

10-Nov-2020

# Storytel AB (STORY.B.SE)

Q3 2020 Earnings Call

## CORPORATE PARTICIPANTS

**Per Jonas Tellander**

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

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

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## OTHER PARTICIPANTS

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**Oscar Erixon**

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## MANAGEMENT DISCUSSION SECTION

**Per Jonas Tellander**

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

Thank you and good morning, everybody. So we're going to go through the Q3 2020 Report, and with me – I'm Jonas Tellander, CEO and Founder of Storytel, and on my side I have our CFO – Interim CFO, Jörgen Gullbrandson; and our Chief Commercial Officer, Ingrid Bojner.

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

Good morning, everyone.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

Good morning.

**Per Jonas Tellander**

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

So let's flip to the next slide, and we have the subscriber growth of 35%, up from a year-ago quarter, and revenue growth 23% – streaming revenue 23% up from the year ago. Next slide, and this amounts to SEK 609 million in total turnover for the Q3 quarter. We also made during the quarter a number of acquisitions, no less than four. We go through them in a bit later.

But first, I'll hand over to Jörgen to walk us through the next slide on the numbers.

## Jörgen Gullbrandson

*Interim Chief Financial Officer, Storytel AB*

Thank you, Jonas. So, looking at all the numbers on slide 4, you can see that we booked a revenue for the group for the streaming businesses of SEK 490 million as we have reported before. Happy also to announce that we do the highest contribution profit ever of SEK 113 million, almost SEK 114 million in the period, contribution margin of 23% and some.

The great contribution profit and also the high revenue generate even a positive EBITDA margin in the quarter. Internally, we call this a small accident. But it's fun to see that. And after we started activating our audiobook production and also our tech development in the group, the EBITDA margins came up substantially and – in Q3 where we had slightly lower marketing than usual. The contribution margin came up and we even could book EBITDA profit for Q3. This is fun. But as we point out in the report, that is not the thing that you should expect to happen regularly going forward. But somehow it's an evidence of our business model anyhow.

We saw the paying subs coming in at 1.36 million in the period and an ARPU of SEK 120. This is good. This is driven by growth when it comes to revenue. It comes mainly from the Nordic countries where we are almost up at SEK 400 million in Q3 with a really good contribution profit there, SEK 125 million and a margin of 32% now, above 900,000 paying subs in the Nordic countries and with a healthy ARPU of SEK 146 as well.

Almost even more fun is to look at the non-Nordic countries where we approached SEK 100 million mark, SEK 96 million in Q3, of course having a slight negative contribution profit. But then we should remember that these are the markets that we really do invest in marketing and growth and staff, whatever we do in all these countries. So still happy to do these numbers. And we can see that the average paying subscribers for the period, they are then over 450,000 – 458,000 in the period. A lower ARPU in the non-Nordic countries, of course, because these are economies with lower purchasing power at least from before.

Try to look at the graphs. As you can see, they all point in the right direction which they should, increasing and going upwards to the right. Also giving a forecast as we saw for Q4, the last quarter of the year, coming in at almost SEK 0.5 billion in revenue in Q4. With said, but we couldn't report a precise number before, but this is actually what our models project, so let's keep it to SEK 499.5 million.

Also growing the subscriber base. This is what we foresee for Q4 with another 75,000 paying subs in this period, taking a small hit on ARPU which also of course affects the revenue. And this is driven by the fact that we have kind of, we consider, consider a good news. We have very strong Swedish krona compared to our significant currencies. Looking at the Nordic countries like the Norwegian krone, Icelandic krona but also compared to many of the weaker currencies like the Turkish lira, et cetera. So it's good for Sweden, but bad for the reporting numbers of Storytel.

We also have another positive news in this line and that is that we are successful in converting our existing users into a family subscription. And as you know, we said it before this drives down the ARPU because we divide the money that we're getting with more people. But it still means that we get more money in. We get them more to stay on our service which drives down the churn. So our LTV for these customers are positive. So, happy to see that even so.

Looking at the Nordic and non-Nordics, we see almost similar growth rates. Of course we grow most in the non-Nordic countries. But we see that we will add more than 60,000 people to the company reaching 530,000 paying subs at the end of the year. And this is as far as we see it today based on the exchange rate that we have today. So let's hope for a weakened Swedish krona.

Okay. Next page, please. During the third quarter, we completed a number of acquisitions, one being the acquisition of the Arabic streaming service, Kitab Sawti. That's now been completed and those numbers are in. We have now a huge catalog of Arabic-speaking audiobooks of close to 5,000 titles and are preparing to ramp up our marketing activities there in the coming quarters. We also completed the acquisition of iCast, the Israeli streaming service, on October 1. And we expect to launch this towards the end of the first quarter. And also here we have a very strong Hebrew catalog that we hope will stand very strong next to also Russian catalog and [indiscernible] (06:55) launch that market in 2021. Then Norstedts Förlagsgrupp made a small acquisition of a literary publishing house Bromberg, run by [indiscernible] (07:07) Bromberg. And this is, I think, very exciting for the publishing house. And then looking at expansion [indiscernible] (07:15) we have there.

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## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

Yes. And we're happy to have announced that we will be expanding in Thailand in the next quarter, in the fourth quarter. So in a couple of weeks, we will open up our service for the Thai public. And that's very exciting. That's also strengthening our presence in the APAC region where we're continuously expanding. And then on October 28, we launched our service in Belgium. And that is extremely fun launch because we are actually doing it also from our Amsterdam office. So even though this is of course a localized service for the Belgium public, it's still an effort in combination with our people on the ground in Sweden and also on the ground in Netherlands.

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## Per Jonas Tellander

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

So, may I just add...

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## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

Yes.

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## Per Jonas Tellander

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

...because you [indiscernible] (08:14) just a bit quick there in the beginning. During the quarter, we also entered into an agreement to acquire a 70% majority interest in Iceland's leading book publishing house Forlagið. It's not in the books yet because we are going through competition authority approval processes in Iceland. We hope to see that completed in Q4 or in worst case in Q1 2021. And we also acquired an 80% majority interest in Earselect. It's a audiobook production company, Sweden-based, but with business all over Nordic which we think will be important to the company going forward.

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## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

Yes. Thank you. So, all in all in our Capital Markets Day, we announced that we were going to launch at least one to three countries. So Belgium and Thailand will be those countries to be on the target there.

Next slide. So what about content? Well, even though the world has been in distress over this 2020 with corona and COVID virus affecting us all, I think creativity has not lost its purpose. And we are very happy that we've collaborated with one of the most renowned crime authors in Russia in relation to the Storytel Original for audio

first by Boris Akunin. So that's a great success, also coming after having done other Storytel Originals in Russia. So that's something we continue to explore.

Secondly, we have launched Harry Potter both in Bulgaria and in the Netherlands. In the Netherlands, it's fun because it's a new recording and it's really bringing people to our service and also bringing something really great to the people in the Netherlands.

And thirdly, we wanted to highlight a very special recording that we have done together in collaboration with The Prince Carl Philip & Princess Sofia Foundation on dyslexia. It's called Älskade dyslexi, Beloved dyslexia, which was also launched in combination with the Gothenburg Book Fair.

Next slide, please. So, other highlights during the quarter, we can also say that we have something we talked about in the Capital Markets Day about starting to make pilots or tests with different types of subscription models. So we have done two of those pilots. And we have launched one select version in India. And it's a selected version of our unlimited offer which is targeting only the Marathi language group which is the region around Mumbai. And this is a less expensive service which then can actually reach out to people who doesn't need also the English more expensive content catalog in the service. And that's actually gaining really great momentum. And this is part of localizing our service. So it becomes even better and more suitable for each of the markets that we enter.

And secondly, we have also launched another model which is Storytel Light in Finland just a couple of weeks ago, which is a limited version of our subscription model. You can get all the content, but you can only listen for 20 hours. And it's with a less price. And this is for us to expand who can actually listen and hopefully we can reach even more consumers that want to take the step into audiobooks and streaming which we are very happy to have launched.

And then we have the global conference this year, a virtual conference. Jonas, what did you – what can we say about that?

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## Per Jonas Tellander

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

Yeah. I mean I think we agree it was a huge success. We've made it a tradition to have conferences every year in early September where we gather all the storytellers around the world. And obviously this was not possible this year, but instead we went into TV studio [indiscernible] (12:29) Stockholm and run six 45-minute TV really shows internally so to speak over these three days in early September, the chat moderators and a lot of engagements from all the employees around the world and then other workshops.

And what I think it's really, really [indiscernible] (12:50) of course you cannot mimic the physical, social [indiscernible] (12:54) actually meeting together. But I think we did a really good job. The outcome from it was a very positive rating from 600 employees from this conference. So it was a good success and I think the best way we could handle the corona situation.

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## Ingrid Bojner

*Chief Commercial Officer, Storytel AB*

And being a very diverse [indiscernible] (13:11) company, this is obviously super important for us to make sure that we all know our targets and what we're aiming for and how we can continuously growing Storytel worldwide.

## Jörgen Gullbrandson

*Interim Chief Financial Officer, Storytel AB*

Good. So if we jump to the next slide looking at Q4, we're anticipating a subscriber growth over Q4 2019 of 32% and the revenue growth of 19% over Q4 in 2019.

And worth to point out to you guys that read our reports that the [indiscernible] (13:51) we sent out this morning, we had slightly incorrect percentage number in that one. So the subscriber growth was there in 42% versus revenue growth of 25%. That was not correct and is not corrected on the site and here. The numbers are correct, but the percentages lifted it. Thank you to all analyst gurus out there that found it and notified us quickly.

So, moving over to our financial targets which we have, we have the same slide here for quite some time now, and now we're coming to the end of 2020, and we have always said we're going to reach 1.5 million paying subscribers, and that would then be at December 31. So comparing that to our forecast number of 1.435 million as an average for the fourth quarter that we have in this report. We are still positive. However, I think as Jonas pointed out earlier today, we might miss it with a week or two, which is usually done. I mean, some years, we've been a week or two ahead if you were last year on Christmas Day, and some other years we've been a bit late. But it's around the change of year where we will reach our 1.5 million.

It was certain we're going to grow our streaming revenue to SEK 1.9 billion. Originally, when we started the year, we actually had SEK 1.9 billion to SEK 2 billion. In this report, it says now we're going to reach SEK 1.8 billion – SEK 1.78 billion or something I think it is, so it's some SEK 20 million short of that.

Worth noting them, when we look at the numbers, if we would have used the same exchange rate that we had when we did this forecast in Q4 2019, we would have seen revenues coming in at about SEK 1.94 billion, so SEK 1.941 billion, which would have meant a growth of 35%. So if we allow ourselves to accuse the strong Swedish krona, we actually reach exactly the target we set up before the year started.

So we're also saying we're going to have a full year negative EBITDA margin of minus 1% to minus 5%. We had a positive 1% this quarter in Q3 which is good because we were slightly sliding to the upper end of the range. We're happy that we are now within the range. So it looks positive for the year to reach this one goal.

We also said we're going to reach streaming profitability on local level in two to four markets. We have announced one this year with Netherlands. Let's hope we can add at least one more when this year ends. And we'll launch in one to three markets in that [indiscernible] (16:36) reported that we do for sure.

Looking at our long-term forecast, we said we're going to grow some 40% on paying subs. As we stated before, this is the less important target. And of course the revenue is below 35% CAGR. It's the more important [indiscernible] (16:58) out that I mean this is an average for the period. We could be above some years and we could be below some years. So we're not promising exactly 35% every year. But we think we're going to reach this on average for the coming period as you all know.

We're going to continue to prioritize growth before profitability. Worth mentioning, when delivering positive EBITDA this quarter, we're still going to focus on growing this company as much as we can. I'm going to monitor it to make sure that we're ahead of this continued good development in customer lifetime value versus SAC over the period. As long as we do that, we're going to prioritize work. And as we always say, we're going to reach streaming profitability on the local level within five years from launch and that we still can deliver on. And launching another 20-plus markets over the planning period 2021 to 2023, this all we'll do for sure, I think, through the period.

The next page, we then open up for questions from the group.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from Joachim Gunell from DNB. Please go ahead.

**Joachim Gunell**

*Analyst, DNB Bank ASA (Sweden)*

Q

Thank you operator and good day to Storytel team. So, a couple of questions from me. Let's start with – I mean in conjunction with your Q3 streaming update, I have personally got the impression that your non-Nordic segment was growing at almost 100% in August and September since you commented earlier that July was basically flat. So now that we look into Q4, I mean you forecast below 60% non-Nordic subscriber growth. Is there something here that perhaps change in your mindset that you are becoming more cautious on growth giving this almost a 100% growth in August through September?

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

I mean to begin with, looking at percentages, it becomes harder and harder as we grow to grow with the high percentage numbers, but this year [indiscernible] (19:39), of course. We believe we still have a good growth in Q4. I think we grow some 65,000 subs in the period, which is comparable to the – I think we grow 47,000 between Q3 and Q4 2019. So we're actually up there. Then of course, we see a corona effect in many of these countries. I mean it is difficult in many of the developing countries around the world. We saw an initial very positive effect. But as we also said when we did the top line guidance for Q3, we saw a big churn coming in these countries in July specifically, as you mentioned. And I think they're struggling in many of these territories. So that's definitely affecting us in a negative way. But that said, we're growing with more people in an absolute number this year than we did last year in the same quarter.

**Joachim Gunell**

*Analyst, DNB Bank ASA (Sweden)*

Q

Thank you, Jörgen. And to follow up on the non-Nordic businesses, it's very interesting to follow your progress in – your comment about Russia in the report, but also in India to name just a few markets here. But can you just provide, perhaps, some sort of update on growth momentum, ambitions, et cetera, in India now that, I mean, you have exclusive titles to begin to do the Marathi-speaking population?

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yes. Thank you. I think our stride to make our service as local and with a local product market fit as possible is what we are doing. And sometimes we are launching a country with a more broader decision and then we start pruning, of course. So this is part of a natural cycle for us to prune our offer to the public. And I think one has to consider India being a country where you have a large difference between different income groups, and of course having then serviced that cost, if you compare it to other streaming services, two times or even three times. It might be a difficult thing for somebody to test such a service. And hence we want to ensure that we can work more with a local approach, and this is what we've done with the Marathi language.

We have targeted really the instruction for Russia with a partnership with Yandex. We can also say that that made a great momentum. So payment and, of course, languages are great ways to get to our local customer groups.

And one has to understand that India is made up of 20 different languages apart from English, and Hindi is the administrative language. But many different language groups across India are speaking different languages, and this is also something we have in our service. But we have now tested it with Marathi and it's – yes.

**Per Jonas Tellander**

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

A

It's very positive sign so far in terms of the – how people start engaging and using the service...

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yes.

**Per Jonas Tellander**

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

A

...and conversion from trial to pay on select Marathi is incredibly good. So I think we have really good hopes that that will be a very big volume gain for us. But of course obviously the pricing there, about SEK 15 to SEK 20 per consumer month that – it will require a lot of volumes to make a big impact on our growth rate.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yeah.

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

And also fun to point out that Marathi is actually the 10th biggest language in the world.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yeah.

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

So that's why we...

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yeah.

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

...talk too much about it.



**Joachim Gunell**

*Analyst, DNB Bank ASA (Sweden)*

Q

Very interesting to monitor that going forward. Thank you. And just finally for me, coming back to you, Jörgen, I mean it's very impressive underlying profitability improvements that we're seeing here. And obviously the business model is working with scale and loyal customers. But that being said, I mean personally the marketing spend is something that caught my attention here in the quarter. I mean can you talk a bit just about why your country managers believes that it makes more sense to, say, prioritize, not perhaps road to profitability but lessen the marketing spend as where we are right now? What factors goes into that trade-off between chasing further growth and profitability where we stand now?

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

Yeah. Thank you, Joachim. Yeah, I mean we have all along trained our country managers [indiscernible] (24:37) have trained their country managers very well in making sure that when we spend marketing money we make sure that we get them at an attractive acquisition cost – subscription acquisition cost that we track intensely, and also comparing that to the customer lifetime value that we project for those customers as well. So we have good ratios between those.

So when the country managers see that we are not performing according to those metrics, they then cut the marketing back home and restart the marketing effort with a new trial. This we saw partly in Q3 and hence good pick from your side that we saw our marketing spend was somewhat lower than usual in the quarter. And it is also, of course, positive for our contribution margin and EBITDA. So that's where it all comes down to.

So sometimes you could think [indiscernible] (25:28) would be fun if they even spend some more to increase the top line. But it's good that they have the financial discipline to make sure that we grow in a profitable way. That's what's behind that.

**Joachim Gunell**

*Analyst, DNB Bank ASA (Sweden)*

Q

And it makes sense. But just to follow up on that. I mean if it comes down to the customer acquisition cost which didn't look as favorable as you would have wanted to chase more top line. What drove that trend?

**Per Jonas Tellander**

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

A

And I think that the acquisition cost that [indiscernible] (26:04) for our new trial users is that we always want to improve that, but I think that's okay. And I think the challenge we're seeing which we have good hopes will improve a lot is to get the activation and usage of the trial usage go up so that the conversion improves and hence the customer lifetime value improves which makes the ratio to SAC more favorable. And this is why we see this new subscription to select Marathi in India and I'm sure it will be followed by a lot of other select subscriptions or the other seven languages we have in India. And also the life subscription in Finland incredibly interesting because we can really track that the churn numbers do improve and the metrics looks more favorable. We'll have more of those. And they will then scale [indiscernible] (26:57) in more and more market. And hopefully we'll see that improving with the SAC ratio and more going forward.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

I also think...

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

Q

Okay.

**Ingrid Bojner**  
*Chief Commercial Officer, Storytel AB*

A

[indiscernible] (27:07) partly of corona effect what we can see in the marketing efforts as well. We very early decided to continue to invest in marketing when Corona hit the world in Q2. And we decided to be positive and stay optimistic because we feel that we have such a great service that would really, really benefit people. And then I think what happened in Q3 was that a lot of companies woke up and realized that they also wanted to invest in marketing. And hence marketing eyeballs became more expensive and also became a bit crowded. So that's also how of course the CMs on a local level work. And it's not so easy to aggregate all our 20-plus markets into one explanation. I think this has been truly an effect as well.

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

Q

Very clear. Thank you for that.

**Operator:** Thank you. Our next question comes from Oscar Erixon from Carnegie. Please go ahead.

**Oscar Erixon**  
*Analyst, Carnegie Investment Bank AB*

Q

Thank you. Good morning, guys. Couple of questions from me. First of all outside of the Nordics, are you seeing any increased competition in recent – this last quarter and into Q4 [indiscernible] (28:34) experimenting with an unlimited offering in several markets, for example. Have you seen any initial impact from that? Thank you.

**Per Jonas Tellander**  
*Founder, Chief Executive Officer & Director, Storytel AB*

A

I think that there are more and more companies interesting to be part of the audiobook play around the world. I think that from our point of view, that's only positive as it looks right now because what we're in the face of doing is really [indiscernible] (28:59) market Russia, Turkey, Poland, Netherlands, India, Italy. For all those we have to build the market and build the awareness about the audiobooks. And that's a big challenge.

And I think having someone on our side that helps us build that is really, really helpful and much more important than the negative impact of having a competitor. I think that – on the whole that really helps us. That's what we've seen in Sweden where we kept growing by 50,000 subs every year for the past seven years even after we've seen competition come in intensely. So, yeah, I think it's a good thing that we do see more actives coming in. Us having a strong position on most of these markets is a good thing. But I think what really matter is what we look like in three, four, or five years.

**Oscar Erixon**  
*Analyst, Carnegie Investment Bank AB*

Q

Got it. Thank you. And a quick comment on Audible experimenting with an unlimited offering in, for example, Spain, Italy since earlier to just leverage. I don't know if you have seen any impact or sort of first signs from that?

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Yes. Thank you. Well, it's not the first market that Audible is really elaborating with this. We have that live side by side with Audible in the Italian markets where they also have a subscription model that is unlimited offer. I think it's more clear to – well, maybe I'm biased, but it's more clear for the general consumer that understands an offer that is unlimited. So I think Audible has of course wanted to understand how that would work in markets. And if they have launched it in also Spain, we are now then two strong players in that market. And back to what Jonas said, we can build a market together. And since we have the same kind of offering with an unlimited model, not a credit model that they typically had historically, I think we can really educate the market on how such a service works.

**Oscar Erixon**

*Analyst, Carnegie Investment Bank AB*

Q

Got it. Very clear. Thank you. And of course on the Nordics as well, you've discussed the marketing dynamics a bit here. But could you also perhaps talk a bit about the Nordics? Are you seeing local competitors being very aggressive or perhaps too aggressive on customer acquisition? And is that sort of the main explanation to your very solid contribution profit in Q3 which is typically quite marketing heavy? Thank you.

**Per Jonas Tellander**

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

A

I mean we can say our marketing cost as a percentage of revenues going down slowly on the Nordic market. But the competition is incredibly fierce, I would say. It's very competitive markets and we see that the penetration levels of audiobook streaming, subscription services approaching 8%, 9% as a percentage of the population above 18 years. So I think it's a competitive market. We have competitors with access to capital that do invest a lot. We have very strong market positions in Sweden, Denmark, Norway, Iceland. Finland, we're second. But I think it's a fun game that plays out where the audiobook subscription services stand very strong and are able to grow also the overall book market.

Looking at the Swedish market, it's been growing now by 10% over a three-year period or 9% over a three-year period, entirely driven by the streaming business subscription services, digital now being above 50% of the overall market. That's what we've seen in Sweden. We've seen similar trends in Denmark, Norway and Finland. I think that gives us a good case also when we go out around the world and it convince UK, US-based publishing house to start streaming subscription model is a good one and has a positive net effect on the overall book market. I think that's something that is a big task for us, a big challenge. And hopefully we'll succeed in being able to demonstrate that and therefore making it easier for us to attract really strong English-speaking content.

**Oscar Erixon**

*Analyst, Carnegie Investment Bank AB*

Q

Excellent. Thank you. Final question from me, the Storytel Light offering in Finland, should this be seen as a pilot for other markets, I mean in the Nordics to start or is this an isolated model specific to Finland and why in that case? Thank you.

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*

A

Thank you. Well, I guess the answer I will just give you is really that we're piloting. It's – and I cannot say without having evaluated it whether or not it will be a model that we will continue with in other markets. Every market is specific. And I think that's how we view the world, that we do a local approach in each country. So when we're

testing something, obviously we try to learn from it and see whether it would make sense in other markets. But it's really too early to tell whether we would use such a model in other markets for now.

**Oscar Erixon**

*Analyst, Carnegie Investment Bank AB*



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

**Operator:** Thank you. [Operator Instructions] Our next question comes from Hjalmar Ahlberg from Kepler Cheuvreux. Please go ahead with your question.

**Hjalmar Ahlberg**

*Analyst, Kepler Cheuvreux SA (Sweden)*



Thank you. First, just a follow-up maybe on the Storytel Light. Is there any difference on profitability? I mean, I guess ARPU is lower with this, but it's in a difference on how this impacts profitability, or is this the same kind of profitability on this compared to the unlimited version?

**Per Jonas Tellander**

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



Yeah. It's Jonas here. It's a limited consumption in this. It's only 20 hours max per month. So you'd expect the average customer on that subscription type to be on a lot lower average consumption. You may know that, for instance, on the Swedish market, we do have about a quarter just fixed to our customers consuming an average of 100 hours per month. So it's quite high consumption. So I'd expect, if anything, probably that the profitability would be just as good as – at least as the other – the unlimited subscription.

**Hjalmar Ahlberg**

*Analyst, Kepler Cheuvreux SA (Sweden)*



Okay. Thanks. And a question on new countries. I mean you launched in Thailand, Indonesia, and Belgium, and you have a lot of new countries that we don't know in the pipeline for the next years. How does the competition look in the new markets? I guess it's different in all markets, but do you see in general more competition when you launch in this or is it similar as you've seen in the last years when you launch in new markets?

**Ingrid Bojner**

*Chief Commercial Officer, Storytel AB*



Yes. Thank you. Actually, what we see is, for example, in Thailand and going into Indonesia, we, as we have announced, doing that for Q2 next year. We're actually seeing more of a pioneer situation where we have to actually start already early on and producing a lot of books to audio. In some of these countries, audiobook is not even a specific phenomenon. So digitizing is the first step, and then secondly of course communicating our offer to the public.

But we see a very positive effect from more and more publishers that we speak to in more parts of the world that are really eager to continue on the same road that we have shown and proven that they have done in other countries before. So it's a positive momentum that many of the countries out there are still unexplored world.

**Hjalmar Ahlberg**

*Analyst, Kepler Cheuvreux SA (Sweden)*



Got it. And I mean, coming to acquisitions, you made quite a lot this quarter. And do you think this is, I mean, new important part of the model when expand in new countries or was this quarter a bit unusual in that sense?

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

It was an intense acquisition quarter for sure. I can tell you from the [ph] finance part at least (38:07) and I think we have our eyes and ears open. We just hired an M&A manager to the company to look into those opportunities. And as you know, we have gunpowder, i.e., cash SEK 580 million in cash and a credit facility of an additional SEK 0.5 billion, so definitely looking at possibilities to acquire in other countries going forward. Any specifics, as you understand, I cannot give you.

**Hjalmar Ahlberg**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Thanks. And maybe the last question on the growth – long-term growth to 2023. You have 35% revenue average annual growth. Can you give any – I mean do you think this could be tilted towards the end of this period or do you aim to have a smoother growth over the next two or three years? Is that very difficult to say?

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

A

Yeah. I think we can't comment on that right now.

**Hjalmar Ahlberg**

*Analyst, Kepler Cheuvreux SA (Sweden)*

Q

Yes. Okay. Thank you.

**Operator:** Thank you. There appears to be no further questions. So I'll hand back to the speakers for any other remarks.

**Per Jonas Tellander**

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

Well, thank you very much for listening in. I think that's it for now, but I'm sure that you'll hear from us on other instances throughout the coming couple of months. So thank you for now.

**Jörgen Gullbrandson**

*Interim Chief Financial Officer, Storytel AB*

Thank you.

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