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**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  
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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 =product of BAML Research and should not viewed as a research report)

Monday, March 5th, 2018

Timeline (Tentative)

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

Financials - F1 =iling now =publicly available

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

Ordinary Shares Outstanding: Working on syncing our =shares 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](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, =implies mkt cap \$26B+ (very rough estimate).

Bull/Bear Views

- Bull Argument for =stock to go \$30B+. The model is not =etflix, it's like EBay or GrubHub. Company isn't =about owning content – they're just taking a chunk of =the subscription for all the music you want anytime you want. Pushback will be =when 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 =problem – long term strategy for Spotify likely to be paying up =or performer exclusivity (good) but likely results in higher than =expected cash burn (bad).
- Competition = Apple's U.S. user =base may exceed Spotify's by this summer. Spotify at 70M =subscribers, growing at 2%/month vs Apple at 36M subscribers, growing at =%/month.

Expected Trading Dynamics

- Our understanding is that on the =opening of trading, the Floor Specialist will act like a stabilizing =agent (with MS advising) normally would to help match supply and =demand.
- The opening is likely to be very =delayed 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 =ntertainment & Tencent (holding for at least 3 yrs), who own =7.5%
- Majority Ownership by Founders - =aniel Elk controls 37.3% of shares and Martin Lorentzon controls 43.1% =f shares
- There is language about =eneficiary shares that may be issued to founders on top of shares, but =ould be dilutive and likely to maintain control if/when company does =uture capital-raising

Source: SEC.gov <<http://sec.gov/>> , F-1 filing =  
[https://www.sec.gov/Archives/edgar/data/1639920/000119312518063=34/d494294df1.htm#rom494294\\_18](https://www.sec.gov/Archives/edgar/data/1639920/000119312518063=34/d494294df1.htm#rom494294_18)

#### Funding Rounds

Source: Crunch =ase - <https://www.crunchbase.com/organization/spotify#section-locked-=arketplace>

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