

Spotify Technology

Priced for perfection

Reiterate Rating: BUY | PO: 900.00 USD | Price: 627.32 USD

2Q review: Solid 2Q but bar has been raised

Spotify reported a solid 2Q as MAUs and subscribers were above our forecast, while gross margin was essentially in line and revenue was below (largely due to FX). All in, total 2Q25 revenue grew +10% Y/Y (15% ex FX) to €4,193mn (vs. our €4,249mn est.), driven by 12% Premium revenue growth and -1% in ad-supported revenue on a reported basis. We believe the negative share reaction to 2Q results can be attributed to: 1) 3Q gross margin guide of 31.1% (in line with our forecast but below the Street's), 2) deceleration in expected 3Q CC ARPU growth to flat Y/Y and 3) continued challenges in scaling their advertising business. Given the strong share price appreciation over the last 2 years (in large part due to gross margin expansion), we suspect the bar was high, and we continue to believe SPOT has significant pricing power, even if 3Q ARPU may be modestly lower than expected. We remain positive on the long-term SPOT opportunity and would use share weakness as a particular buying opportunity.

Multiple monetization levers

Concurrent with 2Q results, SPOT provided 3Q guidance indicating continued momentum in several topline KPIs partially offset by a sequential decline in gross margin (incorporating 40bps of regulatory charges). User engagement is growing across the three main features on SPOT's platform (music, podcasts and audiobooks). Notably, Ex-China and Russia, SPOT has 45% market share of paid music streaming. To the extent engagement remains strong, we believe SPOT has pricing power in the business. SPOT has other monetization levers outside of pricing including a la carte offerings and better advertising monetization. While '25 is a transition year for advertising growth (impacted by loss of inventory due to SPP and exiting unprofitable podcast deals), the business should ramp in '26 as SPOT continues to add DSP partners and scales programmatic.

Adjusting estimates for 2Q results, guidance and FX

We now project 3Q revenue of €4.24bn (from €4.48bn) and gross margin of 31.1% (unchanged). For CY25E, we decrease our revenue forecast to €17.21bn (from €17.64bn) and OI to €2.04bn (from €2.21bn). However, we raise our FCF of €2.88bn (€2.82bn).

Reiterate Buy rating and \$900 PO

SPOT is strong in profitability and FCF should be driven by: 1) deeper subscriber penetration, 2) price increases, 3) new pricing tiers, 4) advertising improvement driven by digital initiatives and 5) new businesses (e.g. Audiobooks and Video). SPOT doubled share repurchase authorization to \$2bn (with April '26 expiration).

Estimates(Dec) (EUR)	2023A	2024A	2025E	2026E	2027E
EPS	(2.74)	5.50	5.26	11.01	14.58
EPS Change (YoY)	9.6%	NM	-4.4%	109.3%	32.4%
Consensus EPS (Bloomberg)	(2.70)	5.79	8.14	12.51	15.78
Consensus EPS (Visible Alpha)			7.76	12.29	15.98
Valuation (Dec)					
P/E	NM	110.1x	102.5x	49.0x	37.0x
EV / EBITDA*	NM	69.3x	48.1x	33.2x	25.5x
Free Cash Flow Yield*	0.6%	2.1%	2.6%	3.3%	4.2%

* For full definitions of *IQmethod*SM measures, see page 7.

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Equity

Key Changes

(EUR)	Previous	Current
2025E Rev (m)	17,639.9	17,209.2
2026E Rev (m)	19,984.7	19,351.2
2027E Rev (m)	22,663.0	21,928.3
2025E EPS	7.93	5.26
2026E EPS	11.53	11.01
2027E EPS	15.19	14.58
2025E EBITDA (m)	2,316.5	2,141.5
2026E EBITDA (m)	3,310.6	3,098.7
2027E EBITDA (m)	4,298.9	4,035.0

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Stock Data

Price	627.32 USD
Price Objective	900.00 USD
Date Established	26-Jun-2025
Investment Opinion	C-1-9
52-Week Range	300.57 USD - 785.00 USD
Mrkt Val (mn) / Shares Out (mn)	128,636 USD / 205.1
Free Float	63.5%
Average Daily Value (mn)	1085.53 USD
BofA Ticker / Exchange	SPOT / NYS
Bloomberg / Reuters	SPOT US / SPOT.N
ROE (2025E)	15.9%
Net Dbt to Eqty (Dec-2024A)	-86.5%

DSP = Demand-side platform

MAU = Monthly active user

SPOT = Spotify Technology

SPP = Spotify Partner Program

iQprofileSM Spotify Technology

iQmethodSM – Bus Performance*

(EUR Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	-5.2%	24.3%	18.4%	19.9%	19.5%
Return on Equity	-19.8%	28.3%	15.9%	23.4%	22.9%
Operating Margin	-3.0%	8.7%	11.9%	15.5%	18.0%
Free Cash Flow	674	2,284	2,878	3,661	4,606

iQmethodSM – Quality of Earnings*

(EUR Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	NM	2.0x	2.7x	1.6x	1.5x
Asset Replacement Ratio	0x	0.1x	0.3x	0.4x	0.5x
Tax Rate	NM	15.1%	27.1%	25.0%	25.0%
Net Debt-to-Equity Ratio	-123.4%	-86.5%	-83.9%	-93.3%	-100.0%
Interest Cover	-1.8x	3.9x	2.6x	15.2x	NM

Income Statement Data (Dec)

(EUR Millions)	2023A	2024A	2025E	2026E	2027E
Sales	13,247	15,673	17,209	19,351	21,928
% Change	13.0%	18.3%	9.8%	12.4%	13.3%
Gross Profit	3,441	4,724	5,474	6,402	7,555
% Change	17.6%	37.3%	15.9%	17.0%	18.0%
EBITDA	(244)	1,486	2,142	3,099	4,035
% Change	50.0%	NM	44.1%	44.7%	30.2%
Net Interest & Other Income	(59)	(24)	(550)	13	61
Net Income (Adjusted)	(488)	1,138	1,087	2,266	3,005
% Change	17.1%	NM	-4.5%	108.6%	32.6%

Free Cash Flow Data (Dec)

(EUR Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	(488)	1,138	1,087	2,266	3,005
Depreciation & Amortization	158	121	101	92	89
Change in Working Capital	464	376	488	348	346
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	546	666	1,236	994	1,208
Capital Expenditure	(6)	(17)	(34)	(39)	(44)
Free Cash Flow	674	2,284	2,878	3,661	4,606
% Change	NM	238.9%	26.0%	27.2%	25.8%
Share / Issue Repurchase	365	933	296	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(EUR Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	3,114	4,781	6,807	10,468	15,074
Trade Receivables	878	799	932	963	1,108
Other Current Assets	1,268	2,799	3,326	3,550	3,598
Property, Plant & Equipment	247	188	155	148	148
Other Non-Current Assets	2,839	3,438	4,085	4,038	3,993
Total Assets	8,346	12,005	15,305	19,168	23,921
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	4,090	4,450	4,734	5,496	6,398
Long-Term Debt	NA	NA	NA	NA	NA
Other Non-Current Liabilities	1,733	2,030	2,455	2,455	2,455
Total Liabilities	5,823	6,480	7,189	7,951	8,853
Total Equity	2,523	5,525	8,117	11,216	15,068
Total Equity & Liabilities	8,346	12,005	15,305	19,168	23,921

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Music

Company Description

SPOT owns the largest streaming music subscription service in the world, controlling a 1/3 market share of the premium music streaming market. SPOT generates roughly 90% of its revenues from premium service subscriptions and roughly 10% of its revenue from advertising via the company's free, limited-access streaming service along with original and exclusive podcasts. SPOT also owns a 8% stake in Tencent Music Entertainment, the largest music streaming platform in China.

Investment Rationale

We view SPOT as an attractive pure play on the high-growth streaming music market - a subscription-driven opportunity underpinned by the global appeal of music and rising smartphone adoption with optionality from recent podcasting and Two-Sided Marketplace initiatives. Although the high level of the company's streaming music costs are less than ideal, we believe a path to improved profitability is visible, setting the stage for significant value creation potential provided execution continues.

Stock Data

Average Daily Volume 1,730,420

Quarterly Earnings Estimates

	2024	2025
Q1	0.97A	1.07A
Q2	1.33A	-0.42A
Q3	1.45A	1.99E
Q4	1.76A	2.62E



Exhibit 1: SPOT – Variance Table

We lower CY25E revenue to €17.21bn (from €17.64bn) but maintain GM of 31.8%

Fiscal Year Ends 12/31	Current Quarter							Current Year					
	Guide	Act.	Act.	Old				Est.	New	Old			
SPOT: BofAS Estimate Revisions	2Q25	2Q24A	2Q25A	Y/Y	2Q25E	Y/Y	D	2024E	2025E	Y/Y	2025E	Y/Y	D
Monthly Active Users (MAUs) (mns)	689	626	696	11%	689	10%	7	675	742	10%	740	10%	2
Net MAU Additions (Losses) (mns)		11	18	64%	11	0%	7	73	67	-9%	65	-12%	2
Premium Subscribers (mns)	273	246	276	12%	273	11%	3	263	290	10%	287	9%	3
Net Subscriber Additions (Losses) (mns)		7	8	14%	5	-29%	3	27	27	-2%	24	-13%	3
Ad-Supported MAUs (mns)		393	433	10%	429	9%	4	425	465	9%	466	10%	(1)
Premium ARPU		€ 4.62	€ 4.57	-1%	€ 4.65	1%	-€ 0.08	€ 4.67	€ 4.64	-1%	€ 4.76	2%	-€ 0.12
Revenues													
Premium		€ 3,351	€ 3,740	12%	€ 3,771	13%	-€ 31	€ 13,819	€ 15,314	11%	€ 15,614	13%	-€ 300
Ad-Supported		€ 456	€ 453	-1%	€ 478	5%	-€ 25	€ 1,854	€ 1,896	2%	€ 2,026	9%	-€ 131
TOTAL Revenue	€ 4,300	€ 3,807	€ 4,193	10%	€ 4,249	12%	-€ 56	€ 15,673	€ 17,209	10%	€ 17,640	13%	-€ 431
TOTAL Cost of Revenue		€ 2,695	€ 2,873	7%	€ 2,912	8%	-€ 39	€ 10,949	€ 11,736	7%	€ 12,031	10%	-€ 295
TOTAL Gross Profit		€ 1,112	€ 1,320	19%	€ 1,338	20%	-€ 18	€ 4,724	€ 5,474	16%	€ 5,609	19%	-€ 136
Margin %	31.5%	29.2%	31.5%	--	31.5%	--	0.0%	30.1%	31.8%	--	31.8%	--	0.0%
Research and Development		€ 379	€ 415	9%	€ 400	6%	€ 15	€ 1,486	€ 1,523	2%	€ 1,504	1%	€ 18
Sales and Marketing		€ 343	€ 364	6%	€ 362	6%	€ 2	€ 1,392	€ 1,414	2%	€ 1,402	1%	€ 12
General and Administrative		€ 124	€ 135	9%	€ 130	5%	€ 5	€ 481	€ 496	3%	€ 489	2%	€ 8
EBITDA		€ 296	€ 432	46%	€ 470	59%	-€ 38	€ 1,486	€ 2,142	44%	€ 2,316	56%	-€ 175
Depreciation and Amortization		€ 30	€ 26	-13%	€ 26	-15%	€ 0	€ 121	€ 101	-16%	€ 102	-16%	-€ 1
Operating Income	€ 539	€ 266	€ 406	53%	€ 445	67%	-€ 39	€ 1,365	€ 2,040	49%	€ 2,214	62%	-€ 174
Net Income (Loss)		€ 274	-€ 86	-131%	€ 375	37%	-€ 461	€ 1,138	€ 1,087	-5%	€ 1,669	47%	-€ 583
EPS		€ 1.33	-€ 0.42	-131%	€ 1.78	34%	-€ 2.20	€ 5.50	€ 5.26	-4%	€ 7.93	44%	-€ 2.67
FCF		€ 490	€ 700	43%	€ 586	20%	€ 114	€ 2,285	€ 2,880	26%	€ 2,821	23%	€ 59
FCF/S		€ 2.38	€ 3.41	43%	€ 2.79	17%	€ 0.62	€ 11.02	€ 13.95	27%	€ 13.41	21.7%	€ 0.54

Source: BofA Global Research estimates, Company Filings

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Exhibit 2: SPOT – Income Statement

We forecast CY25E OI of €2.04bn

	2024					2025							
Fiscal Year Ends 12/31	2023A	Q1A	Q2A	Q3A	Q4A	2024A	Q1A	Q2A	Q3E	Q4E	2025E	2026E	2027E
SPOT: Income Statement	2023	2024.1	2024.2	2024.3	2024.4	2024	2025.1	2025.2	2025.3	2025.4	2025	2026	2027
Total MAUs	602	615	626	640	675	675	678	696	710	742	742	798	854
Premium Subscribers	236	239	246	252	263	263	268	276	281	290	290	314	338
Ad-supported MAUs	379	388	393	402	425	425	423	433	442	465	465	497	529
+ Premium Revenue	€ 11,566	€ 3,247	€ 3,351	€ 3,516	€ 3,705	€ 13,819	€ 3,771	€ 3,740	€ 3,769	€ 4,034	€ 15,314	€ 17,152	€ 19,393
+ Ad-supported Revenue	€ 1,681	€ 389	€ 456	€ 472	€ 537	€ 1,854	€ 419	€ 453	€ 467	€ 557	€ 1,896	€ 2,200	€ 2,535
= Total Revenue	€ 13,247	€ 3,636	€ 3,807	€ 3,988	€ 4,242	€ 15,673	€ 4,190	€ 4,193	€ 4,236	€ 4,591	€ 17,209	€ 19,351	€ 21,928
Y/Y Growth	13.0%	19.5%	19.8%	18.8%	15.6%	18.3%	15.2%	10.1%	6.2%	8.2%	9.8%	12.4%	13.3%
- Cost of Revenue	€ 9,806	€ 2,632	€ 2,695	€ 2,748	€ 2,874	€ 10,949	€ 2,864	€ 2,873	€ 2,919	€ 3,080	€ 11,736	€ 12,949	€ 14,373
= Gross Profit	€ 3,441	€ 1,004	€ 1,112	€ 1,240	€ 1,368	€ 4,724	€ 1,326	€ 1,320	€ 1,317	€ 1,511	€ 5,474	€ 6,402	€ 7,555
Margin %	26.0%	27.6%	29.2%	31.1%	32.2%	30.1%	31.6%	31.5%	31.1%	32.9%	31.8%	33.1%	34.5%
Y/Y Growth	17.6%	31.1%	37.3%	40.1%	39.6%	37.3%	32.1%	18.7%	6.2%	10.4%	15.9%	17.0%	18.0%
- Research and Development	€ 1,725	€ 389	€ 379	€ 342	€ 376	€ 1,486	€ 379	€ 415	€ 361	€ 367	€ 1,523	€ 1,512	€ 1,617
- Sales and Marketing	€ 1,533	€ 324	€ 343	€ 332	€ 393	€ 1,392	€ 314	€ 364	€ 352	€ 384	€ 1,414	€ 1,398	€ 1,482
- General and Administrative	€ 585	€ 123	€ 124	€ 112	€ 122	€ 481	€ 124	€ 135	€ 118	€ 119	€ 496	€ 486	€ 510
= Operating (Loss) / Income	(€ 168)	€ 168	€ 266	€ 454	€ 477	€ 1,365	€ 509	€ 406	€ 485	€ 640	€ 2,040	€ 3,006	€ 3,946
Margin %	-1.3%	4.6%	7.0%	11.4%	11.2%	8.7%	12.1%	9.7%	11.5%	13.9%	11.9%	15.5%	18.0%
Y/Y Growth	-74.5%	-207.7%	-337.5%	1318.8%	601.5%	-912.5%	203.0%	52.6%	6.9%	34.2%	49.5%	47.3%	31.2%
+ Depreciation and Amortization	€ 158	€ 31	€ 30	€ 30	€ 30	€ 121	€ 27	€ 26	€ 24	€ 24	€ 101	€ 92	€ 89
= EBITDA	(€ 10)	€ 199	€ 296	€ 484	€ 507	€ 1,486	€ 536	€ 432	€ 510	€ 664	€ 2,142	€ 3,099	€ 4,035
Margin %	-0.1%	5.5%	7.8%	12.1%	12.0%	9.5%	12.8%	10.3%	12.0%	14.5%	12.4%	16.0%	18.4%
Y/Y Growth	-98.0%	-277.7%	-535.3%	611.8%	397.1%	-14960%	169.3%	45.9%	5.3%	31.0%	44.1%	44.7%	30.2%
+ Finance Income	€ 161	€ 59	€ 76	€ 66	€ 127	€ 328	€ 71	€ 89	€ 45	€ 45	€ 251	€ 211	€ 120
+ Finance Costs	(€ 220)	(€ 53)	(€ 72)	(€ 122)	(€ 105)	(€ 352)	(€ 252)	(€ 447)	(€ 50)	(€ 51)	(€ 800)	(€ 198)	(€ 58)
= (Loss) / Income Before Tax	(€ 505)	€ 174	€ 270	€ 398	€ 499	€ 1,341	€ 328	€ 48	€ 480	€ 634	€ 1,491	€ 3,020	€ 4,007
- Income Tax (Benefit) / Expense	€ 27	(€ 23)	(€ 4)	€ 98	€ 132	€ 203	€ 103	€ 134	€ 72	€ 95	€ 404	€ 753	€ 1,002
Tax Rate	-5.3%	-13.2%	-1.5%	24.6%	26.5%	15.1%	31.4%	279.2%	15.0%	15.0%	27.1%	25.0%	25.0%
= Net Income (Loss) Attributable to Owners of the Parent	(€ 532)	€ 197	€ 274	€ 300	€ 367	€ 1,138	€ 225	(€ 86)	€ 408	€ 539	€ 1,087	€ 2,266	€ 3,005
+ Adjustments	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0	€ 0
= Net Income (Loss) Used for Diluted Loss per Share	(€ 532)	€ 197	€ 274	€ 300	€ 367	€ 1,138	€ 225	(€ 86)	€ 408	€ 539	€ 1,087	€ 2,266	€ 3,005
Diluted Shares Outstanding	194	204	206	207	209	207	210	205	206	206	207	206	206
Diluted EPS	(€ 2.74)	€ 0.97	€ 1.33	€ 1.45	€ 1.76	€ 5.50	€ 1.07	(€ 0.42)	€ 1.99	€ 2.62	€ 5.26	€ 11.01	€ 14.58

Source: BofA Global Research estimates, Company Filings

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Exhibit 3: SPOT – FCF Statement

We forecast CY25E FCF of €2.88bn

	2024					2025							
Fiscal Year Ends 12/31	2023A	Q1A	Q2A	Q3A	Q4A	2024A	Q1A	Q2A	Q3E	Q4E	2025E	2026E	2027E
SPOT: Free Cash Flow (FCF) Statement	0	2024.1	2024.2	2024.3	2024.4	2024	2025.1	2025.2	2025.3	2025.4	2025	2026	0
Net Cash Flows from Operating Activities	€ 680	€ 211	€ 492	€ 715	€ 883	€ 2,301	€ 539	€ 709	€ 797	€ 866	€ 2,912	€ 3,700	€ 4,650
+ Capital Expenditures	(€ 6)	(€ 5)	(€ 2)	(€ 4)	(€ 6)	(€ 17)	(€ 6)	(€ 10)	(€ 8)	(€ 9)	(€ 34)	(€ 39)	(€ 44)
+ Change in Restricted Cash	€ 4	€ 1	€ 0	€ 0	€ 0	€ 1	€ 1	€ 1	€ 0	€ 0	€ 2	€ 0	€ 0
= Free Cash Flow	€ 678	€ 207	€ 490	€ 711	€ 877	€ 2,285	€ 534	€ 700	€ 789	€ 857	€ 2,880	€ 3,661	€ 4,606
FCF/Share	€ 3.45	€ 1.02	€ 2.38	€ 3.43	€ 4.20	€ 11.02	€ 2.54	€ 3.41	€ 3.84	€ 4.17	€ 13.95	€ 17.78	€ 22.34
Y/Y Growth	3128.6%	263.2%	5344.4%	229.2%	121.5%	237.0%	158.0%	42.9%	11.0%	-2.3%	26.0%	27.1%	25.8%
Leverage Statistics													
Total Debt	€ 1,203	€ 1,270	€ 1,323	€ 1,340	€ 1,539	€ 1,539	€ 1,654	€ 1,929	€ 1,929	€ 1,929	€ 1,929	€ 1,929	€ 1,929
- Cash and Cash Equivalents	€ 3,114	€ 3,451	€ 4,054	€ 4,688	€ 4,781	€ 4,781	€ 5,019	€ 5,161	€ 5,950	€ 6,807	€ 6,807	€ 10,468	€ 15,074
= Net Debt	(€ 1,911)	(€ 2,181)	(€ 2,731)	(€ 3,348)	(€ 3,242)	(€ 3,242)	(€ 3,365)	(€ 3,232)	(€ 4,021)	(€ 4,878)	(€ 4,878)	(€ 8,539)	#####
Gross Leverage	nm	4.2x	2.0x	1.2x	1.0x	1.0x	0.9x	1.0x	1.0x	0.9x	0.9x	0.6x	0.5x
Net Leverage	nm	-7.2x	-4.1x	-3.1x	-2.2x	-2.2x	-1.8x	-1.6x	-2.0x	-2.3x	-2.3x	-2.8x	-3.3x
TTM EBITDA	(€ 10)	€ 301	€ 665	€ 1,081	€ 1,486	€ 1,486	€ 1,823	€ 1,959	€ 1,985	€ 2,142	€ 2,142	€ 3,099	€ 4,035

Source: BofA Global Research estimates, Company Filings

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Price objective basis & risk

Spotify Technology (SPOT)

Our \$900 price objective is based on roughly 43x our CY26E FCF estimate, a slight discount to the closest peer and in-line fast growing streaming companies. We use a multiple of FCF for valuation as SPOT has reached a profitability inflection point and should be able to sustainably grow FCF into the future.

Our valuation accounts for SPOT's positioning within a secular growth area of Media & Entertainment, its ramping profitability, and the premium valuations ascribed to leading subscription streaming media services.

Upside risks to our price objective are faster-than-expected revenue growth, margin expansion, increased market share, increased operating leverage, and traction from new growth initiatives.

Downside risks to our price objective are margin pressure, increased content costs, reduced streaming market share, slower revenue growth and the potential that the Joe Rogan controversy drives an increase in churn or artists pulling their songs from the platform.

Analyst Certification

I, Jessica Reif Ehrlich, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Charter Communications	CHTR	CHTR US	Jessica Reif Ehrlich
	Fox Corporation	FOXA	FOXA US	Jessica Reif Ehrlich
	Fox Corporation	FOX	FOX US	Jessica Reif Ehrlich
	Live Nation Entertainment	LYV	LYV US	Peter Henderson
	Madison Square Garden Entertainment	MSGE	MSGE US	Peter Henderson
	Netflix, Inc.	NFLX	NFLX US	Jessica Reif Ehrlich
	Roku, Inc.	ROKU	ROKU US	Brent Navon, CFA
	Spotify Technology	SPOT	SPOT US	Jessica Reif Ehrlich
	The Trade Desk, Inc.	TTD	TTD US	Jessica Reif Ehrlich
	TKO Group Holdings	TKO	TKO US	Brent Navon, CFA
	Walt Disney Co.	DIS	DIS US	Jessica Reif Ehrlich
	Warner Bros. Discovery	WBD	WBD US	Jessica Reif Ehrlich
NEUTRAL				
	Comcast Corp	CMCSA	CMCSA US	Jessica Reif Ehrlich
	iHeartMedia, Inc.	IHRT	IHRT US	Jessica Reif Ehrlich
	Sphere Entertainment Co.	SPHR	SPHR US	Peter Henderson
	Warner Music Group Corporation	WMG	WMG US	Jessica Reif Ehrlich
UNDERPERFORM				
	Altice USA, Inc.	ATUS	ATUS US	Jessica Reif Ehrlich
	Sirius XM Holdings Inc	SIRI	SIRI US	Jessica Reif Ehrlich
RSTR				
	Paramount Global	PARA	PARA US	Jessica Reif Ehrlich



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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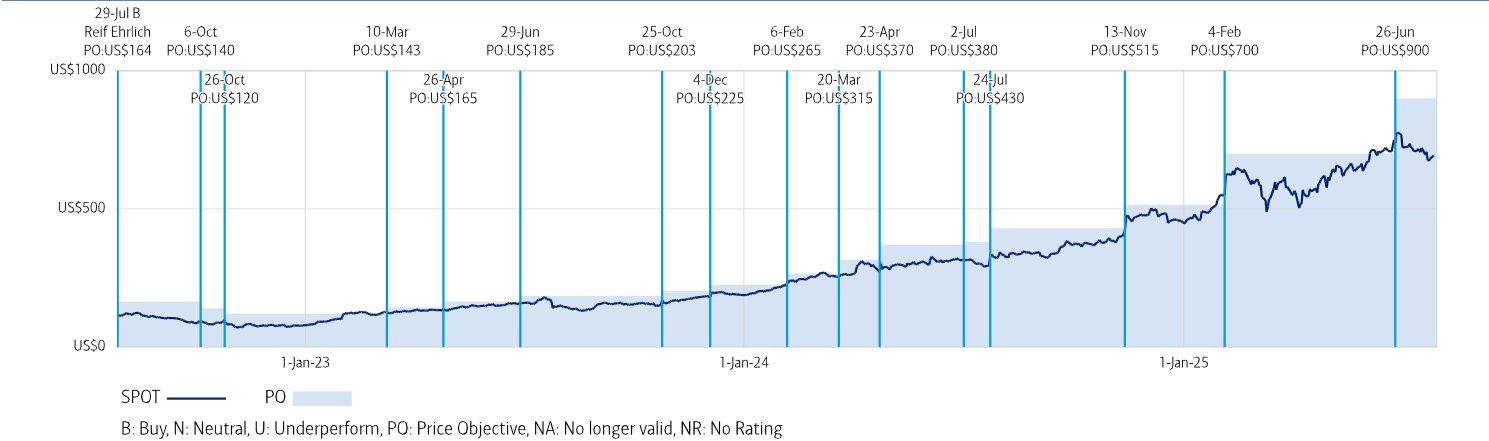
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Spotify (SPOT) Price Chart



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Equity Investment Rating Distribution: Media & Entertainment Group (as of 30 Jun 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	31	50.82%	Buy	17	54.84%
Hold	17	27.87%	Hold	9	52.94%
Sell	13	21.31%	Sell	7	53.85%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2025)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1840	53.64%	Buy	1081	58.75%
Hold	807	23.53%	Hold	472	58.49%
Sell	783	22.83%	Sell	375	47.89%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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