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Storytel AB (STORY.B.SE)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

Thank you so much. Welcome, everyone, listening to this call. Sitting here in a small studio at the Storytel headquarters in Stockholm, together with Ingrid Bojner, our Chief Commercial Officer.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

Hello, everyone.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

We will be presenting and delivering the Q1 report to you today. So, please hang on. Next slide, please.

So, the first slide show you the subscriber and revenue growth that we have seen in Q1 this year compared to Q1 2019. This was disclosed in our top line report that we disclosed a month ago. But for those of you who haven't seen it, we grow our subscribers, our paying subscribers with 38%, this is a really good number, and we grow the revenue with 45%. So, you that follow the company know that the higher revenue growth in these quarters are mostly derived from the lowered VAT rate in many countries that we saw the full effect of in Q3, Q4 last year, which means that Q1 is a comparable quarter to a quarter with higher VAT rates. So, we foresee these positive trends to decrease over the years. That said we still see countries lowering the VAT rate. Certainly, it was Spain as the last country, on April 23rd, where the Parliament decided to lower the VAT rates on digital publications like ours. It went into effect the day after, so fairly quick motions.

Next slide, please. So, highlights in the report that you might have seen. So, as I said, the sales are up, ending at SEK 429 million at the Streaming sales from SEK 296 million in the same quarter last year, so a significant growth as you know. Our subscriber base is now 1.154 million users, up from 834,000 the year before. The net turnover SEK 513 million, a substantial increase that as well. And worth noting then, of course, is that we successfully completed a directed share issue on February 20. So, we brought in SEK 948 million to the company before fees and, yeah, it was a true success and just before the market turmoil. So, we definitely have the cash we need to execute on our business plan for years to come.

Next page, please. So, might be boring, but these are important stuff as well, new accounting principle starting with Q1. We have informed you in the past that we plan to do this and now we have done it. So, starting with Q1 2020, we start using the capitalization model instead of the expensing model for internally developed intangible assets of the company. So, what does this mean in plain English then, yes, the costs we have for developing our platform and our service are mainly IT costs, the ones that are spent to develop new functionality or new apps or whatever is being put into balance sheet. It enters the P&L as a revenue under the K3 protocol that we use. So, that cost is now also a revenue, so the EBITDA effect will be [indiscernible] (00:03:54).

Also all the audiobook recordings that we do, we do quite a lot, and you know the audiobook recordings are things that we can use for many years to come, and this is something that we have then activated or capitalized as of Q1 this year. The full effect of this one, as that we get an additional revenue asset of SEK 47 million and a small amortization starting in Q1 by SEK 1.5 million. So, the net effect on EBITDA level is SEK 45.3 million in Q1. Under K3, you don't do the retroactive recalculations. So, it's really starting from January 1, 2020 and onwards.

If you look at this margin wise, you can see that we now increased our contribution margin up to 21.6% from 15% as it would have been if we hadn't used this new accounting principle. Worth noting as well is that if we would have used or if you compare it to the past, still our contribution margin is greater using the old accounting principle in Q1 than it's ever been before. So, even though it's looking even better with the new accounting principle, we had an all-time high [indiscernible] (00:05:22).

The EBITDA margin comes in in Q1 as minus 5% compared to what have been – would have been 14.7% using the old model. So, this whole thing makes us look more profitable, but no major change really. It's just that we display it in a way that is usually displayed by all mature companies in the market. So, I hope you will find this clearer and show our underlying profitability in our two markets.

Next slide, please. So, looking at the details, all the numbers, starting with the revenue line that we've talked about before, you can see that we have an all-time high in terms of revenue as well at SEK 429 million in Q1. This is a number that is not affected by the change in accounting principle. Our contribution profit though increased substantially. So, you can see it increases from SEK 64 million to SEK 93 million almost based on this accounting principle. Contribution margin then follows up from 15% to 21% as I said before, but you can also see the historical numbers that even the comparable actually is higher than it's ever been before. Our paying subscribers, yes, you can see 1,154 million is what I mentioned before and the ARPU is unchanged from our top line SEK 124.

Looking at the different segments, as you know, we disclose the Nordics and the non-Nordics. Nordics being the mature, older countries with bigger customer bases and the non-Nordics are typically the ones that are still in development mode and where we haven't been that long time. So, coming up from a big negative contribution margin to a way much lower, we're actually down to minus 26% contribution margin [indiscernible] (00:07:26) and minus 50%, the old one, compared to above 100% a year ago. So, we're definitely moving in the right direction when it comes to profitability.

We can also see the ARPU in the non-Nordic countries are increasing, while we have seen a decrease in the Nordic countries as we talked about before. The main reason to the decrease in ARPU in the Nordics was twofold. One is that we have a bigger blend of Family subscription which is something great. Family subscribers tend to stay longer which means that they give us a higher customer lifetime value.

And the other change was – or is actually, we have a significant business in Norway and their currency has taken a big hit from the consequences of not only corona, but also the decrease in oil price. So, you know all this. So that took a couple of kroner from our ARPU in the Nordics as well. Our consolidated ARPU is decreasing due to these two factors, but also the fact that we grow quicker in non-Nordic countries with a lower ARPU than we do in the Nordic more mature countries. But, this is what we see.

Glancing into the future, you see that we have a column with forecast for Q2 2020, so, I think I need to mention. We now stretch the bar a bit and say we should reach 1.25 million subscribers, 1,250,000 subscribers by the end of the second quarter. Obviously, the growth of 96,000 subscribers almost in that quarter. The revenues will increase then as well up to SEK 458 million. The ARPU is stable in the Nordics – Nordic countries, we believe, in Q2, and so, as well in the non-Nordic countries. [indiscernible] (00:09:25) will be decreased simply because we are factoring the non-Nordic countries here as well. So fairly stable outlook for Q2 as well.

Worth mentioning and I will probably do that a couple of times in this call, the uncertainty is greater than ever based on all the turmoil in the market. From our perspective, it's more difficult than ever to make a forecast for Q2 and also give guidance for the year and coming years as well. So, next slide, please.

And over to you, Ingrid.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

Thank you. So, looking at backwards on Q1 and, of course, it's important to mention the world has been in a different place during this time. And since we are operating in 20 countries across the globe, we have seen the effects of the coronavirus spreading earlier than, of course, Central Europe has done since we are operating also in Singapore and South Korea. So very early on and the first and foremost important thing for us has been to ensure the health of our staff and employees. So, that has been the focus for us throughout this whole situation. We have been working from home for a long time, and sometimes it's longer than others and, of course, been looking at the different local restrictions [ph] compiled (00:11:01).

Second, of course, is to ensure that our operations have been ongoing and that we're very happy to say that it has been working very well for us. We are used to working digitally and online and being on video conferences since we have always applied a very climate-friendly travel policy within the Storytel group. So that came as something easy for us to continue to implement, while working from home.

Second of all, of course for us, production of audiobooks is very important. We, of course, want our customers to engage in books and, of course, new books as well [ph] and read some books (00:11:50). So, we're happy to say that we have found creative and alternative way to continue with production, even though, of course, sometimes, it was closed down for a while. But working with [ph] different digital help (00:12:04) we've actually managed to do home recording and remote production assistance and after-production.

Then, turning to maybe the more important thing, I think our mission, Storytel's mission to make sure that the world becomes even better with sharing stories and that they can be shared for anyone, anywhere, and anyhow. This has come in effect even more during this past month. And, of course, already starting in Q1. And so, more

and more customers have actually turned to Storytel, and we have a bigger base of trial customer that we have ever had before. This is due to two factors, of course: a large pool in the market; and secondly, also that we have offered – we thought that was also a good way to offer something back to the community. So, we have offered our service for free for 30 days in several countries, whereas our normal trial period is only 14 days.

We have also put an emphasis on lots of different community efforts and storytelling activities. Everything from mindful curation of our content to, of course, [ph] author readings (00:13:33), engaging with their customer base or readers and listeners, and also some local community collaboration, and to ensure that we take part in the better world that we're trying to create.

Last but not least, we have actually seen some changes in patterns of how people consume, and this is, of course, related to different type of behaviors that some countries have been under quarantine, and working from home changes the way on how we commute, et cetera. But, we've also seen some other impacts on [indiscernible] (00:14:14) during this period. Next slide, please.

So, I mentioned the reduced commuting spikes. So, typically our service, which we showed on the Capital Markets Day in January, people consume on the weekdays our service, mostly in the morning and afternoon when they commute back and forth to work, as well as the night. It's a prime time for us, which is also a prime time for any type of media consumption.

And this has been something we have seen moving out a little bit during the day, even though nighttime has been, of course, a big fight continuously for us as I think people turn to our service for comfort and distraction [ph] and company (00:15:03). Crime & Thriller and also Fiction keeps on being a very highly consumed segment for us or a genre, but we have seen Children category rise a lot. And we're very happy to see that the Kids Mode which we implemented in 2018, which is a secure way to look at your Storytel app for kids, so that they only can see children content. And thus, Kids Mode has actually been used more and more as parents have found it to be very helpful to have their kids read and listen to books on our service.

Last but not the least, I want to mention that we have also been able to do some very innovative stories and podcasts during this period. It started already early in Italy in Milan, where a very famous actress wanted to really talk about what people are going through during lockdown and quarantine. So, we started to publish stories, actually produced and recorded from people's homes and went to different type of people with different work environment. So, a teacher, somebody working in business, a production person, et cetera. So that we got a wide perspective of how people were living and coping during these times and also have [indiscernible] (00:16:41). This spread across the Storytel group and as we like to share, of course, ideas and thoughts around the group, so, we've done a similar story for the whole Spanish-speaking world where we've used people and narrators for different type of dialects in Spanish also to make it very relevant and close to our customers.

Next slide please. Publishing houses. When it comes to the first Q1, we've had a good quarter for our publishing houses. But it's needless to say that, of course, the corona situation has also lately had an impact on the publishing industry as a total. And we see that the digital transformation is getting acceleration in terms of how people want to consume and listen and find relevant stories and books. So, we believe that our publishing houses are well-positioned since we are working closely with one another in order to capitalize also on the digitization of the publishing work. We have also had some celebrations. Anna Jansson had her 20th birthday for Maria Wern, which is a popular thriller series in Sweden, as well as Rangan Chatterjee, as well as Nina Wähä, which belongs to our publishing houses [indiscernible] (00:18:24). So, I think we have had a nice quarter for the first part of the year. And need to look into how we continuously drive the digitization and ensure that we keep on doing the right effort for the industry.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

Yes. I mean, we got some questions about the publishing houses and how are these functioning in these difficult times and definitely, the physical sales has come down. You're seeing that in all public reports. But remember that the Swedish market is up to 50% consumed by digital when it comes to fiction books. So, we are well prepared for full shift and less may be affected that you could expect thinking about it in the first step. And also the first quarter, as you mentioned, Ingrid, actually really good numbers, better than expected sometimes. But as you say, they will most probably be worse over the year. But I think we're in a very good position to handle that.

Next page, please. So as we look a bit like before, the forecast for Q2. So, here, we have the numbers in percent as well, which is subscriber growth is then up 40%, a very good number and higher than the yearly guidance. And the revenue growth is up 43%. We had to put in a little box there saying that we definitely see great uncertainty in forecasting. How should we – how would the new users behave, we don't know. But at least it's really good that we get a lot of new people trying our service, and we believe many of them will stay even after this period. So, really good growth that we foresee in Q2.

Next page please. Looking at the financial targets, well, these numbers most of them you have seen many times before if you follow the company. So, our 2020 target is still the same. We believe we will reach 1.5 million paying subscribers, which would be a 36% growth. And you can say, well, how can you be so sure? We are by no means sure, but we can say, in the numbers that we've seen so far, we have seen no evidence that we should change it either up or down. So, that's how we keep it.

Looking at the revenues, it's the same organization. We really don't see any reason to change it. So, we keep the same target for the full year. When it comes to our guidance on EBITDA margin, we have to make a change, and that is because we changed the accounting principle. So, we used to guide negative 10% to 12%; and since we had a difference in EBITDA margin, looking at the first quarter of 9.3% when looking at the old and new method, we simply changed target to minus 1% to minus 5%. A bit larger target as you can see and I blame the corona situation for that uncertainty is simply higher. So, no change in this target either really. We should be able to keep up even at these times for this year. So, really no change here which I personally think is a sign of strength.

Looking at the long-time target, you know these numbers. We think we should grow at least 40% on paying subs and 30% – 35% in revenue. And a hard target here will be the revenue and then depending on the ARPU levels and where they come, it might be more [ph] paying such the needs (00:22:11) to be taken into consideration.

And we will continue to prioritize growth before profitability by keeping a close eye on our customer lifetime value through SAC so that we bring in new customers that actually add value to the company.

On a local level, on a country level, we say in five years in every country we enter, we should reach profitability in that market and we have done that in many markets so far. And we should also launch in 20 more markets over this period taking us to 40-plus market in 2023. So, no big change except for the EBITDA target here.

Next page and that's where we open up for any questions from the group.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Derek Laliberte from ABG. Please go ahead.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Q

Yes. Hello and thanks for taking my questions. First off, you mentioned that already in your trading update that you had an unprecedented subs intake in the latter part of March and now saying also that the trial base is three times normal levels. How have – can you say anything on how conversions from trials have looked compared to normal levels there and what you're seeing? Thank you.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Thank you, Derek. Yes, we are of course, looking at this very closely and we can see that we don't see any real differences in conversion levels so far. I think it's important also to note – to say that one of the effects from the changing 14 days to 30 days in some of our market actually evidently means a higher trial base for us since they are converting later. So, there's a time effect also in that number.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Q

Thank you. That's very clear. And then secondly, regarding the whole COVID-19 situation, I was wondering if you could say anything on how this is affecting production costs and the availability to do even better quality there with perhaps more people involvement that business being available. And also what you're seeing in terms of advertising spots and costs? I mean, clearly this is affecting the dynamics of supply and demand in all sorts of areas. So, I think any flavor on those two elements would be helpful.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

Yeah. Jörgen here. I can start off with the production side. We really haven't seen any big change in production costs at least, no increase. We had – I mean, we are a truly digital company. So, we had the tools in place to actually do the recordings remote and we can mix it and handle it. We have recording studios in the homes of our mostly used narrators in many markets. So, even though there was a short effect in the beginning, we are up and running in most countries with a green light on our KPI dashboard that we use internally to see where we are still producing.

So, no big downturn in that. When we look at the narrator [ph] scene (00:26:06), many more narrators have become available. The – where they usually make their money in theatres or movie recordings or whatever that is have been canceled. So, they are available. And we are a good source of revenue for them. And of course, we take the opportunity to get good names to record our books in these terms. That's a good commercial effect for us, but also feels good to be able to contribute to parts of the society with that.

And Ingrid, on advertising cost, maybe you want to take that?

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Yes. So, on advertising cost, I think that you are aware of that many media companies are having a hard time at least initially as many advertisers were pulling maybe some of their commercials. We have actually done quite the opposite. We have felt that we should continue to be present in marketing and also continued doing that. And hence also that's of course why we have also reached more people during this time.

So, it's been both the word-of-mouth effect, but also a marketing effect. When it comes to costs, I think that it's difficult for me to say exactly the levels. But it's a supply and demand business as many other businesses. So, I think we have been able to have actually on the margin lower costs for our marketing in terms of superior costs.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

Maybe worth mentioning as well, it's probably obvious, but we had a shift in marketing spend as well where – I mean, we don't get much from outdoors these days.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Of course.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

But it's more online marketing and such.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Yes.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

I actually had a call from a very concerned shareholder that went to Gardermoen in Norway and saw that our ads were still up there two months into the COVID. But the truth is that that they – that we just left there. We're not paying for them [indiscernible] (00:28:14) ensure the concerned shareholder.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Yes.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Q

Thank you very much for that flavor and clarity. Then finally, although I know you don't always comment individual markets, but is there any markets or regions worth highlighting here from either a positive or negative standpoint for the current quarter?

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Yes. It's very good that you know that we're not commenting on the individual markets. But I can say that the larger effect on intake that we have seen has been fairly correlated in markets who have been very strict on their lockdown. So, I think that's more a general statement.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Q

True. Okay. Thank you. That's all for me.

Operator: And the next question comes from the line of Joachim Gunell from DNB Markets. Please go ahead.

Joachim Gunell

Analyst, DNB Bank ASA (Sweden)

Q

Thank you very much. So, three questions from me. Starting off I mean understanding that it's very difficult to predict what's going to happen, but I'm curious if you could share anything that you look at sort of, say, key indicators as you try to pan for the business for 2020? And how those indicators have changed from say the CMD to where we are today?

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

Yeah. I think it's a bit hard to say that every outlook that we did both for the full year and for the long-term, we keep them. We keep our target. We really don't see any firm evidence that we should change any of them. So, in all the actual, it's looking good and we have the same KPIs I would say. However, pointing out again, the uncertainty is great. And who knows what will happen in Q3 and Q4 this year to the economy in big, and that is the big question mark for us. So, really no big change as such.

Joachim Gunell

Analyst, DNB Bank ASA (Sweden)

Q

All right. Okay. So, the contribution margin stepped up from minus 94% to minus 60% in non-Nordic Streaming, I mean, it's nothing but impressive here. But, can you comment a bit on what drove this improvement and whether it's sustainable, et cetera?

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

Yeah. Thank you for asking. I mean, looking at the long-term trend, you can see that we have been improving this significantly quarter-on-quarter for quite some time now. So, I believe that it's a sustainable trend definitely. Also, the main driver to this is the big growth in subs and in revenue in these markets. So, when we start after market, we need a number of stocks. We also need to record, in many cases, many audiobooks, and you need big production engine for that. Over time, with growing revenues, that margin will simply be better [ph] that's math (00:31:15). So, I would say – I would dare saying that it is sustainable for the future.

Joachim Gunell

Analyst, DNB Bank ASA (Sweden)

Q

Okay. That's clear. And, yeah, finally, as you [indiscernible] (00:31:29) your 2020 guidance here, does it contemplate any meaningful new market launches or have you revised the plans for that?

Jörgen Gullbrandson*Interim Chief Financial Officer, Storytel AB*

A

Our plan to launch markets for the year is the same. We've had one to three and rest all delivered on. So no change as such. I would say that work, exploring new markets, is progressing according to plan.

Ingrid Bojner*Chief Commercial Officer, Storytel AB*

A

And I mean, the only answer, just to be very specific, we have a plan in place and that's something that fundamentally happens in the world. That makes one of these countries that are in the plant not being able to launch basically, but we don't see that those factors are here right now as we can see.

Joachim Gunell*Analyst, DNB Bank ASA (Sweden)*

Q

All right. Thank you, Ingrid and Jörgen.

Jörgen Gullbrandson*Interim Chief Financial Officer, Storytel AB*

A

Thank you.

Ingrid Bojner*Chief Commercial Officer, Storytel AB*

A

Thank you.

Operator: And the next question comes from the line of Hjalmar Ahlberg from Kepler Cheuvreux. Please go ahead.

Hjalmar Ahlberg*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Thank you. Another question. You touched a bit up on Publishing business and, I mean that you have acquired some publishing units historically. Do you see this as an opportunity to, I mean, increase your own publishing units if others are struggling?

Jörgen Gullbrandson*Interim Chief Financial Officer, Storytel AB*

A

Yeah. I mean, generally, we cannot comment on potential acquisitions at all and either for the publishing houses, but you could just – looking at the market, I would foresee that there will be opportunities coming up under these difficult times. And, as you know, we have the cash in the bank to be able to use any of these opportunities coming up. So, I think that's something I will do in commenting on that.

Hjalmar Ahlberg*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Okay. But, would you say – if you move into new markets, would you say, it's important to have more on content or it doesn't work well to [indiscernible] (00:33:31) new markets as well?

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

I mean, generally, it depends on the market. They are very different. You could access a market where there are hardly any recorded audiobooks, then you simply have to record them. And you can exit – enter other market where there is a great [indiscernible] (00:33:52) audiobooks, then I would say, it's easier to [indiscernible] (00:33:55). That's what we do. But, we are able to [indiscernible] (00:34:00). Generally before we acquire publishing houses, we usually historically have waited until we have a volume in the market for that which is easier to bring the investment back doing that. But, that's just putting out how we exit historically.

Hjalmar Ahlberg

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. All right. And then a question on seasonality. Historically, Q3 has been the quarter where you have the [ph] strongest publishing house (00:34:24). Now, it changed maybe with more non-Nordics, but do you see any change of that during this year or this impact will be the same? I understand it's more difficult than usual talk about this, but just if you see any changes there?

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Yes. It's, of course, more difficult than any times to predict such behavior. But, as you pointed out yourself, Nordics has traditionally been a very seasonal market as we have longer periods of time, where people go on holiday and tend to actually consume more books and stories during that time. As we have entered many of the other markets outside Nordic, there is no such vacation behavior as well as seasonality vacation behavior. So, we are assessing that as we are growing more and more into other countries.

When it comes to the coronavirus, I would say that, in a way, you can see that as a seasonality effect because, of course, this has been something that every country in the world has been seeing. And so, people have stayed at home more. They have turned to other things to find comfort or just reduce anxiety or feel less lonely, and sometimes also escaping with a really, really good book. So, I think this is a seasonality effect, of course, if you were to try to extrapolate that.

Hjalmar Ahlberg

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Yeah, got it. And then, last one on the new capitalization impact. I guess you can't guide on the future, but would you say this level that we saw in Q1, do you see that being a very volatile number or something that will have, I mean, a close correlation to sales when you grow, if you can say anything about that?

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

No. As you said, we haven't guided about that, and honestly, it's difficult to forecast as well, even for us, but I don't see Q1 stand out in any way. So, it should be a good proxy for coming quarters as well.

Hjalmar Ahlberg

Analyst, Kepler Cheuvreux SA (Sweden)

Q

Okay. That's all for me. Thank you.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

A

Thank you.

Operator: [Operator Instructions] Our next question comes from the line of Oscar Erixon from Carnegie. Go ahead.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Thank you. Good morning, guys. A few questions for me, first one regarding your subscriber forecast for Q2. You talked about the uncertainty here a bit. But for the forecast, are you assuming your normal retention rate and user behavior or are you taking a more sort of conservative approach?

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

I would say, I mean – yeah, what does the year show is something you need to ask yourself. So, we are looking at the data, we are analyzing in detail, we know how they came to us and when the trial period ends. We're using the same pair of glasses, I would say. But as we've said many times, the uncertainty with the new ones coming onboard in greater amount, we simply don't know. But we'll try to make a reasonable estimation, not being too much on the safe side, but definitely not very aggressive either. So, I would say a balanced way of doing it using the same tools that we always use when doing forecast.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Got it, very good. And my second question on the quite resilient performance from Print Publishing in Q1, given the situation with physical retail being down quite a bit. Could you elaborate a bit on the performance and perhaps how the revenue mix shift has been between digital and physical channels, e-commerce and physical retail, and also a follow-up there, if Q2 will see a larger negative impact or smaller? Thank you.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

A

Yeah. Looking at Q1, you need to remember that the lockdown effect came mid-Q1 and the Print Publishing business is mainly driven by preorders that are put in beforehand, which means that for the Print Publishing business, revenue is up. It's hardly affected at all. I would even say unaffected by the COVID situation. That will come up later. I will not guide on anything coming to our publishing houses on the future, but just saying that the market overall is definitely down and we see that, and I believe we are good owners to the company in these times, because we are so digital as we are. And as I mentioned in the beginning, the Swedish market being where we've the biggest publishing house, 50% of the total consumption of books is digital books, which means that we are well prepared to handle a downfall in the market as well.

Oscar Erixon

Analyst, Carnegie Investment Bank AB

Q

Got it. That's it for me. Thank you very much.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

Thank you, Oscar.

A

Ingrid Bojner

Chief Commercial Officer, Storytel AB

Thank you.

A

Operator: And as there are no further questions, I'll hand it back to the speakers.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

Great. Thank you so much for listening to us. And thank you for the great and insightful questions from your guys. Looking forward to talking to you in a quarter's time again. Take care.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

Yeah. Thank you so much. Stay safe.

Jörgen Gullbrandson

Interim Chief Financial Officer, Storytel AB

Bye-bye.

Ingrid Bojner

Chief Commercial Officer, Storytel AB

Bye.

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