

Deezer reports improved profitability and double-digit revenue growth in H1 2022

- Double-digit growth in revenue at €219.4 million in H1 2022 (+12.1% vs. H1 2021)
- Adjusted gross profit at €45.4 million in H1 2022 (+9.1% vs. H1 2021)
- Adjusted EBITDA at €(24.6) million in H1 2022 improved by €4.6 million vs. H1 2021, reflecting Deezer's strategy to focus on selected key markets and including a €3.6 million investment into New Verticals
- Net loss reduced by €8.8 million vs. H1 2021 at €(51.9) million in H1 2022
- Strong balance sheet after successful listing on Euronext Paris with €143 million of cash received, allowing the Group to execute on its business plan until 2025
- Inclusion in Euronext Tech Leaders segment, dedicated to European high-growth Tech companies
- FY 2022 revenue guidance confirmed at approximately €455 million (+14% vs. 2021)
- Deezer to host an Investor day on 4 October 2022 in London

Paris, 21 September 2022, 17:45 CET – Deezer (Euronext Paris: DEEZR), a global music streaming service, present in over 180 countries, today published its half-year results for the six-month period ending 30 June 2022.

Commenting on the results, Jeronimo Folgueira, CEO of Deezer, said:

“Deezer's new strategy is delivering improved profitability and double-digit growth. This has been possible thanks to a strong subscriber growth in France, increased ARPU in international markets driven by our new focus, and cost discipline.

By focusing our business on large attractive markets and entering new markets with a partnership-led model, we are convinced we can capture a fair share of the booming streaming market and continue improving our profitability to reach breakeven by 2025.”

The financial information set forth below is taken from the condensed consolidated financial statements as of 30th of June 2022, approved by the Board of Directors of the Company on 21st of September 2022, and have been subjected to a limited review by the company's statutory auditors.

Revenue breakdown

<i>In € million</i>	H1 2022	H1 2021	Change YoY	Change at constant FX
Total revenue	219.4	195.8	+12.1%	+9.9%
By segment				
Direct - B2C	155.0	138.1	+12.2%	+10.8%
Indirect - B2B	57.6	53.3	+7.9%	+4.4%
Other	6.8	4.3	+58.3%	+50.3%
By geography				
France	132.4	119.2	+11.1%	+11.1%
Rest of World	87.0	76.6	+13.6%	+8.1%

Performance indicators

	H1 2022	H1 2021	Change YoY
Total subscribers⁽¹⁾	9.4	9.7	(2.9)%
Direct - B2C	5.6	5.8	(3.4)%
o/w France	3.3	3.0	+10.7%
o/w Rest of World	2.3	2.8	(18.1)%
Indirect - B2B	3.8	3.9	(2.1)%
ARPU (in €)	3.9	3.4	+12.4%
Direct - B2C	4.6	4.1	+13.2%
Indirect - B2B	2.5	2.3	+7.2%

⁽¹⁾ As of 30 June, in million

Financial indicators

<i>In € million</i>	H1 2022	H1 2021	Change YoY
Total revenue	219.4	195.8	+12.1%
Adjusted gross profit	45.4	41.6	+9.1%
<i>In % of total revenue</i>	20.7%	21.2%	-
Adjusted EBITDA	(24.6)	(29.2)	n/a
<i>In % of total revenue</i>	(11.2)%	(14.9)%	-
Operating loss (EBIT)	(52.6)	(61.1)	n/a
<i>In % of total revenue</i>	(24.0)%	(31.2)%	-
Net loss	(51.9)	(60.7)	n/a
Free cash flow	3.0	(32.3)	n/a

CONSOLIDATED REVENUE

In the first half of 2022, Deezer continued to successfully deploy its B2C/B2B strategy, directing efforts towards large attractive markets, with a partnership-first go-to-market model, focused on product innovation and brand differentiation as the home of music, connecting fans and artists around the world.

Consolidated revenue amounted to €219.4 million in H1 2022, up 12.1% compared to H1 2021 (+9.9% at constant currency), reflecting a positive momentum in the Group's major regions, including France and Brazil, as well as through its two main sales channels, B2C and B2B.

Revenue by geography

In **France**, revenue amounted to €132.4 million in H1 2022 (c.60% of the Group's consolidated revenue), up 11.1% compared to H1 2021. This strong increase was driven by continued B2C subscriber growth (+10.7%) and higher B2C ARPU due in particular to price increases.

In the **rest of the world**, total revenue amounted to €87million in H1 2022 (c.40% of the Group's consolidated revenue), up 13.6% compared to H1 2021 (+8.1% at constant FX), mainly due to dynamic B2B sales, driven by the growth of certain existing partnerships, and more recent B2B deals in Brazil and Europe. B2C revenue was slightly up, as increased ARPU more than offset a decrease in the subscriber base, due to Deezer's new strategy to focus on selected key markets. The Group expects this trend to continue into H2 2022.

Revenue by segment

B2C revenue totaled €155 million in H1 2022, up 12.2% compared to H1 2021 (+10.8% at constant FX). This reflected a strong growth in B2C ARPU (+13.2%), as a result of price increases, and a change in geographical mix in line with the Group's new strategy to focus on selected key markets. The B2C subscriber base posted a double-digit growth in France, and a decline in the rest of the world in line with this new strategy.

B2B revenue amounted to €57.6 million in H1 2022, up 7.9% compared to H1 2021 (+4.4% at constant FX), mainly due to a good performance of recent partnerships with SFR (France), Globo (Brazil) and A1 (Europe).

Other revenue, which is made up of advertising and ancillary revenue, totaled €6.8 million in H1 2022, up by €2.5 million compared to H1 2021, mostly due to a one-off revenue from a hardware company partnership.

Subscriber base

Deezer's total number of subscribers declined slightly to 9.4 million as of 30 June 2022 (-2.9% vs. 30 June 2021). This reflected a strong growth of the subscriber base in France, driven by B2C, and a decrease in the rest of the world, due to the Group's new strategy to focus on selected key markets.

France posted double-digit growth in the number of B2C subscribers, which reached 3.3 million as of 30 June 2022, driven by increased Family mix, continued acquisition funnel optimization, and lower churn rate despite price increases. The B2B subscriber base was slightly up in France thanks to the addition of new partners.

In the rest of the world, Deezer's new strategy led to a significant reduction of unprofitable spend in non-core long tail markets, which therefore impacted the acquisition of new B2C subscribers. The subscriber base was also affected by the Group's decision to exit from the Russian market at the end of Q1 2022. As a result, the number of B2C subscribers in the rest of the world decreased to 2.3 million as of 30 June 2022 (-18.1% vs. 30 June 2021).

CONSOLIDATED RESULTS

Adjusted gross profit

<i>In € million</i>	H1 2022	H1 2021	<i>Change YoY</i>
Adjusted gross profit	45.4	41.6	+9.1%
<i>In % of total revenue</i>	20.7%	21.2%	-
Direct – B2C	37.1	34.7	+6.7%
<i>In % of B2C revenue</i>	23.9%	25.1%	-
Indirect – B2B	11.8	11.1	+6.3%
<i>In % of B2B revenue</i>	20.6%	20.9%	-
Other	(3.5)	(4.3)	n/a

Adjusted Gross Profit amounted to €45.4 million in H1 2022, up 9.1% compared to H1 2021. This increase mainly reflected a higher level of activity, offset in part by higher publishing rates and a slight increase in content expenses as part of Deezer’s initiatives to launch new verticals.

As a result, adjusted gross margin stood at 20.7% in H1 2022 compared to 21.2% in H1 2021.

B2C adjusted gross profit amounted to €37.1 million in H1 2022, up 6.7% compared to H1 2021, as the strong revenue growth was partially offset by increased publishing rates and a higher Family mix. This led to a lower B2C adjusted gross margin at 23.9% in H1 2022 compared to 25.1% in H1 2021.

B2B adjusted gross profit amounted to €11.8 million in H1 2022, up 6.3% compared to H1 2021, driven by a higher level of activity. B2B adjusted gross margin stood at 20.6% in H1 2022, down from 20.9% in H1 2021.

Lastly, adjusted gross profit of the Other segment was €(3.5) million in H1 2022, improving from €(4.3) million in H1 2021, notably due to a one-off revenue from a hardware company partnership, which was offset in part by investments into new verticals.

Adjusted EBITDA

Adjusted EBITDA improved by €4.6 million at €(24.6) million in H1 2022 compared to €(29.2) million in H1 2021, driven by higher adjusted gross profit and lower marketing expenses due in particular to the Group’s strategy to focus on selected key markets and the phasing of brand-related expenses to occur in H2 2022. This was offset in part by higher employee and G&A costs (including one-off items) as well as €3.6 million expenses related to the development of new verticals.

As a result, adjusted EBITDA margin improved to (11.2)% in H1 2022 from (14.9)% in H1 2021.

Operating loss (EBIT)

Operating loss totaled €(52.6) million in H1 2022, up by €8.4 million compared to €(61.1) million in H1 2021. In H1 2021, the Group recorded a depreciation for onerous contract. In H1 2022, it recorded non-recurring expenses related to its public listing.

As a result, operating margin improved to (24.0)% in H1 2022 from (31.2)% in H1 2021.

Net loss

Net loss totaled €(51.9) million in H1 2022, up by €8.8 million compared to €(60.7) million in H1 2021, mostly as a result of the reduction in the operating loss.

FREE CASH FLOW AND NET CASH

Free cash flow

<i>In € million</i>	H1 2022	H1 2021
Cash flow from operations	(28.2)	(34.3)
Change in working capital requirement	35.7	11.7
Income tax paid	(0.1)	(0.0)
Net cash flow from operating activities	7.3	(22.6)
Capital expenditure	(0.9)	(1.1)
Impact of changes in scope of consolidation	(1.1)	(5.0)
Others	(2.3)	(3.7)
Free cash flow	3.0	(32.3)

The Group recorded net cash flows from operating activities of €7.3 million in H1 2022 compared to net cash flows used in operating activities of €22.6 million in H1 2021. This was mainly driven by a strong generation of working capital in H1 2022, mainly related to a one-time increase in payment terms.

Free cash flow stood at €3.0 million in H1 2022 compared to a negative free cash flow of €(32.3) million in H1 2021, mainly driven by the positive change in net cash flows from operating activities over the period.

Net cash

<i>In € million</i>	30 June 2022	31 December 2021
Cash and cash equivalents	40.1	35.1
Financial debt	(25.5)	(25.1)
Net cash	14.6	10.0

Net cash amounted to €14.6 million as at 30 June 2022, increasing by €4.6 million compared to a net cash of €10.0 million as at 31 December 2021, reflecting the positive free cash flow generation in H1 2022.

In July 2022, Deezer S.A. completed a business combination with I2PO S.A.. The company received €143 million of cash allowing the Group to execute on its business plan until 2025.

FULL-YEAR 2022 REVENUE GUIDANCE CONFIRMED

While the overall macroeconomic environment remains uncertain, marked by an acceleration of inflation, we have seen a strong resilience of our business in the first half of 2022, and we do not expect any significant negative effect on our activity or financials.

In line with the guidance given at the time of its business combination, Deezer confirms that it expects to generate revenues of approximately €455 million for the financial year ending 31 December 2022, representing approximately a 14% revenue growth compared to the financial year ended 31 December 2021. In the second half, Deezer expects to benefit from the progressive ramp up of RTL partnership and the incremental impact of price increases implemented along the year 2022.

AVAILABILITY OF THE HALF-YEAR FINANCIAL REPORT

The 2022 half-year financial report has been filed on 21 September, with the French Financial markets authority (“*Autorité des marchés financiers*”). It is available to the public and can be consulted on the www.deezer-investors.com website in the Financial Results section.

CONFERENCE CALL AND WEBCAST

Jerónimo Folgueira, CEO and Stéphane Rougeot, Deputy CEO and CFO will host a conference call and webcast for analysts and investors, including a Q&A session, on **Thursday, 22 September 2022 at 10.00 a.m. (Paris, CET) / 9.00 a.m. (London, GMT)**.

Connect to the **live webcast** by clicking on the following link:

https://channel.royalcast.com/landingpage/deezer-en/20220922_1/

Conference call dial-in details:

- **France:** +33 (0) 1 7037 7166
- **UK-wide:** +44 (0) 33 0551 0200
- **US:** +1 212 999 6659

Password: “Deezer” (*to be communicated verbally to the operator*)

The related presentation and a replay of the webcast will be made available on www.deezer-investors.com in the financial information section after the live event.

FINANCIAL CALENDAR

- 4 October 2022: Deezer Investor Day (London)
- 27 October 2022: Q3 2022 Revenue (press release to be published after market close)

FORWARD LOOKING STATEMENTS

This press release contains certain forward-looking statements relating to the business of Deezer, which shall not be considered per se as historical facts, including the ability to manufacture, market, commercialize and achieve market acceptance for specific projects developed by Deezer, estimates for future performance and estimates regarding anticipated operating losses, future revenues, capital requirements, needs for additional financing. In addition, even if the actual results or development of Deezer are consistent with the forward-looking statements contained in this press release, those results or developments of Deezer may not be indicative of their future.

*In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," "aims," "targets," or similar words. Although the management of Deezer believes that these forward-looking statements are reasonably made, they are based largely on the current expectations of Deezer as of the date of this press release and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the expectations of Deezer could be affected by, among other things, risks and uncertainties developed or identified in any public documents filed by Deezer with the French financial market authority (the *Autorité des marchés financiers* – the “**AMF**”), included those listed in the prospectus approved by the AMF on 15 June 2022 under number 22-216. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this press release will in fact be realized. Notwithstanding the compliance with article 223-1 of the General Regulation of the AMF (the information disclosed must be “accurate, precise and fairly presented”), Deezer is providing the information in this press release as of 21 September 2022, and disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

ABOUT DEEZER

Deezer is one of the largest independent music streaming platforms in the world, with more than 90 million tracks available in 180 countries, providing access to lossless HiFi audio, innovative recommendation technology and industry defining features. As the home of music, Deezer brings artists and fans together on a scalable and global platform, to unlock the full potential of music through technology. Founded in 2007 in Paris, Deezer is now a global company with a team of over 600 people based in France, Germany, UK, Brazil and the US, all brought together by their passion for music, technology and innovation. Deezer is listed on the professional segment of the Euronext Paris regulated market (Ticker: DEEZR. ISIN: FR001400AYG6) and is also part of the newly created Euronext Tech Leaders segment, dedicated to European high-growth tech companies, and its associated index.

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APPENDICES

BUSINESS HIGHLIGHTS

In H1 2022, Deezer delivered on many strategic fronts.

Regarding partnerships, Deezer expanded its integration with Sonos, with two major updates: Sonos Voice Control, and a brand new Deezer interface on the Sonos App. The updated Deezer interface includes improved user experience, with access to the Deezer-exclusive recommendation feature, Flow. Additional partnership highlights include the launch of the RTL+ Musik app in mid-August in Germany as well as a new partnership with ecommerce company Cdiscount in France announced early September 2022.

On the product front, Deezer launched in-app lyrics translation in April, as the first DSP to provide such a feature. In June, Deezer launched its first major in-app livestream, with over 170,000 unique viewers, as French rapper Jul took to the stage in Marseille, at a sold-out concert in front of 60,000 people, arranged by Believe.

As part of Deezer's home of music differentiation, the Company also developed a new brand positioning targeting Gen Z, supported by a new brand campaign and theme ("The power of music"), launched on 22 August 2022 in core markets (France, Brazil, and Germany).

Deezer developed ZEN by Deezer, a new wellbeing app focused on sleep and meditation, currently being tested with small user groups to prepare for a launch in early 2023. Deezer is also developing several other apps, to further expand its diversification portfolio and drive profitable cross-sell opportunities.

The management team was further strengthened with appointments of Stéphane Rougeot as Deputy CEO and CFO in January 2022, and Gitte Bendzulla, as the new COO of the Group in May 2022.

On 5 July 2022, Deezer S.A. merged with and into I2PO S.A. (since renamed Deezer), whose shares are listed on the professional segment of the regulated market of Euronext Paris. With this transaction, the Company received €143 million of cash allowing the Group to execute on its business plan until 2025. Indeed, the Company raised €119 million through a PIPE subscribed by most of the existing shareholders of Deezer, including Access Industries, UMG, Warner Music, Orange, Kingdom Holding, Eurazeo and Xavier Niel, as well as Group Artemis, one of the founders of the SPAC, and a selected group of long-term French and international investors, including Bpifrance, and Média Participations. The balance, i.e. circa. €23.7 million, corresponds to the cash raised in the context of the initial public offering of I2PO that was held until the closing of the business combination in an escrow account held by I2PO, net of redemption.

RECONCILIATION OF NON-IFRS FINANCIAL INDICATORS

Adjusted gross profit

<i>In € million</i>	H1 2022	H1 2021
Gross profit	29.1	19.2
Onerous contract depreciation	-	7.6
License agreements non-recurring expenses	16.3	14.8
Adjusted gross profit	45.4	41.6

Adjusted EBITDA

<i>In € million</i>	H1 2022	H1 2021
Operating loss	(52.6)	(61.1)
Gross profit adjustments	16.3	22.4
Depreciation and amortization	4.3	5.2
Share-based expenses	4.9	4.3
Other non-recurring expenses	2.5	-
Adjusted EBITDA	(24.6)	(29.2)

Free cash flow

<i>In € million</i>	H1 2022	H1 2021
Net cash flow from/(used in) operating activities	7.3	(22.6)
Net cash flow from/(used in) investing activities	(2.0)	(6.0)
Repayment of lease liabilities	(2.2)	(3.6)
Net interest paid (including finance leases)	(1.2)	(0.3)
Effect of foreign exchange rate changes on cash and cash equivalents	1.2	0.2
Free cash flow	3.0	(32.3)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

<i>(in thousands of euros)</i>	Six months ended 30 June	
	2022	2021
Revenue	219,416	195,791
Cost of revenue	(190,331)	(176,609)
Gross Profit	29,085	19,182
Product and development	(15,225)	(12,729)
Sales and marketing	(35,603)	(45,057)
General and administrative	(30,892)	(22,465)
Operating loss	(52,635)	(61,069)
Finance income	4,342	4,632
Finance costs	(1,896)	(3,755)
Financial result - Net	2,446	877
Loss before income tax	(50,189)	(60,192)
Income tax expense	(171)	0
Share of loss of equity affiliates	(1,584)	(481)
Net loss for the period	(51,944)	(60,673)
Of which attributable to owners of the parent	(51,904)	(60,673)
Non-controlling interests	40	0
Net loss per share attributable to owners of the parent		
Basic	(1.79)	(2.14)
Diluted	(1.79)	(2.14)
Weighted-average ordinary shares		
Basic	29,050,127	28,349,100
Diluted	29,050,127	28,349,100

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of euros)</i>	30 June 2022	31 December 2021
Assets		
Goodwill	10,106	7,487
Intangible assets	588	1,427
Property and equipment	5,549	5,838
Right-of-use assets	22,526	24,663
Investments in equity affiliates	2,180	5,500
Non-current financial assets	5,347	5,321
Other non-current assets	2,021	2,284
Total non-current assets	48,317	52,520
Trade and other receivables	38,937	33,986
Other current assets	21,781	12,877
Cash and cash equivalents	40,075	35,097
Total current assets	100,793	81,960
Total assets	149,110	134,480
Equity and liabilities		
Share capital	291	290
Share premium	369,124	369,125
Consolidated reserves	(575,496)	(463,490)
Net loss	(51,904)	(123,258)
Equity attributable to owners of the parent	(257,985)	(217,333)
Non-controlling interest reserves	(48)	-
Minority result	-	-
Non-controlling interest reserves	(48)	-
Total equity	(258,033)	(217,333)
Provisions for risks	-	-
Provision for employee benefits	754	1,043
Lease liabilities	20,704	21,454
Financial liabilities	23,417	25,000
Total non-current liabilities	44,875	47,497
Provisions for risks	12,738	11,585
Lease liabilities	3,598	5,001
Financial liabilities	2,044	112
Trade payables and related accrued expenses	284,881	235,552
Tax and employee-related liabilities	37,937	32,870
Deferred income	18,725	16,960
Other liabilities	2,345	2,236
Total current liabilities	362,268	304,316
Total liabilities	407,143	351,813
Total equity and liabilities	149,110	134,480

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands of euros)</i>	Six months ended 30 June	
	2022	2021
Operating activities		
Net loss	(51,944)	(60,673)
Adjustments for:		
- Depreciation and amortization (excluding those related to current assets)	4,299	5,206
- Provisions	1,257	3,168
- Share-based compensation expense	15,264	15,695
- Gains and losses on disposals	1,223	1,508
- Share of loss of equity affiliates (net of dividends distributed)	347	481
- Net debt costs (including interest on lease liabilities)	1,144	344
- Income tax paid	171	-
Changes in working capital:		
- (Increase)/decrease in trade receivables and other assets	(11,555)	(2,269)
- Increase/(decrease) in trade and other liabilities	47,205	13,983
Income tax paid	(128)	(17)
Net cash flows from/(used in) operating activities	7,290	(22,574)
Investing activities		
Purchases of property and equipment and intangible assets	(906)	(762)
Purchases of non-current financial assets	(29)	(500)
Proceeds from the disposal of intangible and tangible assets	14	12
Proceeds from the disposal of non-current financial assets	12	192
Impact of changes in the scope of consolidation	(1,097)	(4,973)
Net cash flows used in investing activities	(2,006)	(6,031)
Financing activities		
Increase in share capital and share premium (net of costs)	1,756	29
Proceeds from issuance of long-term debt	422	25,000
Repayment of lease liabilities	(2,214)	(3,634)
Principal payments on long-term debt	(229)	-
Net interest paid (including finance leases)	(1,217)	(292)
Net cash flows from/(used in) financing activities	(1,482)	21,103
Effect of foreign exchange rate changes on cash and cash equivalents	1,176	220
Change in net cash position	4,978	(7,282)
Cash and cash equivalents at the beginning of the period	35,097	52,440
Cash and cash equivalents at the end of the period	40,075	45,158
Change in net cash position	4,978	(7,282)