

## Sustainable Growth Hypothesis:

Through its music streaming platform and wider ecosystem, Spotify is contributing significantly to the growth of the creative economy and democratizing access to income opportunities for artists and creators.

### 1. Growth: How likely is the company to deliver 10% p.a. profit growth over the next decade?

While growth in developed markets is slowing, there are opportunities in emerging markets for subscriber numbers to pick up. It has also demonstrated pricing strength by raising prices which have not deterred customer numbers continuing to grow. Its premium product attracts customers, which attracts artists, and advertisers.

### 2. Resilience: How much control does the company have over its own success?

- Its strategic pricing model, market expansion, and diversification of service offerings all point towards enhanced resilience. It has also seen successful results after a period of cost reductions evidencing its ability to be flexible in difficult market environments.

### 3. Valuation: What is our insight?

Its focus on efficiency, margin improvement, as well as its ability to transition ad-supported customers to premium, and expansion in emerging markets, are key areas that we believe could be underappreciated by the broader market.

### 4. Products: To what extent will the core products & services create value for society over the next decade?

Its offering serves two communities - creative artists are looking to 'live' off their art, and billions of fans who are looking to enjoy and be inspired by the content.

### 5. Practices: Does the company show leadership in its business practices?

It has brought the music industry back from the brink, building a platform that has fundamentally changed the music ecosystem, lowering barriers to entry, and democratizing access to both listening to, and creating audio content.

### 6. Ambition: What is the company's purpose, and how ambitious are they?

There is clear ambition to develop the platform into something even more transformational for creators and users. Its relentless focus on quality, user engagement, innovation and generating opportunities for artists is undeniably strong.

### 7. Trust: Should we trust the company with our clients' capital?

- We regard Daniel Ek as an aligned, committed, and ambitious leader. The company has a good track record of stakeholder treatment, and we like the continued focus on its product being a core product for both customers and creators.

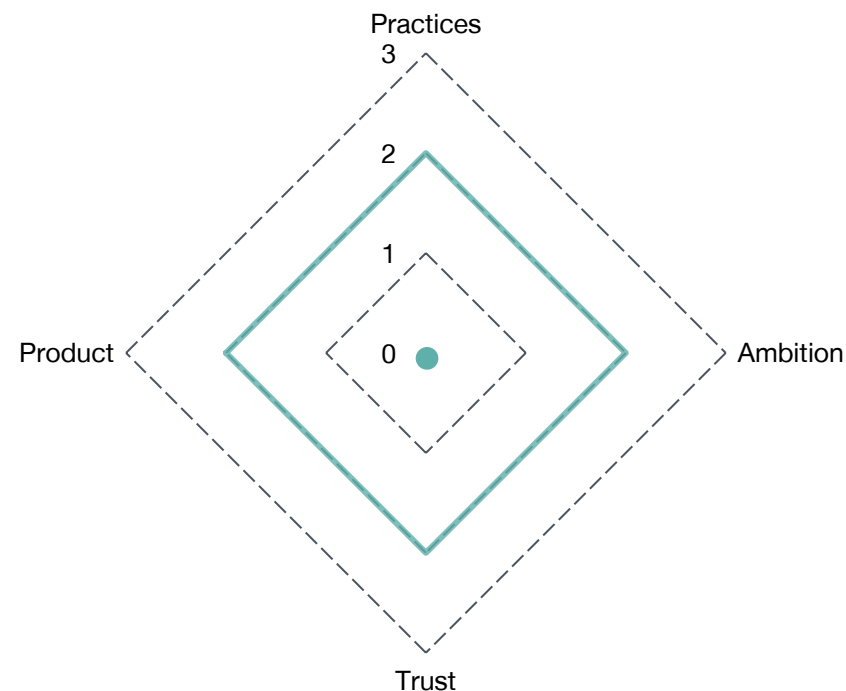
### 8. Engagement: No company is perfect, what should be our engagement priority?

- Considering how the company plans to continue delivering value to creators, as well as expanding its product offering along in emerging markets is an area of interest, as well as tracking competitor activity and the average payment per stream to artists.

### 9. Milestones: What developments should we pay most attention to? Where could we be wrong?

Monitoring whether cost cutting is going to interfere with long term growth prospects. What we really want to see is an improvement in monetising the impressively large user base.

## Compass Scores



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