

Spotify posts rare profit, shares tumble on timid user growth

April 28 2021, by Marc Pr  el



Spotify has yet to post a full-year net profit despite its success in the online music market

Spotify posted on Wednesday a rare net profit in the first quarter and a sharp increase in paid subscribers as the music streaming giant launched

in dozens of new markets, but disappointing total users sent shares tumbling.

The Swedish company netted a modest 23 million euros (\$27.8 million) in the first three months of the year—only the fifth quarterly profit since Spotify went public in 2018.

The company attributed the gain to a recent drop in its stock price which lessened the burden of employee compensation—social charges were some 35 million euros lower than forecast as they include share-based payments to staff.

After reaching an all-time high of nearly \$365 in mid-February, Spotify's share on the New York Stock Exchange has fallen below \$300 in recent weeks.

Despite posting a profit, the number of total monthly users only hit 356 million at the end of March, falling short of analysts' expectations of 360 million, according to a Factset consensus.

The company also lowered its projections for the full year, saying it now expects to have between 402 million and 422 million users, of which 172 million to 184 million would be paying subscribers.

Co-founder and chief executive Daniel Ek insisted the data were satisfactory, given the "unprecedented environment" of the pandemic.

"I'm pleased with the continuing momentum we're seeing across many aspects of our business this quarter, including our subscriber growth," stated Ek.

Despite the ongoing uncertainty owing to Covid-19, Ek said the outlook was positive and stated that "it's worth noting that of our four quarters,

Q1 historically tends to be the quarter with the lowest new user activations.

"We also know that the world is in various stages of recovering from the pandemic and we see that reflected in aspects of our business."

Reporting on the full year of 2020 in February, Spotify said it expected monthly active user to total between 407 to 427 million, with 172 to 184 million paying subscribers.

Spotify shares were down 10.5 percent mid session on Wall Street, even after posting a 21 percent growth in paying subscribers compared to a year earlier to reach 158 million.

Arsenal bid

Revenue, meanwhile, rose 16 percent year-on-year to 2.15 billion euros, with 90 percent of that coming from paying subscribers and only a tenth from ads, Spotify said in a quarterly report.

In February, Spotify announced it had launched in more than 80 new countries with a combined population of one billion, including heavily populated nations such as Nigeria, Pakistan and Bangladesh, taking its presence to the vast majority of the world's countries—nearly 170.

"We are pleased with the new market contributions, with South Korea being the biggest driver," the company said.

Spotify has never posted a full-year net profit despite success in the online music market.

Last year, the firm tripled its net loss to 581 million euros, partly due to a strong share price pushing up compensation costs.

The music streaming company has invested heavily in podcasts in recent years, including acquiring US publishing platform Megaphone and signing a deal with popular host Joe Rogan.

Spotify said it saw "an all-time high in terms of podcast share of overall platform consumption hours" in March.

In the second quarter, it expects to reach 366 to 373 million monthly active users and 162 to 166 million paying subscribers.

Meanwhile, Ek has garnered attention himself by expressing interest in buying London football club Arsenal, though the Premier League club's American owner Stan Kroenke has said it is not for sale.

© 2021 AFP

Citation: Spotify posts rare profit, shares tumble on timid user growth (2021, April 28) retrieved 26 April 2024 from <https://techxplore.com/news/2021-04-spotify-rare-profit-users-mn.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--