

Deezer reports sharp improvement in Adjusted EBITDA in H1 2023, confirming path to profitability

- **Continued revenue growth: +6.3% to €233.2 million in H1 2023, in line with our plan**
 - Direct revenue growth driven by continued subscriber additions in France
 - Momentum from the gradual build-up of launched Partnerships, which will be reinforced in the second half of the year by recently signed deals
- **Significant increase in Adjusted Gross profit: +14.2% vs. H1 2022**
 - Free product optimization: achieved breakeven in France, significant improvement in Rest of World
 - Solid gross margin performance across Direct and Partnerships segments
- **Sharp reduction of our adjusted EBITDA loss to €(13.1) million, ahead of plan**
 - Efficient marketing spends: continuation of our ROI driven approach
 - Strict control of staff and G&A expenses, sequentially reduced vs. H2 2022
- **Robust cash position of €90.9 million at the end of June 2023, in line with resources required for 2025 plan**
- **Perspectives for H2 2023: further revenue growth and significant improvement in adjusted EBITDA**
 - Revenue growth expected to accelerate in the course of H2 2023 vs. H1 2023, benefiting from the contribution of recent & new Partnerships, to achieve 7 to 10% revenue growth for FY 2023 vs. FY 2022
 - Another significant reduction in adjusted EBITDA loss expected in H2 2023 compared to H2 2022

Paris, 2 August 2023, 17:45 CEST – Deezer (Euronext Paris: DEEZR; ISIN: FR001400AYG6), the global music streaming service, released its half-year results for the six-month period ending 30 June 2023, after review by the Board of Directors on 2 August 2023. The half-yearly report is subject to a limited review by the statutory auditors of the Company.

Commenting on the results, Jeronimo Folgueira, CEO of Deezer, said: “Our H1 results confirm that our strategy is bearing fruit, and that we are able to drive significant operational performance improvements. We continue to grow and have cut our losses by almost half compared to last year. Additionally, the recent signatures and launches of large, new partnerships will help us accelerate growth in the years to come. Our direct subscription and freemium businesses show stronger economics, and we continue to optimize our market position and strictly control our costs. All of this makes me very confident that we are on the right path to achieve our profitability and cash generation objectives.”

Key Financial indicators

In € million	H1 2023	H1 2022	Change YoY
Total revenue	233.2	219.4	+6.3%
Adjusted gross profit¹	51.8	45.4	+14.2%
<i>In % of total revenue</i>	22.2%	20.7%	+154 bps
Adjusted EBITDA¹	(13.1)	(24.6)	+11.5
<i>In % of total revenue</i>	(5.6)%	(11.2)%	+560 bps
Net loss	(38.4)	(51.9)	+13.5

¹ Adjusted gross profit and Adjusted EBITDA are non-IFRS measures. See "Reconciliation of non-IFRS financial indicators" page 7.

REVENUE GROWTH DRIVEN BY FRANCE AND PARTNERSHIPS

In € million	H1 2023	H1 2022	Change YoY	Change at constant FX
Total revenue	233.2	219.4	+6.3%	+6.5%
By segment				
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%
By geography				
France	142.0	132.4	+7.2%	+7.2%
Rest of World	91.3	87.0	+4.8%	+5.3%

	H1 2023	H1 2022	Change YoY
Total subscribers⁽¹⁾	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)%
ARPU (in €/month excl. VAT)	4.2	3.9	+8.3%
Direct	4.8	4.6	+4.9%
Partnerships	2.8	2.5	+14.9%

⁽¹⁾ As of 30 June, in million.

Consolidated revenue amounted to €233.2 million in H1 2023, up 6.3% compared to H1 2022 (+6.5% at constant currency), reflecting the continued subscriber growth in France and the gradual build-up of recent Partnerships such as RTL (Germany) and Sonos (US). This reflects the implementation of the Group's strategy, directing efforts towards attractive, large markets, with a partnership-led go-to-market model.

Direct revenue totaled €163.9 million in H1 2023, up 5.7% compared to H1 2022 (+6.1% at constant FX). This growth is underpinned by the continued expansion of the Group's subscriber base in France (+8.8%). This more than offsets the anticipated decline in the Rest of World (-12.4%), reflecting the Group's strategy to focus on selected key markets. At the same time, the remaining effects of the 2022 price increase drove ARPU growth of +4.9% at €4.8 per subscribers.

Partnership revenue amounted to €62.4 million in H1 2023, up 8.5% compared to H1 2022 (+8.2% at constant FX), driven by the good performance of new and existing deals. This performance reflects the gradual build-up of the RTL partnership, before the launch of its Multimedia App (including Video and Music) planned in Q3 2023, and the initial contribution of the Sonos partnership launched in Q2 2023. Deezer also renewed its partnership agreement with Orange in July, and signed an agreement with Latin America's leading e-commerce platform Mercado Libre, expanding the current partnership to offer a premium music experience to millions of people across the region².

ARPU rose by +14.9% mainly due to improved geographical mix. In Q2 2023, the number of subscribers from Partnerships started to increase sequentially compared to Q1 2023.

Other revenue, which is mainly made up of advertising and ancillary revenue, totaled €6.9 million in H1 2023 compared to €6.8 million in the first half of 2022, representing a slight increase of 0.9% (+0.7% at constant FX).

² Additional details about this partnership expansion will be provided in the third quarter, as new offers are launched.

GROSS MARGIN INCREASE LEADS TO SHARP REDUCTION IN ADJUSTED EBITDA LOSS

Adjusted Gross Profit increased by 14.2% compared to H1 2022, to reach €51.8 million in H1 2023, mainly due to a higher level of activity, and the positive impact of the optimization of the Group's freemium service in long tail countries, offset in part by higher publishing rates.

As a result, adjusted gross margin stood at 22.2% in H1 2023 compared to 20.7% in H1 2022.

Adjusted EBITDA improved by €11.5 million at €(13.1) million in H1 2023 compared to €(24.6) million in H1 2022, mainly driven by higher adjusted gross profit and lower marketing expenses as a result of the Group's strategy to focus on Partnerships and selected key markets for Direct subscription. In addition, staff and G&A costs were kept under control in H1 2023, showing a sequential decrease compared to H2 2022.

Operating loss totaled €(42.5) million in H1 2023 compared to €(52.6) million in H1 2022, mainly reflecting the improvement in Adjusted EBITDA, partly offset by the full consolidation in H1 2023 of Driift's losses that were accounted under the equity method in H1 2022.

Net loss totaled €(38.4) million in H1 2023 compared to €(51.9) million in H1 2022, mainly reflecting the improvement in Adjusted EBITDA.

FREE CASH FLOW AND NET CASH

<i>In € million</i>	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	(3.1)	(3.4)
Others	(12.0)	(3.8)
Free cash flow	(21.6)	3.0

The group recorded a negative free cash flow of €(21.6) million in H1 2023 compared to €3.0 million in H1 2022. In the first half of 2022, the Company benefited from a one-time delay in sums owed to some rights holders which led to significant working capital generation. These sums were repaid with the IPO proceeds in July 2022. Other cash items include the impact of tax regularizations in H1 2023.

<i>In € million</i>	30 June 2023	31 December 2022
Cash and cash equivalents	90.9	113.6
Financial debt	(24.5)	(28.3)
Net cash	66.4	85.3

At the end of June 2023, Deezer reported a robust cash position of €90.9 million and net cash position of €66.4 million, in line with resources required for the 2025 plan.

PERSPECTIVES FOR H2 2023: FURTHER REVENUE GROWTH AND SIGNIFICANT IMPROVEMENT IN ADJUSTED EBITDA

In line with its strategy and medium-term outlook, the Group will continue to prioritize profitability while targeting revenue growth from Partnerships and Direct subscriptions in selected key markets.

The Group expects revenue growth to accelerate in the course of H2 2023 vs. H1 2023, benefiting from the contribution of recent Partnerships, including Mercado Libre, and new sources of revenue, and targets to achieve 7 to 10% revenue growth for FY 2023 vs. FY 2022. This compares to a previous expectation of revenue growth in excess of 10% for FY 2023, as a consequence of a more gradual build-up of those Partnerships and new Verticals.

The Group also expects another significant reduction in adjusted EBITDA loss in H2 2023, compared to H2 2022, reflecting accelerated revenue growth and continued strict cost control.

Given its continued focus on profitable growth and the strong profitability improvements achieved in H1 2023, Deezer confirms it remains on a path to generate a positive cash flow³ in 2024 and achieve a positive adjusted EBITDA in 2025, while delivering double-digit average yearly revenue growth over the 2023 to 2025 period.

³ Cash flow pre-funding.

FINANCIAL CALENDAR

- 13 September 2023: H1 Financial report
- 26 October 2023: Q3 2023 Revenue (press release to be published after market close)

AVAILABILITY OF THE HALF-YEAR FINANCIAL REPORT

The limited review procedures of the Company's statutory auditors on IFRS half-yearly financial statements have been carried out. The audit report is currently being prepared and the 2023 half-year financial report will be filed in September, with the French financial markets authority ("*Autorité des marchés financiers*"), after approval by the Board of Directors. It will be available to the public for consultation on the www.deezer-investors.com website in the Financial Results section.

CONFERENCE CALL AND WEBCAST

Jeronimo 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, 3 August 2023 at 9.30 a.m. CEST.**

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

https://channel.royalcast.com/deezer-en#!/deezer-en/20230803_1

Conference call dial-in details:

- **France:** +33 (0) 1 70 37 71 66
- **UK-wide:** +44 (0) 33 0551 0200
- **US:** +1 786 697 3501

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.

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 universal registration document approved by the AMF on 28 April 2023 under number R.23-023. 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 2 August 2023, 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 120 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 Euronext Paris (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

Adjusted gross profit

<i>In € million</i>	H1 2023	H1 2022	<i>Change (%)</i>
Adjusted gross profit	51.8	45.4	+14.2%
<i>In % of total revenue</i>	22.2%	20.7%	+154 bps
Direct	38.9	37.1	+5.0%
<i>In % Direct revenue</i>	23.8%	23.9%	(15)bps
Partnerships	13.0	11.8	+10.2%
<i>In % of Partnerships revenue</i>	20.9%	20.6%	+32 bps
Other	(0.2)	(3.5)	(95.5)%

RECONCILIATION OF NON-IFRS FINANCIAL INDICATORS

Adjusted gross profit

<i>In € million</i>	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

Adjusted EBITDA

<i>In € million</i>	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)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

<i>(in thousands of euros)</i>	Six months ended 30 June	
	2023	2022
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)

<i>(in thousands of euros)</i>	Six months ended 30 June	
	2023	2022 - restated ⁴
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

⁴ For the period ended 30 June 2022, the weighted-average number of outstanding shares was restated for the purpose of comparability before and after the merger.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of euros)</i>	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
Equity and liabilities		
Share capital	1,216	1,211
Share premium	483,789	483,976
Treasury shares	(227)	(320)
Consolidated reserves	(660,671)	(501,852)
Net loss	(37,617)	(167,702)
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)
Provision 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 for risks	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 income	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
<i>(in thousands of euros)</i>	2023	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	-	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 from/(used in) operating activities	(17,837)	7,290
Investing activities		
Purchases of property and equipment and intangible assets	(1,160)	(906)
Purchases of non-current financial assets	-	(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 investing activities	(1,218)	(2,006)
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 from/(used in) 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