



Pandora (P) 2018 Q1 Earnings Summary

May 2018

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Pandora Is Improving Its Ad-Tech To Gain Early Advantages In The Digital Audio Ad Market

ADVERTISING

- **Acquisition of AdsWizz positions them to be at the center of the expanding and evolving digital audio marketplace**
 - **Acceleration of its ad-tech capabilities can transition them from the largest digital audio ad publisher to the largest digital audio ad platform**
 - Expect the aggregated demand to create a more robust programmatic channel through which to sell audio inventory
- Can utilize their data science capabilities to increase ad load without increasing perceived ad load

PREMIUM ACCESS

- **The richest ad-supported on-demand mobile music experience on the market and 13 million listeners have tried it**
 - **Have seen increased daily engagement, a higher propensity to upgrade and a skew towards under-25 listeners**
- Ads are sold on a cost per view basis and they generally know selling strategies that help increase their video inventories
 - Have higher margins for the time that people are granted ad-free listening, than the traditional audio ad
 - **Rewards-based ads are preferred by listeners and advertisers like their brands associated with rewards to the consumer**

PODCASTS

- Expect music will continue to represent the majority of its audience, while podcast represents a real opportunity to grow
 - **In the near-term will begin to add more non-music content to the platform**
- **Long-term plan is to make that content far more relevant, discoverable and shareable than it has ever been**
 - **The 2 core strengths of Pandora, discoverability and monetization, are the main things inhibiting the growth of podcasts**
 - Pandora listeners expect a different experience than just seeing a list of content that they would just choose from

RADIO MARKET

- **Really like the fact that they have a balanced model between advertising and subscription, because a big part of the opportunity for growth will happen through the ad-supported business**
 - **One area is the shift from radio because that is listening that occurs with advertising as monetization, not subscription**
- **To capture a material portion of the radio market, they've got to make Pandora as easy to use in a car as the FM radio**
 - The expense and complexity of building a hardware device is not necessary to take significant share from radio in the car

MARKETING

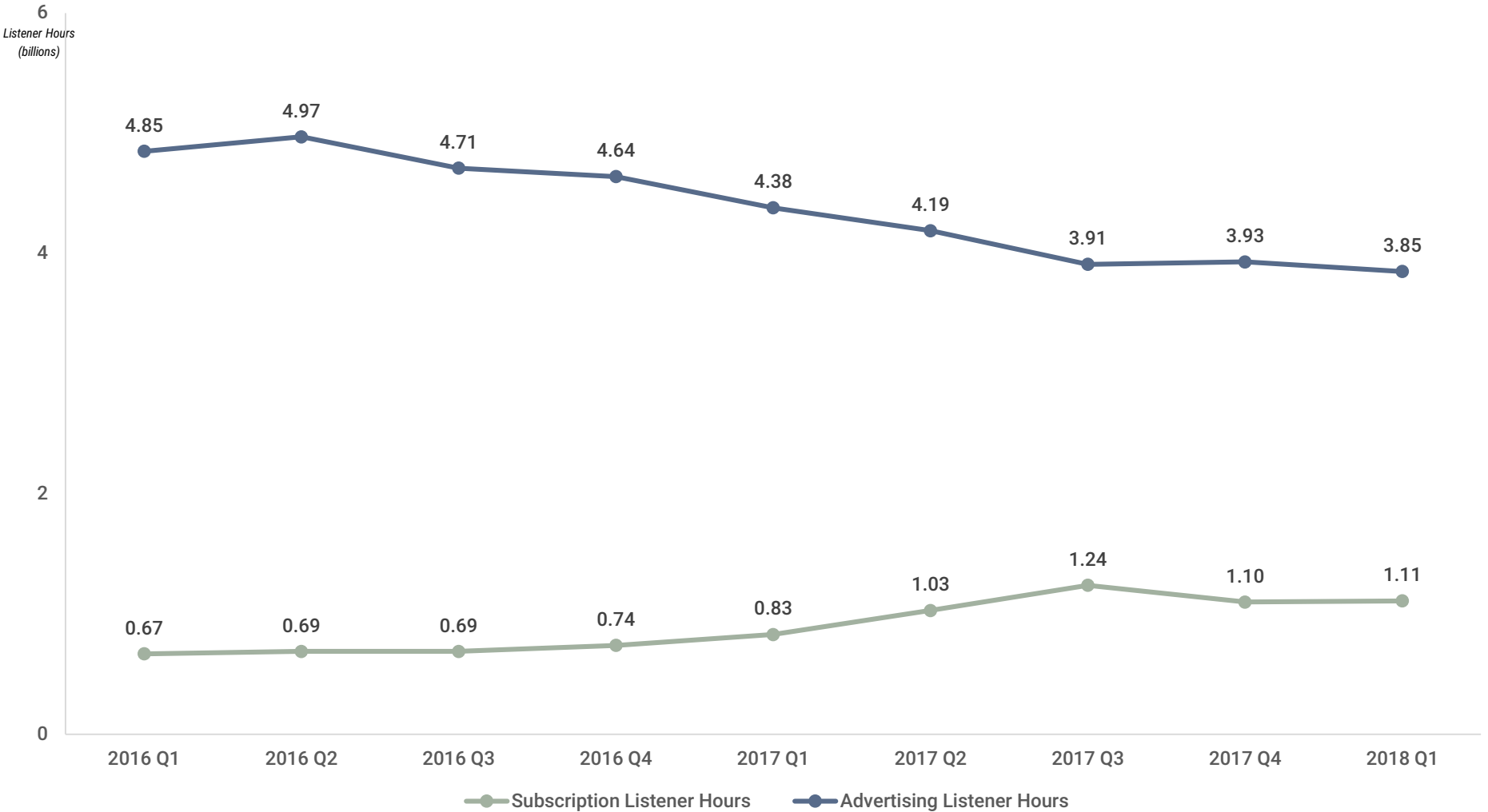
- **Hired a new CMO to shift from a branding focus strategy to one that leans more heavily on performance marketing**
 - Starting to build the tech that connects the data to the marketing team who can run A/B tests across lots of different things
 - Will spend more on the things that show the highest return on investment and quickly kill off initiatives that are not working
- **Try to find the characteristics of listeners with the highest value and create look-alike models to find other people to target**
- **Need to expand to the relationships with device partners to include more marketing and brand promotion elements**

New management is focused on expanding their data science expertise in music discovery to other parts of the business

Listener Hours



On-Demand Features Create A Lean Forward Experience That Drives Consumption Among Subscribers

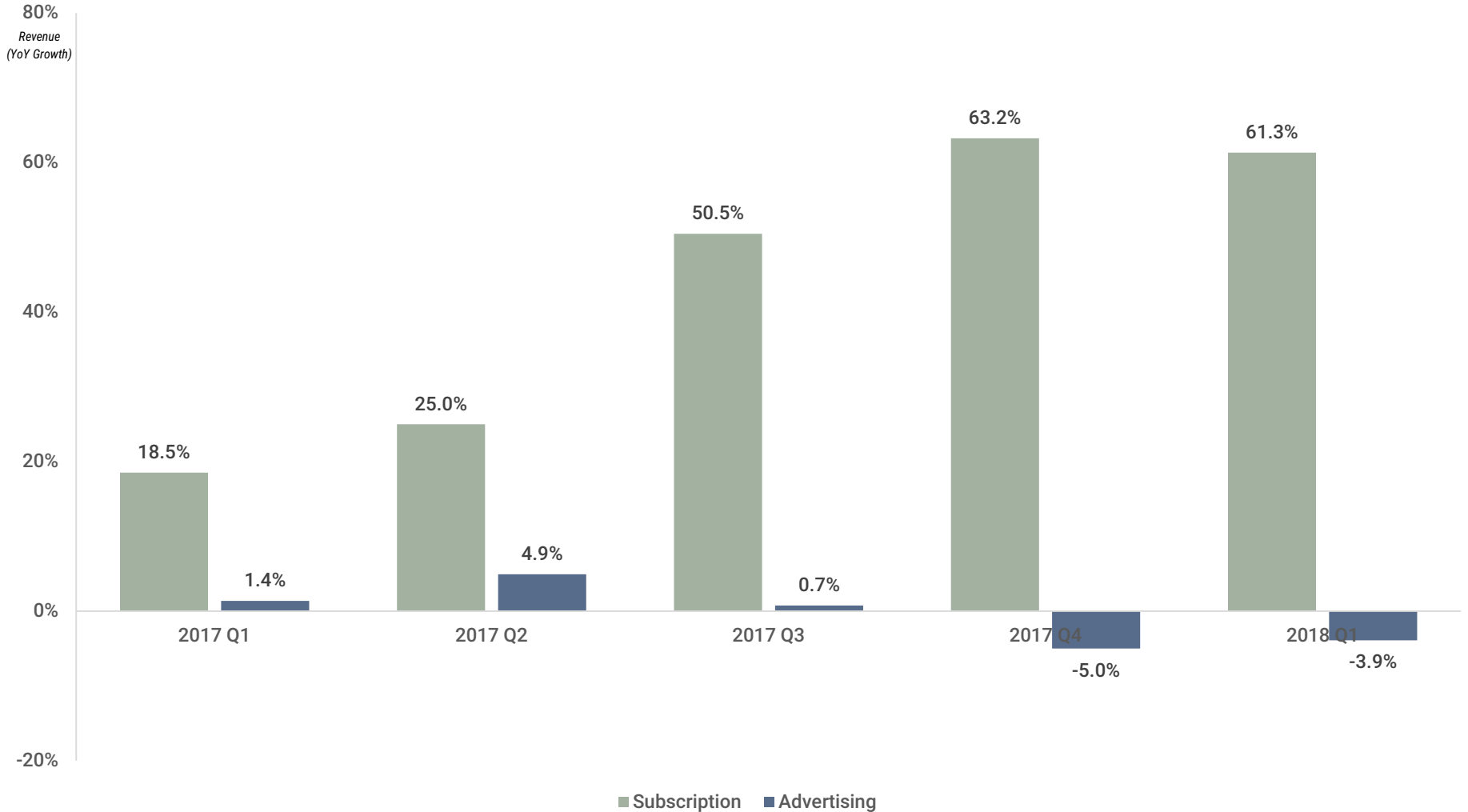


New marketing initiatives should help funnel more listeners from the free tier into the subscription

Revenue



The Addition Of Video Inventory Through Premium Access Will Improve Advertising Revenues



Investments into self-serve ad tools are imperative to reach the highly coveted local, small businesses

Licensing Costs



As The Subscription Tier Becomes More Popular, Content Costs Will Continue To Rise



The addition of podcasts and other non-music content will help improve margin profiles