

Ahead of Spotify's Q2 earnings, expect strong growth and an update on podcasts

Article

The news: Spotify will report its Q2 2021 earnings before the market opens at 8am EDT on Wednesday, July 28. Here are the three things we're expecting:

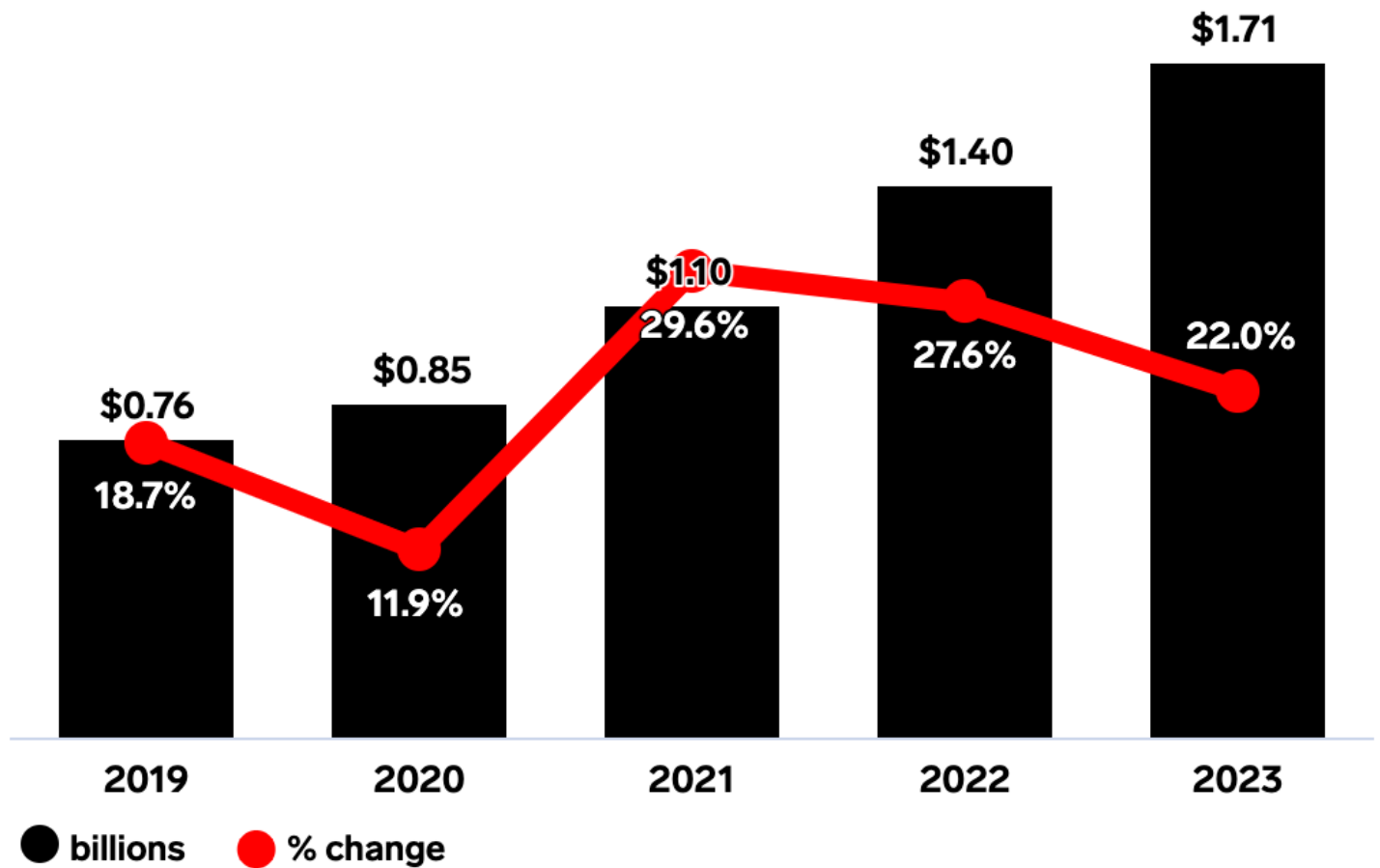
1. **Strong year-over-year (YoY) growth in advertising revenues.** In Q1 of this year, ad revenues were up an impressive **46%** YoY, and we anticipate Q2 will also show robust advertising growth, especially given last year's weak comparative. When people started quarantining, audio listening took a big dip. In response, advertisers pulled back spending on Spotify audio ads, and the company's ad revenues fell by **21%** in Q2 2020. Ad-supported revenues returned to positive YoY growth in Q3 and then accelerated to **29%** by Q4.
2. **Steady growth in total monthly active users (MAUs):** Total MAUs increased **24%** YoY in Q1 this year, and Spotify will hope that momentum continues as it marches toward its goal of more than 400 million global listeners by year-end. However, in CEO Daniel Ek's prepared remarks for Q1 2021, he reiterated how MAU growth was likely pulled forward in 2020 due to pandemic-related effects. This suggests that **2021 monthly listener growth could be slightly more sluggish than previously expected**. However, Spotify launched in **86 new markets** in February of this year, which could contribute to additional MAU growth.
3. **Insight into how exclusive content is impacting podcast engagement:** Given the podcasting push Spotify is making globally, it will be interesting to see whether the company reports an increase in podcast engagement in Q2. After buying the exclusive streaming rights to Joe Rogan's podcast in May 2020, Spotify has doubled down on the strategy, signing exclusive rights deals for the likes of Dax Shepard's "Armchair Expert" and Alexandra Cooper's "Call Her Daddy" in Q2 2021, both of which consistently ranked among the top 100 podcasts on Apple Podcasts. It will also be interesting to see whether the Swedish streaming company gives any details into how these exclusive partnerships are affecting overall podcast listening on the platform. Side note: In Q1 of this year, the company reported that the percentage of MAUs engaging with podcast content was "consistent with Q4 levels."

Here is our full-year outlook for Spotify's ad revenues and users:

- We **estimate** that Spotify's worldwide ad revenues will increase by **29.6%** this year, to reach **\$1.10 billion**.
- **US** Spotify listeners will grow by **10.1%** this year to reach **83.1 million**, while US Premium subscribers will grow by **8.2%** to reach **43.6 million** subscribers.
- US Spotify **podcast** listeners will grow by **41.3%** this year to reach **28.2 million**. This would put Spotify **ahead of Apple Podcast listeners** by the end of 2021.

Spotify Ad Revenues

Worldwide, 2019-2023



Source: eMarketer, March 2021

eMarketer | InsiderIntelligence.com