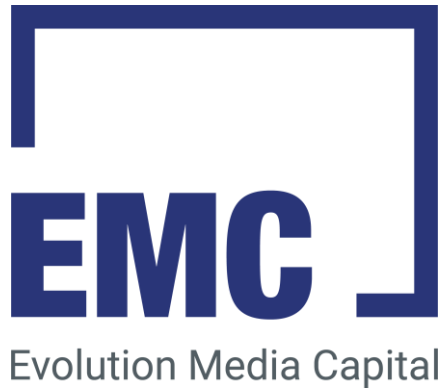




Pandora (P) 2018 Q2 Earnings Summary

August 2018

Sign Up For Additional Research From Evolution Media Capital



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Acquisition Of Adswizz Gives Pandora The Platform To Be At The Center Of The Audio Advertising Market

ADSWIZZ

- **Quite bullish about the digital audio advertising ecosystem and their platform approach to advertising gives them global reach**
 - Represent the vast majority of all audio inventory that's available programmatically, not just in the U.S. but globally
 - Helping drive sales of more of their own inventory and third-party inventory by aggregating demand
- **Some publishers have left Adswizz, but have been quite pleased with the retention of customers since the acquisition**
 - Publishers realize the significant benefit of combining their digital audio inventory with Pandora to leverage its massive scale

LISTENERS

- **Overall, streaming music services are seeing an increasing percentage of new additions coming from discounted plans**
 - Launched Family Plans for their subscription service in June
 - Still have a lot more to offer, including student plans, easier sign-up flows and expanded device compatibility
- **Subscription tier allows them to capture really engaged listeners, but they tend to come from the ad business**
 - There will still be a very large segment of the market for whom subscription is not the right answer
 - Strategy is to increasingly focus on new listeners across all 3 tiers

MARKETING

- **Significant opportunity to grow the size and engagement of its audience with performance marketing and enhanced CRM capabilities**
 - Need to better utilize data to improve the efficiency of their marketing efforts and shift the marginal cost curve of adding new users lower
- **There's strong growth overall in subscription music, but the bigger revenue pie today is actually advertising**
 - Using a variety of initiatives to segment the audience and really meet music listeners on the plans they want to be on

PODCASTS

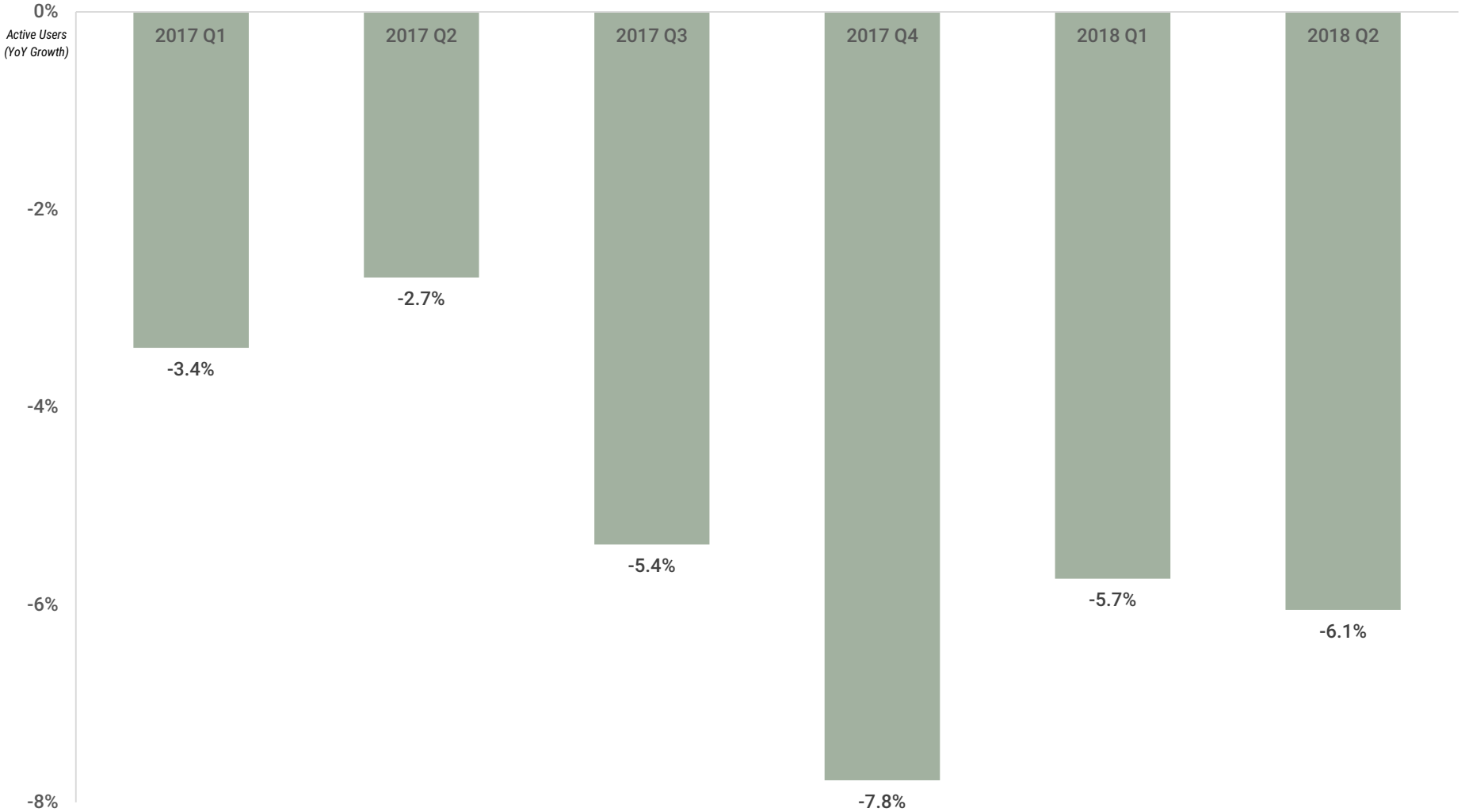
- **Podcast genome is tracking toward launch later this year and will be a significant step-forward for the growth of non-music content**
 - Will be very instrumental in going after the \$15 billion terrestrial radio market, where 28% of listening is non-music
- **The goal is to enable discovery at a hyper-personalized level and to enable monetization through advertising at a very high rate**
 - Most discovery is still done by looking at a list on app stores, and there is nothing personalized about that
 - Monetization is still relatively early, but margins on non-music content will be better than on music

The digital audio ad market is very small, but is growing faster than other forms of digital advertising

Active Users



Leveraging Data Expertise To Enhance Marketing Capabilities Will Better Target Potential Users



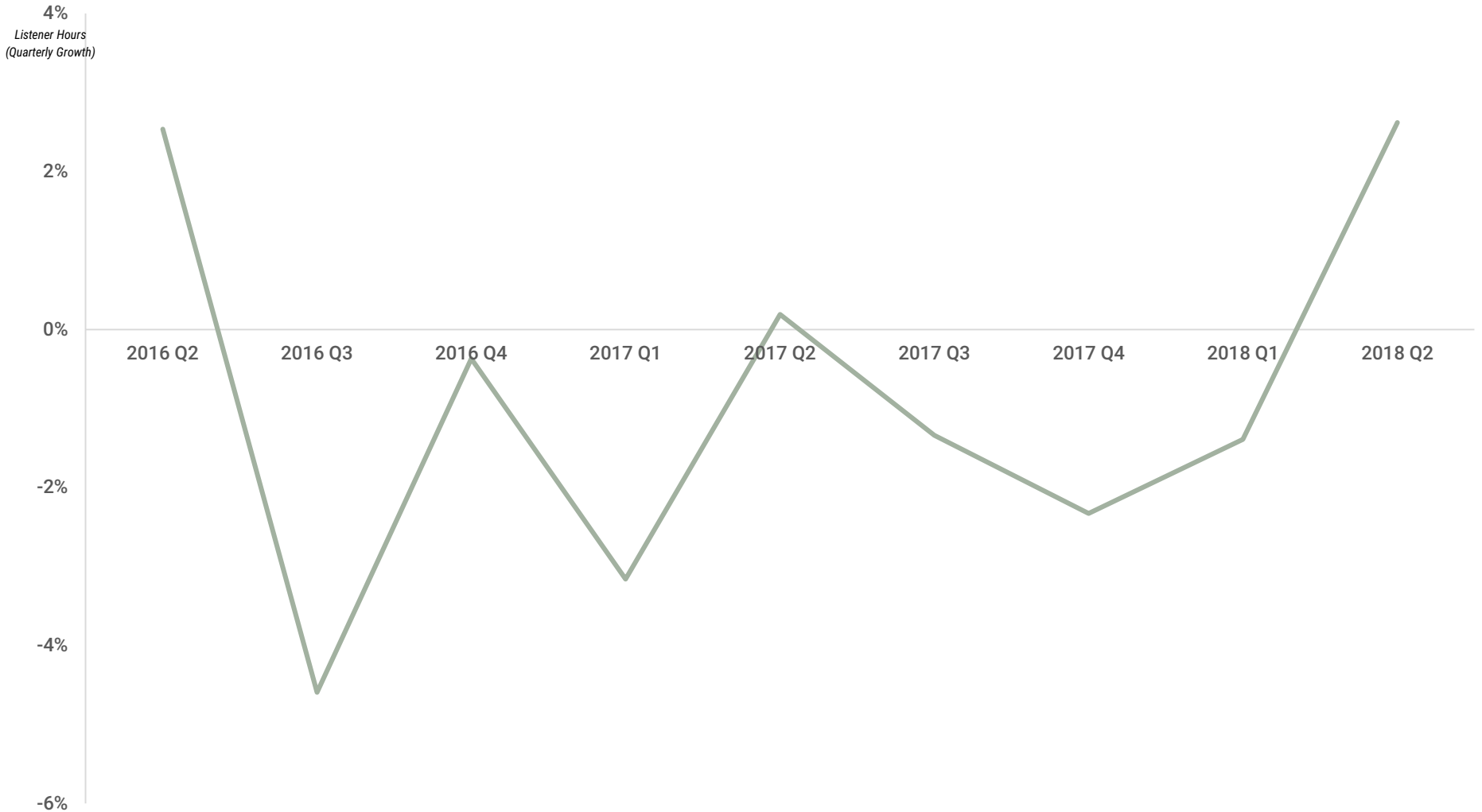
As the podcast market grows, improving the discovery can help reach new segments of non-music listeners



Listener Hours



The Subscription Tier Attracts Higher Engaged Listeners, Driving Total Consumption On The Platform

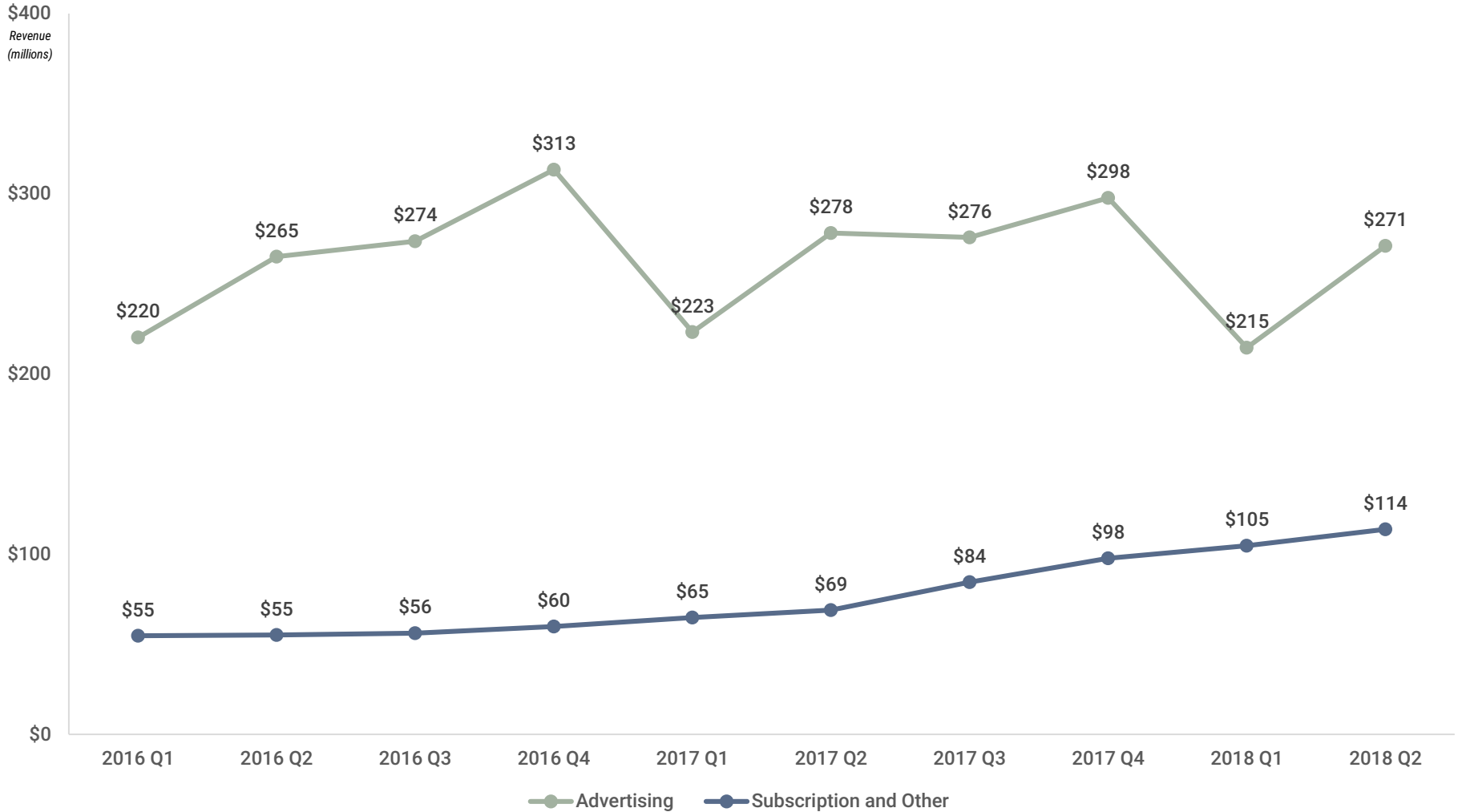


Premium Access is a critical component for converting users into paid subscribers

Revenue



The Shift To More Self-Service And Programmatic Audio Advertising Should Help Boost Revenue Growth



Increasing focus on partnerships helps expand distribution and attracts new users with low customer acquisition costs