

INVESTOR'S EDGE

Industry-leading Spotify issues are on a tear, up 138% in 2024

The stock of the streaming service has continued its rise this year, and is up 70%.

"Music is the soundtrack of your life."
— Dick Clark



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Guest columnist

Many of my clients seem surprised when I tell them that I am a fan of the Grateful Dead. I would go to live Dead concerts during their halcyon days with the legendary Jerry Garcia, and it has continued all these years as I went to a recent show in Las Vegas to see Dead and Company at the remarkable Sphere Arena. I should add, being a fan of the Dead is not that unusual. Their fans include Federal Reserve chair Jerome Powell, basketball coach Phil Jackson, former president Bill Clinton, the late Apple founder Steve Jobs, and TV personality Tucker Carlson.

So, I think I'm in pretty good company.

In the good ol' days, I'd pay \$10 for a bootleg CD. But, now I can listen to the Grateful Dead right on my phone with a remarkable app known as Spotify.

Spotify (symbol SPOT) is the world's largest music and podcast streaming service, boasting a comprehensive music library of more than 100 million tracks, nearly 7 million unique podcasts, and 350,000 audio books. The company commands a listener base of 678 million monthly active users across 185 countries.

Spotify operates on a "Freemium" business model where it attracts its user base with a free service and gradually converts them to paying premium subscribers. Premium subscribers enjoy an ad free experience, playlist flexibility, and the ability to listen to music, podcasts, and audio books offline.

Spotify stock has been on a tear, up 138% in 2024 and up more than 70% so far here in 2025. The stock's surge can be attributed to a mighty increase in subscriber growth, successful ad monetization, and a robust industry outlook.

In the fast-growing music streaming business, the primary premise behind a Spotify investment is its commanding market position. Consumers are increasingly moving away from owning physical music or downloads and moving towards on-demand streaming services. In fact, the global music streaming market is expected to reach more than \$100 billion in value by 2030, growing at 15%+ per year and reaching 1.2 billion overall users over the next five years.

Spotify's 2024 revenue was \$16.9 billion, an 18.3% year-over-year increase, and revenue is expected to surge to approximately \$20 billion in 2025. Spotify is expected to translate that revenue growth into an explosive 63% jump in earnings per share (EPS) in 2025, and over 40% projected growth in 2026. Clearly, these results and forward projections support my investment thesis.

Over the last decade, podcasts have emerged as a driving force in our popular culture. In fact, an estimated 585 million people will listen to a podcast in 2025,



Uniqu3 pops a bottle of champagne to celebrate her billboard as part of Spotify's EQUAL program which highlights women in music. Advance Local file, 2021

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driven largely by younger demographics such as Millennials and Generation Z.

Podcasts today are instrumental in our consumption of news, politics, health, and niche interests.

Spotify is home to 7 million different podcasts, by far the leading platform. It also boasts some of the most popular podcasts in the world, including Joe Rogan, Alex Cooper, Tucker Carlson, and the New York Times.

In addition to its leading industry library of music, podcasts, and audio books, Spotify is investing heavily in artificial intelligence (AI) to enhance its user experience and stay ahead of its competition. The company is using AI to quickly learn each user's listening habits, preferences, and continuously customize their Spotify experience. This obviously keeps users engaged, reliant on Spotify, and converts more users to the platform's paid version.

Simply put, Spotify has the best-in-class platform, listening library, and user interface which makes it the undisputed leader in music streaming. I believe this puts the company well ahead of any competitive headwinds and puts it in pole position to lead the underpenetrated global market for music and audio streaming.

I see a few risks in a Spotify investment. As I mentioned, the stock price has increased powerfully over the last 12 months, and the company will need to continue to deliver exceptional results to support its current valuation. However, in my experience, the way to find winning stocks is to find stocks that are winning.

There is also rising competition from platforms such as China's Tencent (the second largest music streaming service), Amazon Music, Apple Music, among others. But right now, I'd much rather be Spotify than any of these other streaming services.

As readers of this column know, I am a big believer and investor in quality, brand-name businesses, especially those with first mover advantage. Spotify has established itself as the premier name in the rapidly growing online music and streaming business.

Buy the stock, and it just might make your portfolio sing.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com

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