



Spotify Technology S.A. (SPOT) | Market Cap: 109 93B EUR

Sweden/USA | NYSD | Tech/Audio Streaming

2026/03/10

YTD: -6.17%

Price: \$544,88

Target price: \$631,61

Analyst: David Schyllert

## Spotify: Turning Streams into Value

Spotify Technology S.A. is a global audio streaming platform with a two-tier model (Premium and Ad-supported). As of December 31, 2025, Spotify reported 751m MAUs and 290m Premium subscribers across 184 countries and territories, with access to 100m+ tracks, 7m podcast titles, and in select markets a subscriber audiobook catalogue of around 500k titles.

Financially, Spotify's full year 2025 results show continued scale and improved profitability: revenue increased to €17.186bn and gross profit to €5.496bn, while operating income rose to €2.198bn. Spotify also generated €2.933bn of net cash flow from operating activities in 2025, supporting a strong liquidity position and balance sheet flexibility.

Regarding valuation and positioning. The base-case DCF scenario uses a WACC of 9.11% and a terminal growth rate of 5.0% which implies a value of \$541.97 per share versus a current price of \$552.12, suggesting the stock is approximately fairly valued on this framework.

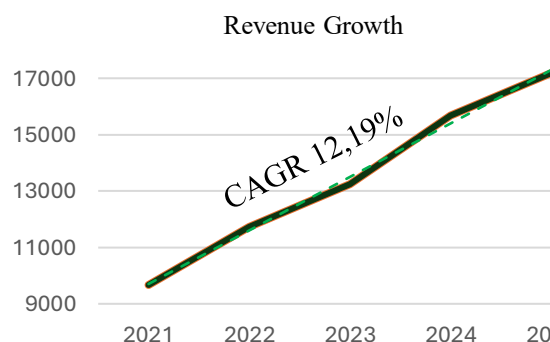
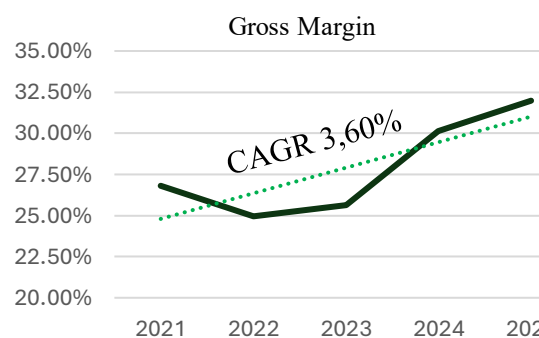
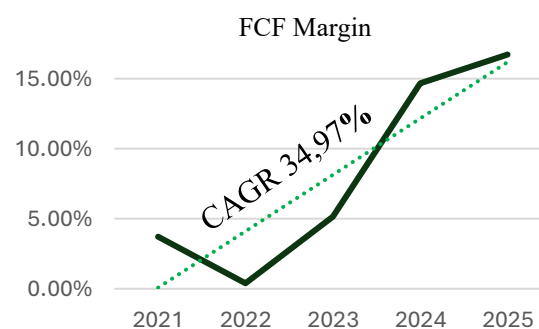
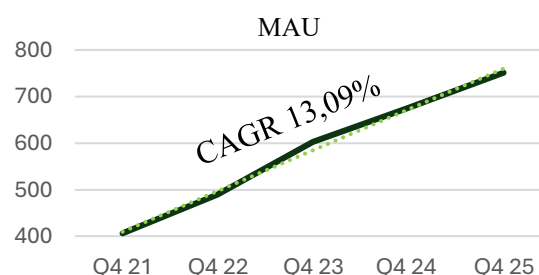
The thesis is most sensitive to sustained gross margin improvement, operating expense discipline, monetization performance in Ad-supported and competitive dynamics in streaming and digital advertising which leads to some key points to monitor:

- (1) Sustained scale growth and MAU conversion
- (2) Gross margin growth and durability.
- (3) Cash flow conversion and capital allocation

### Metrics as of March 9, 2026

Forward P/E	38,17
EV/EBIT	41,54
ROE	26,56%
P/S	5,58
Net debt	-7511 million €

## Key drivers





## Company overview

Spotify Technology S.A. is a global audio streaming platform offering music and podcasts and, in select markets, audiobooks. The company was incorporated in 2006 and operates a two-tier model comprising Premium subscriptions and Ad-supported service that functions both as a standalone product and a funnel for premium subscriber growth. Spotify monetizes its service primarily through subscriptions and advertising, and reports two operating segments: Premium and Ad-supported.

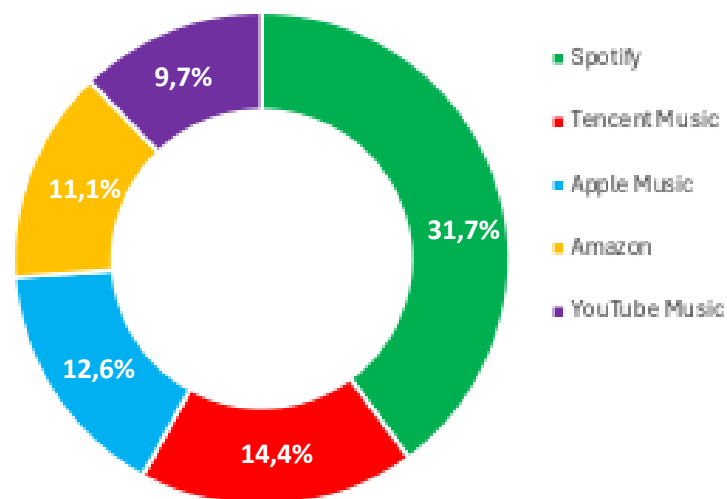
As of December 31, 2025, Spotify reported 751 million monthly active users (MAUs) and 290 million premium subscribers across 184 countries and territories. Spotify's platform provides access to over 100 million music tracks and 7 million podcast titles, and in select markets, eligible Premium subscribers receive a specified number of hours of monthly access to a subscriber catalogue containing 500 thousand audiobooks as well. For the year ended December 31, 2025, Spotify's audience streamed 211 billion hours of content, an increase of 11% year-over-year.

## Market Overview

The on-demand audio streaming market is highly competitive, with Spotify facing well-funded ecosystem competitors such as Apple, Alphabet and Amazon that can leverage broader product offerings and application store advantages. Spotify also competes for advertisers' marketing budget against large internet platforms with substantial ad inventory and proprietary ad-tech, which can pressure pricing and margins.

Within this environment, Spotify has emphasized scaling its two-tier model and expanding its content offerings, including podcasts and audiobooks in select markets.

As of April 2025, third-party sources estimate Spotify's global music streaming market share at 31,7%. Although this is not reported by Spotify.



# Financial Statements Analysis

## Income Statement Analysis

Based on the income statement trend, margin expansion alongside a decline in operating expenses (as a percentage of revenue) has been a key contributor to improving operating profitability and, by extension, earnings per share. In addition, revenue growth and product expansion beyond music have supported the overall monetization opportunity, although competitive intensity remains a structural feature of the category.

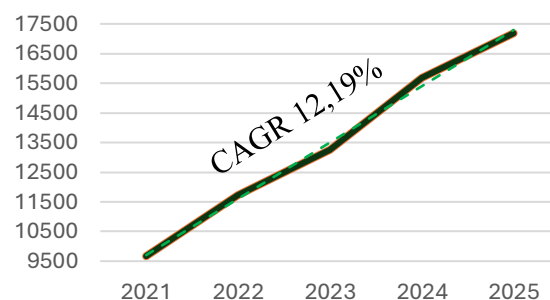
In the analysis, revenue increased at a CAGR of 12,19% while cost of revenue grew 10,56% annually. This spread implies a gradual improvement in gross profit and gross profit margin over the period. Because gross margin improvements in streaming businesses are often incremental, even modest expansion can be meaningful when sustained. Spotify's cost structure also reflects continued investment in product development and growth initiatives. In 2025, they allocated 8,1% to R&D which supports this statement and analysis.

## Balance Sheet Analysis

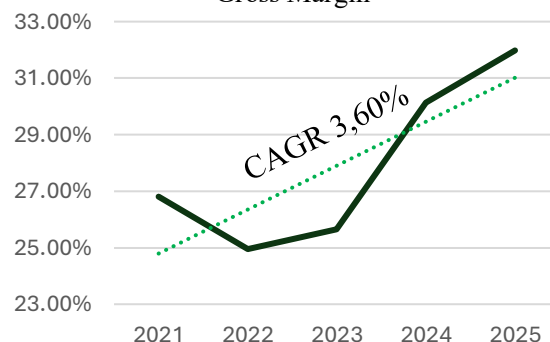
At year-end 2025, Spotify's balance sheet is characterized by substantial liquidity, with €5,258 billion in cash and cash equivalents and €4,209 billion in short-term investments. A key capital-structure point is the €1,458 billion in exchangeable notes in current liabilities, reflecting their near-term exchange window. Equity attributable to owners increased to €8,329 billion from previous year of €5,525 billion consistent with the company's improved profitability in 2025. This, alongside a shift in the asset mix including higher long-term investments rising to €2,181 billion and deferred tax assets increasing to €662 million and a small decline in goodwill to €1,083 billion.

Taken together, Spotify entered 2026 with a strong liquidity buffer and a balance sheet increasingly weighted toward financial assets, alongside a near-term exchange consideration related to exchangeable notes.

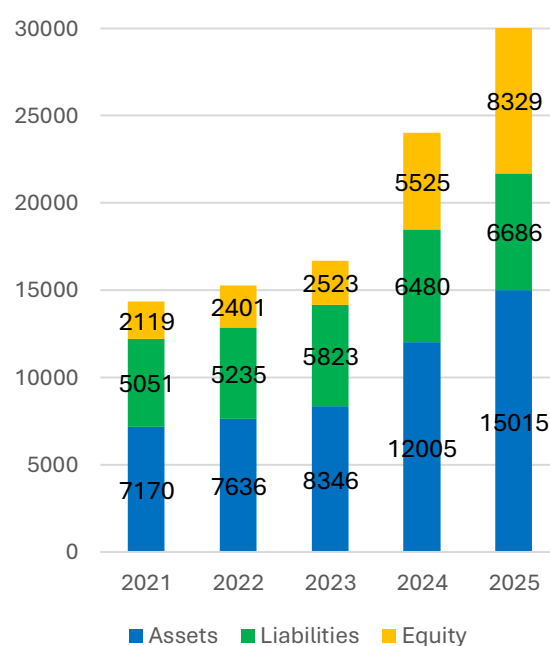
Revenue Growth



Gross Margin



Balance Sheet

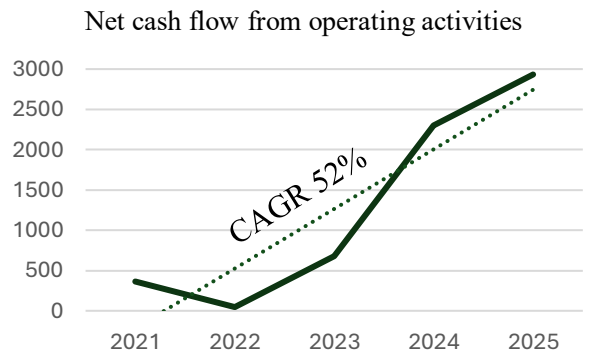




## Cash Flow Statement Analysis

The main takeaway from the cash flow statements is that Spotify continuously increases the net cash flow from operating activities, which is basically the cash flow that the business is generating. As seen in the graph to the right, they have increased the net cash flow from operating activities with a CAGR of 52% over the last five years.

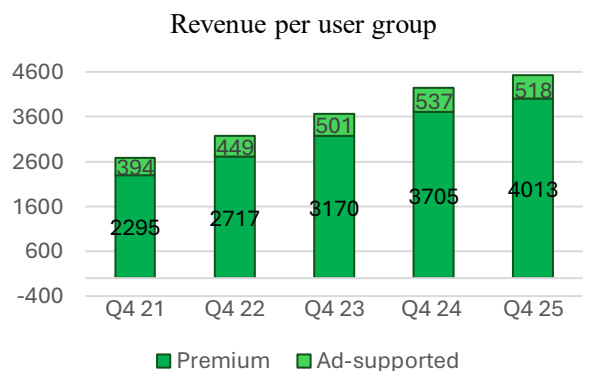
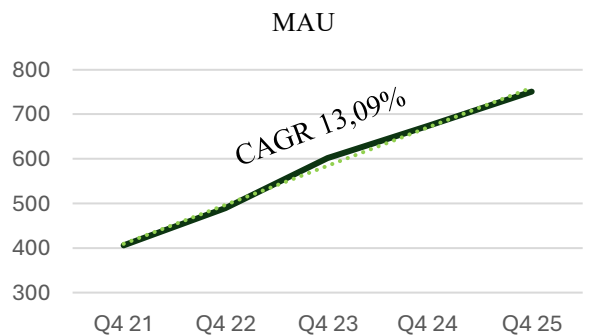
What is also interesting is that they keep retaining cash and cash equivalents every year as seen in the lower graph to the right. They also use a lot of their cash to purchase short-term investments which makes their overall liquidity very high. This could be a signal that they do not really have enough of NPV investments to make today, so they pile up cash for future investments instead of share repurchases or paying out dividends. It is also a combination of a strong free cash flow generation lately, their policy of a financial flexibility and the absence of large-scaled M&A recently.



## Scale and Growth

Spotify's scale continues to expand across both its paid and ad-supported revenue funnels. In Q4 2025 they reported 751 million Monthly Active Users (MAUs) which is an increase of 11% year-on-year. Premium subscribers grew 10% year-on-year, underscoring continued user growth alongside steady paid conversion. The ad-supported side of grew 12% year-on-year, supporting Spotify's two-sided market model where the ad-supported listening acts as a key for future premium conversion.

From a growth perspective, it is useful to track both the MAU-to-subscriber conversion over time as well as the regional mix, since growth rates and monetization levels vary across different markets. These should be assessed alongside revenue growth to understand whether expanding scale is translating to monetization while maintaining platform engagement and retention.



## Valuation and Prognosis

541.97	4.0%	4.5%	5.0%	5.5%	6.0%
8.61%	501,109	551,015	614,744	698,965	815,455
8.86%	476,111	520,326	575,996	648,234	745,730
9.11%	453,567	492,975	541,972	604,541	687,229
9.36%	433,135	468,448	511,860	566,518	637,445
9.61%	414,532	446,328	485,023	533,131	594,567

In the DCF model, the sensitivity table is the key output because it shows how much the implied value per share moves with changes to the discount rate and terminal assumptions. Under the base case (9.11% WACC and 5.0% terminal growth, the model produces an implied value of €541,972 per share, which compared to the current stock price of €467,45 implies an upside of around 15% but indicate that the stock is roughly fairly valued on these inputs. In USD, as it trades on NYSE, the price today is \$544,88 and base case price in the DCF would be \$631,614. The sensitivity table also provides information that the investment outcome is driven less by near-term results and more by confidence in durable free cash flow generation.

Altogether, the valuation of Spotify's stock today seems to be approximately correctly priced given the inputs of the DCF model. Also, it is hard to do a peer valuation as the biggest competitors are either not listed or has music streaming as a minor part of their revenues. Comparing to those firms would not show the correct comparable valuation. With that said, the best option for valuing Spotify is probably either with DCF-analysis or just simple metrics such as forward P/E and P/FCF for example.

## Investment Case

Spotify's investment case rests on the company's demonstrated ability to combine (1) continued user and subscriber scale expansion and (2) structurally higher profitability and cash generation. In Q4 2025, Spotify reported 751 MAUs, which was 11% higher than the year before, and 290 Premium subscribers, which was an increase of 10% from the year before. This, alongside record profitability metrics (33.1% gross profit margin and €701m in operating income with a 15.5% operating margin and strong cash conversion of €2.9bn for the full year 2025. The central point is whether these margin and cash flow levels can be sustained and expanded while Spotify continues reinvesting to support growth in a category characterized by high competition. The key drivers that must go right is:

- (1) Sustained scale growth across the two-tier funnel with continued MAU growth and conversion into Premium subscribers is foundational.
- (2) Gross margin growth in Ad-supported driven by contribution from podcasts and music, and especially durability in gross margin.
- (3) Cash flow conversion and capital allocation importance increases as the balance sheet is growing and with such a liquid balance sheet there is plenty of room for investments and share repurchases/dividends.

## Financial Statements (2021-2025)

<b>INCOME STATEMENT</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>
Revenue	9,668	11,727	13,247	15,673	17,186
Cost of revenue	7,077	8,801	9,850	10,949	11,690
<b>Gross profit</b>	<b>2,591</b>	<b>2,926</b>	<b>3,397</b>	<b>4,724</b>	<b>5,496</b>
Research and development	912	1,387	1,725	1,486	1,393
Sales and marketing	1,135	1,572	1,533	1,392	1,426
General and administrative	450	626	585	481	479
	<b>2,497</b>	<b>3,585</b>	<b>3,843</b>	<b>3,359</b>	<b>3,298</b>
<b>Operating income</b>	<b>94</b>	<b>-659</b>	<b>-446</b>	<b>1,365</b>	<b>2,198</b>
Finance income	246	421	161	328	292
Finance costs	-91	-132	-220	-352	-266
<b>Net finance income</b>	<b>155</b>	<b>289</b>	<b>-59</b>	<b>-24</b>	<b>26</b>
<b>Income before tax</b>	<b>249</b>	<b>-370</b>	<b>-505</b>	<b>1,341</b>	<b>2,224</b>
Income tax expense	283	60	27	203	12
<b>Net income attributable to owners of the parent</b>	<b>-34</b>	<b>-430</b>	<b>-532</b>	<b>1,138</b>	<b>2,212</b>
<b>Earnings per share attributable to owners of the parent</b>					
Basic	-0,18	-2,23	-2,73	5,67	10,77
Diluted	-1,03	-2,93	-2,73	5,50	10,51
<b>Weighted-average ordinary shares outstanding</b>					
Basic	191,298,397	192,934,862	194,732,304	200,622,518	205,412,951
Diluted	193,943,455	195,846,362	194,732,304	206,990,369	210,509,173

<b>BALANCE SHEET</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025A</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Lease right-of-use assets	437	417	300	226	234
Property and equipment	372	348	247	188	188
Goodwill	894	1,168	1,137	1,201	1,083
Intangible assets	89	127	84	48	41
Long term investments	916	1,138	1,215	1,635	2,181
Restricted cash and other non-current assets	77	78	75	68	61
Finance lease receivables	-	-	-	74	69
Deferred tax assets	13	8	28	186	662
	<b>2,798</b>	<b>3,284</b>	<b>3,086</b>	<b>3,626</b>	<b>4,519</b>
<b>Current assets</b>					
Trade and other receivables	621	690	858	771	802
Income tax receivable	5	5	20	28	116
Short term investments	756	867	1,100	2,667	4,209
Cash and cash equivalents	2,744	2,483	3,114	4,781	5,258
Other current assets	246	307	168	132	111
	<b>4,372</b>	<b>4,352</b>	<b>5,260</b>	<b>8,379</b>	<b>10,496</b>
<b>Total assets</b>	<b>7,170</b>	<b>7,636</b>	<b>8,346</b>	<b>12,005</b>	<b>15,015</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	-	-	-	-	-
Other paid in capital	4,746	4,789	5,155	6,124	6,596
Treasury shares	-260	-262	-262	-262	-701
Other reserves	853	1,521	1,812	2,707	3,366
Accumulated deficit	-3,220	-3,647	-4,182	-3,044	-832
<b>Equity attributable to owners of the parent</b>	<b>2,119</b>	<b>2,401</b>	<b>2,523</b>	<b>5,525</b>	<b>8,329</b>
<b>Non-current liabilities</b>					
Exchangeable notes	1,202	1,128	1,203	1,539	
Lease liabilities	579	555	493	462	433
Accrued expenses and other liabilities	37	28	26	5	2
Provisions	7	3	3	3	3
Deferred tax liabilities	-	5	8	21	163
	<b>1,825</b>	<b>1,719</b>	<b>1,733</b>	<b>2,030</b>	<b>601</b>
<b>Current liabilities</b>					
Trade and other payables	793	845	978	1,342	1,194
Income tax payable	23	11	12	33	72
Deferred revenue	458	520	622	683	711
Accrued expenses and other liabilities	1,841	2,093	2,440	2,347	2,589
Exchangeable notes	22	26	21		1,458
Provisions	22	26	21	25	51
Derivative liabilities	89	21	17	20	10
	<b>3,226</b>	<b>3,516</b>	<b>4,090</b>	<b>4,450</b>	<b>6,085</b>
<b>Total liabilities</b>	<b>5,051</b>	<b>5,235</b>	<b>5,823</b>	<b>6,480</b>	<b>6,686</b>
<b>Total equity and liabilities</b>	<b>7,170</b>	<b>7,636</b>	<b>8,346</b>	<b>12,005</b>	<b>15,015</b>



<b>CASH FLOW STATEMENT</b>	<b>2021A</b>	<b>2022 A</b>	<b>2023 A</b>	<b>2024 A</b>	<b>2025A</b>
<b>Operating activities</b>					
Net income	-34	-430	-532	1,138	2,212
Adjustments to reconcile net income to net cash flows					
Depreciation of property, equipment and lease right-of-use assets	94	118	110	85	79
Amortization of intangible assets	33	53	48	36	23
Excess and obsolete reserve	-	14	-	-	-
Impairment charges on real estate assets		-	123	43	8
Write-off of content assets		-	29	-	-
Share-based compensation expense	223	381	321	267	247
Finance income	-246	-421	-161	-328	-292
Finance costs	91	132	220	352	266
Income tax expense	283	60	27	203	12
Other	6	7	1	2	10
Changes in working capital:					
Decrease in trade receivables and other assets	-245	-84	-145	145	-115
Increase in trade and other liabilities	137	226	501	183	281
Increase in deferred revenue	67	52	113	45	60
Increase in provisions	5	-3	-5	3	22
Interest paid on lease liabilities	-50	-53	-38	-36	-36
Interest received	3	37	111	216	242
Income tax paid	-6	-43	-43	-53	-86
<b>Net cash flow from operating activities</b>	<b>361</b>	<b>46</b>	<b>680</b>	<b>2,301</b>	<b>2,933</b>
<b>Investing activities</b>					
Business combinations, net of cash acquired	-115	-295	-	-	-9
Payment of deferred consideration pertaining to business combinations		-11	-7	-10	-9
Purchases of property and equipment	-85	-25	--6	-17	-61
Purchases of short-term investment	-497	-457	-1,590	-7,275	-19,271
Sales and maturities of short-term investments	375	368	1,379	5,804	17,545
Other	135	-3	7	12	20
<b>Net cash flows used in investing activities</b>	<b>-187</b>	<b>-423</b>	<b>-217</b>	<b>-1,486</b>	<b>-1,785</b>
<b>Financing activities</b>					
Payments of lease liabilities	-35	-43	-66	-69	-73
Lease incentives received	7	2	2	-	-
Repurchase of ordinary shares	-89	-2	-	-	-439
Proceeds from exercise of stock options	167	43	366	933	372
Other	1,200	-40	-68	-135	-241
<b>Net cash flows from financing activities</b>	<b>1,250</b>	<b>-40</b>	<b>234</b>	<b>729</b>	<b>-381</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,424</b>	<b>-417</b>	<b>697</b>	<b>1,544</b>	<b>767</b>
<b>Cash and cash equivalents on December 31</b>	<b>2,744</b>	<b>2,483</b>	<b>3,114</b>	<b>4,781</b>	<b>5,258</b>



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