Q2 2026 Earnings Call Prepared Remarks

August 2026

Bryan Goldberg, Head of Investor Relations

Thanks operator and welcome to Spotify's Second 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 #SpotifyEarningsQ226. 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. I hope you're having a great summer. Today we'll pick up where we left off at our Investor Day in May: updating you on what we said, what we've shipped since then, and what the early signals are telling us.

Q2 was another quarter of healthy, broad-based growth. Revenue grew 15% year over year on a constant currency basis, accelerating from 14% in Q1. Gross margin hit a record of 33.4% and Free Cash Flow continued to strengthen. And we beat our subscriber guidance, crossing 300 million subs for the first time. All, while continuing to grow engagement, with the number of active days for global subs increasing. What pleases me most is the shape of the quarter: more people choosing Spotify, engaging more deeply, and converting.

We've been working on turning our outperformance in MAU into revenue growth – to capitalize on this opportunity we are adjusting elements like product optimization and ad load among other things in select emerging markets. This strategy carefully increases friction in our free service with a goal of driving higher user conversion and revenue growth down the line. Yes, this will show itself in our Q3 MAU but we believe it's well worth it. As we've shared previously, the free to paid conversion cycle in emerging markets grows differently than our established markets – so while a move like this one will take time to play out, the opportunity is vast. This will be additive to our potential over time and as you will hear from Christian, we do not expect it to come at the expense of our subscriber growth.

We've talked before about rebuilding our ads business, and the results are starting to show. On the supply side, our audience of attractive global users keep expanding our inventory. And on the demand side, the enhanced technology we've deployed is making it much easier for advertisers to reach these engaged users. Just one example – our automated channels represented nearly 40% of Ad-Supported revenue in Q2, up from just over 30% in Q1. And active advertisers grew 60% year over year. We're set up now in a way we weren't a year ago and we will keep building from here.

Another development from the quarter worth calling out: our launch of Reserved. At Investor Day we called it one of the most wonderful improvements to Premium in our history, and the early signs back that up. Since launching in the U.S. in June with Live Nation, Reserved has supported multiple tours, with nearly 100,000 tickets reserved through Spotify. For some tours, we sold through 100% of our allocations — and Live Nation upsized them mid-run. The biggest fans get first access, artists get their most dedicated audience in the room, and every seat we fill makes a Spotify subscription more valuable.

I'd like to use the remainder of my time on something Gustav and I think about a lot: Spotify's position.

These are unique times. Business history has produced just a handful of companies with hundreds of millions of recurring, paying customers worldwide – and Spotify is proud to be one of them. And like many of the others, we built that scale on a single product. That is unique territory to be in.

I'm a student of Charlie Munger who once said that the one structural advantage that matters disproportionately is scale. If you're choosing a music streaming service for the first time, it matters that one brand comes with several hundred million passionate ambassadors. And perhaps most consequentially, the scale and cash generation we now have lets us innovate and invest in building a better product: adding more value for every subscriber around the world, in the most cost-efficient and competitive way. Scale matters.

In the past five years, we've added more than 25 million net subscribers every year, growing in developed and emerging markets alike. With over 300 million subscribers and 777 million users, we have achieved consequential scale.

Our financial picture tells the same story. Since our last Investor Day in 2022, revenue has compounded at 18% a year, reaching €17 billion in 2025. Gross margin went from 25% to over 33% this quarter. We became more disciplined with opex, which has turned into a growing, positive operating margin. And last year Spotify generated €2.9 billion of free cash flow — and we expect that growth to continue. That strength is why we set the 2030 targets we did in May: a mid-teens revenue CAGR, gross margin of 35 to 40 percent, operating margin above 20 percent, and strong growth in free cash flow.

Gustav and I believe there are opportunities only Spotify is positioned to invest in, because of our scale, the health of our business, and our focus. We rigorously explore new premium offerings and new verticals with our customers. We covered these at length at Investor Day, but a few are worth repeating.

The first is AI. Many investors ask about our Large Taste Model which learns from the 3.4 trillion events our users generate on the platform every day. But the reality is we've been investing in AI-driven personalization for more than seven years. Today, AI-powered experiences like DJ are used by roughly a quarter of our active users. And Prompted Playlists, our newest addition, gives users direct control over the algorithm — around 14 million of the first 100 million users we've rolled it out to are already using it, and the early retention improvements look promising.

The second is the power law. As we've grown, we've observed that usage of our products, features and content follows a power law. At the head of that curve are many millions of people who simply want more — and are willing to pay for it. Audiobooks proved it first: in just a handful of initial markets. We see that overall audiobooks penetration among premium listeners has more than doubled this year. And Audiobooks+ has passed $100 million in annual recurring revenue. Subscriptions on top of subscriptions — with more on the way.

Combined, something powerful happens. Inference-driven products carry a marginal cost per use, so they need a compatible way to monetize. And that is exactly the muscle we've built over twenty years of Freemium: feature-gated, usage-driven products, optimized for the best value-to-price ratio. We will price and optimize these features and content, just as we’ve successfully done with our Premium product.

So in conclusion: we have a scale that few companies in history have reached, a business that is healthy and compounding, and opportunities only we are positioned to pursue. Spotify lives across your whole day — the commute, the workout, studying, gaming, the dinner table, and sleep. At our scale, that is rare. Most products own one or two contexts. Our position gives us an opportunity space as wide as our users want it to be. At Investor Day we told you where Spotify is going, and this quarter we are building momentum behind that.

With that, let me hand it over to Gustav.

Gustav Söderström, Co-Chief Executive Officer

Thanks, Alex.

I want to use my time on two things: how we are building, and what we are building. Both matter for the durability of our business over the next several years.

A couple of quarters ago I mentioned our internal tool – Honk. It enables our engineers to go on Slack from their phone and ask an AI agent to fix a bug or add a feature. They then get a testable build back before they have even reached the office. That way of working is now ubiquitous and it's unlocking a compounding advantage.

Honk is our coding agent, and Xirp is the engine we've built underneath it. Xirp lets engineers switch models mid-task and route every job to the best available price and performance, including open-source models we host ourselves, so we are never locked in. It shares context across the company, so we don't pay for the same reasoning twice. And it shows us inference spent down to the individual developer. There is plenty of industry debate about AI investment and costs. Our view is that being an AI beneficiary means winning on the cost side too.

We hold a high bar for every investment we make in this area. We invest only where it generates real advantage and sets us up well to drive growth and improve margins over time. If something works, we double down. If it does not, we move on. Over the last three years we have not increased headcount while revenue per employee is on track to double. So as you can see, the operating expense growth is not coming from people – it's compute and marketing. Both are variable and entirely in our control. And we will continue to invest in AI on our terms: we are vendor-agnostic, we have controls over our usage and we always undertake these investments relative to the returns they can support. The inference we give users is under our control, which means the cost curve is as well.

At Investor Day, we laid out four big ideas about where Spotify is heading. One quarter later, we've shipped against all four. We said the world is moving from recommendation to generation, with users in control. Today, Talk to Spotify, Personal Podcasts, and Studio by Spotify are in users' hands, and in the coming weeks we'll be rolling out Prompted Playlists for Audiobooks to our best-in-class books experience. Alex mentioned our Large Taste Model. Let me tell you what it is doing. In the first two months since we deployed our new autoplay recommendation system, powered by the Taste Model, active days have increased, which is hard to do at our already high engagement levels. Autoplay minutes and track saves have both grown significantly, and autoplay drop-off has declined. In our chat experiences, the Large Taste Model is doing the same: minutes up double digits, more active days, and more saves into libraries and playlists. These are powerful inputs to our customer retention rates and lifetime value, and among the most challenging metrics to move. The industry watched this scaling curve play out with general LLMs. Now we are watching it play out with taste, on a model no competitor can buy.

We said engagement follows a power law, and we launched our first one-time credit add-ons to serve the head of that demand curve. From DJ to daylist, we know these investments take time to scale, and they pay off over time. These add-ons are capped by design: every credit purchase carries a defined amount of inference behind it, so usage, cost and monetization stay connected.

We said Spotify is moving from single-player to multiplayer, and this quarter that stopped being a roadmap and became behavior. Messages is live, and people now react to tracks, reply, and share music directly inside Spotify. Listening Activity shows you what your friends are playing right now, and Listening Stats is becoming something you share and compare, not just a private report. Almost 50 million people already use Jam every month to listen together in real time. You are no longer alone on Spotify. You are there with your friends.

And we said we would keep optimizing for time well spent and increasing the value of Premium. One example I am very passionate about is fitness. Last week we began rolling out Running Mode. You tell Spotify, in plain language, to build a running playlist for an eight minute mile, or an interval session. It understands your taste and the BPM and serves your favorite tracks to your exact cadence, mixing them together seamlessly so you literally run to the beat. It adds optional audio coaching in your ear, and it stays fresh every week. An experience only Spotify can deliver. Looking beyond Running Mode, I'm excited to share that SongDNA has now been used by more than 100 million subscribers, making it one of the fastest-adopted features we've ever shipped.

Finally, our music remix capability. We are excited about the product experience and what it will unlock between artists and fans. Our model is one where artists choose which songs they want to make available for remixing, with consent, credit, and compensation designed in from the start. That model is winning over the industry. Following our agreement with UMG in May, today we are announcing a deal with Merlin, the digital licensing partner for the world's leading independent labels and distributors. The agreement gives artists across the 30,000 labels in Merlin's network the opportunity to participate and make their catalogs available for covers and remixes. The enthusiasm from the independent community has been striking, and we hear that same support across the wider market. Deals like these take time, but we've built this so that virtually every rightsholder who wants in can join. Big picture: there is more work to do before launch, and it will take time to scale into a material revenue driver. But we are excited about the potential for Spotify and for artists.

So if there is one theme I would leave you with today, it is this. Investor Day described where we believe Spotify is going in the future. This quarter demonstrated that we are already building that future: better engineering, faster shipping, new products and new ways for users to engage. We are still in the very early stages of what is possible and will continue to have a high bar for investments. Our margin is a managed outcome, not a byproduct. Our job remains the same: understand the technology early and deeply, and turn it into something people love. Creating value for our stakeholders.

Now Christian will take you through the numbers.

Christian Luiga, Chief Financial Officer

Thanks Gustav, and thanks everyone for joining us. I will cover the Q2 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.

Q2 OPERATING PERFORMANCE

We are pleased with how the business performed in the quarter. MAU continued to grow healthy at 12% year-over-year, with notable outperformance in Europe and North America. Our net additions of 16 million were 1 million below forecast.

We added 7 million net Subscribers during the quarter, growing Q/Q across all regions with notable outperformance in Rest of World and North America. We finished at 300 million and 1 million ahead of our guidance.

Total Revenue was €4.8 billion, growing 15% year-over-year, which was an acceleration from the 14% we delivered in Q1. Premium Revenue rose approximately 16% Y/Y vs. 15% last quarter, driven by subscriber growth of 9% and ARPU expansion of 7.4% Y/Y.

Our Ad-Supported Revenue grew 3% year-over-year, which is consistent with Q1. Our automated sales channels continued to grow fast and represented nearly 40% of our Ad-Supported revenue in Q2, up from just over 30% in Q1. This strength was largely offset by expected declines in our direct sales channel. Importantly, our price optimization work is now complete and this channel is stabilizing. We have also completed the migration of our ad inventory to our in-house ad-server, allowing us to further streamline our sales process and capture more demand. With respect to our outlook—nothing has changed—and we continue to expect our ads business to inflect towards double digit growth in the second half of 2026.

Gross Margin came in at 33.4%, surpassing guidance by 30 basis points, with year-over-year expansion of 193 basis points. Favorability versus our guidance was driven primarily by quarterly timing shifts related to our growth investments. We also saw a small one-time benefit from the cancellation of the Digital Services Tax in Canada, where we reversed an accrual from previous years.

Operating Income of €655 million was €25 million above our guidance of €630 million, delivering an Operating Margin of 13.7%. Social Charges contributed to €9 million of outperformance vs. our forecast due to share price movements in the quarter. Excluding the non-forecasted Social Charge favorability, we came in €16 million above guidance, driven by Gross Margin outperformance.

Finally, Free Cash Flow was €797 million in the quarter up 14% Y/Y. The quarter was slightly lower relative to Q1, partly as a result of the timing of cash tax payments. Our first half working capital benefit remained consistent with the prior year period.

On capital allocation, we have repurchased $662 million dollars in shares year-to-date through August 3rd, representing a 30% increase over 2025 levels. In aggregate, we have bought back nearly 2.2 million shares since we resumed repurchase activity in 2025, or approximately 1% of shares outstanding. Given the stronger cash flow in the years ahead, even with M&A, we expect that we will also return excess cash to shareholders. As of the close of the quarter, we had €9.4 billion in cash and cash equivalents and no debt other than lease liabilities.

BUSINESS OUTLOOK & GUIDANCE

Looking ahead to Q3. We are forecasting MAU of 788 million, an increase of 11 million from Q2. As Alex discussed earlier in more detail, this guidance includes product optimization activities in emerging markets, while growth rates in developed markets remain stable. On Subscribers, we are forecasting 305 million for Q3, or net additions of 5 million. We continue to see the business as well positioned to drive another full year of healthy MAU and subscriber growth.

We are also forecasting Total Revenue of approximately €5 billion in Q3, or 14% growth. This reflects an ARPU increase consistent with Q2 and the improved growth in our advertising business that I mentioned earlier.

We anticipate a Q3 Gross Margin of 32.9%, approximately 130 basis points above the prior year. Our Gross Margin outlook incorporates continued strengthening in our core business, reinvestment into new products and the typical charge we take in the third quarter to account for our annual exposure to regulatory fees in one of our markets.

Moving to Operating Income, we are guiding to €670 million in Q3. This reflects the above, along with the temporarily elevated Operating Expenses in Q2 and Q3. We continue to expect these marketing and AI-related investments to drive approximately €200 million in incremental Operating Expense for the full year. Q4 is well positioned to see a moderation in the rate of Y/Y Operating Expense growth, as we move past the heavier concentration of this year's marketing activities and calibrate other costs.

In 2026, we continue to be flat on the number of employees, so this year's investment cycle is not driven by structural expense additions. It's marketing and AI-related, both are investments that are entirely in our control. As we stated at our recent Investor Day, we remain focused on striking a clear balance between LTV-enhancing investments and sustainable margin expansion.

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. As we have said, the quarterly progression of our margins is variable and dependent on the timing of investments. As you've seen from us historically, the roll out of new features and products can temporarily moderate margin expansion while setting the business up well for future monetization potential.

We continue to expect meaningful year-over-year growth in Free Cash Flow in 2026.

In conclusion, we had a solid Q2, and we remain 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, #SpotifyEarningsQ226. 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]

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.