Q3 2026 Earnings Call Prepared Remarks
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Bryan Goldberg, Head of Investor Relations

Thanks operator and welcome to Spotify's Third Quarter 2026 Earnings Conference Call.

Joining us today will be our Co-CEO's, Alex Norström and Gustav Söderström, and our CFO, Christian Luiga. We'll start with opening comments from the team and afterwards we'll be happy to answer your questions.

Questions can be submitted by going to slido.com (S L I D O.com) and using the code #SpotifyEarningsQ326. Analysts can ask questions directly into Slido and all participants can then vote on the questions they find the most relevant.

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

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

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

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

Alex Norström, Co-Chief Executive Officer

Thanks Bryan and hello everyone. Thanks for joining us. Let me start with the strength of the quarter. We made several commitments last quarter and they've all landed either in line or better than expected.

Our revenue came in right in-line with what we guided, at about €5 billion, up 14% at constant currency. MAU also landed right on target, at 788 million. As we shared last quarter, we are optimizing our MAU growth across markets to scale our funnel and drive revenue growth over time. Subscribers came in ahead, at 306 million, beating our guidance by a million. That strength shows up where it matters most: Premium revenue grew 15%, driven by both subscriber growth and higher ARPU. Gross margin also came in ahead of expectations, at 33%, a significant year-over-year expansion. Over the past twelve months, we've generated €3.2 billion in free cash flow.

Ads is one of the areas of our business that I've spent time talking about, so I want to share our progress. We've been open with you that we are rebuilding this business, and we said the momentum would start to show in the second half of the year. In Q3 ads grew 9% at constant currency, up from 3% in each of the first two quarters. Further, our automated channels continue to scale, and sponsorship products are growing, particularly in podcasts. We're moving in the right direction, and there's more progress ahead.

And on opex: we told you this would be a year of investment, with operating expense growth peaking in Q3 and moderating from Q4 on. That's exactly what's happening. Christian will walk you through the details further. But as we know from experience, investing in our product, features and brand strengthens our position and we can see that playing out.

To build on this further, I'd like to use the rest of my time on what I think is an underappreciated part of our story: durability.

When we went public in 2018, we had 71 million subscribers. Since then, every single year, we've added 25 million subs or more, and this year we expect to reach 316 million subscribers. As I've mentioned before, very few consumer subscription businesses have ever reached this scale, and few are still adding at this pace. Through a pandemic, price increases and a changing economy and consumer landscape, this steady growth in subscribers hasn't stopped. And this quarter, that growth came from every region. That's what durability looks like.

Looking across the broader subscription landscape, you all know that not all subscribers are created equal. Spotify not only enjoys industry-leading engagement, but we also have the most passionate and engaged music, podcast and book fans in the world on our platform. We're not just an app or a product sitting on the phone. That's why we continue to grow and take share. Every time we expand what's on Spotify, we bring in new listeners and give existing ones more reasons to come back, almost every day.

Sweden is a clear demonstration of how high the opportunity can go. In our first and most established market, nearly 50% of the population pays for Spotify. Globally, that figure is still under 4%. In key markets like the UK and Germany, it's between 20 to 25%. Latin America is around 11%, and across emerging markets we're less than 3%. What makes our position unique is how balanced it is. In developed markets, we're growing a highly engaged, monetizing base with a lot more room for growth. In emerging markets, we're still early, with hundreds of millions of subs to come. This is a growth engine that compounds, building a bigger recurring revenue base. Durability at scale.

We also kept adding to what a subscription is worth this quarter. We signed a new multi-year agreement with Joe Rogan, whose show remains the world's most popular podcast. We added Believe as a partner for Remixes & Covers. Remixes are as old as music itself, and we're working on a version that fans love and rights holders trust, with consent, credit and compensation at the core. And as we recently announced, we're expanding audiobooks to more than 180 markets by the end of the year, making Spotify the world's first global audiobooks service. This enhances subscriber lifetime value, add-on monetization and will benefit Spotify around the world. Gustav will share more.

So this was a quarter where we did what we said. We've built a strong business that keeps compounding, we invest when we see a path for growth, our costs are moderating, and there is more runway ahead. Having seen a preview of this year's Wrapped, I'm looking forward to Q4 with a lot of excitement and I can't wait to see how our fans respond.

With that, let me hand it over to Gustav.

Gustav Söderström, Co-Chief Executive Officer

Thanks, Alex. Alex just spoke about Durability at Scale. Let me share how we are creating it.

At our recent investor day, I talked about two ways to predict the future. You can extrapolate what is already happening, or you can anticipate what's about to change. When the world shifted to mobile in 2007, we needed to do a lot of anticipation, imagining and building for a world that we thought would happen but that didn't exist yet. This worked out well for us and we accelerated in that new world. For much of the following decade we - and everyone else - could instead largely rely on extrapolation of what already existed, more phones, more ads, more catalog etc, which also got us very far. I don't think it's escaped anyone on this call, but today we are clearly in an era where anticipation is much more important again.

So today I want to talk about three things we anticipated some time ago that are now becoming real, and the effects of those.

First, agents. On our fourth-quarter call back in February, I said that we were building "The world's first truly intelligent, agentic media platform." That may have sounded a bit abstract at the time, but it's hopefully becoming clearer now. What we meant was an intelligent media service, encapsulated as an agent, whether you use it directly through our application, or via another agent. We made a bet that consumers using services like ChatGPT would also start demanding intelligence from their media service, so we built for that. Spotify is now an agent that you can not only click on in our app, but talk to, ask questions of and instruct. We can do things today that no other media service can do. For example, you can ask Spotify to go through your listening history song by song back to 2008, picking your true favorites, beat stretching them by speeding them up and down, and then sorting them by key and bpm. Then ask it to mix them together into the perfect running playlist at your exact cadence. But that's not all you can do, you can also ask Spotify exactly who wrote and performed what on each track. And if you want to shift gears entirely, we can also generate an individual podcast - just for you, as well as recap the book you're reading up until exactly where you stopped.

As we prepared for this agentic world, we also thought through what our ubiquity strategy would mean in an agentic age. Spotify's strategy has always been to be the best experience, wherever people listen. As an example, nearly a decade ago, as connected speakers took off, we rebuilt our technology stack to make Spotify easy to integrate across speakers, TVs, gaming consoles, and other devices. That investment turned the growth of the connected-device industry into a tailwind for Spotify—one that continues to pay off today.

So for the agentic age, we are betting on consumers using many agents, and that Spotify will be by far the best media platform for licensed content inside and across all these agents. Before most people were regular users, we integrated Spotify into ChatGPT - making Spotify the first service available. This was also the case with Meta Raybans, OpenAI's Dots, and we were the only media service integrated into Meta's Muse at launch. The list goes on and on. We are simply everywhere. So that whenever you find a great song, book or podcast, or even want to create a podcast of your own, it's right there. You just save it, playlist it etc, and it shows up in Spotify in your morning commute.

Importantly, this is not just a technology strategy, it is also a business strategy. We think Spotify is unusually well positioned for the age of agentic AI. This is because Spotify - unlike most companies - can "monetize from the background." Whether you are a premium user or a free user listening to our audio ads, our business model not only works, but thrives, while Spotify is in the background. This is actually not something new. The Spotify app has been in the background of apps like Waze and Google maps during the commute for a decade now.

Zooming out, Spotify is in one of the few categories that actually stands to thrive in the agentic age. This is because agents excel at replacing and taking care of things people would rather not do. Like paying bills, answering emails, booking restaurants, checking your kids school schedule etc. This is where you see services like Muse absolutely thriving. People love getting rid of chores. But entertainment is the opposite. Nobody asks an agent to "summarize a song" for them. The whole point of getting rid of those chores is to free up even more time for the things that you actually enjoy.

The second thing we anticipated was moving Spotify from passive and single-player to interactive and multiplayer. You know our multiplayer offerings: popular features like messaging, Jam, collaborative playlists and comments. Today I'd like to spend a moment on the interactivity side.

The original interactive experience on Spotify was playlisting. Millions of people put songs together and helped organize the world's music library. That became the foundation of our recommendation engine. Last quarter, I talked about SongDNA as one of our all time fastest growing features. This quarter, Mixing Tools offers another example of what happens when people can do more with the music.

We started rolling Mixing Tools out about a year ago. It was good then; it's much better now. Almost 40 million Premium users now listen to mixed playlists, consumption is growing 90% quarter over quarter, and millions of people create mixes of their own each month. Why does this matter? Playlists always told which songs go well together. Mixing also tells us exactly how and when they fit, down to the millisecond. Those signals improve our Large Taste Model, our recommendations and what the Spotify agent can do. Better recommendations strengthen retention over time. It also tells us something encouraging about the future of remixing: give people good tools, and they will invest in shaping the music themselves.

The third thing that we anticipated - the opportunity in books. When we first discussed audiobooks, we said our geography gave us a unique perspective. In Sweden, audiobooks are almost as big as music. We wondered whether that was purely Swedish behavior, or early behavior. What we're seeing now suggests the latter. That's why we're expanding audiobooks. We want to grow the market itself by giving hundreds of

millions of people a great, affordable way to listen, not just compete for share of today's market. When people adopt books, they come to Spotify on more days. Audiobooks started as a bet. It's now a global business, and it's still early.

All of this connects to how we're building an even stronger subscription business. In addition to the growth of Audiobooks in Premium, we're expanding the Spotify Partner Program, a fan favorite among passionate podcast listeners, to 35 more markets this fall. And two days ago, we launched Creator Memberships, so fans can directly support creators and get member-only experiences. This is another example of capturing the power law we discussed at our investor day back in May. There's a power law within each creator's audience: some fans want to go deeper and are willing to spend more. Now they can do that right on Spotify. These offerings will add value as they scale. Where we've offered Audiobooks and the Spotify Partner Program the longest, they're contributing to acquisition, retention, active days and margin improvement.

With that, I'll hand it to Christian.

Christian Luiga, Chief Financial Officer

Thanks Gustav, and thanks everyone for joining us. I will cover the Q3 results and then provide some perspective on our outlook. Unless otherwise noted, all referenced growth metrics are presented on a year-over-year constant-currency basis.

Q3 OPERATING PERFORMANCE

We have another solid quarter behind us. Starting from the top, MAU grew in line with our guidance by 11 million to 788 million, up 11% year-over-year.

We added 6 million net Subscribers during the quarter, growing Q/Q across all regions. We reached 306 million, which was 1 million ahead of our guidance. Our outperformance was broad-based and led by Rest of World and Latin America.

Total Revenue was €5 billion, growing 14% year-over-year. Premium Revenue rose 15% Y/Y, driven by subscriber growth of 9% and ARPU expansion of 7.5%.

Ad-Supported Revenue growth improved to 9% this quarter, led by strong growth in our automated biddable sales channels.

Our Gross Margin came in at 33%, surpassing guidance by 10 basis points and representing year-over-year expansion of around 140 basis points.

Operating Income of €672 million was a bit above our guidance of €670 million, delivering an Operating Margin of 13.5%. Social Charges of €22 million were €13 million higher than forecast due to share price movements in the quarter. Excluding the non-forecasted Social Charge overage, we came in €15 million above guidance, driven by favorability in marketing and personnel related costs and Gross Margin outperformance.

Finally, Free Cash Flow was €735 million in the quarter, and included unfavorable timing effects in working capital and cash taxes.

Year-to-date through October 21st, we have repurchased 2.2 million shares for 1.1 billion USD. This means that we have neutralized the 2026 dilution from our employee equity programs, and we have also initiated the return of excess cash. Since we resumed our buybacks in August of 2025, we have repurchased about 3 million shares, or approximately 1.5% of shares outstanding. Our capital allocation strategy remains focused on attractive return opportunities, first through organic and inorganic growth initiatives, followed by opportunistic returns to shareholders. As of the close of the quarter, we had €9.9 billion in cash and cash equivalents and no debt other than lease liabilities.

BUSINESS OUTLOOK & GUIDANCE

Looking ahead to Q4, we are forecasting MAU of 818 million, an increase of 30 million from Q3. Our guidance reflects healthy growth across all regions. Growth is not as high as last year's all-time high, which benefited from the very successful rollout of our new free tier. On Subscribers, we are forecasting 316 million for Q4, or net additions of 10 million.

We are also forecasting Total Revenue of €5.2 billion in Q4. This reflects a year-over-year ARPU increase of 4.5-5%, driven by recent pricing actions and the performance of our Audiobooks Plus add-on, partially offset by the lapping of prior year pricing actions across more than 150 markets.

Our advertising business is coming out of a longer period of low single-digit growth. In Q4, we expect to continue our progress towards double-digit growth.

We anticipate a Q4 Gross Margin of 33.8%, approximately 70 basis points above the prior year. Our Gross Margin outlook includes the initial investments in the expansion of Audiobooks to more than 180 markets and the Spotify Partner Program to more than 50 markets. These rollouts can drive new value for our Subscribers and the business, the same way we have seen it over the last three years. Taken together with the first nine months of the year, our Q4 outlook implies a full year Gross Margin expansion of approximately 130 bps compared to 2025.

Moving to Operating Income, we are guiding to €820 million in Q4. Opex growth is now coming down meaningfully, and we expect that moderation to continue into 2027.

We see this year's incremental Opex driving multiple benefits to the business. Our marketing investments have helped consumer awareness of the value we deliver, supporting future subscriber growth and

monetization. And on AI, our investments here have accelerated feature shipping while keeping headcount flat, setting the business up for further engagement and monetization potential. Our Taste Model investments are already paying off. Early deployments show double digit gains in content discovery and our users are spending more time in select algorithmic sets. As we have said before, we remain focused on striking a clear balance between LTV-enhancing investments and sustainable margin expansion.

In conclusion, we're very pleased with how we're tracking into the end of 2026. While it's too early to give guidance on 2027, I want to point out that while quarterly progression of our margins can be variable due to seasonality and the timing of investments, we are confident in our path and expect another year of progress towards delivering on our 2030 goals.

We are well positioned to continue compounding growth, profitability and Free Cash Flow.

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

Bryan Goldberg, Head of Investor Relations

Thanks Christian. Again, if you have any questions, please go to Slido.com, #SpotifyEarningsQ326. We'll be reading the questions in the order they appear in the queue, with respect to how people vote up their preference for questions.

And our first question today comes from ...

[Q&A]

Closing Remarks - Alex

Thanks, Bryan. To close us out, we feel good about our ability to deliver on our 2030 goals. We have more growth engines working for us than ever, and more on the way. We have industry-leading engagement and the most passionate and engaged music, podcast and book fans in the world, and that's what makes Spotify so valuable to the people who use it. As I said at the top, we did what we said we would and that's how we'll keep running the business. Thank you all for joining us.

Bryan Goldberg, Head of Investor Relations

All right, we've reached the end of today's Q&A session as well as today's call. A replay will be available on our website and also on the Spotify app under "Spotify Earnings Call Replays". Thanks everyone for joining, we look forward to speaking with you soon.