

Letter from the CEO

Dear shareholders,

In 2023 we successfully continued our transformation journey.

Our strategy of profitable growth translated into strong performance and we are doing substantially better financially than a year ago. We continued our growth with an 8 percent increase in average subscribers and a 10 percent increase of group revenues. And we further improved our adjusted Group EBITDA by 169 percent to 248 MSEK, equaling a margin of 7.1 percent.

As a group, we have a unique business model. Our mission is to move the world through story, whether such a story is released by one of our publishing houses, and/or enjoyed on our streaming platform. The shared passion for storytelling unites the two sides of our business, and we are dedicated to nurturing and elevating this commitment. As we progress into 2024, we have a clear sense of our priorities and what we need to achieve in the years ahead.

Unique content and first-class user experience driving loyalty

In our most penetrated markets, the Nordics, users are both highly engaged and increasingly loyal. Today, almost 50 percent of our Nordic users have been continuously subscribed to Storytel for more than three years. In fact, monthly churn levels are currently at the lowest point ever, which speaks to the great price to value equation our subscribers experience.

While the vast majority of our catalogue is not exclusive to Storytel, we are creating a differentiated and personalized product and customer audio-story experience through unique Storytel content and improved use of data and analytics. Storytel Originals serve as one of our core differ-



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Johannes Larcher
CEO, Storytel

entiaters and strengthen our ability to attract new users. In 2023, we released more than 270 Storytel Originals, such as Danish biography *To party with the Elite*, Dutch erotic story *Eargasm*, Finnish true story *Jesus loves skinny Girls* and *Becoming Sherlock: The Red Circle*, the debut story of the grand new Sherlock Holmes adaptation. Our Swedish publisher Norstedts also entered an extensive publishing agreement with multi-bestseller author Denise Rudberg, granting rights to both her frontlist and backlist.

During the year, we proudly celebrated several awards spanning the literary landscape. Rabén & Sjögren's authors Oskar Kroon and Hanna Klinthage won the August Prize in the Swedish children's and youth book category, while Gummerus' author Antti Järvi was awarded the Finlandia Prize in the non-fiction category.

2023 also marked the launch of Voice Switcher – a feature developed exclusively for Storytel that lets users personalize their listening experience by seamlessly switching the narrator voice to an alternative one more to their liking. This is made possible through the use of generative AI and speech synthesis, and is currently available for a selection of titles in English, Polish and Swedish, with more languages and titles to be introduced in 2024.

Heightened efficiency through optimized operations

We recognize significant potential in improving gross margin by investing in our own content and by responsibly managing content expenses in alignment with our revenue. We have seen content costs as percentage of revenue decline meaningfully in 2023 as a result of these efforts.

In 2023, our subscriber growth regained momentum. From the spring onwards, we achieved positive net addition of subscribers on a weekly basis in 39 out of 40 weeks, despite managed subscriber decreases in non-core markets. This trend supported an 8 percent increase in paying subscribers, reaching a total of over 2.2 million paid subscribers by year-end.

Thanks to a myriad of improvements in our marketing practice, we now attract customers more cost efficiently. This resulted in an improved average customer lifetime val-

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ue relative to the customer acquisition cost compared to 2022. In simple terms, we are acquiring more subscribers, with higher lifetime revenue, for less marketing investment than previously.

Furthermore, 2023 was a record-breaking year in our Non-Nordic growth markets; The Netherlands, Turkey, Poland and Bulgaria, experiencing revenue growth above 30 percent year on year and increases in paybase, despite reduced marketing investments. While these markets are still in the early stages of audiobook adoption, the pace of development is accelerating. In the US, Audiobooks.com continued to emphasize profitability with its customer acquisition strategy and continued to 'do more with less' while also improving the customer experience.

While we continue to invest appropriately in our product, technology and data efforts, we remain focused on developing the company long term, which amongst other efficiency efforts has resulted in a restructuring to our Streaming Content and Storytel Books organizations in the second half of 2023.

Accelerated path to profitability

The audiobook market is experiencing rapid growth and presents a compelling opportunity. To adapt to the evolving industry landscape and better serve our stakeholders, we've intensified our focus on our ten core markets – the five Nordic countries, the Netherlands, Turkey, Poland, Bulgaria, and the USA. This has allowed us to accelerate our path to profitability and bolster our capacity to generate significant cash flow, beyond the previously outlined guidance.

Our emphasis on efficiency remained paramount throughout 2023 and will persist into 2024. In January 2024, we announced an efficiency initiative aimed at optimizing our cost structure to align with the revised strategic focus and evolving business needs. This optimization effort reduced the Storytel workforce by around 80 team members, representing a 13 percent decrease.

Building upon our solid operational and financial performance in 2023, we anticipate achieving our mid-term financial targets earlier than projected, with an adjusted EBITDA margin above 12 percent and strong operational cash flow now already expected in 2024. Additionally, we foresee organic revenue growth in 2024 of around 10 percent.

Sustainability and corporate responsibility are fundamental to our operations, as reflected by our commitment to the United Nations Global Compact (UNGC) program. Notably, 82 percent of our users report increased reading habits since subscribing to Storytel. As we pursue our mission to move the world through story, one of our sustainability goals for 2024 is to help more than 1.15 million people consume one book per month.

We have a strong team in place to proceed on our transformation journey and made notable additions to our Group Management team in 2023 by welcoming Peter Messner as CFO, Luis Duran as President of Streaming, along with several other experienced leaders. I wish to express my gratitude to our entire team; your dedication, resilience, and teamwork have been the driving force behind our accomplishments. I also want to thank our shareholders for your continued trust and investment in Storytel. Over the past year, Storytel has undergone substantial transformation, fortifying our position within the growing audiobook industry, and I am very excited about the potential and opportunities ahead.

CEO, Storytel