

Warner 'very pleased' with Spotify's U.S. launch

Written by Los Angeles Times

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- [Spotify available in the US now](#)

Warner Music Group's chief executive, Edgar Bronfman Jr., who once stated that free streaming services were "clearly not (a) net positive for the industry," on Thursday said he was "very pleased" with Spotify's U.S. launch in July.

The Swedish music service garnered more than 10 million users in Europe, the vast majority of whom don't pay, prior to launching in the U.S. last month in a much anticipated arrival.

Only 1.6 million users pay for Spotify's premium service, which lets them use the service on mobile devices and home audio systems such as Sonos. The vast majority of Spotify's users in Europe don't pay, costing the company money each time they listen to a song. And until recently, labels such as Warner weren't happy with the number of free users, either, because they bring in less revenue for music rights holders than those who pay.

Bronfman, in a conference call with Wall Street analysts to discuss Warner's third-quarter financials, said he was happy with Spotify's recent efforts to induce its free users into the premium service.

He predicted that Spotify, which is currently paying more money for music royalties than it makes in subscriptions and advertising, would be profitable if it can continue to induce its free users to spring for the premium service.

"The kinds of levels that Spotify is currently achieving in Europe is also extremely encouraging," Bronfman said. "If that keeps up, they will be a very profitable business themselves."

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Warner, three other major record labels and an independent label own a little over 17% of Spotify.

Bronfman's remarks came as Warner reported its first quarterly results after completing its \$3.3-billion purchase by Access Industries on July 20. Although privately owned by Access, Warner continues to report its financials because it still has to pay off publicly held bonds.

The New York record company posted a 5% uptick in revenue, to \$686 million, in its third quarter ended June 30 as growth in international sales offset a decline in the U.S., where Warner lost market share. It lost \$46 million, or 30 cents a share, in the quarter, down from a \$55-million loss, or 37 cents a share, a year earlier.

It ended the quarter with \$290 million in cash, down from \$439 million a year ago. The company, however, warned that that figure has since declined because it had to dip into its cash pile in order to pay for expenses associated with its deal with Access.

Company executives did not address how it would finance a possible purchase of EMI Group, which has been put up for sale by Citigroup. Warner is among four music companies said to be interested in buying EMI, which could fetch more than \$2 billion in a sale.

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