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Storytel AB (STORY.B.SE)

Q3 2021 Earnings Call

CORPORATE PARTICIPANTS

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

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Joachim Gunell

Analyst, DNB Markets

Dennis Berggren

Analyst, Carnegie Investment Bank AB

Derek Laliberte

Analyst, ABG Sundal Collier AB

Stefan Wård

Analyst, Pareto Securities AB

MANAGEMENT DISCUSSION SECTION

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

So welcome to a Webcast for Storytel's Interim Report January to September 2021. My name is Jonas Tellander, CEO and Founder of Storytel. And on my side, I have...

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Yeah, Sofie Zettergren, CFO at Storytel.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

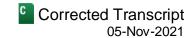
Yes. So let's get started, jump into the highlights from the report. Streaming sales up 19% in the quarter, Q3, year-on-year with 20% with constant exchange rates. Subscriber base up 27%, a bit more. And then I think the best news of the quarter, Storytel Books sales up 20% year-on-year, in partly driven by the acquisition of Lind & Co but also organic growth and the EBIT margin is 25% in the quarter, up from 16% a year ago. And if you add this up, you arrive at the SEK 714 million net turnover in the quarter, which is 17.3% increase.

We have a new Chairman in Stefan Blom, former Chief Content Officer and Strategic Officer at Spotify, who joined the board a year ago and now stepped into the Chairman's shoes. And we also have Joakim Rubin from EQT who has now a, I think, about 10% holding in Storytel and new Director of the board. So it's a high gear board that is ready to meet the future and create the future in the audiobook space.

If you look at our net add subscribers year-over-year, we can see that since 2017, we've been able to increase the net add subscribers every single year. This year, we will not succeed with that, but we will not be much worse



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than 2020, so pretty much on par with 2020 net add subscribers. This is obviously below our expectation, but I just wanted to show this slide to kind of demonstrate that we're not in a crisis mode. It's just that growth is a little bit slower than anticipated, but the same as last year.

So, with that, I hand over to Sofie to walk us through the numbers in the report.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Yes. And as usual, we'll start or we deep dive a little bit into the Streaming segment. So looking at the Streaming revenue, we grow with around SEK 40 million from Q2, up to SEK 583 million in the quarter, SEK 447 million coming from the Nordic segment and SEK 136 million coming from the non-Nordic segment. Average pay base is above 1.7 million.

And looking at the Nordic segment, we continue to improve our ARPU level, which is of course, yeah, very promising for the profitability. And it's driven by the price increase that we did in Sweden during the summer with 6% price increase, so SEK 10. The average pay base in Nordic was above 1 million, which is, of course, a huge milestone for us that we reached late during the summer. And looking at the profitability level, the contribution margin is very stable at 30%, positively impacted by Lind & Co, as Jonas mentioned, but also offset a little bit by higher content costs in some of the markets if you compare to the same quarter last year.

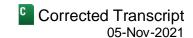
Looking at the non-Nordic segment, we are actually able to improve our ARPU level also there, driven by a price increase that we did in Holland late in Q2. The average pay base is 700,000 paying subscribers and we see big opportunities in some of our markets, so basically, the top market outside of the Nordics, which is Poland, Holland and Russia, where we – yeah, where we're here in the Q2 report, we talked about increasing our marketing investments, which we have done. So that drives down the contribution margin to minus 30% in the non-Nordic segment and also has an effect, of course, on the overall contribution margin down to 16% in the quarter. And these investments has some effect, of course, in the quarter, but also long-term effect, given that a large part of the increased investment is spent on branding channels, which will drive unaided awareness going forward.

Yes. So what else? Looking at the forecast for Q4, we provide you with a range this time. Average pay base is expected to reach around 1.790 million paying subscribers. We expect ARPU to be intact at SEK 113, leading to Streaming revenues of SEK 604 million to SEK 608 million.

And that brings us to the next slide, which is our full year targets. And as you know, we provided a revised forecast for 2021 in Q2, which you can see in the middle column here. And looking at where we are with the Q4 forecast, we believe that our Streaming revenue will come in at the lower range that we provided so SEK 2.25 billion.

The subscriber base, as Jonas showed on the [ph] net add – added graph (00:05:47) is a bit lower than we expected also from Q2. And this is mainly driven, I would say, by India, where the Indian government early this year removed recurring payment as a payment option and that's of course very important for a streaming service like ours. And we have some longer campaigns running in India, which were supposed to convert to the second payment in September and October.

And of course, when the recurring payment option is removed that will not happen automatically. So, we saw a decrease in the subscriber base in India so that's one of the drivers. But since the ARPU level is so low in India, it doesn't have that big of an effect on the revenue side. And as I mentioned, we are increasing investments in our top market outside of the Nordics but also in Finland, which were supposed to reach profitability during this year.



But we are prioritizing growth over profitability and we do not see that we will reach profitability in these markets for 2021. However, the overall EBITDA margin, we believe, will come in at the high range so minus 6% for 2021 driven primarily, I would say, by the Books segment, as Jonas mentioned earlier, has a very strong quarter and a very strong year both on the revenue growth side but also on the profitability side.

So with that, yes, I will move over or give back to Jonas just very briefly on 2023. We still maintain our goals. We believe in the long-term opportunity of the audiobook market. And organic growth together with M&A, we still feel bullish that we will come up to 30% revenue growth again.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

And before walking into Q&A, we'll talk about the first product and then we'll talk a little bit about the content and last sustainability. Starting with product, in the quarter, we could see that the App Store rating was about 4.6; it was 4.7 before, so slightly lower; and the same with Google Play; same with Net Promoter Score, a little bit down. And the reason for this is really we have some stability issues during the summer. This has now been resurrected, and it's been very stable in the recent months.

We also have our Spotify collaboration that was announced in May. It taken a little bit longer than expected to get that started, but we're really working through the user journey and making sure that the Spotify users can enable Storytel subscription and start listening to audiobooks, so that will come and be launched some time on the new year. And then we have Google Cloud Platform, which is the virtual platform that we are using now, and we have we have moved away from the legacy hosting fully.

Finally, I would like to mention the algorithmic editorial recommendations in the service, which have made tremendous improvements in the recent year, and we are steadily increasing the personalization share of what people select in the service, and this is proving that it improves the engagement and hereby loyalty as well.

Moving over to content, we launched the Glacier project early this year on 14 markets. On all those markets, the Glacier went up to the Top 10 position and in six of those markets actually we held the top position. So, I think that was a good project, where we could really demonstrate that we are able to run a large-scale project across multiple markets, and this is something you'll see us doing a lot going forward.

We also completed acquisition of Finnish publisher, Aula. And then last but not least, again, we really feel that the Storytel Books segment is really powerful and strong. With the digitalization of the book market, we can see that the unit economics and the profitability goes up for our publishing units, and they are performing well on all the markets. So this is our mission: To make the world a more creative and empathetic place with great stories.

And moving over to sustainability, what we could see is that in Q3, we joined the United Nations UN Global Compact. So, we have a very strong commitment to ensuring that we enact responsible business practices. So, we're very excited about this on Storytel. We're also committed to the UN Sustainable Development Goals, and in particular on the environmental side. It's going to be around climate change and responsible consumption and production.

We also set up a Sustainability Committee in the company, and that is attached to the board and we held our first meeting in Q3 and looking really much forward to actually driving sustainability as a core strategic brand lever for Storytel. We believe fundamentally that books is such a strong and powerful way and media to help people to relax, slow down, zoom out from the screens, and enjoy themselves. And, basically, there we think we can play a

very, very good role, in particular also since Storytel's business model and product is very much climate-friendly as well.

So, with that, let's move over to Q&A.

QUESTION AND ANSWER SECTION

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Yes. We have our analysts ready. So, should we start with you, Joachim? I see that you have a hand raised.

Joachim Gunell

Analyst, DNB Markets

Lovely. Good morning. So, we can start off with – I mean these investments taken here to accelerate growth in Q4 seems to have fallen slightly shorter of expectations. So can you talk perhaps a little bit more about what's driving all of the lower conversion from marketing spend to drive the growth here into Q4? And also what gives you confidence that it will accelerate into the next year?

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Yes. I can start and then Jonas can fill me in. So, I mean the markets where we are increasing marketing investments is primarily our top eight markets. So it's the Nordic markets and then it's Poland, Holland and Russia. And as I mentioned, a lot of those investments are on different branding channels so above-the-line marketing, which is to build unaided awareness over time, which we can see a very clear correlation between unaided awareness and subscriber base in each market.

And when we looked at that during the summer, we could see that we have been underinvesting a lot in this market. So that is why we feel bullish to increase investments, but it will not convert to paying subscribers immediately but rather over time. But we do see some markets such as Poland, for example, which has had a really strong quarter.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. And I could just add, I mean, we have under – I mean, we haven't spent the full marketing investment we had anticipated and in part this is because the ecosystem is kind of challenging, both on Google and also with Apple's data privacy changes early this year means that the conversion from digital media investments on Facebook and also on Google, for that matter, tend to be a bit more expensive. So we have to be a bit more mindful about how to invest and really learn how this change will play out over time.

Sofie Maria Zettergren

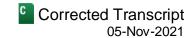
Chief Financial Officer, Storytel AB

Yeah, really a good comment and then to remember so one reason why we see a lower subscriber growth in Q4 is also due to India, where we haven't increased our investments, but that's rather due to this recurring payment option being removed by the Indian government. So, should we go to Carnegie? Dennis, this is your first earnings call. Shoot with the question.

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Dennis Berggren

Analyst, Carnegie Investment Bank AB

Thank you. So, first of all, I would just like to follow up on Spotify and what are your own views from this sort of long-term conversion potential? But also if you could perhaps add some more comment on the engineering consideration that you mentioned? And also, I mean, given that you now mentioned that the launch is expected during the first half of 2022, I mean instead of Q4, it seems like it could be launched during the second half of H1. So, what's your thoughts about that?

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

No, but I think as both companies are very committed to get this going and obviously Spotify is much larger company than Storytel and what they're doing is launching this Open Access platform. And it's, I think, taking some time to really get that in order, in order to be able to launch something on a large scale. So, I think that's very much driving it.

In terms of conversion, the time plan and really, really hoping for Q1 to happen but don't want to commit to that. That's why we say the first half of the year. But looking at the conversion that we can expect on this partnership, it's way too early to say. We really need to see how exactly people discover audiobooks within the Spotify apps, and the conversion into actually starting a Storytel subscription or at least linking the accounts to Storytel from Spotify. So, I think it's a good way to just ensure we have a bigger ecosystem to tap into. And I think we'll be doing a lot of that going forward.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

All right. Thank you, Dennis. Derek, do you have a question?

Derek Laliberte

Analyst, ABG Sundal Collier AB

Thank you. Thank you very much. Yeah, I'd like to follow up on the growth trends there. Obviously, you mentioned in the last quarter that we would see an acceleration or pickup in growth in Q4. And now we, unfortunately, have some of these temporary effects not making that happen basically. And you mentioned that you are confident into next year. Could we get some feeling here or do you expect growth to really accelerate early in 2022 or is it more of a back end 2022, 2023 that will really sort of accelerate growth again and make you reach the 2023 target? And any flavor you could provide there would be very helpful.

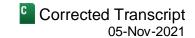
Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

I mean, with the current business we are running and with the kind of question marks we have around digital marketing in particular, I think we are on a level now where we are growing naturally organically at 20%, to be frank. So, any improvements to that need to come from good news basically coming out of either that the marketing starts to take off.

That India, I think they're already bringing back actually the recurring payments. I think that's going to help us there. But it doesn't provide that much revenues in the short term. But also from partnerships being, I think, a lever and on top of that, obviously, we haven't made any M&A that has contributed to Streaming in 2021. And within our target of 30% to 35%, we do capture also potential M&A opportunities. So, I think we'll just have to wait and see. But if it's front-loaded or back-loaded, can't really say.

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Derek Laliberte

Analyst, ABG Sundal Collier AB

Got you. Thanks very much.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Great. Thank you, Derek. Should we go to you, Stefan from Pareto?

Stefan Wård

Analyst, Pareto Securities AB

Thank you. Follow-up on the guidance here, I mean, the slide with the financial targets has been around for a while, so I would like to go into the details here about the CAGR assumption for Streaming revenues, 30% to 35%. You maintained that. And in my view, that's the base here for this is it could be as long back as 2019.

[ph] Let's say (00:18:33) it's 2020 and we have this revenue growth of 20% in 2021. That implies like 35% to 40% Streaming revenue growth in 2022-2023 to reach this target that you have communicated earlier and similar sort of growth rate on subs. I would like some clarity on is that the right way to interpret the guidance and, if so, what needs to happens because it's such a dramatic increase from the current growth rate?

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. I think I touched on that on the previous question in a way that, I think, both partnership and M&A and also external factors that we're hoping will be kicking in and make the digital marketing a lot more effective going forward, I think, will really help. But we will need a couple of those, I think, nonorganic events to happen in order to reach the, as I say, the 35% to 40% in 2023 so.

Sofie Maria Zettergren

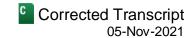
Chief Financial Officer, Storytel AB

Yeah. I mean, just to add on to what Jonas has said, so I mean, those targets were provided on our Capital Markets Day in 2020 and it's based basically on the fact that the audiobook market during the past 10 year has been growing at a CAGR of around 20%, and we expect it to grow with a CAGR of 15% to 20% also in the next coming 10 years. We have around 5% of the total book market today and we believe that that percentage will increase over time, given that we are not present in the US, for example, which stands for around 50% of the total book sales today.

And I think we have a very strong solid base in the Nordics, but naturally, that growth rates are declining year-by-year because of the large penetration, even though there is still room to grow. We're still growing 15% in the Nordics. And then, we have these new markets, which is pretty mature. We have Latam, we have APAC, etcetera, where we have a good footprint, but it will take longer time than we anticipated when we had the Capital Markets Day.

So, I think what we need to add now, what Jonas mentioned is how can we grow with partnership, how can we grow more through M&A, but how can we also look into more mature audiobook markets where the growth rates are higher. We are already in Germany, for example – how can we make sure to leverage on that growth potential, but also other markets where we're not present in today which are more mature than the markets we are in. And then, it's the top markets outside of the Nordics, which will contribute mostly in the next coming two years, I would say. So, that is Poland, Russia, Holland, Turkey, etcetera.

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Stefan Wård

Analyst, Pareto Securities AB

And just a follow-up, I mean the lowering of the subscriber base in 2021, it's north of 300,000 subs. So, if you could give some color on what has happened, basically, because it's quite a big revision.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. I mean it's a huge revision. I totally agree with you. I think we touched on it. Those kind of explanations regarding some of the low ARPU markets like India was actually – Russia where we had high expectations of low-priced subscription that hasn't really materialized yet. The market is growing well but it's on the unlimited, more pricey subscription, primarily.

And then we have the entire [ph] Latam (00:22:24) region, which has been in a standstill completely for the past 18 months. And we had high hopes to have, at least 100,000, I would say, growth in all those markets; Brazil, Mexico, Spain, also actually Italy and Colombia in 2021. And it's been stunning totally still. So it's very disturbing. It's in part from external factors but also maybe because we've been a bit too optimistic around the speed at which we can get people to start consuming audiobooks.

You have to remember that the Nordic markets are unique there. Even when we compare it to the US or UK or Germany, I think we're at least twice as high in terms of penetration in the Nordic markets. And it's just a question of timing. I think the fundamental interest of listening to stories is there. It is there all over the world, but we don't find the real match yet as to ensuring that people start to talk to each other about this and start to enjoy it and start out doing other stuff with their phones.

Stefan Wård

Analyst, Pareto Securities AB

Thank you.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

All right. Thank you, Stefan. Should we go back to DNB, Joachim?

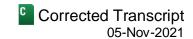
Joachim Gunell

Analyst, DNB Markets

Thank you for that. So, [indiscernible] (00:23:41) going back to the fact that, okay, obviously, you are outgrowing the global audiobook market opportunity right now. We even [ph] had to call it (00:23:48) 20% Streaming growth. But with that being said, can you say anything about – I mean there's a lot of, I mean, other audiobook services up who are increasingly targeting this global opportunity you allude to, and we have seen the players that have Audible and Kobo also launching this unlimited tiers as well.

So, with that being said, can you just update us here on what do you think about, I mean, your large subscriber base, especially in comparison to the Nordic competitors here, but how that builds sustainable quality moats or barriers to entry over time with on the content side, improved [indiscernible] (00:24:34), etcetera, and then the, yeah, and how sustainable those moats are in your view?

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Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. Sure. It's a great, great question on the longer-term strategy. And as I say, possibility for us to actually create good barriers to entry in more markets than the, I would say, Top 8 markets we're in today, I think we're a clear market leader on five or six of those at least. But then for this bigger markets, how can we succeed there when there's already competition in place? I think that the content game and the content bets that we're making, I mentioned Glacier before, those type of content bets, I think, are very, very important.

And also, we can see that with our global – not global footprint, but at least we're very, very international business in the audiobook segment, we find it easier and easier to acquire really, really interesting assets such as Sherlock Holmes, for instance, that we did recently. And the same I think spills over to commercial partnerships where Spotify is a great start and a great partner. But I think there's more similar and other partners that we haven't really tapped into.

We have a lot of the telcos that we only really work with Telia on the systematic basis today. And I think there's a lot more to take there. So, I think being first mover globally in the audiobook space or one of the two first movers globally on the audiobook space actually helps us to capture some of these opportunities on a more international level.

Joachim Gunell

Analyst, DNB Markets

Thank you, Jonas.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Great. Thank you, Joachim. Let's go back to Carnegie. Dennis, do you have another question?

Dennis Berggren

Analyst, Carnegie Investment Bank AB

Thank you. Yes. Could you just provide some comment on the Nordic market performance during the quarter, and specific if there are certain markets that currently is performing stronger and if there are any markets that are more challenging [indiscernible] (00:26:37)?

Sofie Maria Zettergren

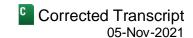
Chief Financial Officer, Storytel AB

Yeah. So, as I mentioned, the Nordic markets are growing with 15%. I think that's pretty much according to expectations. But we have seen maybe slightly lower intake now in early October. I think it's not specific for Storytel but rather for all streaming services. One external factor, as Jonas mentioned, could be the Google redirect that was removed in October. But it could also be just seasonality effects.

So, I think overall, during the first nine month of 2021, the Nordic market has performed really well, with over 1 million paying subscribers on average, high profitability, and especially the Books segment also adding to both the overall growth of the company but also the profitability level, which you can see on our EBITDA during the quarter which was quite much better than expected.

And then maybe on some markets, I mean, we are the market leader in all markets in the Nordics, except for Finland. I think Denmark has had a really strong summer despite very high competition. I think there are like 10

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players in Denmark right now. So, that's very promising. I think that we are able to keep that position and be able to continue to grow while we have also migrated all the customers to one of our platforms.

And then, I think in Finland, as I mentioned, we have increased our marketing investments and we can see that we are – yeah, we're performing according to expectations in Finland. But, of course, we would like to have a stronger position and be the market leader eventually.

Dennis Berggren

Analyst, Carnegie Investment Bank AB

Okay. Thank you.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Thank you. Derek from ABG, did you have another question for us?

Derek Laliberte

Analyst, ABG Sundal Collier AB

Thank you. Absolutely. I was wondering about the market entries. You're at, I think, 25 markets now. That's in line with the target for this year, but you're aiming to reach 40 markets in 2023. I get that you [ph] sometimes tended (00:28:55) to reiterate this target here, but should we view this as the targets really sitting firm or are you perhaps considering maybe focusing more on your efforts on the current markets, this 25, because the 25 to 40 does imply, I would think, quite a bit of resources and a big ramp-up in next year and the year after that? Thank you.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. No, I think that's a great, valid question, Derek. I think that under our current modus operandi with the start-up offices and recruit people locally in every single market we're in and that's what we've done historically. I can also say that I think we have the same number of offices that I think Netflix and Spotify has around the world, and obviously, that may not be super sustainable.

So I think there are different ways to ensure that the Storytel service can reach a customer in different markets. And with that in mind, I think, yeah, we still believe that the number of markets we say for 2023 is probably reasonable, but it would not mean that we would open up local businesses in 20 more markets.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

So just to add on to what Jonas said, I think it's quite interesting that, yes, we are in as many markets with a physical, like, footprint as Spotify, but when I look at the different markets, it's pretty much the same markets. So I think we have chosen the markets rightly and we have a good base to grow from those markets.

Derek Laliberte

Analyst, ABG Sundal Collier AB

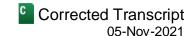
Great. Makes a lot of sense. Thank you.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB



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Joachim, I see you raised your hand. Let's have another question from you.

Joachim Gunell

Analyst, DNB Markets

Just a final one for you, but can you say anything – I mean, it's early days still, but I mean there have been some quite significant recruitments on the, call it, commercial leadership side as of late. And also with EQT joining in on the board, anything that you can tell us about, call it, any nuanced shift to strategy?

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. I mean, I think we've been able to very successfully recruit two really top, high power people on the commercial side, Alexis Gresoviac for the international markets and Nelson Missier for the European markets, and from before, we have Åse Ericson as Head of Nordic. I think they are really, really good individuals, very strong leaders. I think it's still too early to talk about – I mean Nelson hasn't started full time yet but Alexis has and is starting to develop his strategy on how we can ensure that this international markets that we are kind of struggling with getting growth in that we will work smartly. I think with his gaming background, he is well positioned to exploit on the mobile side that we are on so and that's very exciting.

We also have two other recruitments, a Head of Tech and a Head of Product in Mark Pasternak and Johan Ståhle who are also, I think, making a really, really big impact on the tech and product organizations and now are formulating a product strategy and ensuring that we have the best ways of working and get efficient payoff for our quite significant investments in tech or product. We have 200 people working in those teams and really want to make sure that we are innovative, that our product actually translates into some product leadership and also some most that Joachim alluded to before.

I think that's what you should expect from Storytel. That's where we were in the past and that's where we want to be in the future, have a product that really is compelling and creates loyal customers that spreads the product, talks about Storytel because of the great experience.

Joachim Gunell

Analyst, DNB Markets

Very clear. And just any comments on what you think EQT brings to the table?

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

I mean, obviously, they have a very clear view on the opportunity of the audiobook market and that Storytel is well positioned to be a global leader in that market. I think that's really why they came in. So it will be all about ensuring that we can, in an effective way, deploy capital and get good growth that translates into shareholder values all the time.

Joachim Gunell

Analyst, DNB Markets

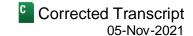
Thank you.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB



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Thank you, Joachim. Stefan, please go ahead with your next question?

Stefan Wård

Analyst, Pareto Securities AB

Yes. I'd like some guidance on how to think about sales and marketing as one cost item [ph] in then (00:33:43) investments in content for 2022 and what sort of, I mean, perhaps not a specific guidance but imaginary or sort of how the EBITDA margin can develop over the next couple of years?

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Yeah. I mean so, as you saw during this quarter, we increased our marketing investments as a percentage of sales with, I think, 8 percentage points if you compare to the same quarter last year. So it's around 30% of sales. And what we see now is, as I mentioned, that we have a low unaided awareness in some of our Top 8 markets, where the metrics looks good. So we see that we have underinvested and that we want to increase our unaided awareness. But in the long term, we believe that we will not just do this through increased marketing investments, but rather through our partnership strategy and creating a more buzz around the service.

And, of course, the content will be an important pillar towards that goal. And our Storytel Original, so you will see increased investments in this high profile Storytel Originals and big characters, basically. So today, we are investing between, yeah, 7%, 8% of sales in content, which we activate in our balance sheet. I think Spotify or Netflix, they invest like 50% of sales, which is not our target because we need to spend also a lot on marketing. So we need to find a good balance, of course, but definitely, we want to increase that over time.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

Yeah. I totally agree and I think that, again with our international footprint today, we are very well positioned to acquire those assets, the really strong story assets that are [ph] either out (00:35:45) and where new stories could be created, built upon those universes. And this is something that we will be doing a lot of going forward. So, it's super exciting and we have a number of different of those discussions going and hope to be able to announce that soon.

Stefan Wård

Analyst, Pareto Securities AB

Okay. Thanks.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

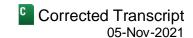
Thank you, Stefan. Derek, please go ahead with your next question.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Oh thank you. I just had one question on what's the current outlook for more M&A basically and if you could say something about whether it relates mainly to Publishing or more outright streaming services since you've done both kinds of acquisitions in the past? Thank you.

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Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

I mean fundamentally you could say that on the Streaming side, a good way to acquire someone is because it would give us access to a new market. It could also be because we're ill-positioned in the market and wants to assume the market leadership position but typically to get access to a new market. Whereas on the Publishing side, it would more be to look at a market where the book market is becoming more and more digitized, via the audiobook, and we are a strong actor in that market then it makes a lot of sense for us to also acquire and own publishing units.

Derek Laliberte

Analyst, ABG Sundal Collier AB

Thank you.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Thank you, Derek. So I don't see any more hands. I believe this was the final question on the Q&A. So, Jonas, any final remarks?

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

No. But thank you for tuning in again. Bear with us. This is a long game, a really long game. It takes time to develop a market. You have to remember that the Nordic audiobook markets, which are super strong now, they've been around for like 15 to 25 years and started with a tape cassette back in the days.

And [ph] we also had (00:37:51), in the Nordics, a population that is really well positioned to benefit from the digital evolution starting with, I don't know, home PC in the 1990s and then with a very strong mobile networks, a very highly educated population. So that's not the case all over the world and that's why it takes a bit longer.

But we are there. We are producing content. We understand what it takes to win the market and we'll keep investing, now are backed by really strong and good investors and I think have a board and a leadership that is set to take us really to the next phase now. I don't know if it's a third or fourth phase in Storytel's development, but at least it feels like a new fresh start.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Great. So thanks for tuning in and see you next quarter.

Per Jonas Tellander

Founder, Chief Executive Officer & Director, Storytel AB

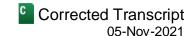
Bye for now.

Sofie Maria Zettergren

Chief Financial Officer, Storytel AB

Bye.

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