

H1 2023 Results

August 3, 2023



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Speakers



Jeronimo Folgueira
CEO



Stephane Rougeot
Deputy CEO & CFO

Deezer at a glance

#2 independent music platform globally

9.3M

Subscribers

€451M

FY22 revenue



LARGE AND **GROWING**
MUSIC STREAMING MARKET

STRATEGIC VALUE
FOR THE INDUSTRY

+45

Partnerships

+600

Employees

UNIQUE BUSINESS MIX TO
ACHIEVE **PROFITABILITY**

STRONG ESG
involvement



Environmental
Impact



Well-Being



Diversity
& Inclusion



Social Impact
Through Music



Agenda

Path to profitability

Financial Review

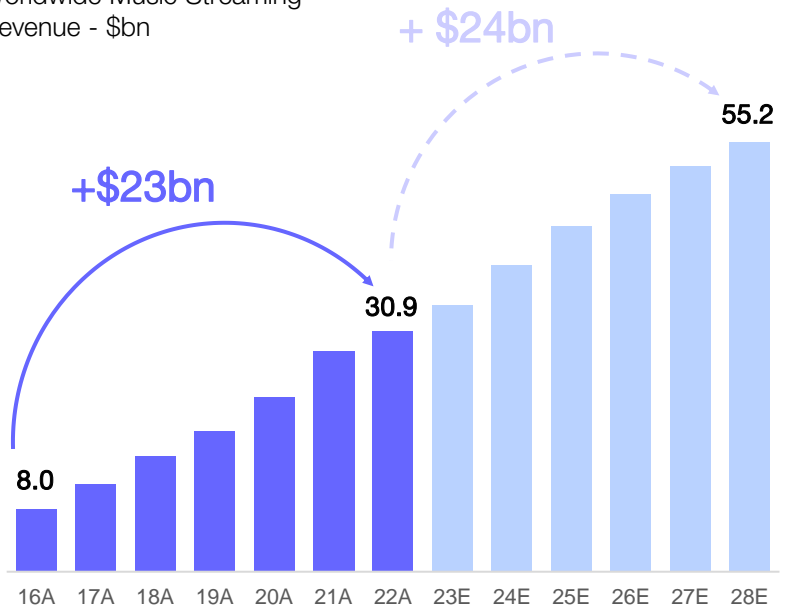
Outlook



Large and growing music streaming market

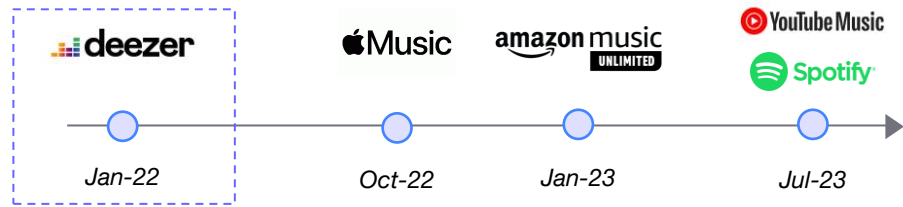
A sizeable and growing market

Worldwide Music Streaming Revenue - \$bn



Beyond subscribers volume, price leverage

From €9.99 to €10.99



- Deezer, as a first mover, revealed the pricing power in the industry
- Minimal incremental churn from Deezer price increases

Source: MIDiA Research 2023-2030 global music forecasts (Jul-23); Music streaming revenue includes subscriptions and audio ad-supported (retail values).



Strategic value for the industry

Labels & artists friendly

First mover on pricing
Q1 2022

Explore new artist & fan-focused streaming model
Q1 2023

AI and fraud detection to protect the future of music streaming
Q2 2023



Go-to partner for large players

SONOS  MUSIK

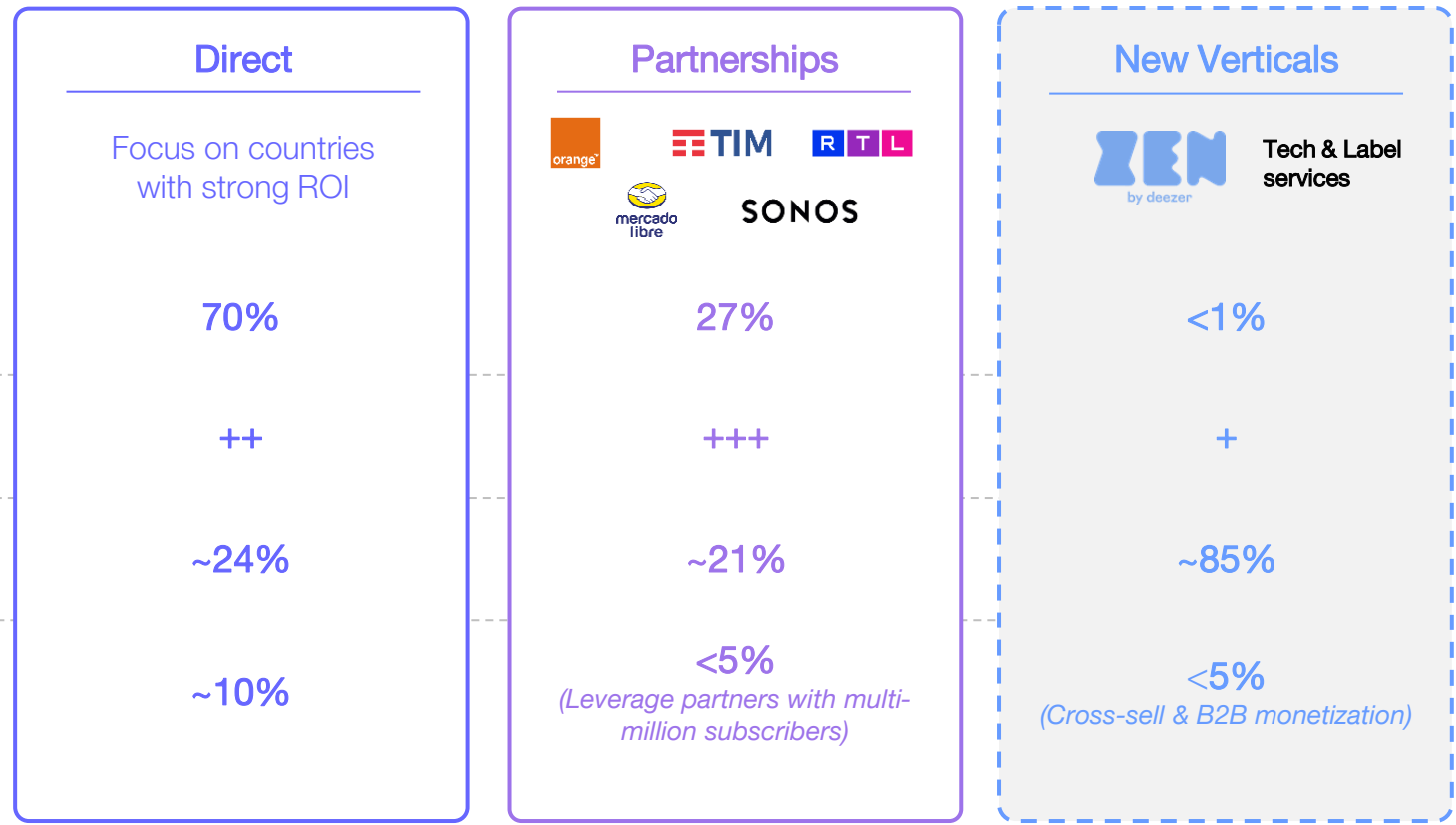

mercado libre


orange™

Source of **loyalty**, **differentiation** and **new business opportunities**



Unique business mix...



Note: Based on H1 2023 data.



...Paving our way to breakeven

	FY21A	FY22A	H1-23A	2025E
Revenue	€400m	€451m	€233m	Continued revenue growth
Adj. Gross Profit after Marketing	€11m 2.7%	€42m 9.2%	€35m 15.0%	<ul style="list-style-type: none"> Marketing efficiency Sound Partnerships profitability Business mix Direct / Partnerships Ramp-up New Verticals
Staff/ G&A (core ¹) <i>% of revenue</i>	~€75m ~19%	~€85m ~19%	~€45m ~19%	Global business already operating at scale
Adj. EBITDA margin <i>% (core¹)</i>	~(16)%	~(10)%	~(4)%	Profitable

(1) Excluding New verticals, Drift; FY22A excluding one-offs.



Agenda

Path to profitability

Financial Review

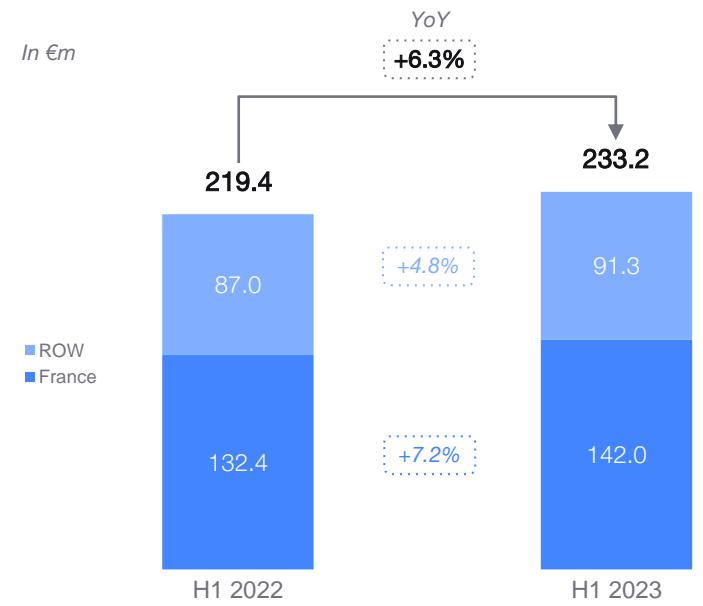
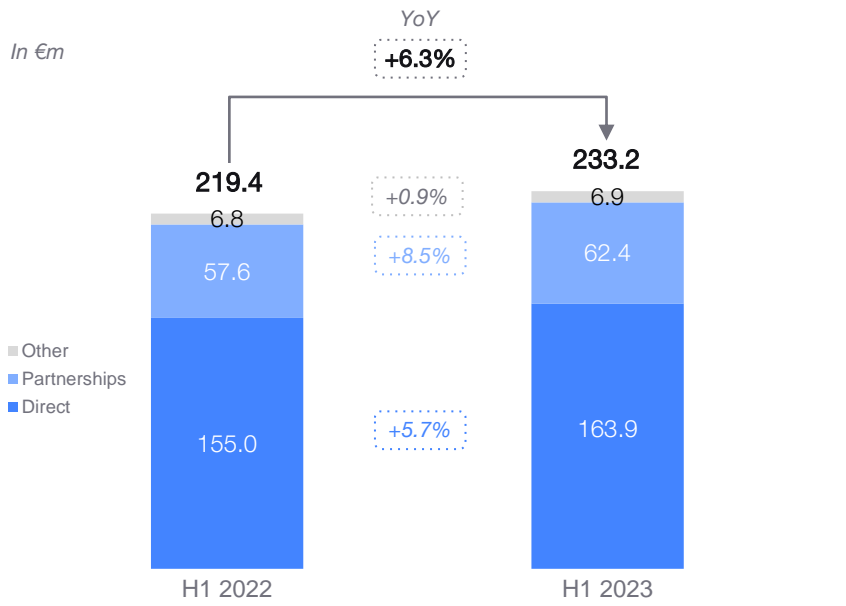
Outlook



H1 2023 - Execution of Deezer strategy

Continued revenue growth...	+6.3% YoY	<i>In line with our plan</i>
...among our 2 main segments	Direct +5.7% YoY Partnerships +8.5% YoY	<i>Continued subscriber growth in France Gradual build-up of Partnerships</i>
Significant increase in adjusted Gross profit	€51.8m (+14.2% YoY) Margin at 22.2% (+1.5 pt YoY)	<i>Higher level of activity Free product optimization</i>
Sharp reduction of our adjusted EBITDA loss	€(13.1)m +€11.5m vs. H1 2022	<i>Efficient marketing spends Strict control of staff and G&A expenses</i>
Net loss reduction	€(38.4)m +€13.5m vs. H1 2022	<i>Reflecting improvement in adjusted EBITDA Includes non recurring and non cash charges</i>
Robust cash position	€90.9m on June 30	<i>Enough to reach cash breakeven in 2024</i>

Revenue growth of +6.3% in H1 2023, at €233m

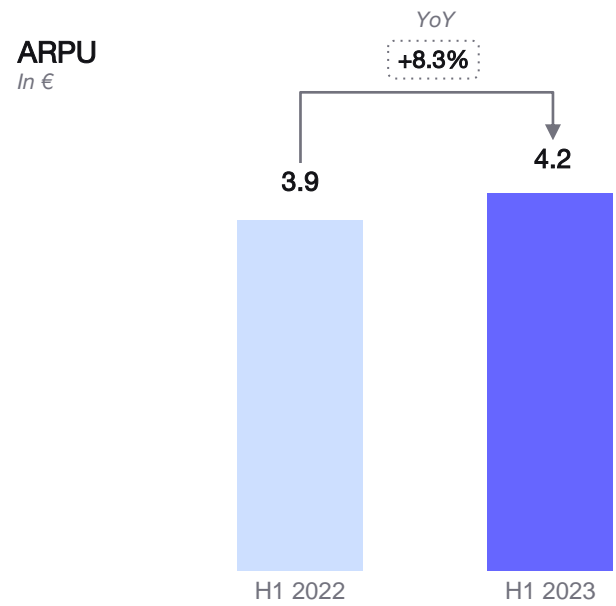
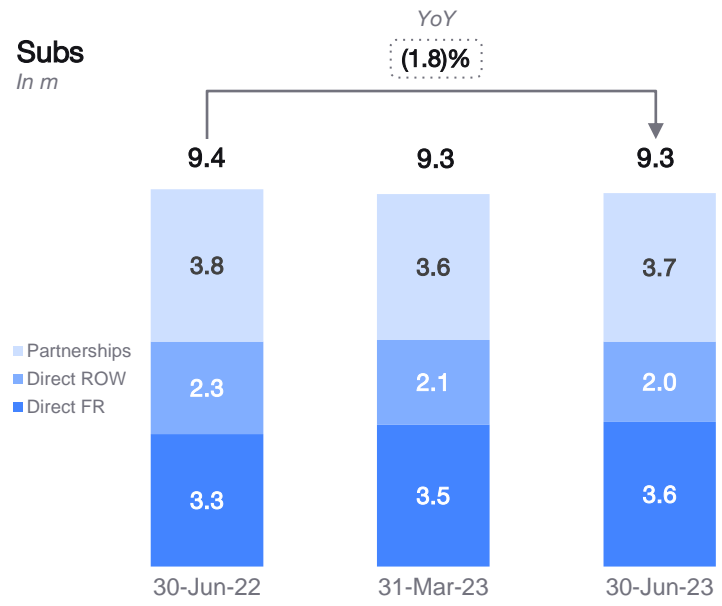


- **Direct:** Continued subscriber growth in France and further ARPU increase due to the remaining effect of 2022 price increase
- **Partnerships:** Good performance of existing/new deals and gradual build-up of RTL partnership
- **Other:** Growth despite shutting down free product in long tails markets

- **France:** Driven by subscriber growth
- **ROW:** Double-digit ARPU growth due to improved geo mix more than offsetting lower subscribers due to focus on selected key markets



Further improvement in ARPU in H1 2023

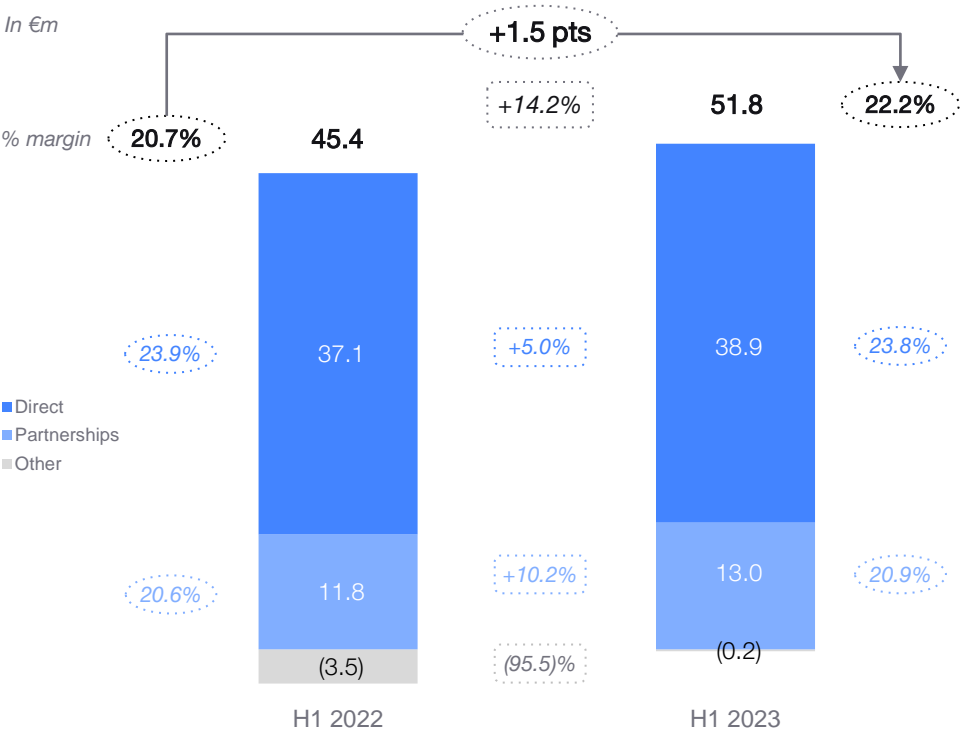


- **Direct:** Stable subscriber base with an improved geo mix (France vs. ROW)
- **Partnerships:** Started to increase sequentially compared to Q1 2023

- Increased ARPU driven by both Direct (+4.9%) and Partnerships (+14.9%)
- Continued ARPU growth despite the gradual end of the price increase effect in France thanks to geo mix and partner/offer mix improvements



Adjusted gross profit up +14.2% in H1 2023



Direct

- Adj. Gross Profit +5.0% YoY
- Higher level of activity (+5.7%) partly offset by increased publishing rates

Partnerships

- Adj. Gross Profit +10.2% YoY
- Higher level of activity (+8.5%) and more favorable customer offer mix

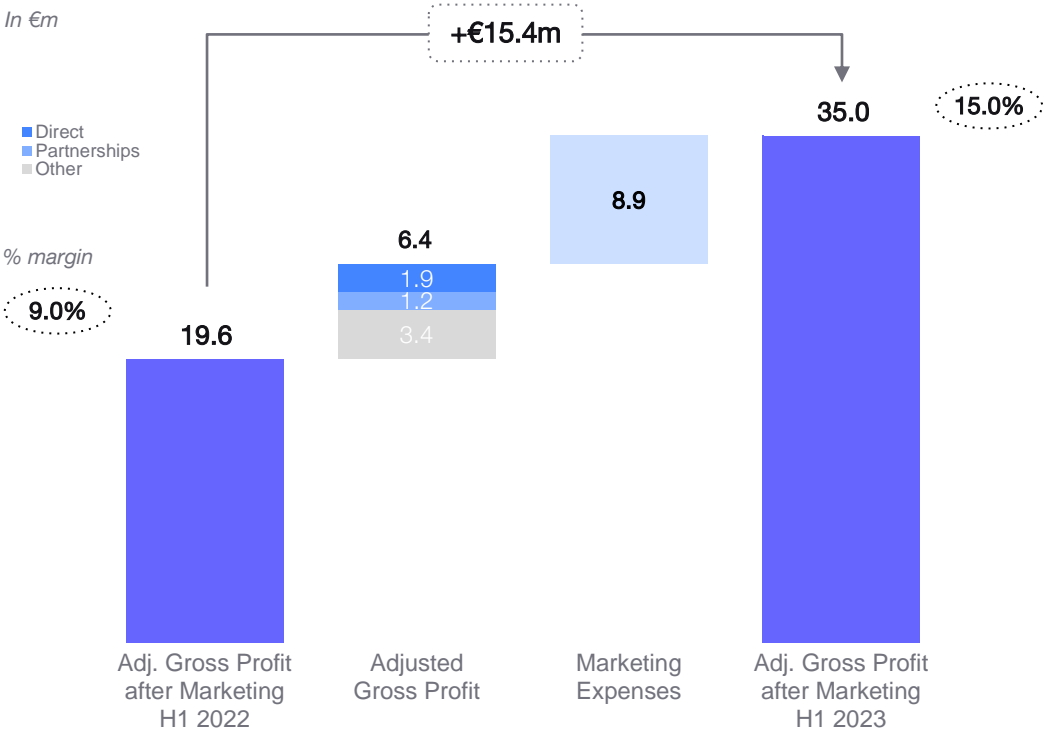
Other

- Reduced loss by €3.4m vs. H1 2022
- Positive impact from free offer shutdown in long-tail countries and lower content costs in New Verticals

Note: See appendix for definition of adjusted metrics.



Strong increase in adj. gross profit after marketing



Increase in Adj. Gross Profit in all of our segments

Significant improvement of our marketing performance

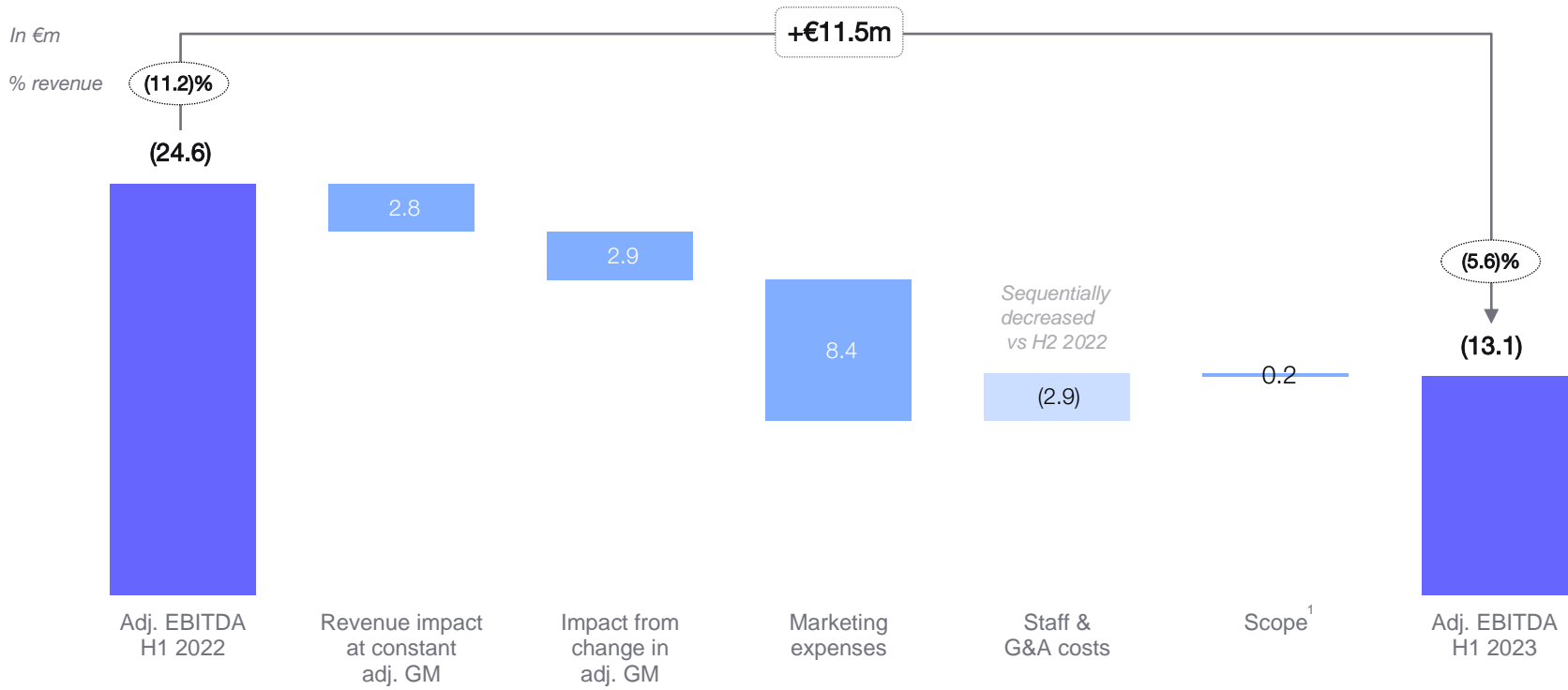
- Marketing spent increased in France year on year, with improved economics
- Further optimization of marketing expenses in ROW driven by continuation of ROI-driven approach
- LTV/SAC improved by ~70% year on year

Note: See appendix for definition of adjusted metrics.



Significantly improved adjusted EBITDA loss

Driven by margin improvement, marketing efficiencies and strict cost control

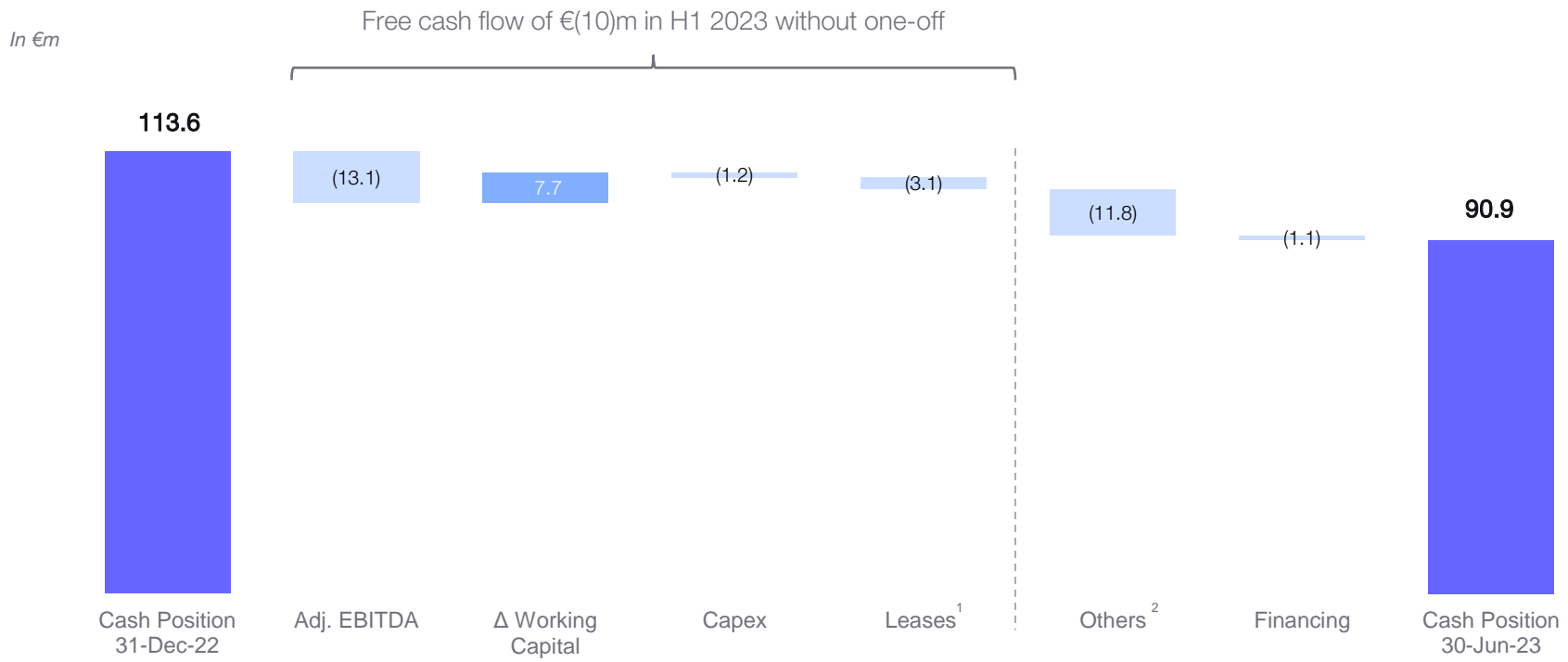


Note: See appendix for definition of adjusted metrics.
(1) Drift and New Verticals.



Robust cash position at end-June 2023

In line with resources required for 2025 plan



Note: See appendix for definition of adjusted metrics.

(1) Including repayment of lease liabilities and net interest paid (including finance leases).

(2) Others cash items include exceptional payments that are not related to our normal course of business.



Agenda

Path to profitability

Financial Review

Outlook



2023 Priorities and outlook

Continue to
prioritize profitability while
targeting revenue growth
from Partnerships and Direct
in selected key markets

Outlook for H2 2023

Revenue growth to accelerate vs. H1 2023, **to achieve a target of 7 to 10% in FY 2023**

→ Gradual build-up of Partnerships and new sources of revenues

Further significant reduction in adjusted EBITDA loss compared to H2 2022

→ Reflecting accelerated revenue growth and continued strict cost control

Long-term outlook

Positive cash flow¹ in 2024

—

Positive adjusted EBITDA in 2025

—

Double-digit average yearly **revenue growth** over the 2023-2025 period

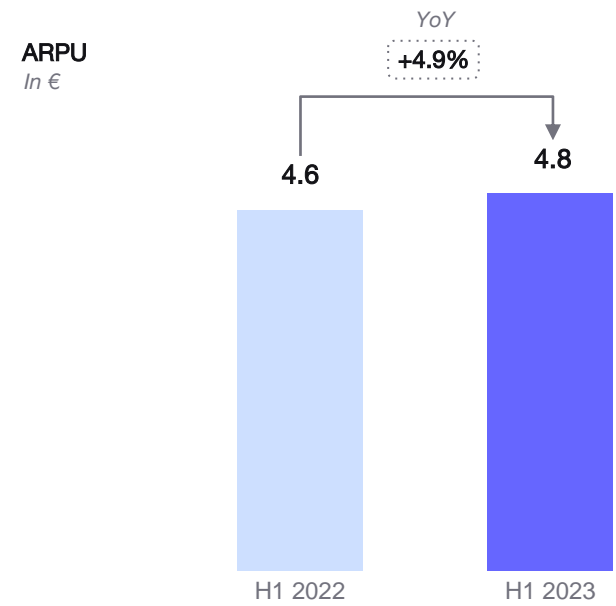
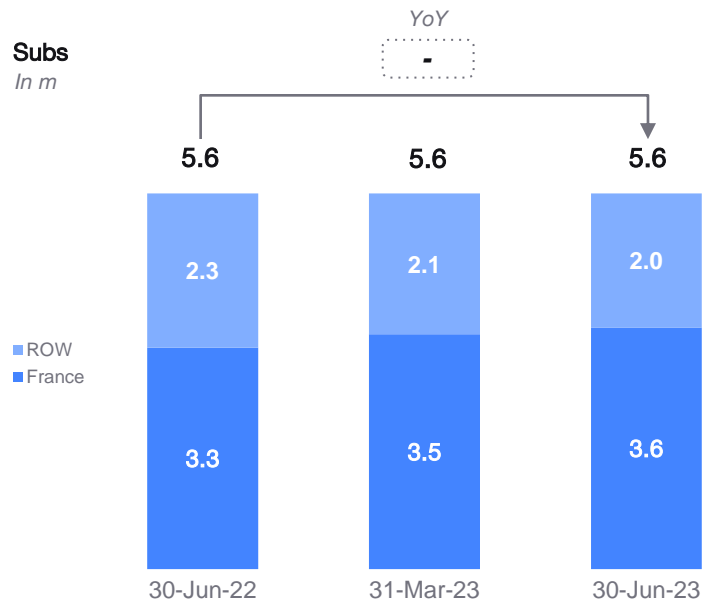
(1) Cash flow pre-funding.



Appendix



Continued Direct subscriber growth in France

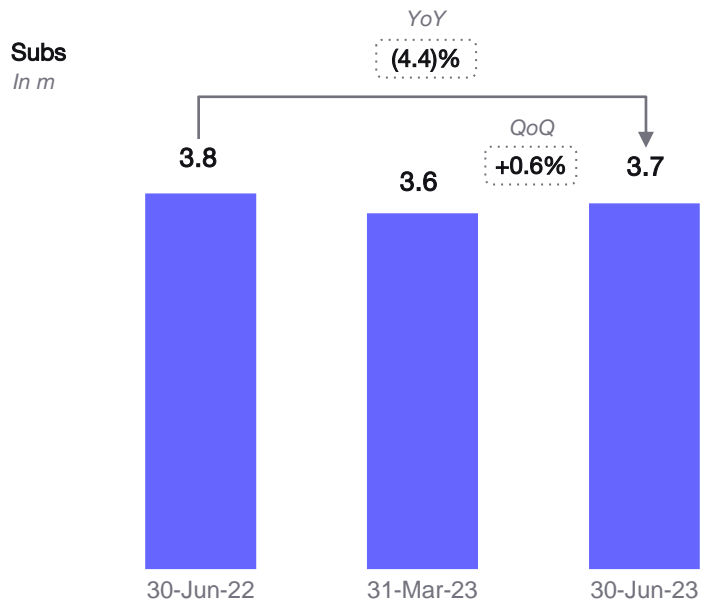


→ Stable subscriber base reflecting continued growth in France (+8.8%) that more than offset a decline in the ROW (-12.4%) as a result of the Group's strategy to focus on selected key markets

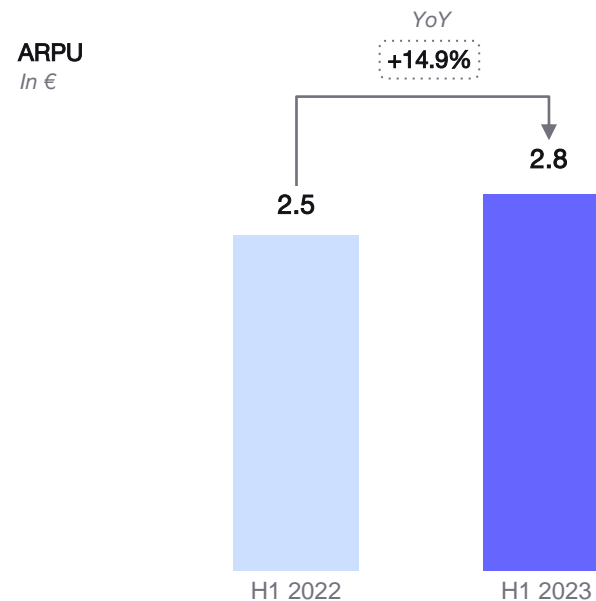
→ Further ARPU growth reflecting price increases and the positive impact of the refocus in the ROW, and despite the gradual end of the price increase effect implemented in France in January 2022



Sustained improvement in Partnerships ARPU



- Lower subscribers YoY due to a change in customer offer mix in the ROW
- Growth of Partnerships subscriber base vs. end March 2023 (+0.6%)



- Strong ARPU growth driven by price increases and improved customer offer mix in the ROW

Key performance indicators for Q2 2023

In € million	Q2 2023	Q2 2022	Change (%)	Chg. at constant FX (%)
Total revenue	118.0	111.2	+6.1%	+6.9%
Direct	82.2	78.8	+4.3%	+5.0%
Partnerships	31.6	29.5	+7.1%	+8.0%
Other	4.3	3.0	+44.4%	+46.1%
Total revenue	118.0	111.2	+6.1%	+6.9%
France	71.8	67.7	+5.9%	+5.9%
Rest of World	46.2	43.5	+6.4%	+8.3%

In million	30 June 2023	30 June 2022	Change (%)
Total subscribers	9.3	9.4	(1.8)%
Direct	5.6	5.6	-
o/w France	3.6	3.3	+8.8%
o/w Rest of World	2.0	2.3	(12.4)%
Partnerships	3.7	3.8	(4.4)%

In €	Q2 2023	Q2 2022	Change (%)
Average Revenue Per User	4.2	3.9	+7.5%
Direct	4.9	4.7	+2.8%
Partnerships	2.9	2.5	+13.2%

Key performance indicators for H1 2023

In € million	H1 2023	H1 2022	Change (%)	Chg. at constant FX (%)
Total revenue	233.2	219.4	+6.3%	+6.5%
Direct	163.9	155.0	+5.7%	+6.1%
Partnerships	62.4	57.6	+8.5%	+8.2%
Other	6.9	6.8	+0.9%	+0.7%
Total revenue	233.2	219.4	+6.3%	+6.5%
France	142.0	132.4	+7.2%	+7.2%
Rest of World	91.3	87.0	+4.8%	+5.3%

In million	30 June 2023	30 June 2022	Change (%)
Total subscribers	9.3	9.4	(1.8)%
Direct	5.6	5.6	-
o/w France	3.6	3.3	+8.8%
o/w Rest of World	2.0	2.3	(12.4)%
Partnerships	3.7	3.8	(4.4)%

In €	H1 2023	H1 2022	Change (%)
Average Revenue Per User	4.2	3.9	+8.3%
Direct	4.8	4.6	+4.9%
Partnerships	2.8	2.5	+14.9%

Reconciliation of non-IFRS financial indicators

In € million	H1 2023	H1 2022
Gross Profit	27.9	29.1
Onerous contract depreciation	-	-
License agreements non-recurring expenses	23.9	16.3
Adjusted Gross Profit	51.8	45.4

In € million	H1 2023	H1 2022
Operating loss	(42.5)	(52.6)
Gross profit adjustments	23.9	16.3
Depreciation and amortization	4.7	4.3
Share-based expenses	1.9	4.9
Other non-recurring expenses	(1.2)	2.5
Adjusted EBITDA	(13.1)	(24.6)

In € million	H1 2023	H1 2022
Adjusted EBITDA	(13.1)	(24.6)
Change in working capital requirement	7.7	35.7
Capital expenditure	(1.1)	(0,9)
Leases ¹	(3.1)	(3.4)
Others	(12.0)	(3.8)
Free Cash Flow	(21.6)	3.0

(1) Incl. repayment of lease liabilities and net interest paid (including finance leases).



Consolidated income statement

In K€	H1 2023	H1 2022
Total revenue	233,214	219,416
Cost of revenue	(205,271)	(190,331)
Gross Profit	27,943	29,085
Product and development	(18,337)	(15,225)
Sales and marketing	(27,030)	(35,603)
General and administrative	(25,035)	(30,892)
Operating loss	(42,459)	(52,635)
Finance income	5,344	4,342
Finance costs	(1,179)	(1,896)
Financial result - Net	4,166	2,446
Loss before income tax	(38,294)	(50,189)
Income tax expense	(144)	(171)
Share of loss of equity affiliates	0	(1,584)
Net loss for the period	(38,438)	(51,944)
Of which attributable to owners of the parent	(37,617)	(51,904)
Non-controlling interests	(821)	(40)
Net loss per share attributable to owners of the parent		
Basic	(0.35)	(0.55)
Diluted	(0.35)	(0.55)
Weighted-average ordinary shares		
Basic	108,765,996	94,551,095
Diluted	108,765,996	94,551,095



Consolidated balance sheet (1/2)

In K€	30 June 2023	31 December 2022
ASSETS		
Goodwill	15,176	15,070
Intangible assets	311	524
Property and equipment	5,521	5,881
Right-of-use assets	19,285	21,061
Investments in equity affiliates	-	-
Non-current financial assets	5,369	5,440
Other non-current assets	3,701	1,705
Total non-current assets	49,363	49,681
Trade and other receivables	51,912	47,713
Other current assets	42,119	23,051
Cash and cash equivalents	90,868	113,610
Total current assets	184,899	184,375
Total assets	234,262	234,056

Consolidated balance sheet (2/2)

In K€	30 June 2023	31 December 2022
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	(213,510)	(184,687)
Non-controlling interest reserves	2,636	2,866
Total equity	(210,874)	(181,821)
Provisions for employee benefits	788	692
Lease liabilities	17,608	19,040
Financial liabilities	24,483	23,288
Total non-current liabilities	42,879	43,020
Provisions	15,001	16,018
Lease liabilities	4,159	4,060
Financial liabilities	-	4 988
Trade payables and related accrued expenses	317,189	283,373
Tax and employee-related liabilities	38,896	37,990
Deferred revenue	24,574	23,193
Other liabilities	2,438	3,234
Total current liabilities	402,256	372,856
Total liabilities	445,136	415,876
Total equity and liabilities	234,262	234,056

Consolidated cash flow (1/2)

In K€	H1 2023	H1 2022
OPERATING ACTIVITIES		
Net loss	(38,437)	(51,944)
Adjustments for:		
- Depreciation and amortization (excluding those related to current assets)	4,701	4,299
- Provisions	(934)	1,257
- Share-based compensation expense	11,822	15,264
- Gains and losses on disposals	(0)	1,223
- Share of loss of equity affiliates (net of dividends distributed)	-	347
- Discounting profits and losses	(2,521)	7
- Net debt costs (including interest on lease liabilities)	528	1,144
- Income tax paid	144	171
Changes in working capital:		
- (Increase)/decrease in trade receivables and other assets	(24,118)	(11,555)
- Increase/(decrease) in trade and other liabilities	31,823	47,205
Income tax paid	(844)	(128)
Net cash flows (used in)/from operating activities	(17,837)	7,290
INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(1,160)	(906)
Release of the escrow account and other	-	(29)
Proceeds from the disposal of intangible and tangible assets	-	14
Proceeds from the disposal of non-current financial assets	71	12
Impact of changes in the scope of consolidation	(129)	(1,097)
Net cash flows (used in)/from investing activities	(1,218)	(2,006)



Consolidated cash flow (2/2)

In K€	H1 2023	H1 2022
FINANCING ACTIVITIES		
Increase in share capital and share premium (net of costs)	37	1,756
Repayments on short-term debt	(2,005)	(229)
Repurchases of ordinary shares	93	-
Proceeds from issuance of long-term debt	747	422
Repayment of lease liabilities	(2,550)	(2,214)
Net interest paid (including finance leases)	(528)	(1,217)
Net cash flows (used in)/from financing activities	(4,206)	(1,482)
Effect of foreign exchange rate changes on cash and cash equivalents	518	1,176
Change in net cash position	(22,743)	4,978
Cash and cash equivalents at the beginning of the period	113,610	35,097
Cash and cash equivalents at the end of the period	90,868	40,075
Change in net cash position	(22,742)	4,978