

06-Aug-2021

# Storytel AB (STORY.B.SE)

Q2 2021 Earnings Call

## CORPORATE PARTICIPANTS

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

---

## OTHER PARTICIPANTS

**Joachim Gunell**

*Analyst, DNB Markets*

**Stefan Wård**

*Analyst, Pareto Securities AB*

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

---

## MANAGEMENT DISCUSSION SECTION

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

Hello, and welcome to Storytel's Quarterly Report Webcast for the Quarter Q2 2021. With me, I have our Storytel's CFO, Sofie Zettergren.

---

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Hello.

---

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

And our Chief Commercial Officer, Ingrid Bojner.

---

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

Good morning.

---

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

And my name is Jonas Tellander, CEO and Co-Founder of Storytel. So first of all, as you may have seen before, the clicker doesn't work. So anyway, this morning we released the Q2 report. And what – okay, what Storytel is about is to make the world a more creative and empathetic place with great stories to be shared and enjoyed by anyone, anytime, anywhere. And we are totally committed to this mission and we'll keep living this mission for – till

the end of time, basically, because we think that stories should be heard, listened to and should be told. And it's a universal need that we are here to meet.

Looking at the hard numbers, the subscriber growth year-on-year is 29% in Q2 and the revenue growth is 19% in Q2, 22% with constant exchange rates as the Swedish krona has been very strong lately. Some highlights from the report, which we have also released earlier some of this. So, streaming sales up 22%. As I said, net turnover including our books businesses, so we have book publishing businesses in Sweden, Denmark, and Finland, up to SEK 641 million from SEK 554 million in the year-ago quarter two.

We had an annual shareholders' meeting on May 4. We signed an agreement to acquire the Finnish publishing house, Aula & Co. And we also closed the transaction with acquiring Lind & Co. on April 1. And then we entered into a partnership where we announce that we will enter into a partnership on making Storytel's catalogue available on Spotify for Storytel subscribers. So, that's something we hope to release before the end of the year, together with Spotify.

So, looking at the net add subscribers and looking at the forecast we just get – gave, basically, if you look at the year-on-year net – cumulative net adds starting on January 1 and ending December 31 each year, you can see that the net adds have been continuously increasing year-by-year from 2017 to 2018 to 2019 to 2020. And although the first six months have looked a little bit worse this year than 2020, we can see now that we have excellent pickup during the quarter and expect to go above the net add curve from last year. So, I think that's fundamentally a pretty positive sign that we keep adding more net adds, more subscribers year-over-year.

And these are the two curves showing basically the Nordic business and the non-Nordic business. So, the Nordic business is growing at about 15%; and the non-Nordic business, which is really where we have had great hopes to find exponential growth, it's not really performing as strongly as we were hoping earlier this year. It's still growing. It's growing at a healthy pace of 40% to 50%. But it's not as high as we would have expected it.

So, I hand over to Ingrid to walk us through the markets section.

---

## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

Yes. So, very positively, we have passed the 1 million paying subscribers in our Nordic markets and, as Jonas explained, continue to add subscribers and customers, and we're happy to deliver a positive service for our customers.

When it comes to the outside Nordic, we are continuing to do a local product market fit to find adaptation and growth in a healthy way. We have raised our prices, both in the Nordics and outside; and also, we have actually adjusted prices downwards in our Spanish market in the – earlier this year, yes.

We continue to also launch new types of subscriptions, that's going to be a positive mix for us so that we can elaborate with that. And very positively, we launched the Student subscription right before the summer, which we think, is good for the Student segment.

Yes. Consumption is tracking against our subscriber growth and we added about 20% new consumption on our content. And of course, we continue to produce and so that we continue to increase our catalog and our offering for our customers. So, that's up 40% from the last Q2 2020.

And we also continue to invest heavily in interesting content, and we're very happy to announce the collaboration with The Conan Doyle Estate, with Sherlock Holmes, that's going to be released in the next year.

---

## Per Jonas Tellander

*Founder, Chief Executive Officer & Director, Storytel AB*

And, looking at product, platform and partnerships, I think we're tracking well on the rating side in Google and on App Store approximately as before. The Net Promoter Score also still a strong one, not an outstanding excellent one, but a pretty good one at 32 – 31. We also keep adding more payment integrations, so payment alternatives actually vary across the world, as no global standard for that, so you need to keep adding local versions of payment options. So one of this is Checkout.com, that we added in the MENA region, which is starting to grow very nicely. We also announced an Apple Watch app, where you can listen basically offline to your books in the Apple Watch. And as I said before, we're expecting to launch a Spotify partnership by the end of the year.

So, to end up this section, basically, if you look at the people, culture and sustainability part, this is something we've been very focused on for the past three years at least, and we have Sustainability Report added to our Annual Report, which I think you should read. What we did know most recently is to actually instill a Sustainability Committee, which is linked to the board of directors just the same way as the Audit Committee. And the purpose of this committee is to oversee Storytel's strategic sustainability work and support the board in fulfilling its responsibility to specifically address climate and environmental matters, human rights, labor standards, and anti-corruption practices. So, more of that in the future.

With that, I hand over to Sofie to walk us through the numbers.

---

## Sofie Maria Zettergren

*Chief Financial Officer, Storytel AB*

Yes. Thank you, Jonas. So, looking at the streaming top line and profitability, we continue to grow our revenues quarter-by-quarter amounting to SEK 545 million in Q2 2021 around SEK 424 million coming from the Nordic segment and SEK 122 million coming from outside of the Nordics. Subscriber base averaged more than 980,000 subscribers in the Nordic segment. And as Ingrid mentioned, we surpassed the 1 million mark in the Nordic segment, which is very promising and a big milestone for Storytel. We continue also to have a very high ARPU in the Nordics, up from SEK 140 to SEK 143 during the quarter and also with very high profitability.

So contribution margin 30% in the Nordic segment positively impacted by the acquisition of Lind & Co., but also somewhat offset by increased content costs in some markets compared to the same period prior year. But very stable at 30%.

And then in the non-Nordic segment, subscriber base averaged 643,000 subscribers. ARPU down slightly but going up again in the Q3 guidance. We continue to have healthy gross margins in the non-Nordic segment as well. But since we increase marketing investments and continue to invest in many markets, the contribution margin is negative at 17% pretty much in-line with Q1.

And taking a glance at the Q3 forecast, we expect streaming revenue to come in at SEK 586 million and the subscriber base at 1,723,000 subscribers with a continued ARPU or similar ARPU as Q2, so SEK 113. And if we go to the final slide, given the performance we have seen now in the first half year and also the Q3 guidance that we give this quarter, we revised our forecast for 2021 downwards and we expect streaming revenues to amount to SEK 0.25 billion to SEK 0.3 billion, equaling 20% to 22% revenue growth. And although, we do expect revenue

growth year-on-year to go up in Q4, it will not compensate for the first three quarters. But we still think, it's very promising that it's going up.

In Q4, subscriber base expected to come in at around 2 million subscribers, which is also of course a big milestone for us. And yeah, the reasoning why we think that the year-on-year growth will significantly increase in Q4, is that, we are increasing marketing investments in some of our top performing markets, where we see that the unaided awareness is still fairly low and the metrics look good. So, we feel confident in increasing those marketing investments in the Nordics and also in Poland and the Netherlands to name a few. So, that will have an impact on the EBITDA margin for 2021 given the revenue growth. So, we revised it to 6% to 8% negative EBITDA margin from 0% to 5%.

And, yeah, what else to say here. So, we could just take a quick glance also at the 2023. So, the mid-term targets we still see that, I mean, the audiobook market is growing. It's growing exponentially outside – or in the total audiobook market and we have a very strong position to gain grounds and we expect our revenue growth to increase in the next coming years. So, that's why we feel confident that we will still be able to pass 30% revenue growth with the organic growth that we see today, and then adding new market launches, more partnerships, and also a possible M&A. And we continue to prioritize growth over profitability although, of course, it is important for us to also show streaming profitability on a local level, that's why we keep the goal to reach that within five years from launch.

So, with that, we will hand over to Q&A session with the analysts.

## QUESTION AND ANSWER SECTION

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

A

So, let us see if there's any questions from the analysts. I see some hands raising from – Joachim from DNB, do you want to go first?

**Joachim Gunell**

*Analyst, DNB Markets*

Q

Yes, please. Good morning. I hope you both can hear me. So, can you perhaps comment a bit here on how we could think about a slightly lower, I mean, the subscriber intake guidance here with relation to the higher marketing spend. How much of the weakness, which you'd ascribed to the LATAM and Spain is a function of, call it, pandemic pull forward, et cetera, versus a function of, I mean, pricing, competition or saturation for that matter?

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

A

I mean, we think that looking at the LATAM markets – I think, looking back one year and what we expected to see from those markets, I think, if they had grown as we expected, then we would have added a couple of percent to our overall growth rate. That's not what's happening now. They've been totally flat. We think that a lot is due to the economic conditions, rather than the specific audiobook market or competition still incredibly in mature markets. And I think that's – on the audiobook side, I think that's basically the – I think, if I try to look back at how we have expanded in the past couple of years, we can still see, if you look at the numbers, that the Nordics and a couple of more markets have really been the locomotive or drivers towards this growth. And then, we are investing a lot in

catalogue, and maybe a little bit too much in some markets, in marketing given how long it will take to actually help people understand what the audiobook is about.

So, we're now starting to realize that those markets will take a little bit of time in particular with the economic turmoil after COVID in the LATAM and Spanish markets, we think that we just have to bide our time and wait until the economic market – climate picks up there. But other than that, I think what we're doing right now, what Sofie explained, which is basically go into the Netherlands, go into Finland, go into Poland, and ensure that we raise our unaided awareness is, I think, really the right way to go. We can see a very strong correlation between the unaided awareness and the penetration levels of 5% that we reached in the Nordic markets.

---

**Joachim Gunell**

*Analyst, DNB Markets*

Thank you.

Q

---

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Derek, please go ahead.

A

---

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Thank you very much. So, I was wondering a bit. I mean, given the lower growth we've seen this year and some deceleration in subscriber growth in general, specifically in the non-Nordics markets, it seems like you're now referring more to a mid-term target up to 2023 of a 30% to 35% growth rate, which if you're being pick [ph] you're close to (15:30) – is somewhat below the roughly 35% market target you gave at the Capital Markets Day last year. So, should we view this as sort of a slight change to the mid-term guidance? And then – and in general, what's reasonable to expect [ph] out years (15:52) if you can give any flavor or comments on that would be very helpful. Thanks.

Q

---

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

I mean, if you look at it for the long-term, we believe that the audiobook market worldwide will grow from SEK 40 billion to SEK 200 billion until 2030. And we should have a 15% share of that at least, which is SEK 30 billion compared to SEK 2 billion today. To get to that, we need to grow at an average of somewhere between 25% and 30% annually. And if that's going to happen right now or if it's going to happen in a couple of years from now, I think the average for this time period needs to be the 25% to 30%.

A

And yes, you're right, we have revised the 35%, moved it down a little bit to 30% to 35%. And I think that's just the way of us saying that, listen, we understand that we're not delivering on our promises right now. If you look at the growth, the revenue growth at Storytel has been 20% now for, I think five quarters, so that's now changed. The question is just why can't we deliver this increased growth rate that we were expecting and jump from 20% to 30%, and we're not seeing that right now. I think that probably we have – not the right mix of markets that can contribute to that totally because we're very heavily tilted towards the Nordic region with 78% of the sales there. And we need to add these non-Nordic markets to greater extent, which they are going to be that's going to contribute this additional 15% growth.

We're not entirely clear on today, but we think that 25% growth end of year is what we can deliver until 2023. We should be able to up that a couple of notches to 30% at least with possibly additional markets maybe more mature

markets, possibly with M&A as well, and also with an intense focus, I think, on partnerships. We don't know what the partnership with Spotify or any other big player can entail, but we think that it's a good path to pursue and we're going to do that.

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

That's very clear. Thanks.

Q

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Stefan from Pareto. We can't see your picture but I believe you have a question, right?

A

**Stefan Wård**

*Analyst, Pareto Securities AB*

[Technical Difficulty] (18:09-18:18)

Q

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

Sorry, the audio is not good. We can't hear you at all.

A

**Stefan Wård**

*Analyst, Pareto Securities AB*

[Technical Difficulty] (18:21-18:25)

Q

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Stefan, we can't hear you. So – Stefan, we can't hear you. So, perhaps if you have a question, Stefan, you can send it in through text. We can't really hear you. So, Joachim, please go ahead with your next question.

A

**Joachim Gunell**

*Analyst, DNB Markets*

Yeah. Thank you for that, Sofie. So, I think that – I mean, with regard to your 2021 revised guidance, I mean, as I understand it, it's fully organic it does not include what the potential upside you might see from the Spotify partnership or M&A for that matter. But on the medium term target, is that also entirely organic or does that entail more. I mean, strategic, I mean investments or for that matter, also M&A? And in order to deliver on the, I mean, 30% to 35% growth rates, can you talk a bit about what – I mean, what new investment needs to be taken to achieve that as opposed to what you have done already through the past couple of quarters?

Q

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

Yeah, I mean looking at M&A, as you say, I mean, we haven't done a lot of streaming. We haven't done any streaming M&As that are adding significant additions to our streaming revenue growth. I mean, if we were to do one that would add maybe I don't know a SEK 100 million, SEK 200 million to our top line, then that would be a one-off effect and wouldn't help us kind of in the following years.

A

I think what we have done, I think that's what Sofie explained is to really go through our allocation on marketing investments and ensure now that we allocate those to the markets where we feel that we have the best payoff in the near-term, and where we have possibly underinvested historically. So, those are a couple of our – basically our top eight to top nine markets, where we now say that we should intensify our focus because these markets are nowhere mature yet. There's still a lot of room for growth.

On the partnership side, we have some local partnerships in different markets, but I think we are now in the position in the audiobook world, where we can go out and sign a good interesting agreement where we can work with some of the bigger players either on telco side or on the streaming side or in other ways. So, I think that's what we're now realizing. We should have done this a lot earlier and now we're going to be very aggressive on that front as well.

**Joachim Gunell**

*Analyst, DNB Markets*

Q

Thanks, Per. Thank you.

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

A

So let's do every other question I guess. So Derek, do you have another question?

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Q

Absolutely. Thank you. So just to continue on growth [ph] path there (21:20). I think that given your estimate now for the third quarter and also the lowered guidance for the full year, this still implies clearly a rather hefty acceleration in the fourth quarter, could you comment a bit on which markets you expect will contribute here, and also why this increase or acceleration would come at this particular point in time? Is it that – is it about the marketing investments that you're putting in now in the third quarter and also the upcoming in Q4 or there are also other parameters here in terms of the timing?

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

A

Ingrid will read the question – Ingrid will respond to that.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Thank you. So yes, I think we will see basically two effects. One of them is our year-long investments in new subscription models to really be much better at the local product market fit. We have so far enjoyed a very loyal subscriber base in many of the newer markets that are the first curve or the first movers basically in the consumer segments in audiobooks.

And I think with the Light product that we have launched as well as the Select product, we have now an opportunity to also reach much wider audience. So, that's why we feel more secure that the Q4 will take off. And I think especially, we can mention a couple of countries like Turkey, India and continuously good efforts in Russia.

And then, the second one is of course the marketing investment, which is also something that then this year looks worse on the EBITDA side. But we do quite a lot of large investments in countries where we feel that we have good traction. But maybe we have diverted our marketing efforts to every country rather to the countries where it



would bear most fruit. So, talking about what Sofie said about continuous investments in the Nordics and especially in Northern Europe.

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Thank you.

Q

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

So, Joachim, please go ahead.

A

**Joachim Gunell**

*Analyst, DNB Markets*

Thank you. And perhaps coming back to the Nordic markets, which is obviously despite having reached a quite or not perhaps a mature but a maturer state, but still being able to grow at quite attractive level. What we have been, in the past couple of quarters, if anything is a tight contraction on the contribution margin side, although you have, I mean, initiated some price increases, which I would have thought would have come down greatly on the contribution profit side. So can you talk a bit about what is driving the incremental margin here in the Nordics and – I mean, if it's competition or if anything? Thank you.

Q

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Yeah. So, I can answer that question. So, what we have seen, as Ingrid showed in one of the slides is that, I mean, the consumption continue to increase, and it increased quite hefty in Q1. And given some – I mean, we can't comment on specific agreements, but we do – we have seen that the content costs in some of the Nordic markets have increased in Q1 and Q2 compared to the same quarter last year. But we expect, of course, to come back to the levels where we were in 2020.

A

And then, we saw, as I said, a positive effect also from Lind & Co., which came into the group 1st of April, and we continue to have a good internal share of consumption, which is an important metric for us. And then, of course, I mean, we have four out of five markets being profitable in the Nordic segment, but then we have Finland, which is still on the path to reach profitability. And they have a lower contribution margin, of course, given the marketing investments. So that also has some effect on the total contribution margin in the Nordics.

**Joachim Gunell**

*Analyst, DNB Markets*

Understood. And just a follow-up on that, can you talk about, I mean, what is driving this definitely higher content costs in the Norway and Finland given that – I mean, is this a function of, I mean, higher royalties or renegotiated royalty agreements, and then what can we expect here for the coming, say a year?

Q

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

Yeah. I mean as the audiobook market matures, of course, the different incumbents and ourselves are having discussions on what the reasonable levels of payments can be. And we have this situation in Sweden a couple of years ago with Bonnier, where we didn't get direct – we had a conflict basically for a couple of months and then we solved it. And I think that we have ongoing discussions like this on a couple of the markets where the

A

audiobook market starts to become interesting as an alternative to the fiscal book market. And therefore, temporary I think that this worse in the margins can happen. Yes, it's content costs right now, and we're just working to find a good balance there.

---

**Joachim Gunell**

*Analyst, DNB Markets*

Roger that.

Q

---

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Derek, please go ahead.

A

---

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Thank you. So I had a question on, I think, it was during the quarter here the publishing house, Egmont bought Bonnier share of Cappelen Damm, which is – which you basically co-own the Storytel Norway business with them. And we've also seen the Bonnier acquiring a majority, I think, it was in the Strawberry Publishing company. I was wondering, what's your view on this, and sort of, the dynamics of, I guess, the Norwegian audiobook market going forward in light of this. And is this in any way affecting your, sort of, ability to acquire content such as Strawberry, which I assume have some pretty attractive content in country?

Q

---

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

I mean, Storytel's – a good question, Derek. So Storytel's market position in Norway is very strong, a very high market share there and keep growing. It looks like we'll have an amazing summer there. And we also raised the prices recently. So basically looking at the content side of things, I mean, we have a joint venture with Cappelen Damm, which is the by far, biggest Norwegian book publishing house with, I think, a 40% market share. And we've had that since eight year back or seven years back. It's a great collaboration where we've been equally interested in investing in the audiobook market. They are producing the content basically, and we're providing the platform and the service and are working jointly on the board.

A

So I think that, what changes now is that the ownership of Cappelen Damm changes from being both Bonnier and Egmont, 50/50, to being only Egmont now. And it's not something that directly affects the collaboration there. So we just need to ensure that we have a good working model on the board there and then also are well connected, of course, and talk to Egmont's management team and have a shared view of the future, so yeah. So it doesn't affect our – since we don't do any books more or less in Norway, it doesn't really affect us such.

---

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Got you. Thank you.

Q

---

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Yes. Joachim, please go ahead.

A

**Joachim Gunell**

*Analyst, DNB Markets*

Q

Yes. So, can you say anything more? I mean it's been a couple of month now since you presented or announced the partnership here with Spotify. So, is there any more, I mean incremental information that you can provide in terms of – I fully understand that, okay, you can't perhaps elaborate too much on the economic details of the arrangement. But how this will really I mean allow you to fuel growth perhaps even above the target of mid-term growth rates here. Is this to be seen as a way for you to drive or accelerate growth at the very say low subscription acquisition costs or perhaps if there's anything more to it that you want to delve further into.

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

A

You can think of it as, I think Spotify's vision with their open platform is to become what I think they call it a singular audio platform. And basically I think you can view it as an, I don't know, app store for audio or a Google for audio. And that we will have a place there, hopefully a prominent place with a good collaboration. But that's too soon to say is that target is still to announce or to release this to customers by the end of the year. The focus is entirely on making sure that we have a great user experience in terms of discovering the content on Spotify and then feeling attracted enough to start listening to the content and using a Storytel subscription or signing up for a Storytel subscription to do it.

**Joachim Gunell**

*Analyst, DNB Markets*

Q

And in terms of when we could expect, I mean, any further detail on this – you mentioned that, okay, later this year. But is that more tilted toward the Q4 or is there anything, I mean, in terms of when this Open Access platform with you on it will actually launch?

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

A

Yeah. I think the teams are working towards the deadline sometime in Q4, but I can't be more specific than that.

**Joachim Gunell**

*Analyst, DNB Markets*

Q

Thank you.

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

A

Derek, do you have another question?

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Q

I do. So, I have a question on – I think it sounds like you've been a bit more active with the price adjustments or rather price increases in your different markets of late. So wondering if you could just give a general sort of idea of the different rationales behind this, if it's a better capital or a loyal customer base or what it might be. And, yeah, just that and sort of the outcome and effects of this so far would be really interesting to hear. Thanks.

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

A

I can start, and then, Ingrid can fill in. But, basically, yes, we have seen over the years that, us, we keep investing in a much, much better service and content catalogue. We see that people get improved access to very strong audiobooks and are more than willing to pay for that. I mean, we have to compare to the rest of the book market which – where books are typically priced even higher. So, in the Nordic region, I think there's a big appetite for great stories written by amazing authors. And what we do is just to ensure that, we think that's priced adequately, and we can see that from the churn numbers and the loyalty that typically entails our price increases that this is the right thing to do. And it's good for the author community and it's good for the publisher community, and the customer gets a very good experience and a good value for money.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

I think we can maybe complement with the fact that we also have adopted our subscription models, and so that, in some of the markets, we also launch our Light product, which is a consumption up to a specific figure of a number of hours. So, that ensures that the people who are just new to the service or are not such a high-consuming segment yet, can still enjoy the service as a – at a reasonable price. And so, that's how we elaborate also with that in those markets that we try to increase the current prices and to ensure exactly what Jonas said, a healthy, a healthy contribution to the publishing market and, of course, the authors and the creators.

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Q

Sounds good.

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

A

Okay. Joachim, back to you.

**Joachim Gunell**

*Analyst, DNB Markets*

Q

Yes. Actually just a final one from me, so when it comes to the [ph] free tier (34:34) or the recently launched offering in Brazil, I mean, obviously, it's – you comment here and that's okay, the subscriber, with the number of customers that have enrolled, is quite sizable, to say the least, but still there has been a slight over conversion here.

The numbers that you've mentioned, in conjunction with the Q1 report were a slightly more encouraging than your commentary as of now. And so – and since you are talking about elaborating this tier also in other markets, perhaps, what do you need to be seen to get a further confidence in this model? And when would you, perhaps, believe it is fair to actually start, I mean, including this, I mean, subscribers in your subscriber numbers for Storytel as a group.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yeah. Thank you. Good that you pointed that out in terms of how the subscriber of the free product is going in Brazil. So, what we have done is really to launch in a very immature audiobook industry in Brazil, and together with the publishing community, we have actually launched a product that would entail that people would find this

product and start listening to books. It's been quite interesting to see how the free community have listened to different audiobooks, in relation to our paid subscriber base. The consumption is quite different, actually.

So, while our free subscribers are finding content which are much more well-known and kind of old stories, whereas the community that are paying for the service is finding much more newer content. So, I think what we're doing here is really to try to understand how these different subscriber bases or consumer bases are functioning and how they use the service, how they interact with us. And of course, what we need to see is that people will find also the newer content and be willing to pay for it. So this is what we will continue to elaborate with together with our Brazilian team and possibly also launch it in maybe one more pilot market to see how that could add to the flavor or bouquet of different subscription services that we have or models.

---

**Joachim Gunell**

*Analyst, DNB Markets*

Thank you, Ingrid.

Q

---

**Sofie Maria Zettergren**

*Chief Financial Officer, Storytel AB*

Okay. Derek, did you have a final question, perhaps?

A

---

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Yeah. I have a final one, and it was just on the sort of marketing activity currently for the upcoming quarter. You mentioned the, sort of, Poland and in other events, is there any more markets that you would be heavily titled against. And also, if you could say something about like how much of the spend is related to a more general brand awareness and how much is more of a sort of direct conversion character. Thank you.

Q

---

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

Thank you. Yeah. Over the year, we've actually worked very closely with our online partners in terms of marketing efforts to implement the center of excellence for performance marketing. So, I think that has sort of tilted our efforts a little bit more against the performance marketing, bouquet of marketing. And of course, that needs to be a balance between the performance marketing versus brand building.

A

And what we have in the plans now is to refocus a little bit of those effort or strengthening the efforts to also continuously build the brand long-term because we see that that's important. People know about audiobooks. They know about Storytel. But we also have been increasingly focused on talking about the content in our performance marketing, whereas maybe we also need to divert some of the investments to build the continuous Storytel brand to help the unaided awareness.

---

**Derek Laliberte**

*Analyst, ABG Sundal Collier AB*

Thank you.

Q

---

**Per Jonas Tellander**

*Founder, Chief Executive Officer & Director, Storytel AB*

Good. So, thank you so much for tuning in. This, of course, has been a hard webcast for us. We're not super happy ourselves that we can't meet the future guidance that we've set up before. On the positive note, we are performing as we have been in the past. And we actually think that the Q4 performance will increase from 20% to 25% top line growth. That's our target at least.

We haven't added any M&A and frankly in our 35% long-term guidance, of course, M&A is the part of that equation and could possibly come up going forward. But we do look at the business now and see how can we create some short to mid-term growth and not only have the focus on this very long-term immature audiobook markets. There needs to be balance and our target is to ensure that, that balance results in the 30% to 35% top line growth.

So, thank you for tuning in, and until next time.

---

## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

Thank you.

---

## Sofie Maria Zettergren

*Chief Financial Officer, Storytel AB*

Thank you.

### Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.