

# Spotify posts first-ever profitable year, beats Q4 expectations

Article

**The news:** Spotify delivered strong **Q4 2024** earnings, exceeding revenue expectations and closing out its **first full year of profitability**. Shares surged **8% in premarket trading** following the earnings release, capping a **150% rally over the past year**.

**By the numbers:**

- **Monthly active users (MAUs):** 675 million, up 12% year over year (YoY), surpassing analyst estimates of 665 million.
- **Paid subscribers:** 263 million, up 11% YoY.
- **Total revenues** €4.2 billion (\$4.54 billion), up 16% YoY.
- **Gross margin:** Improved 555 basis points YoY to 32.2%, **a record high.**
- **Q4 profit:** €367 million (\$396.6 million, or \$1.82 per share), a dramatic improvement from a €70 million loss in the prior year.

### **What's working:**

- **Cost efficiency:** Layoffs, reduced podcast investments, and other cost-cutting measures helped turn losses into profits.
- **Premium pricing:** New subscription tiers, including audiobook and music-only plans, allowed for multiple price hikes.
- **Music licensing:** A multiyear deal with Universal Music Group announced late last month offers better artist compensation while potentially eliminating a **\$200 million annual bundle discount** on US mechanical royalties.

**Why it matters:** Spotify's shift toward **profitability and monetization** is paying off, proving it can **sustain growth while improving margins.**

- **Pricing power:** Despite multiple price hikes, **subscriber churn remains low**, signaling strong consumer demand.
- **Margin expansion:** Gross margin, once stuck at 25%, exceeds 30%, achieving long-term targets ahead of schedule. Gross margin of 32.2% exceeded expectations but is expected to ease slightly to 31.5% in Q1 2025.

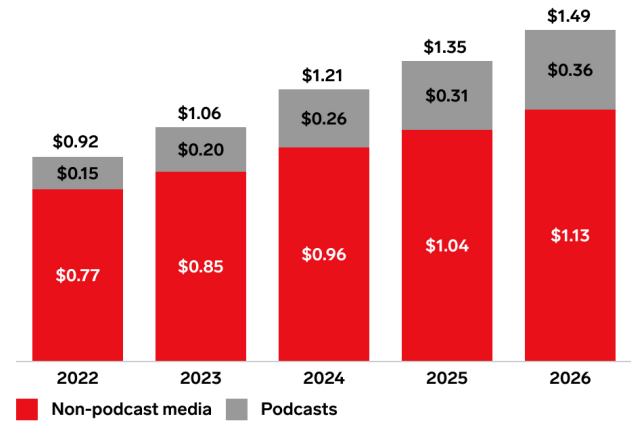
**Our take:** Spotify's **2024 performance marks a transformation**—the company is no longer just about subscriber growth but has **achieved profitability**. While margin expansion may slow in 2025, Spotify has multiple levers to drive revenues, from additional price increases to new subscription models and ad-supported innovations.

- The UMG deal underscores the power struggle between streaming platforms and record labels, with investors eager to assess its financial impact.

- With strong pricing flexibility and tighter cost controls, Spotify appears well-positioned for long-term profitability—especially as it continues to monetize its non-podcast media efficiently.

**Spotify's US Ad Business Will Generate More Than \$1 Billion Outside of Podcasts in 2025**

billions in US Spotify ad revenues, by medium, 2022-2026



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; podcasts include audio advertising within a podcast, and include all types of advertising on podcasts; numbers may not add up to total due to rounding  
 Source: EMARKETER Forecast, Nov 2024

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