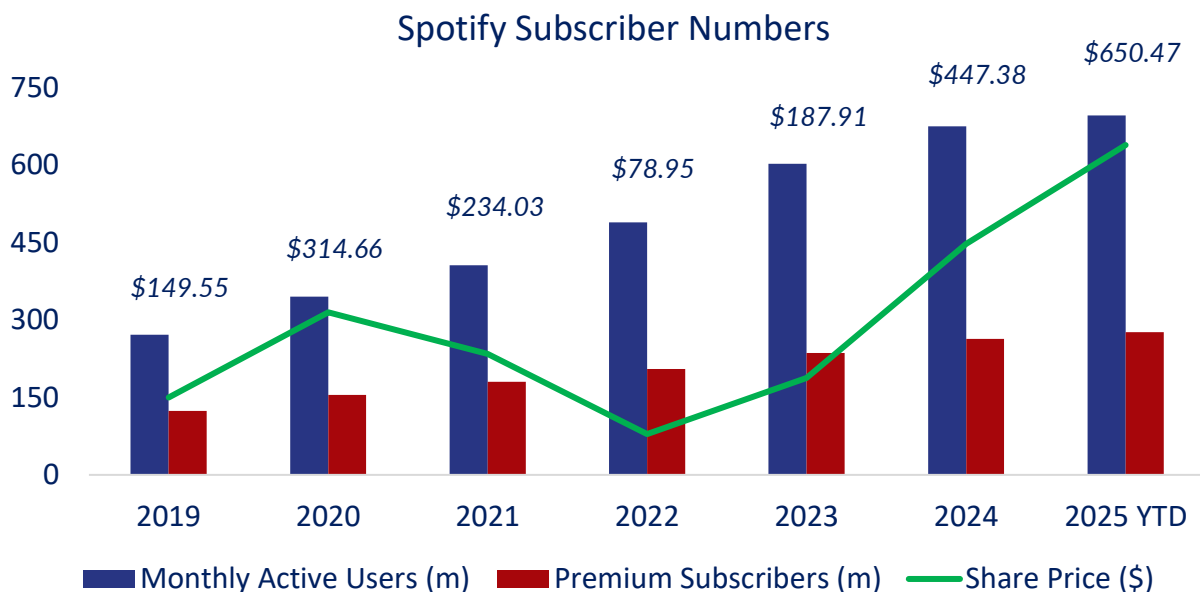


The Power of Subscriber Loyalty

Within the Aubrey Global Conviction Strategy, we seek to invest in companies that offer market-leading products capable of defining or revolutionising their industries. Such businesses tend to build loyal customer bases which, over time, bring pricing power and profitability.

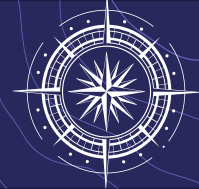
Two companies within our portfolio really stand out: Netflix and Spotify. Even when times have been tough and sentiment has soured, their business models have remained robust. However, share prices have not always performed well, with Spotify and Netflix falling 66% and 51% respectively during 2022 when growth stocks were crushed.

The issue when sentiment turned south was that Netflix was seeing a deceleration in subscriber growth and increased competition. At the same time, many doubted the potential profitability of the Spotify business model, as it hadn't yet turned profitable. However, what does stand out is how these companies continued to grow their customer bases, with Netflix still adding 9 million subscribers during 2022, while Spotify increased its premium subscriber base by 13.9% (or 25 million), only a small deceleration from the previous year. This created a significant disconnect between the impressive user growth shown below and share price performance.

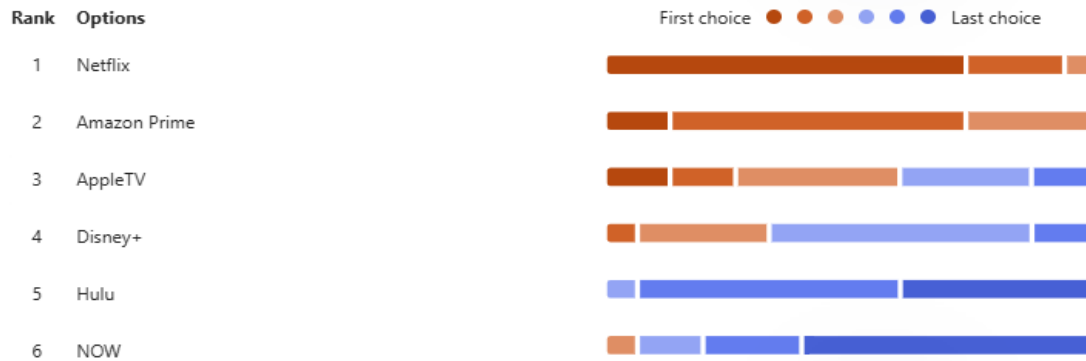


**Share price data reflects the closing price of Spotify's US-listed share class (SPOT) at year-end for each calendar year shown as of 31/07/2025.*

Fast forward a few years and both bearish cases have been firmly dispelled. Netflix added 71m subscribers across 2023 and 2024, while Spotify's cost cutting programme saw it turn profitable during 2024. This has been made possible by how indispensable both services have become to their subscriber bases.



To illustrate my point, I opted to do some primary research within the team at Aubrey and created a survey about the use of both platforms. All but two respondents had a Netflix subscription, and 67% have had one for over 5 years. Furthermore, while every respondent used at least one more streaming service, 73% ranked Netflix as their favourite platform. Meanwhile, Disney+ was ranked 3rd or below by 93% of responders.



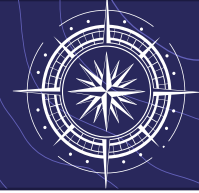
Finally, when asked how likely it was they would cancel their subscription out of 10, the average score of 4.25 highlighted the stickiness of the subscriber base, with one surprise responder skewing the average with a 10!

For Spotify, the strength and longevity of its brand and product is even more pronounced. Every respondent with a subscription has had an account for over 5 years, while those who don't have a subscription exclusively opted for Apple Music. When asked about what might prompt them to switch, 54% opted for 'Nothing, Spotify till I die'. This point was only furthered by a similar cancellation question, which came out with an average score of 1.82/10.

While a small sample, this loyalty that both services have built through sustained investment in product quality and content has given them many levers to increase monetisation from their subscriber base. Netflix famously launched a crackdown on password sharing during 2024, which led to a 42 million increase in paid subscribers (+16%), including almost 19 million in Q4 alone, followed by price rises in January 2025 that contributed to a surge in profits.

Interestingly, Spotify had implemented very few price increases historically until 2024, when it raised prices – resulting in a 6.8% increase in average revenue per user (ARPU). This is where we think there's further room to drive profitability over the long-term, as they introduce new premium tiers for music 'superfans' while standard users show minimal price sensitivity in their mature markets of Europe and the US. Further opportunity for cost savings still exists, with increased proportion of user listening on lower cost podcast and audiobook content driving higher gross margins.

Despite a slightly disappointing July, both stocks have performed strongly in 2025 with Spotify up 36.7% and Netflix up 30.8% (in USD to 31st July) as investors sought safety from Donald Trump's Liberation Day tariffs and declining consumer confidence. With rich content ecosystems and deeply entrenched user bases, both companies have entered the next phase of monetisation. If the loyalty we observed internally is anything to go by, betting against them over the long term would be a brave call indeed.



Biography

Tom Dalrymple | Investment Analyst



Tom joined Aubrey in 2024 as an Investment Analyst, working across both the Global and Emerging Markets strategies.

Previously, Tom worked at J. Stern & Co. in London for 4 years, where he undertook a broad range of work across client relations and performance analysis.

Tom has a degree in History from the University of Newcastle, holds the Investment Management Certificate and has passed Level 3 of the CFA program.

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