	11.7%	5.3%	12.8%		
Ad Supported Revenue	1,854	419	453	446	513	1,831	425	481	517	600	2,023	2,347
Y/Y Growth	10.3%	7.7%	-0.7%	-5.5%	-4.5%	-1.2%	1.3%	6.3%	15.9%	17.0%	10.5%	16.0%
Q/Q Growth		-22.0%	8.1%	-1.5%	15.0%		-17.2%	13.4%	7.3%	16.1%		
% of total revenue	11.8%	10.0%	10.8%	10.4%	11.3%	10.6%	9.1%	9.8%	10.3%	11.3%	10.1%	10.3%
Y/Y Growth, ex-FX impact	10.3%	5.0%	5.0%	-6.0%	0.0%	0.5%	3.0%	7.5%	16.0%	17.0%	11.2%	16.0%
Total Revenue	15,673	4,190	4,193	4,272	4,553	17,208	4,680	4,909	5,034	5,314	19,936	22,857
Y/Y Growth	18.3%	15.2%	10.1%	7.1%	7.3%	9.8%	11.7%	17.1%	17.8%	16.7%	15.9%	14.7%
Q/Q Growth		-1.2%	-73.2%	1.9%	6.6%		2.8%	4.9%	2.6%	5.6%		
Y/Y Growth, ex-FX impact	16.5%	15.0%	15.0%	12.0%	11.8%	7.8%	13.4%	18.3%	18.0%	16.7%	15.1%	14.7%

Source: Company reports, Citizens JMP Securities, LLC

COMPANY DESCRIPTION

Spotify is the world's leading audio streaming platform, offering music, podcasts, video podcasts, and audiobooks to a global audience of over 700 million monthly active users. The company leverages deep personalization, data-driven discovery, and broad device availability to drive engagement and monetize through subscriptions, advertising, and creator services. The company was founded in 2006 in Stockholm, Sweden, by Daniel Ek and Martin Lorentzon.

INVESTMENT RISKS

Key Risks: 1) music streaming and podcasting are highly competitive markets with large, well-capitalized competitors; 2) Spotify has historically underexecuted in advertising, which could delay monetization of its ad-supported audience; 3) Spotify is becoming increasingly penetrated in mature markets, potentially slowing user growth and limiting monetization; 4) new content verticals may be less additive to engagement and monetization than prior expansions; and 5) generative AI music platforms represent a long-term risk to Spotify's engagement.

Facts and Disclosures

Analyst Certification:

The research analyst(s) who prepared this report does/do hereby certify that the views presented in this report are in accordance with my/our personal views on the securities and issuers discussed in this report. As mandated by SEC Regulation AC no part of my/our compensation was, is or will be directly or indirectly related to the specific views or recommendations expressed herein. This certification is made under the obligations set forth in SEC Regulation AC. Any other person or entity may not use it for any other purpose. This certification is made based on my/our analysis on the date of this report's publication. I/We assume no obligation to update this certification to reflect any facts, circumstances, or events that may subsequently come to my/our attention. Signed Matthew Condon, CFA, Andrew Boone, CFA and Brianna Diaz

Disclosures:

Citizens JMP Securities, LLC. expects to receive OR intends to seek compensation for investment banking services from Spotify Technology S.A. in the next three months.

For disclaimer details, please click on link. [Citizens JMP Securities, LLC Disclaimer](#)

For applicable disclosures on companies mentioned in this report, please refer to the Citizens JMP Securities, LLC Facts and Disclosures page in the report link above.

Citizens JMP Securities, LLC Investment Opinion Definitions:

Market Outperform (MO): Citizens JMP Securities, LLC expects the stock price to outperform the Russell 3000® Index over the next 12 months.

Market Perform (MP): Citizens JMP Securities, LLC expects the stock price to perform in line with the Russell 3000® Index over the next 12 months.

Market Underperform (MU): Citizens JMP Securities, LLC expects the stock price to underperform the Russell 3000® Index over the next 12 months.

Research Ratings and Investment Banking Services: (as of December 17, 2025)

Citizens Capital Markets & Advisory Ratings				# Co's Receiving IB Services in Past 12 Months				
Regulatory Equivalent	# Co's Under Coverage	% of Total		Regulatory Equivalent	# Co's Under Coverage	% of Total	% of Co's With This Rating	
MARKET OUTPERFORM	Buy	311	68.50%	Buy	311	68.50%	75	24.12%
MARKET PERFORM	Hold	143	31.50%	Hold	143	31.50%	19	13.29%
MARKET UNDERPERFORM	Sell	0	0.00%	Sell	0	0.00%	0	0%
COVERAGE IN TRANSITION		0	0.00%		0	0.00%	0	0%
RATING SUSPENDED		0	0.00%		0	0.00%	0	0%
TOTAL:		454	100%	454		100%	94	20.70%

Stock Price Chart of Rating and Target Price Changes:

Note: First annotation denotes initiation of coverage or 3 years, whichever is shorter. If no target price is listed, then the target price is N/A. In accordance with FINRA Rule 2241, the chart(s) below reflect(s) price range and any changes to the rating or price target as of the end of the most recent calendar quarter. The action reflected in this note is not annotated in the stock price chart. Source: Citizens JMP Securities, LLC.

Rating and Price Target History for: Spotify Technology S.A. (SPOT) as of 12-16-2025



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