



Year-End Report

January - December 2018

Storytel AB (Publ)



Highlights in this report

Click [here](#) to watch the quarterly video with CEO Jonas Tellander and CFO Sofie Zettergren.

- ❑ Subscriber base up 44% Y/Y to 768,700 on average in Q4 2018 (533,400).
- ❑ Streaming sales up 39% Y/Y to 291 MSEK in Q4 2018 (209 MSEK)
- ❑ Streaming sales surpassed target of 1,000 MSEK in 2018
- ❑ Storytel launched in Mexico and Bulgaria, now present in 15 markets.
- ❑ Changed listing venue from Spotlight to Nasdaq First North
- ❑ Successful Storytel Family launch boosted subscriber base growth in Sweden
- ❑ Forecast growth in subscriber base to on average 835,000 in Q1 2019 (+44% Y/Y)

Key performance indicators for Streaming and Print Publishing

Currency: thousand SEK	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Streaming Total						Forecast¹
Revenue	209,225	222,133	239,139	279,979	291,315	297,000
Contribution Profit ²	30,277	24,079	25,045	22,063	30,444	
Contribution Margin	14.5%	10.8%	10.5%	7.9%	10.5%	
Paying Subscribers	533,400	577,900	621,200	720,900	768,700	835,000
ARPU ³ (SEK/Month)	131	128	128	129	126	119
Streaming Sweden						
Revenue	118,038	122,046	125,759	135,986	139,977	138,000
Contribution Profit	38,501	43,067	35,763	40,888	49,190	
Contribution Margin	32.6%	35.3%	28.4%	30.1%	35.1%	
Paying Subscribers	292,700	305,100	314,700	336,200	345,200	362,000
ARPU (SEK/Month)	134	133	133	135	135	127
Streaming International⁴						
Revenue	91,187	100,087	113,380	143,993	151,338	159,000
Contribution Profit	-8,224	-18,988	-10,718	-18,826	-18,746	
Contribution Margin	-9.0%	-19.0%	-9.5%	-13.1%	-12.4%	
Paying Subscribers	240,700	272,800	306,500	384,700	423,500	473,000
ARPU (SEK/Month)	126	122	123	125	119	112
Print Publishing⁵						
Revenue	173,832	106,312	115,898	116,252	170,435	
Contribution Profit ⁶	66,854	39,223	41,889	40,140	54,681	
Contribution Margin	38.5%	36.9%	36.1%	34.5%	32.1%	

1 Forecast is an approximation based on information available at the time of reporting.

2 Contribution Profit is defined as streaming revenue minus costs for content (licensed content and in-house productions) and marketing. Storytel Reader is not included in Streaming.

3 ARPU = Average Revenue Per User (Subscriber) per month. In Q1 2019, Storytel released Family subscription and a discounted campaign has been run, lowering the ARPU. The lowering ARPU is also explained by Q1 having fewer days (90) and growth in low priced markets.

4 Storytel Norway included in figures @ 100%. In the consolidated group accounts Norway is reported according to the principle of proportional consolidation.

5 Print Publishing refers to physical books. Internal transactions have been redacted, hence sales through Storytel is not included.

6 Contribution Profit is defined as revenue minus cost per sold unit, distribution costs, and sales and marketing costs.



Comments from the CEO

In this CEO letter I would like to share my thoughts on Storytel's growth model in order to help you better understand how we think about value creation. But first, a quick recap of 2018. One year ago we communicated our main 2018 goals, 1 BSEK in streaming revenues and 800,000 paying subscribers.

Our streaming revenues came in at 1,033 MSEK and we surpassed 800,000 subscribers in the 2nd week of January.

The Storytel staff left the office for a well-deserved Christmas break, after meeting a number of other milestones, such as the launch of a Family subscription and our move to Nasdaq First North. Now we are all back packed with energy, ready to get more people to enjoy stories across the world. In late January we announced our first acquisition for the year, the magazine streaming subscription service Ztory, which will be offered to our Swedish subscribers later this year.

Storytel is now growing from a broad base of markets and 73% of our streaming revenue growth was created outside of Sweden in 2018. In Q4 2018 our subscriber growth rate was 44% Y/Y and streaming revenue growth 39% Y/Y.

In Q1 2019 we forecast the Swedish Y/Y subscriber growth to again be back at 60,000 subscribers, 20% Y/Y growth, as it has been for most of the past few years. Our forecast for international subscriber base growth is 200,200 subscribers, 73% Y/Y growth. In total for Q1 2019, compared to Q1 2018 we forecast subscriber base growth of 257,100, 44% Y/Y growth.

The Swedish government has now passed the legislation that the VAT on digital publications, such as Storytel, will be reduced on 1 July 2019 from 25% to 6%. This has a significant positive impact on our business, it allows us to improve our customer offering as well as grow the pay-outs to our publishing partners and authors. Since this is an EU decision, several countries within the European Union will follow and some markets, such as Poland and Finland have already decided to lower the VAT.

Storytel's growth funnel

We now have ten markets with more than 10,000 subscribers, a doubling from a year ago. In seven markets we have 25,000 subscribers or more, up from four markets a year ago, and we have added another market with >50,000 subscribers (Netherlands) in 2018. In 2019 we will add three to five more markets with >10,000 subscribers, two to four more markets with >25,000 subscribers and two to four more markets with >50,000 subscribers.

Market leadership typically helps us grow profitably. Storytel now holds market leading position on seven markets, up from only four markets a year ago. We are profitable on four markets, and in 2019 we expect to breakeven in at least one more market.

Milestone (# of markets)	2016	2017	2018	2019 Est
Markets launched	6	9	15	18-21
>10,000 subscribers	4	5	10	13-15
>25,000 subscribers	3	4	7	9-11
>50,000 subscribers	2	3	4	6-8
Market leading positions	4	4	7	8-11
Profitable markets	2	3	4	5-6

A consequence from launching a large number of markets in a short period of time is that total profitability goes down. Storytel added nine markets in the past 18 months (one new market every two months) which naturally impacts profitability negatively in the short term.

According to statistics from the Swedish Publisher's Association, the Swedish book market for general literature (including physical books) grew by 4.8% in 2018 (+4.2% in 2017) thanks to the streaming segment that grew by 33% in 2018 to 679 MSEK, of which Storytel accounted for 527 MSEK (78% market share).

Our Swedish and Danish operations (including Print Publishing) increased sales by 16% to approximately 1,240 MSEK in 2018, with an EBITDA margin of around 8%. Our goal for Sweden and Denmark is to continue growing, and over time increase operating margins to 15%. In the currently applied accounting standards, K3, all costs related to production of audiobooks are expensed as they occur, hence not capitalized in the balance sheet.

Our goal for streaming is to have 1,100,000 subscribers by the end of 2019, up from 790,000 subscribers at the end of 2018, an increase of 310,000 subscribers, corresponding to 40% subscriber growth. Our global streaming revenues were 1,030 MSEK in 2018 and our goal for 2019 is 1,400-1,450 MSEK, corresponding to 36-41% revenue growth.

Print Publishing

2018 was another strong year for Norstedts Förlagsgrupp publishers, with children's book brand Rabén & Sjögren's franchise Handbook for Superheroes, which have sold more than 350,000 copies since it was first released in 2017. Rabén & Sjögren had an overall strong

2018 with Emma Adbåges Gropen receiving the Swedish Augustpriset literary award as well as topping the charts with new bestsellers from JK Rowling, Mamma Mu and Mats Strandberg. Norstedts Förlagsgrupp acquired two publishers during the year: B.Wahlströms (internally from Storytel Publishing) and Printz Publishing to further strengthen the position on the Swedish book publishing market. Digital revenues grew by 60% and more than a third of all fiction revenues are now coming from audiobooks. Norstedts and Massolit had a good year with Jonas Gardell, Hjorth/Rosenfeldt and Jenny Colgan combining great sales with top reviews. We have recruited a new CEO in our Danish publishing house People's Press, in order to improve operations. The new CEO, Tine Smedegaard Andersen will start on April 1st 2019.

We look forward to another exciting year, where a lot of the product innovation will reach our customers. We also expect to see strong uptake of the things we brought to the market last year, Storytel Reader and Storytel Family, as well as strong growth on many of our new markets. Thank you for following our journey, hope to see you as a customer and shareholder for many years to come.

25 February 2019

Jonas Tellander, CEO & Founder

About Storytel

Storytel was founded in 2005 by Jonas Tellander and Jon Hauksson. In 2009 Storytel participated in TV-show [Draknästet](#) asking for capital, and in 2016 Storytel acquired Norstedts Förlagsgrupp. These two events marked important milestones for the company, from the struggles of a startup in the midst of a financial crisis, to the successful acquisition of Sweden's perhaps most prestigious publishing house, the home of Astrid Lindgren and Stieg Larsson. Storytel's journey as a public company began in June 2015 on Spotlight at a market capitalization of 600 MSEK. In December 2018 Storytel moved its listing to Nasdaq First North at a market capitalization of approximately 6 BSEK.

The Storytel group consists of two divisions, Streaming and Publishing. The Streaming division currently offers a subscription service for audio books and e-books under the brand names Storytel and Mofibo in Sweden, Norway, Denmark, Finland, Iceland, The Netherlands, Poland, Russia, Spain, India, the United Arab Emirates, Turkey, Italy, Mexico and Bulgaria. The Streaming division also publishes audio books and Storytel Originals, mainly through the audio-book publisher Storyside. The Publishing division consists of the publishers Norstedts, Massolit, Printz Publishing, the Danish People's Press, Storytel Publishing, Rabén & Sjögren and B. Wahlströms, as well as Norstedts Kartor

Financial performance, fourth quarter 2018

Consolidated net and total turnover, Q4 2018 (compared to Q4 2017)

Net turnover for the group in Q4 2018 totalled 436,621 (365,055) TSEK. Storytel A.S in Norway is a Joint Venture together with Cappelen Damm and is reported according to the principle of proportional consolidation. The table on page two in this report includes all subscribers and revenue in Norway, listed under Streaming, international; hence Streaming revenues listed in the table on page two are higher than in the consolidated statement of accounts, in order to provide a more accurate Average revenue per subscriber.

Total Group revenue amounted to 449,123 (380,155) TSEK. For the full year 2018 total Group revenue amounted to 1,486,007 (1,199,213) TSEK. Streaming sales grew by over 40% Y/Y while Print Publishing sales were quite stable.

Consolidated expenses, Q4 2018 (compared to Q4 2017)

Unit-sale costs for the group totalled 276,130 (212,366) TSEK in Q4 2018. Unit-sale costs include costs for producing audiobooks, the cost of goods sold of physical books, warehouse and distribution costs, as well as royalty payments to other publishers and rights owners. The gross margin totalled approx. 38.5% in Q4 2018, compared to 39.9% during the full year. In comparison figures for 2018 (Q1-Q3 2018) a reclassification has been made from other external costs to unit-sale costs, hence reducing the gross margin slightly compared to prior interim reports.

Other external costs for the group during Q4 2018 totalled 147,585 (103,414) TSEK. The largest cost item under Other external costs consists of marketing costs. By the end of year 2018 Storytel had launched its service in 15 markets (as compared to nine markets by the end of year 2017) which required greater investments in marketing. Other significant costs included office leases, IT-related services and costs, and consultants. In Q4 2018 Storytel started to implement a new ERP system which is not capitalized in the balance sheet in accordance with current accounting standard, K3. In Q4 2018 Storytel also changed listing venue to Nasdaq First North which required investments in terms of filing costs, legal- and other consultancy costs.

Staffing costs for the group in Q4 2018 totalled 85,298 (62,889) TSEK. Staffing costs within the Publishing division are at a stable level, while Streaming has experienced increased costs in order to meet the needs of the pace of expansion of both global functions and employees in new countries.

Earnings before interests, tax, depreciation & amortization, Q4 2018 (compared to Q4 2017)

Earnings before depreciation in the group in Q4 2018 totalled -59,891 (1,486) TSEK. EBITDA for the full year of 2018 amounted to -182,272 (-11,287) KSEK. While the goal for top-line growth was reached for 2018, EBITDA as a percent of revenues is slightly less positive than forecasted a year ago (-12.3% compared to forecast around -10%), Nearly 1% is explained by FX effects and the remaining pertains to markets that started preparing for launch already in 2018 (Brazil and Singapore) and extraordinary costs not budgeted for, such as changing listing venue to Nasdaq First North.

Depreciations and financial items, Q4 2018 (compared to Q4 2017)

Depreciation in the group in Q4 2018 totalled -15,472 (16,769) TSEK. Depreciation primarily includes depreciation attributable to goodwill and other excess value identified in connection with acquisitions. The largest asset items are connected to the acquisitions of Norstedts Förlagsgrupp, Mofibo and People's Press. All goodwill and excess values are depreciated according to linear depreciation. Depreciation on goodwill pertaining to acquisitions in currency other than SEK is affected by FX fluctuations. Other depreciation primarily concerns the purchasing and development of IT-systems from external parties. All tech costs related to developing Storytel's technical platform are expensed as staff costs, when they occur.

Financial items include both interest income and interest expenses, as well as realized and unrealized exchange differences. Interest costs from bank loans total approx. 2,500 MSEK for Q4 2018.

Earnings, Q4 2018 (compared to Q4 2017)

Earnings for the period amounted to -34,330 (-10,610) TSEK. Due to Storytel currently being in a loss-making position there is a positive tax effect for the quarter, making up most part of taxes on the year's profits of 45,031 (9,438) TSEK. While Streaming is investing heavily in new markets, Print Publishing had yet another solid quarter and contributed with strong profits. This is primarily a result of Norstedts Förlagsgrupp, which contributed with an operating profit of circa 31 MSEK in FY 2018 (32 MSEK).

Earnings per share, after taxes, in Q4 2018 totalled -0.61 SEK, calculated as earnings for the period after taxes, divided by the average number of shares during the period. Earnings per share for the year as a whole totalled -4.02 SEK.

Group: Financial position and cash flow as of December 31 2018 (compared to Dec. 31st 2017)

At the end of the period, the group had 582,585 (250,974) TSEK in liquid assets. Solvency was 45.6% (36.2%). Equity totalled 636,961 (343,573) TSEK. In September 2018, Storytel

completed a targeted stock offering which added 500 MSEK in equity, before transactions fees, leading to an increased solvency level.

Non-current liabilities to loaning institutions totaled 200,649 (127,962) TSEK. The portion that will be amortized during the next twelve months is considered short-term liabilities and totals approx. 30 MSEK. During 2018, a new loan with Swedbank has been issued, amounting to 100 MSEK.

Consolidated and Parent Company Statements of Accounts (TSEK)

	Oct. – Dec. Group		Jan. – Dec. Group		Oct. – Dec. Parent Company		Jan. – Dec. Parent Company	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating Revenue								
Net Turnover	436,621	365,055	1,459,952	1,170,861	884	698	3,278	2,748
Change in inventory during production	4,812	1,405	2,311	-1,049	-	-	-	-
Sum of profits/losses from associated companies	-	272	-	-	-	-	-	-
Other revenue	7,690	13,423	23,744	29,401	-	-	-	-
Total Group revenue	449,123	380,155	1,486,007	1,199,213	884	698	3,278	2,748
Operating expenses								
Unit-sale costs	-276,130	-212,366	-892,904	-692,576	-	-	-	-
Other external costs	-147,585	-103,414	-490,401	-310,546	-1,725	-954	-4,589	-2,666
Staffing costs	-85,298	-62,889	-284,974	-207,378	-1,357	-1,291	-4,698	-3,387
Earnings before interests, tax, depreciation & amortization	-59,891	1,486	-182,272	-11,287	-2,198	-1,547	-6,009	-3,305
Depreciation	-15,472	-16,769	-64,588	-55,659	-	-	-	-
Earnings before financial items	-75,363	-15,283	-246,859	-66,946	-2,198	-1,547	-6,009	-3,305
Profits from associated and group companies	175	289	219	-29	-6,083	-	-84	9,500
Net financial items	-4,173	-5,054	-14,322	-15,988	-999	-859	-2,592	-3,953
Earnings before taxes	-79,361	-20,048	-260,962	-82,963	-9,280	-2,406	-8,685	2,242
Taxes on year's profits	45,031	9,438	48,764	10,825	1,620	1,500	1,620	1,500
Earnings/losses for period	-34,330	-10,610	-212,198	-72,138	-7,660	-906	-7,065	3,742

Consolidated Balance Sheet and Parent Company Balance sheet (TSEK)

	Group		Parent Company	
	31 Dec 2018	31 Dec. 2017	31 Dec 2018	31 Dec. 2017
Assets				
Intangible assets	266,182	304,393	-	-
Tangible assets	5,033	3,588	-	-
Non-current financial assets	67,722	23,948	1,033,343	868,619
Inventory	77,378	65,631	-	-
Current receivables	368,903	302,729	172,302	95,974
Liquid assets and short-term investments	582,585	249,132	427,569	111,169
Total assets	1,367,803	949,421	1,633,214	1,075,762
Equity and liabilities				
Share-capital	27,933	25,759	27,933	25,759
Other Equity, including current year's profits/losses	596,146	317,814	1,426,710	948,019
Provisions	61,648	61,892	-	-
Long-term liabilities	200,649	127,962	150,136	101,000
Short-term liabilities	481,427	415,994	28,435	984
Total Equity and liabilities	1,367,803	949,421	1,633,214	1,075,762

Consolidated Statement of Changes in Equity

	Share-capital	Reserves	Equity + current year's profit	Total Equity
Opening balance 2018-01-01	25,759	10,581	307,233	343,573
New stock offering, net	2,174	0	485,756	487,930
Translation differences	0	4,775	0	4,775
Current year's profit	0	0	-212,198	-212,198
Ending balance 2018-12-31	27,933	15,356	580,790	624,079

Consolidated Cash-Flow Statement (TSEK)

	2018	2017
Net earning/losses after financial items	-260,962	-82,963
Adjustments for items not included in cash-flow	73,184	65,076
Taxes, paid	-4,082	-10,660
Cash-flow from operations, before changes in working capital	-191,860	-28,547
Cash-flow from changes in working capital	6,134	44,179
Cash-flow from operating business	-185,727	15,632
Cash-flow from investment activities	-23,718	-70,464
Cash-flow from financial operations	542,766	176,028
Cash-flow, current year	333,321	121,196
Available funds, beginning of year	249,130	129,561
Translation differences in available funds	133	-1,625
Available funds, end of year	582,585	249,132

Accounting and valuation principles

This Interim Report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting and valuation policies applied are consistent with the Swedish Accounting Standards Board's Category 3 (BFN K3) regulation and are unchanged since the latest published Annual Accounts, and the Swedish Accounting Standards Board's BFNAR 2012:1.

Amounts are reported in Swedish kronor, rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that amounts are not consistent when added. Amounts and figures stated in brackets are comparatives for the corresponding period of the previous year.

The registered parent company is Storytel AB (publicly traded). Storytel A.S. (Norway) is 50% owned by Cappelen Damm and is reported here according to the principle of proportional consolidation. Wholly owned subsidiaries are included in the yearly statement of accounts from their time of registration or acquisition.

Auditors review

This report has not been audited by the company's accountants.

Number of shares and Share-Capital as of 31 December 2018 (compared to 31 Dec 2016)

There were 55,865,307 (51,517,307) registered shares in issuance at the end of the period, divided between 635 A-shares and 55,864,672 B-shares. Share-capital totaled 27,932,653.5 SEK as of 31 December 2018 (25,758,653.5).

Post-period activity

On January 31st 2019 Storytel acquired the digital subscription service Ztory, offering an all-you-can-read subscription for primarily magazines and newspapers.

On February 25th 2019 Storytel announced its entrance into Germany, where launch is expected to take place in June.

Forthcoming reports

Full extended Year-End Report 2018	15 April 2019
Interim Report Jan - March 2019	14 May 2019
Interim Report Jan - June 2019	13 August 2019
Interim Report Jan - Sep 2019	12 Nov 2019

Annual Meeting of Shareholders

The annual meeting of shareholders will be on 15 May 2019, in Stockholm, Sweden. The annual accounts, and annual group accounts, will be made available on 15 April 2019.

Dividends

The Board of Directors suggests no dividends be paid for the 2018 financial year.

Information about Nasdaq First North

Nasdaq First North (“First North”) is an alternative marketplace operated by the constituent exchanges of Nasdaq Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North’s rules, rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than one in a listed company. Companies must apply to the exchange and gain approval before trading on First North can commence. A Certified Adviser guides the company through the listing process and ensures that the company continuously satisfies First North’s standards.

FNCA Sweden AB is the company’s certified adviser. FNCA can be reached at info@fnca.se or 08-528 00 399.

Stockholm, 25 February 2019

Rustan Panday
Chairman of the Board

Jonas Tellander
Board member and CEO

Jonas Sjögren
Board member

Nils Janse
Board member

Morten Strunge
Board member

Eva Swartz Grimaldi
Board member

Karin Alexandersson
Board Member, staff representative

This information is information that Storytel AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at the time set out in this press release.

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