Spotify

Q1 2026 Earnings Call Prepared Remarks
April 2026

Bryan Goldberg, Head of Investor Relations

Thanks operator and welcome to Spotify's First 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 #SpotifyEarningsQ126**.** 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. Hey everyone, thank you for joining us. 2026 is off to a strong start, with performance reflecting solid execution, healthy growth, and the kind of engagement trends that give Gustav, myself and the team confidence in building Spotify for the future.

In Q1, we saw results that were in line or better across the board. We surpassed 760 million MAU, delivered on the subscriber growth we aimed to achieve, and saw healthy engagement from existing users, reactivations and new users alike. Since the global rollout of our more personalized free experience, users in key markets like the US are listening and watching more days per month. For a business as established as ours – did I mention we are celebrating 20 years this month – it's an exciting development and I will share more about why in just a moment. We also netted our second-highest gross margin ever. All that reinforces our confidence in sustained user and subscriber growth, low churn, and continued progress on revenue and margin.

For over two decades, we have worked hard to forge strong relationships with our industry partners and the artists and creators we support. You've watched these relationships evolve in the last 20 years, but we've never been in a better position to innovate and grow thanks to the progress we've made together. The trust we've built is rooted in our collective desire to deliver results and expand the overall opportunity. We will have some new things to share on that front soon. We just released our annual report on the health and growth of the industry. It's worth noting that Spotify remains the only platform, offering this level of visibility into how the music industry works. Loud and Clear showed that in 2025, we paid out a record $11+ billion to rights holders while continuing to outpace the growth of others. And year over year, we expect that outperformance to continue.

On top of streaming success, there's no doubt that artists, songwriters, musicians and fans are always seeking stronger connections. **SongDNA** and **About the Song** were introduced this quarter to pull back the curtain on the remarkable talent behind our favorite tracks and offer more insights into a song. But we didn't stop there. Live experiences are one of the most impactful ways for artists and fans to connect. So this winter, we took Spotify's most streamed global artist, Bad Bunny, to Tokyo to perform in Asia for the first time in front of some of his biggest super fans. And then we turned around and broadcast that iconic moment to the world. This went beyond a concert, it was a real opportunity to amplify culture.

All of this drives retention so let me explain how we think about retention. Importantly, it acts as a proxy for how users value their time on Spotify. We look at many metrics but the three that drive retention are: more days, more devices or contexts, and more content types. I've already told you we've been growing the days users spend with us each month. Engagement is the lifeblood of Spotify and I've been excited to see it expand. Engaging with us on more devices and across our three content types compounds this. This is how we grow the lifetime value of a user - users who engage in this way, stay longer. Or perhaps never leave. These three levers are rooted in our personalization efforts and act to reinforce one another. AI then takes this to a new level. Essentially we are unlocking your Spotify, your way for three quarters of a billion users around the world.

Yesterday's announcement around **Fitness** is a natural extension of this strategy. Spotify is already a trusted resource for wellness and fitness. Nearly 70% of premium users work out monthly and our users have created more than 150 million workout centered playlists with many turning to Prompted Playlists for support. So to meet this need more directly, we are launching a fitness hub on Spotify. As we just announced, this hub features Peloton's premium, subscriber content in an ad-free experience. And of course, this content will be a strong complement to what's already been working including content like *Yoga With Kassandra*, *Jordan Yeoh*, and *Chloe Ting*.

I know we continue to talk about our ads business as a work in progress but the key point is that after a year and a half of rebuilding, the foundation is now in place. Brands have always valued Spotify for its beloved brand, high user engagement, and quality content, but the market shifted with advertisers favoring biddable buying. We had to evolve to capture that TAM. So we rebuilt our stack end-to-end. While this creates short-term pressure, it unlocks a much larger opportunity. But we are making solid progress. Today, biddable represents more than a third of ad revenue and is growing quickly. So with biddable expanding and our active advertisers growing, coupled with improvements in our measurement and performance, we can innovate in ways the old stack never allowed. This finally lets us better capture the value of our audience.

This is exactly how we wanted to start the year of raising ambition. We are growing at scale, generating significant cash, and reinvesting to capture the opportunities that matter most. What you are seeing now is the beginning of a much larger next chapter, and we are excited to go deeper on that at our upcoming Investor Day.

With that, I'll hand it over to Gustav.

Gustav Söderström, Co-Chief Executive Officer

Thanks, Alex.

I'll pick up on what comes next, because that's where much of our focus is right now. If you zoom out, the way we think about Spotify is pretty straightforward: With AI expanding our opportunities, we're building a system that understands our deeply engaged, passionate three-quarters of a billion users. One that adapts to them and improves the more they use it. It's also increasingly a platform that puts control directly in users' hands, with their ideas, logic and creativity. A platform that is deeply personal, increasingly interactive, and evolving from a solo experience into something inherently multiplayer.

As I shared last quarter and more recently at SXSW, AI isn't new for us. Machine learning and personalization have long been core to Spotify - from discovery to recommendations. What's changing is what the technology is now allowing us to better understand, develop and deliver. Creating differentiation and unlocking a very different experience and a new level of personalization.

From our earliest days, Spotify has been a technology company and we've always seen ourselves as the R&D arm for the music industry. That mindset has helped us embrace new technologies to accelerate product development and create unique value. Combined with our ads plus subscription model, deep expertise in personalization and scaled operations, this positions us strongly for the AI era.

We're integrating AI across every part of Spotify, accelerating how we build and deliver at a pace we haven't seen before. We're shipping more, faster, with greater efficiency, lowering the cost per feature while increasing impact. You can see some of the inference costs behind that acceleration in our opex but we have tremendous confidence in what we are building and I will share more about that soon.

Our DJ is now used by 94 million subscribers, driving billions of hours of engagement. This quarter, we've continued to push the boundaries of the user experience with new AI-powered features. As always, early adoption and deep usage is coming from our power users. What's changed is how quickly we can learn from that behavior, refine the experience, and scale it to a broader audience, delivering improvements faster and at a fraction of the historical cost. And all this benefits LTV.

We're particularly excited about **Taste Profile**, now in beta. It gives users a clear view of how Spotify models their listening across music, podcasts, and audiobooks and puts them in the driver's seat, allowing them to directly edit and refine their profile. Imagine telling Spotify to 'include more songs by those two artists my kids are obsessed with' or 'add a classical shelf to my homepage' – this level of nuanced control empowers users like never before.

We've also significantly **expanded Prompted Playlists**, enabling users to act as their own algorithmic curators. You can write prompts to generate playlists for specific moods, activities, or cultural trends across music - and now podcasts.

Together these features point to something bigger. A transition from a world where Spotify recommends things to you…to a world where you can actively shape, guide, and interact with our platform. From passive to interactive. From static to adaptive. From single player to multiplayer. And we think that's really important. Not just for Spotify, but for how people experience media. We're already seeing this more interactive, multiplayer Spotify takeoff with features like Jam, where usage has doubled year over year and now exceeds 100 million monthly listening hours. And there's also Blend, Messaging and of course, Wrapped Party. We're just getting started.

We're well positioned because of our large, engaged user base, deep creator relationships, and years of investment in personalization and infrastructure at scale. Together, these create a platform that can take advantage of this moment and unlock entirely new growth vectors that will enable us to climb new mountains previously unimaginable.

This connects to the broader opportunity ahead. We see significant room to grow across users, formats and engagement and to expand what Spotify is and can become over time. We're at a pivotal moment, building toward something even bigger. On May 21, we'll show you why we're so excited about what comes next. We hope you'll join us.

Now, I'll turn it over to Christian to take you through the numbers.

<u>Christian Luiga, Chief Financial Officer</u>

Thanks Gustav, and thanks everyone for joining us. Let me cover the Q1 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. Additionally, this quarter, we have implemented a minor reclassification of non-advertising activities from our Ad-Supported segment to Premium. This is to better reflect the performance of our core advertising business. For reference, in Q1 of last year, we shifted €12 million in Revenue and €7 million in Gross

Profit from our Ad-Supported segment to Premium. Any comments on segment growth rates are on a like-for-like basis.

Q1 OPERATING PERFORMANCE

Overall, we are very pleased with how the business performed in the quarter. **MAU** grew by 10 million to 761 million in total, surpassing our guidance by 2 million. Our growth rate accelerated to 12% year-over-year, up from 11% in Q4. Outperformance was led by Rest of World and North America, where we continued to benefit from our enhanced free tier rollout.

We added 3 million net **Subscribers** during the quarter, finishing at 293 million and in-line with our guidance. We saw no surprises with respect to price increase-related churn following our January U.S. price increase.

Total **Revenue** was €4.5 billion, growing 14% year-over-year, which was an acceleration from the 13% we delivered in Q4. Premium Revenue rose approximately 15% Y/Y vs. 14% last quarter. This was driven by subscriber growth and ARPU expansion of 5.7% Y/Y.

Our Ad-Supported Revenue grew approximately 3% year-over-year. Our new automated sales channels continued to grow fast and now represent over 30% of our Ad-Supported revenue in Q1.

We also saw continued choppiness in our legacy direct sales channel. While this dynamic will likely continue in the near-term, we expect improved growth in the second half of 2026 as our biddable channels continue to scale.

Gross Margin came in at 33.0%, surpassing guidance by approximately 20 basis points, with year-over-year expansion of approximately 133 basis points. Favorability versus our guidance was driven by better Other Cost of Revenue and Revenue mix.

Operating Income of €715 million was €55 million above our guidance of €660 million, delivering an Operating Margin of 15.8%. Our outperformance was driven primarily by Social Charges, which had a positive impact of approximately €49 million relative to our forecast due to share price movements in the quarter. Excluding the non-forecasted Social Charge favorability, we came in approximately €6 million above guidance, driven by Gross Margin outperformance.

Finally, **Free Cash Flow** was €824 million in the quarter. Performance here was a bit stronger than our typical Q1 due to some timing factors which will likely reverse in Q2. On capital allocation, we repurchased $361 million dollars in shares during Q1, continuing our focus on opportunistically offsetting dilution from employee equity programs. We also settled our $1.5 billion in Exchangeable Notes due in March with cash on hand, rather than issuing new shares. As of the close of the quarter, we had €8.8 billion in cash and cash equivalents and no debt other than lease liabilities.

BUSINESS OUTLOOK & GUIDANCE

Looking ahead to Q2. We see continued momentum and a healthy global funnel and are forecasting **MAU** of 778 million, an increase of 17 million from Q1. On **Subscribers**, we are forecasting 299 million for Q2, or net additions of 6 million. This is modestly below the significant outperformance we saw in the prior year quarter, which benefited from items such as a favorable adjustment to our iOS app in the US. We reiterate our previous statement that we expect another full year of healthy subscriber growth, weighted more towards the back half of the year.

We are also forecasting Total **Revenue** of approximately €4.8 billion in Q2, or 15% growth. This reflects an ARPU increase of 7-7.5% Y/Y as we see additional benefit from recently announced pricing actions, partially offset by the lapping of pricing actions in the Benelux region.

We anticipate a Q2 **Gross Margin** of 33.1%, approximately 160 basis points above the prior year. Our Gross Margin outlook incorporates continued strengthening in our core business, alongside re-investment into new products and initiatives that we believe set us up well for future monetization potential.

Moving to **Operating Income**, we are guiding to €630 million in Q2. This reflects the above, along with the timing of marketing of our latest features. This also reflects R&D related to strategic AI initiatives that are already driving engagement. We expect Operating Expenses to remain at these levels for the next quarter or two, and we are confident they can enable healthy LTV returns.

Although we do not provide full year guidance for Gross Margin or Operating Margin, we continue to expect both to improve in 2026 on a full year basis, with quarterly progression being variable and dependent on the timing of investments. We also continue to expect meaningful year-over-year growth in Free Cash Flow in 2026, reflecting our improved profitability and working capital profile, while also progressing towards a normalized tax rate in 2027.

In conclusion, Q1 was a strong start to 2026. Revenue growth accelerated and profitability improved as we continued to reinvest in our future growth potential. We remain well positioned to continue compounding growth and profitability.

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, #SpotifyEarningsQ126. 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]

Gustav Söderström, Co-Chief Executive Officer

Thanks, Bryan.

This month marked our 20th anniversary. 20 years of building what once seemed impossible. Innovating for the greatest artists, creators and authors and shipping the best and most valuable experience for the world's most passionate and engaged fans. And there's still so much more to come.

We hope you'll join us for our upcoming Investor Day on May 21st. We can't wait to show you what it all means for the next chapter of Spotify's growth.

Bryan Goldberg, Head of Investor Relations

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