
From: Richard Kahn <[REDACTED]>
Sent: Monday, March 5, 2018 6:01 PM
To: jeffrey E.
Subject: Fwd: BAML Spotify Cheat Sheet

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cel [REDACTED]

Begin forwarded message:

From: =/b>Paul Barrett <[REDACTED]>
Subject: =/b>Fwd: BAML Spotify Cheat Sheet
Date: March 5, 2018 at 12:49:37 PM EST
To: =/b>Richard Kahn <[REDACTED]>

Paul Barrett
Alpha Group Capital LLC
142 = 57 <x-apple-data-detectors://0/1> th <x-apple-data-detectors://0/1> Street, 11 <x-apple-data-detectors://0/1> th Floor, New York, NY 10019 <x-apple-data-detectors://0/1>
[REDACTED] (o) [REDACTED] (c)
[REDACTED]

Begin forwarded message:

From: "Ens, Amanda" <[REDACTED]>
Date: March 5, 2018 at 12:42:49 =M EST

To: "Paul Barrett"<[REDACTED]>
Subject: BAML Spotify =heat Sheet
Reply-To: "Ens, Amanda"<[REDACTED]>

Trading Commentary (Not a =roduct of BAML Research and should not viewed as a research report)

Monday, March 5th, 2018

Timeline (Tentative)

- March 15: Analyst Day - Official =isting/Trading Date likely given
- Week of March 19: Company =ponsored "Investor Education" meetings & likely =research coverage launches by Sell Side
- Week of March 26: Trading Begins - =dvisors work with Spotify to set initial trade price
- April 2 (Tentative): Options =rade

Financials - F1 =iling now =ublicly available

2017 =evs: \$5B & Positive FCF =133M – 5-6x trailing revs certainly possible, implying \$25B+ =aluation (Vivendi – not clean comp sells at 2.2x current yr =evs).

Ordinary Shares Outstanding: Working on syncing our =hares outstanding number with what is reported in the F-1.

Source: SEC.gov, F-1 filing -

https://www.sec.gov/Archives/edgar/data/1639920/000119312518063=34/d494294df1.htm#rom494294_18

Historical Private Share Trading

- 2017: \$37.50 to \$125
- 1/1/18 to 2/22/18: \$90 to \$132.50 =excl Tencent transaction)
- o At high end of recent trading, =mplies mkt cap \$26B+ (very rough estimate).

Bull/Bear Views

- Bull Argument for =tock to go \$30B+. The model is not =etflix, it's like EBay or GrubHub. Company isn't =bout owning content – they're just taking a chunk of =he subscription for all the music you want anytime you want. Pushback will be =hen multiple should be on gross profit not revenue – we'l= see
- Bear =rgument. If it's =etflix, then Spotify's lack of performer exclusivity is a =roblem – long term strategy for Spotify likely to be paying up =or performer exclusivity (good) but likely results in higher than =xpected cash burn (bad).
- Competition = Apple's U.S. user =ase may exceed Spotify's by this summer. Spotify at 70M =ubscribers, growing at 2%/month vs Apple at 36M subscribers, growing at =%/month.

Expected Trading Dynamics

- Our understanding is that on the =orning of trading, the Floor Specialist will act like a stabilizing =gent (with MS advising) normally would to help match supply and =emand.
- The opening is likely to be very =elayed as we will not know amount of shares to be bought/sold.
- The stock has a decent probability =f trading up significantly on day 1 due to lack of pressure from =elling shareholders.

Other=tidbits

- No deal roadshow, No =nderwriters
- No fixed # of securities for =ale

- No lock-ups except Tencent Music Entertainment & Tencent (holding for at least 3 yrs), who own 7.5%
- Majority Ownership by Founders - Daniel Ek controls 37.3% of shares and Martin Lorentzon controls 43.1% of shares
- There is language about beneficiary shares that may be issued to founders on top of shares, but could be dilutive and likely to maintain control if/when company does future capital-raising

Source: SEC.gov <<http://sec.gov/>> , F-1 filing =
https://www.sec.gov/Archives/edgar/data/1639920/00011931251806334/d494294df1.htm#rom494294_18

Funding Rounds

Source: Crunchbase - <https://www.crunchbase.com/organization/spotify#section=locked-marketplace>

Trading Commentary (Not a product of BAML Research and should not be viewed as a research report) This material was prepared by Trading personnel of Merrill Lynch and is subject to the terms available at the following link:
<http://corp.bankofamerica.com/business/smb/landing/emaildisclaimer/americas/global-markets>

This material was prepared by Cash Equity Trading of Merrill Lynch, Pierce, Fenner & Smith, Incorporated ("ML"). The material is not a publication of BofA Merrill Lynch Global Research, and it has not been reviewed or approved by BofA Merrill Lynch Global Research. Any summary of ML Research notes and reports, and/or any reference or link to BofA Merrill Lynch Global Research notes and reports, are qualified in their entirety by the views of BofA Merrill Lynch Global Research. Any reference to or summary of ML Research in this material is qualified in its entirety by the views of BofA Merrill Lynch Global Research. Please refer to BofA Merrill Lynch Global Research for more details ([baml.com/markets](http://www.baml.com/markets)).

The estimated values provided in the material are "as of" the date indicated and do not represent actual bids or offers by ML. Even though the material is based upon publicly available information and news sources that are generally believed to be reliable, there can be no assurance that actual trades could be completed at such value(s). Because these estimated valuations are based on underlying valuations obtained from third party sources we cannot make any representation as to the accuracy or completeness of the valuations. The material is not intended to be a comprehensive summary of all material news, information, events and risks relating to the companies or securities mentioned. ML does not make any representation or warranty as to the accuracy or completeness of this material, and, by accepting the material, you agree that ML shall not be responsible for any error or omission. References to past prices or quotes do not in any way imply that such prices or quotes will again be available or actionable. These estimates may not be representative of any theoretical or actual internal valuations employed by us for our own purposes, may vary during the course of any particular day and may vary significantly from the estimates or quotations that would be given by another dealer.

This material does not constitute an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument, nor does the material constitute advice or an expression of ML's view as to whether a particular security or financial instrument is appropriate for you and meets your financial objectives. ML will not be liable for any investment decision based in whole or in part on the material. The reader is required to make its own investment decisions, using as necessary the advice of independent advisors or consultants. As a condition for providing these estimates, you agree that Merrill Lynch makes no representation and shall have no liability in any way arising therefrom to you or any other entity for any loss or damage, direct or indirect, arising from the use of this information. ML and its affiliates may trade for their own accounts as market maker, block positioner, dealer, specialist, arbitrageur or speculator in any of the securities of issuers mentioned in this material. When trading for proprietary accounts, ML and its affiliates may consider the material in their trading decisions, as appropriate. Principal transactions by ML and its affiliates are effected in

in accordance with applicable rules and regulations, and such transactions may affect the prices of the securities mentioned. Further, ML and its affiliates may from time-to-time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in the material. This material may not be distributed outside the United States; and is intended solely for Global Markets institutional clients. The material is provided for informational purposes only and any distribution or copying of the material is prohibited.

This message, and any attachments, is for the intended recipient(s) only, may contain information that is privileged, confidential and/or proprietary and subject to important terms and conditions available at <http://www.bankofamerica.com/emaildisclaimer>. If you are not the intended recipient, please delete this message.

2609908

=