

16-Feb-2023

Storytel AB (STORY.B.SE)

Q4 2022 Earnings Call

CORPORATE PARTICIPANTS

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Chief Executive Officer, Storytel AB

Susanne Maria Ekblom

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Analyst, DNB Markets

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Storytel Q4 presentation for 2022. For the first part of the conference call, the participants will be in listen-only mode. [Operator Instructions]

Now I will hand the conference over to CEO Johannes Larcher, and Interim CFO, Susanne Ekblom. Please go ahead.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

Thank you and a warm welcome to Storytel's Q4 2022 Earnings Call. My name is Johannes Larcher and I am the CEO of Storytel. I am joined today by our Interim CFO, Ms. Susanne Ekblom and Andreas Lindblom, our Head of Investor Relations.

The fourth quarter was a strong bookend to a transformative year for Storytel, during which we pivoted our strategy to profitable growth and restructured our company. For a year, we delivered strong streaming revenue growth of 31%. We also delivered full year EBITDA margins of 2.9% well within our previously updated and raised guided range.

In Q4, we completed a successful and oversubscribed directed share issue that raised SEK 400 million from existing and new shareholders and firmly put the company on a solid financial footing. Fourth quarter streaming revenue grew by 27% year-over-year to SEK 742 million. Net sales increased by 17%, gross profit margin was 37.2% and EBITDA for Q4 came in at 6.2%. We are proud of what our team has achieved and the remarkable turnaround these numbers represent.

In terms of performance versus guidance, streaming revenue in the Nordics was slightly above our guidance and total streaming revenue and streaming in non-Nordic markets were both towards the higher end of the range.

2022 was a remarkable year of transformation and turnaround for Storytel. Our continuous track record of revenue growth continued for the 21st quarter, but most importantly, Q4 2022 was the third consecutive quarter of EBITDA profitability.

This is the first time in our company's history that we've delivered three consecutive quarters of positive EBITDA, and this contributed to the before mentioned full year positive 2.9% EBITDA margin for 2022. Based on what we've achieved, we are buoyed by this performance, and our prospects.

Now to tell you in more detail about our financial performance and our position, here is Susanne Ekblom.

Susanne Maria Ekblom

Interim Chief Financial Officer, Storytel AB

Thank you, Johannes. Let's have a look at our financials, starting with the P&L, adjusted for items affecting comparability. The revenue grew by 17%. The gross margin is coming down, and is largely driven by the development in the Books segment. The expected Christmas sales within Books have expectedly been very weak, just as it has been for several book publishers.

Looking at the underlying streaming business, we had a solid development. In sales and marketing, our shift to focus on our profitable core is clear, compared to Q4 2021. However, we continue to invest as long as we see a good return on investment.

The same goes for the EBITDA margin, and we had higher expectations on the Books segment. The fourth quarter is normally strong, but the Christmas sales had affected the physical book significantly harder than expected even on the EBITDA margin.

Our streaming segment has developed strongly according to plan. Just like I pointed out in the third quarter, the result of our strategic shift is clear. The quarter also includes a few items affecting comparability related to the reorganization in line with the strategic shift.

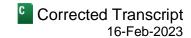
Moving on to the balance sheet, the most significant affect in the quarter is, of course, the SEK 400 million directed share issue completed in the quarter. The SEK 500 million bridge loan connected to the acquisition of Audiobooks.com will be partly repaid in the first quarter and replaced with a new term loan at SEK 200 million.

So, total available liquidity at the end of the fourth quarter was slightly ahead of SEK 1 billion. As you can see on this slide, the EBITDA is SEK 38.5 million for the quarter and adjusted for items affecting comparability SEK 53 million. Cash flows from operating activities before changes in working capital is SEK 12.1 million. After working capital it is SEK 19.6 million and the change in working capital affecting the period's cash flow negative in the quarter is due to timing effect in current receivables and other accruals.

As mentioned on the previous slide, the operating cash flow was minus \$19.6 million. We continue to invest in content and tech in this quarter and is \$57.4 million. You can also clearly see our successful directed share issue in the cash flow from the financing.

If you look at our operational cash flow, we have an EBITDA excluding items affecting comparability of SEK 53 million. If you then remove our investments in our operational CapEx, mainly content and tech, you will get our operational cash flow. So, almost breakeven.

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This means that we have a sustainable business. I have highlighted the fantastic effects in the financial figures of the strategic shift completed in 2022. It gave results. And in connection with our third quarter earnings, we revised our full year EBIDTA margin target range to 2.5% to 3.5%. So, the 2.9% is clearly in that range even with the unexpected quarter in the Books physical sales for Christmas.

With that, I hand over to Johannes for a strategic update.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

Thank you, Susanne. I'd like to take the time to share with you our priorities for 2023 and explain how they relate to our strategy and our commitments to continue with profitable growth. Since assuming office four months ago, I've set out four top priorities for the company for 2023, listed here; a focus on great content; a need to improve our levels of sophistication with regards to product, technology and digital marketing; a disciplined geographic strategy that focuses our investments and efforts in a small number of markets and the building of an organization and team that is fit to support our mission.

Let me elaborate in a bit more detail on each of these. But first, let me explain what is not changing. We are not changing our commitment to the unlimited all-you-can-eat streaming model that has made Storytel a market leader and innovator in the audiobooks business.

Unlike some of our competitors who have recently shown signs of abandoning the unlimited streaming model, we remain convinced that all-you-can-eat is the best model and that it aligns the interests of authors, agents, publishers, consumers and distributors in the most optimal way. We remain committed to offer all-you-can-eat packages in most of our markets.

We are equally committed to continue innovation in the areas of pricing, packaging and promotions. Since my arrival, we've introduced several new service tiers, new price points and plans, and several innovative new promotional campaigns. As we broaden the appeal of our service to ever wider audiences, we will continue to experiment and learn in this area.

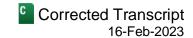
We are also committed to build on our history of leadership and product innovation by improving the user experience, personalizing our products and content offer, and launching features and functionalities that are best-in-class. It is essential for us to improve our data, infrastructure and technology so that Storytel not only offers the very best content at the right time to the right consumer, but it is also able to fulfill subscriber expectations for an intuitive product experience and seamless journeys through our offer.

However, none of these business elements have the power ultimately to truly set us apart and make Storytel distinctive and unique from other players in our space. That power is reserved for great content.

Consumers discover, join and subscribe to Storytel first and foremost, because of our content and what it represents to them. Audiobooks are a great way to entertain yourself, to learn new things, to escape your world, or to discover more meaningful experiences and alternative points of view.

Content is what attracts consumers to Storytel in the first place. We use strong titles from well-known authors and franchises to attract interest, and we then engage consumers who have become customers by putting in front of them at the right time, just the right audiobook for that. And content is also the most powerful tool in our arsenal to prevent customers from leaving. We leverage that power every day for anti-churn CRM and in the reactivation of lapsed subscribers.

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So you can see how critical it is to our success to have a broad, compelling and unique content offer available at all times for all of our customers. Of course, besides the quality of our content. It is also key that the economics of our content are optimized.

Speaking broadly, we believe that our content costs as a percent of revenues are too high and have to come down over time. To achieve better content economics, we see several areas of leverage.

First, we tend to produce more original content that can only be found on Storytel. Not only does that help our product differentiation, it also increases the internal share of content consumed and thus improves our content's unit economics.

Second, we have learned how powerful exclusive windows of bestselling titles can be in driving new subscriber acquisition and retaining existing subscribers. We want and will do more of these exclusive content licensing deals going forward.

Third, we believe that the addition of adjacent content categories such as podcasts, audio articles, POD books, lectures, etcetera may have a positive effect on our user experience and content economics alike. You should expect us to experiment and learn in this area in 2023.

Lastly, in our business, a small number of suppliers account for a large portion of our content costs. We see opportunities to achieve better contractual terms with long tail partners and to negotiate more favorable content distribution agreements with our top 30 providers.

All of these efforts combined will ensure that we achieve not only content differentiation but also improved unit economics. Storytel is well along on our path to become a true content powerhouse. In 2022, between our print publishing houses and our audiobooks publisher StorySide, we released over 10,000 new titles, including more than 150 Storytel Original Audiobooks.

Crime, fiction, romance and thrillers remain the most coveted genres with romance, thrillers and non-fiction showing the strongest growth rates. Crime also dominated the top list for 2022 Storytel Originals. Writers like Madeleine Gustafsson, Hans Petter Hougen, Lotte Petri and Jesper Ersgård to name, few found large audiences and big success on Storytel in 2022.

But there was also room for celebrity biographies like Barbro före Babben, excuse my Swedish, by one of Sweden's most popular TV personalities on our list of highest performing audiobooks. Our long-standing partnerships with Stephen King, Lucinda Riley, Pottermore and others continued in 2022, and as always, they were very popular with our listeners.

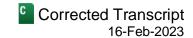
We were also happy to see the 2022 Nobel laureate for Literature, Annie Ernaux captured the hearts and minds of Storytel audiences in Sweden and Finland, where Storytel Books holds the exclusive rights to her works.

Turning towards the future. We have an incredibly strong lineup of content to offer to our customers this year, amongst many, many other titles, I am particularly excited about three of our Storytel Originals that will become available in the second half of 2023.

We have signed Anthony Horowitz, the famous novelist and screenwriter as showrunner, for three to six completely new Storytel Originals centered on the character of Sherlock Holmes. These audio first books about

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one of the world's most widely beloved detectives in partnership with the Conan Doyle Estate will no doubt provide intrigue and suspense for Storytel listeners for many years.

Blood Queen by Anna Lea is an original Storytel audiobook based on a true crime 17th century female serial killer and Hungarian noble woman who some believe was the true inspiration for Bram Stoker's Dracula. In The Women Who Scammed The World, a Storytel Original, we take you inside the world of Ruja Ignatova, a self-declared Cryptoqueen, who scammed investors out of \$4 billion and promptly disappeared.

We believe that highly produced and highly marketed originals like these will serve as brand defining, acquisition driving and engagement sparking cornerstones of our go-forward strategy.

On to our second big priority for the year, mastering the digital playbook. As a subscription service, it is critical for Storytel to master the entire customer lifecycle and to be effective and efficient as our customers move through their life stages with us. We are very encouraged with some of the key KPIs of our service that we track on a daily basis.

For example, we have strong engagement levels from many of our existing customers who turn to Storytel daily for entertainment and inspiration and actively listen to content day after day or as another example we are also fortunate to enjoy the continued loyalty of large segments of our paid base who have been subscribed for many, many years.

However, as I've spoken about before, we do see opportunities across the funnel to acquire customers more efficiently, convert more of those signing up to become paid subscribers, onboard new subscribers more effectively, and extend the lifetime of subscribers further. We are investing in technology, data, tools and skill sets to make progress in this direction. And some of the initial steps taken in the last six months are showing promising signs of success.

We recently started the rollout of our new web presence in the Nordics and will continue with that process in the next few months. The changes we have made are intended to make our service more discoverable, accessible, and to convert more visitors into subscribers.

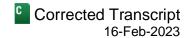
So far, we are pleased with what we are seeing. We also launched new subscription tiers in some markets, including Finland, Sweden, and Denmark. In these markets, we now offer our basic, premium and unlimited products. We believe that these tiers with the different price points and different monthly listening hour budgets ensure that there is a Storytel product that is the perfect fit for everyone, from casual listeners to passionate readers, to audiobook superfans.

Another development you may have noticed is an updated approach to promotions. We are believers in the power of well-structured promotional offers. By that we mean promotions that occur infrequently, last for a short time, offer consumers significant value and are heavily promoted both online and offline.

Recently we completed our 2022 winter promo that offered 50% off for six months of Storytel in several markets, and we've been encouraged by the success this promotion has found. Storytel operates dedicated services in 28 countries around the world, shown here in orange and yellow.

In addition, we operate our global store product that is available pretty much everywhere else except for countries where we can't legally do so. We refer to the countries shown in orange as our core profitable markets. These include the five Nordic countries Poland, the Netherlands, Bulgaria, Turkey and the United States.

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In these core profitable markets, our strategy is all about defending and growing our market share and erecting competitive moats that will ensure our health and success going forward. We invest strongly in these markets and we are 100% committed to their success.

In the growth markets which include countries like Germany, France, South Korea and Brazil we have reduced our 2023 marketing investment and are taking a more conservative and long-term approach to growth. We only invest selectively where we see high ROI opportunities and we focus on growth through partnerships as the primary way to grow our business.

We also see these growth markets as opportunities for experimenting with new content types, business models and service tiers that can provide valuable learnings for other markets. Throughout 2023 we are re-articulating our longer term prioritization and strategy beyond our core profitable markets and will update you about this soon.

Since joining last fall, I've worked with the team to transform our organization. We've introduced a new matrix organization, found and realized further head count efficiencies and added selectively to our leadership team.

In the last few months we've announced the arrival of Kristin Widell as our Chief People Officer; Anna Etzler as our SVP of Operations and recently we announced that Peter Messner, a senior Nordic executive with extensive public market experience, will join us as CFO later this year. We are excited about Kristin's, Anna's and Peter's arrival and look forward to filling the few other remaining senior leadership roles soon.

As I mentioned, Storytel is on a good path and is in a strong financial position. We just completed our third consecutive EBITDA positive quarter and delivered a 2.9% EBITDA margin for the full year 2022. We are in the middle of our successful transformation, and the initial implementation of our profitable growth strategy is showing good signs of progress.

We remain leaders in a fast-growing market and are strengthening our capabilities across the entire organization to compete effectively for the long-term. For now what we can say about 2023 and our expected performance is the following. One, we expect revenue to continue growing as it did last year when we delivered 11% annual growth.

Two, we expect to be EBITDA positive every quarter this year and for the full year we expect to perform ahead of 2022 EBITDA levels. Three with regards to cash, we believe we will be cash flow breakeven for the year. We will provide further details and insights into our outlook and plans at a Capital Markets Day to be held later this year.

In summary, 2022 was a truly remarkable year for Storytel in which we achieved a successful turnaround, implemented our profitable growth strategy, and delivered solid revenue and EBITDA performance. The implementation of our new strategy by our newly assembled leadership team is well underway, and I am very optimistic that 2023 will see a continuation of the positive trend started in 2022. Thank you very much.

And with that, we are going to open up Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Derek Laliberté from ABG Sundal Collier. Please go ahead.

Derek Laliberté

Analyst, ABG Sundal Collier AB

Good morning. Thank you. So, first off, I was wondering with regards to your update, the segmentation of the customer offers in some markets here, what's the feedback and performance been like so far, if it's possible to see any trends at this point?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

Thank you, Derek. Look, the full visibility on the impact of these new tiers and the price increases that went along with them in some markets will be visible in Q1. What I can tell you is that so far we are tracking very positively on these changes.

The rollout is now complete and we are seeing that both in terms of downgrades, migrations, churn rates, we are tracking favorably versus our business case we used internally in advance of launching these new plans and price changes. So, we are very encouraged. It's too early to declare victory, but we will update in more detail as part of our Q1 reporting.

Derek Laliberté

Analyst, ABG Sundal Collier AB

Okay, great. That's very clear. And with regards to that, just quickly, I mean, did you remove the family offering there because I couldn't find it on the website? Is that part of the new setup?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

No, that we are committed to offer a family offering. There will be some changes to it that will be rolled out in Q1. But we are not abandoning that offer and we are doubling down by launching a newly structured, time limited family offer.

Derek Laliberté

Analyst, ABG Sundal Collier AB

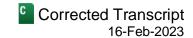
All right. And I was wondering also, is it possible to give, sort of, just a brief update on your European markets, perhaps mainly the Nordics markets, how they've performed individually in the quarter and currently?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

We don't really break out the Nordics segment or individual countries. I can tell you that our position in the Nordics remains very, very strong. We have grown in the Nordics in terms of subscribers and revenue and ARPU. The trend is very positive.

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I think we're competing very effectively in the Nordics. And I don't see any flags there in terms of changes that might occur because of the macroeconomic environment or inflation, etcetera. So, I can't give you more detail than that, but I can tell you that the Nordics remains the largest part of our business. We continue to still perform very well in that segment.

Derek Laliberté

Analyst, ABG Sundal Collier AB

Sounds good. And finally from my side, I was wondering if you could update us on this situation with Nextory having filed a lot of complaint with the authorities, I mean, what's your view on this and your position? And has this – in what way has this affected the financials, if anything, in the fourth quarter? Thank you.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

Thank you. Look, I'll say the following. We are in a fast growing industry that is quintupling in size between 2020 and 2030 globally from \$4 billion to \$20 billion. In a market like this where the wind is in our sales and the rising tide lifts all boats, it's to be expected that we have competitors who want a slice of that cake. Totally fine.

Competition is a good thing. We welcome competition. We think competition is great for the consumer who has more choice, for the publishers and the authors, who have more outlets for their works. It's great for us. It makes us stronger and makes sure that we are on our toes when it comes to our product, our content, our go to market strategy. So, we welcome competition.

We, as Storytel Books, our publishing unit, we license content to dozens and dozens and dozens of distributors around the globe and in the Nordics. Historically, we have license to Nextory as well. That door remains open.

Storytel (sic) [Nextory] (00:29:17) has so far not found a solution with us and has abandoned the conversation. I think it would be more productive to actually resume that conversation than go for a regulatory process. We are fully complying with the authorities. We think we did all the right things. We will see where this ends, but our door remains open and we welcome competition.

Derek Laliberté

Analyst, ABG Sundal Collier AB

Great. Okay, thanks. Thanks for that, that's all from me right now.

Operator: The next question comes from Stefan Ward from Pareto Securities. Please go ahead.

Stefan Wård

Analyst, Pareto Securities AB

Thank you. I have a few questions here. One is on the OpEx side where I would like to see admin expenses were SEK 98 million in the quarter, which is a little bit high, I think, if you compare to the same quarter last year. Are there any, sort of [indiscernible] (00:30:16) capability might not be correct, but are there any efficiencies in the OpEx level that has yet to see through that could materialize during 2023, would you say?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

One second. We're looking for that number. I will say...

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Stefan Wård

Analyst, Pareto Securities AB

[indiscernible] (00:30:44).

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Johannes B. Larcher

Chief Executive Officer, Storytel AB

One second, I will say something general, before I hand it to Susanne to answer more specifically. Of course, we are looking for continued efficiencies on the cost side, whether that's head count, content costs, marketing costs.

We took the ton of costs out of the business in 2022, as you know, including a head count reduction in streaming of almost 200 people. But that work is by no means over. So, continuing to look for efficiencies is something that will continue in 2023. Susanne?

Susanne Maria Ekblom

Interim Chief Financial Officer, Storytel AB

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Yes. Thank you for the question. Yes, there is a timing issue in that figure. We have some extra consultants in the business, as well. But it's nothing really, really big. And of course, we also have Audiobooks.com that's affects the figure.

Stefan Wård

Analyst, Pareto Securities AB

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Okay. Thank you. Returning to the head count situation, I mean, we will get the [indiscernible] (00:32:02) sales in the Annual Report, but could you give us what the head count was at the end of 2022 and perhaps the decision there between head count in Nordics and outside Nordics.

Johannes B. Larcher

Chief Executive Officer, Storytel AB



I can answer that question. Thank you for it. Our total head count in streaming at the end of 2022 was just around 500. And our additional head count, and by the way that includes Audiobooks.com, and our head count on the publishing side, Books was about 175 or thereabouts.

Now we don't break this out by Nordics versus non-Nordics, but I've given you the breakdown between streaming and Books. Hopefully that helps.

Stefan Wård

Analyst, Pareto Securities AB

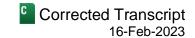
Thank you very much. And then the final question regarding the targeted growth rate. I fully understand that you will come back with a more detailed view at the CMD. By the way, I wonder when the CMD will be, if you could give us at least a quarter for that? I haven't seen it yet, but also it seems like, 11% is that – would you say that is in line with market growth or is it below for some reason, if you're, sort of, – market share might be difficult to assess, but would you say that you lose market share in order to improve profitability or how is your view on the growth outlook? Thank you.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

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Thank you, Stefan, for your question. First, regarding the Capital Markets Day, we have not yet set a specific date for the Capital Markets Day later this year. As soon as the board has decided on that, we will communicate that to the investor community.

Second, with regards to your question about growth look, we are a clear leader in the market and we are profitable in our core market of the Nordics. The overall growth rate in the Nordics for the audiobook streaming service segment is about 8% to 9%, so we're growing globally at 11%. So, our growth rate is in sync with the market.

We are confident that our market position in the Nordics remains extremely strong from a market share standpoint. We are either the strong, clear number one in each of the Nordic markets or as is the case in Finland the strong number two.

So, we are happy with the growth rate. Of course, we are balancing growth and profitability in this business and I think we've shown that we can be very disciplined about this balance in the last three quarters. We believe we need to demonstrate profitability at the same time [indiscernible] (00:35:00).

What I'm trying to do, since I joined the company, is lay the foundation this year for increased and accelerated growth in 2024. We have we have a lot of homework items to check off in 2023 when it comes to content, when it comes to our marketing practices, when it comes to our technology and infrastructure. There's a lot to do that will enable us to grow significantly faster in a fast-growing global market, starting from 2024.

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Analyst, Pareto Securities AB

Thank you, Johannes [ph] and team (00:35:35).

Operator: The next question comes from Joachim Gunell from DNB Markets. Please go ahead.

Joachim Gunell

Analyst, DNB Markets

Thank you and good morning Johannes and Susanne. Sorry if this was already touched upon, I joined a bit late. But with regards to [indiscernible] (00:36:00) the content strategy, can you tell us a bit about here what levers you can pull to basically improve the mid-term gross margin profile of the business and then also perhaps what the optimal proprietary content consumption of the platform would be and where you are now in relation to that target?

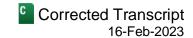
Johannes B. Larcher

Chief Executive Officer, Storytel AB

That is a great question, Joachim and I'll be happy to give you some perspective. So, if you look at other streaming businesses in the media space, for example, certain music streaming businesses, some of them located in Sweden, I will say that from a cost standpoint, our cost structure compares favorably towards those cost structures.

However, I do believe that we are paying out too much of every dollar that we take in on content costs. This number has to come down to ensure that we can be healthy and have profitable growth in our business for the long-term.

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Now, when you start thinking about all the things and all the levers you can pull in the business to actually enable that, and to achieve that goal, there's a few categories that come to mind. First of all, there are these key content partnerships. We have over 1,000 content partnerships across the globe where we license content from third-party providers.

I will say that I see room for us to be commercially more sophisticated in how we negotiate these agreements going forward, and we've already started to see some success with that. I think there is room to get to better terms with some of these large top 30-type of publishing partners that we work with. The team is actively working on that.

I think there are also certain things we need to do in our technology, in our contract and legal terms to enable better outcomes from a content cost standpoint. I think you'll understand, I can't go into exact details on how we do that and what we do there. But as I came in and looked at this, I saw quite a few low-hanging fruit that we can pick.

The third thing we can do is obviously increase on the platform, what we call ISOC, internal share of consumption. Our internal content is from a unit economics standpoint, the most favorable and most cost efficient body of content we have at our disposal.

And driving internal share of content is a priority and a great way to bring down content costs as a percent of revenue. And we do that by; one, producing and owning more internal content, and that's why Originals and StorySide published titles become so important because they drive ISOC.

And second, it's also by making sure that we appropriately and always with a customer-centric approach, surface these titles that we control and have ownership of and good unit economics on to the consumer in the experience on the app. So, those are some of the vectors we are pursuing to, over the long-term, drive down content costs to a more sustainable and profitable level.

Joachim Gunell

Analyst, DNB Markets

Thank you. And is there anything that you can provide us with terms of some more granularity of where that internal share of content is today in terms of consumption on the platform and where you want it to be?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

It's not a metric we disclose publicly. I can tell you that, it is not where I want it to be, but it has started to move in that direction.

Joachim Gunell

Analyst, DNB Markets

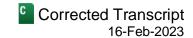
Looking forward to hear that on the CMD then. And is there anything here with regards to Audiobooks.com that you can help us with here in terms of understanding how you believe that this business really fits into your new growth strategy and basically how that fits into the path you envision for Storytel over the mid-term?

Johannes B. Larcher

Chief Executive Officer, Storytel AB

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Yeah. Happy to talk about Audiobooks.com. We are approaching the one year anniversary, I believe, of that acquisition. Look, Audiobooks.com is a great beachhead in North America for us. They are the number two audiobooks player in the United States. Admittedly Audible is significantly larger, of course. This is a relatively small business, but it is a lucrative and profitable business.

We are optimizing this business for performance this year. We are enjoying significant EBITDA and cash flow contributions from the business. We intend to keep it that way. Longer term, I think there may be a growth opportunity, but that would require a significant investment in terms of costs into accelerating growth.

For now, it's about optimization, it's not about finding a disruptive move to really change the dynamics of the North American market which is focused on à la carte business models or credit-based business model in contrast to what we do in Europe, which is all-you-can-eat. It's a good business, it's profitable, it's delivering, it's performing well. There is no major changes ahead at this point for Audiobooks.com.

Joachim Gunell

Analyst, DNB Markets

Perfect. And given the fact that you have considerably better strategic flexibility with the stronger balance sheet now, should the growth markets outside of the Nordics get more investments already by 2023, as opposed to being more of a 2024 priority? I mean, just in relation to the commentary you provided in the Q3 report.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

Look, it's a great question. I'm a big fan of obviously offering services that are available in many, many countries. I will say this, it's more important for us right now to stay disciplined and to deliver against the expectations that we have set for ourselves and that the market reflects for profitable growth.

What we're doing about the non-core growth markets this year is, we are conducting very significant analysis to plan our future and to chart our strategy from 2024 going forward.

I do believe we will get back into international expansion, but we want to be careful and very thoughtful where we place our chips. We are not going to be everywhere. We're going to be in small numbers of additional countries.

Second, we see opportunity to grow this year in some of these international non-core markets by doing things, as I mentioned, like leveraging partnership opportunities with telcos and others for growth. I think there will be some positive momentum coming from that direction.

And then lastly, we are using some of these markets as a playground for experimentation. We want to experiment with some new product tiers, some new business models, some new price points, etcetera, some promotional tactics; that is very, very possible in some of these international markets, and it provides learnings that benefit the entirety of the group.

So, do not look for an acceleration of additional market investment outside the core profitable markets this year, but do look for opportunities, high ROI based on partnerships and a lot of experimentation and learning going on

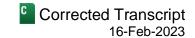
at the same time.

Joachim Gunell

Analyst, DNB Markets



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Perfect. Thank you very much.

Operator: [Operator Instructions] There are no more questions at this time. So, I hand the word back to the speakers.

Johannes B. Larcher

Chief Executive Officer, Storytel AB

I thank you all for calling in and giving us your time. Thank you for the good questions. We appreciate it. We look forward to see you again in our Q1 earnings report in three months. And we also look forward to see many of you at our Capital Markets Day that will be held later in the year. For now, thank you very much. Have a good day.

Operator: This concludes today's call. You may disconnect your line.

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