EMANUEL HAHN FOR THE WALL STREET JOURNAL

The company is loosening the exclusivity arrangements of some of its podcasts. ,A recording studio control booth in Spotify's Los Angeles office.

Spotify Logs a Surge in Listeners

Streaming giant's revenue gains missed expectations as ad spending cooled

By Anne Steele

Spotify Technology SA reported its strongest first-quarter user growth ever, but a soft ad business led to lower-than-expected revenue growth.

During the quarter ended in March, the company laid off employees and reorganized its top brass, saying it aims to become more efficient this year following an intense period of spending. Spotify also introduced a new video feed for its app in a bid to boost user engagement. It overhauled its landing page to recommend music, podcasts and audiobooks to users via short clips, similar to TikTok and YouTube Shorts.

The streaming giant reported 515 million monthly active users, up 22% from a year earlier. That topped company expectations by 15 million and marked its largest-ever first-quarter growth. Spotify said that growth came across nearly all age demographics and from both developed and developing markets. Paying subscribers, the company's most lucrative type of customer, were up 15% to 210 million, also beating the company's guidance.

Free cash flow, a measure of the cash a company generates from operations and viewed by many investors as a proxy for performance, was €57 million, equivalent to $63 million, compared with €22 million a year earlier and negative €73 million in the prior quarter.

For the first quarter, Spotify swung to a loss of €225 million, or €1.16 a share, from a profit of €131 million, or 68 European cents a share, a year earlier. For years, executives have said the company will give priority to investment over profit as it works to attract users around the world and expand into new forms of audio. Last fall, the company indicated that profitability is expected to improve this year as it moves on from a period of heavy investment.

In January, Spotify laid off about 600 employees, or roughly 6% of its workforce, as part of broader cost cutting after a spending spree during the pandemic. The company on Tuesday said severance-related charges associated with the layoffs added to operating expenses in the quarter. The company said higher personnel costs during the quarter were driven primarily by its head count expansion in 2022.

The company said it anticipates operating expenses to improve in 2023 and beyond.

Average revenue per user for the subscription business in the quarter slipped 1% to €4.32, and fell 2% on a constant-currency basis. The metric has been pressured as Spotify attracts new subscribers through discounted plans and lower prices in emerging markets. Price increases for its family plan in established markets, including the U.S., have helped boost subscriber revenue but investors are waiting for Spotify to match the price increases **Apple** Inc. and **Amazon.com** Inc. made on individual plans.

Subscriptions, which make up most of Spotify's revenue, climbed 14% to €2.71 billion. Revenue from advertising grew 17% to €329 million. Ad revenue, which has become a particular growth area for Spotify as it expands its podcast business, accounted for about 11% of total revenue for the quarter—a small downtick from prior periods.

First-quarter revenue rose 14% to €3.04 billion, slightly short of the €3.1 billion the company expected. Spotify said that was due to macro-related variability in the ad business.

At a company event in March, Spotify said it struck a deal with NPR, by which the podcast publisher will use Spotify's ad marketplace to monetize its shows. Part of Spotify's ambition in podcasting is to make money from its own shows, and also expand its advertising revenue by selling ads across other networks' and publishers' shows.

The company also is loosening the exclusivity arrangements of some of its podcasts, and will begin distributing to other platforms shows that have been available only on Spotify—a move aimed at increasing the audience and ad potential of its shows. It is a shift in strategy for the company, which has relied heavily on paying to carry content exclusively to draw in podcast listeners. Spotify is now the top podcast platform by listeners in the U.S., according to Edison Research. Exclusive deals with stars including Joe Rogan and Emma Chamberlain remain in place.

For the current quarter, the company guided for monthly active users to grow to 530 million and premium subscribers to grow to 217 million. It said it expects revenue of €3.2 billion.

News Corp's Dow Jones & Co., publisher of The Wall Street Journal, has a content partnership with Spotify's Gimlet Media unit.

3M to Cut Thousands Of Jobs as Sales Slide

By John Keilman and Dia Gill

3M Co. said it is cutting thousands more jobs as part of a restructuring meant to focus on fast-growing parts of its business while sales of established products struggle.

The Minnesota maker of Scotch tape and Post-it Notes said Tuesday it will eliminate 6,000 positions, cutting employees across all parts of the company to streamline corporate operations, simplify its supply chain and reduce management layers.

Those job cuts are in addition to the 2,500 manufacturing positions 3M said it would eliminate in January. Chief Executive Mike Roman said Tuesday that together, the moves will reduce the company's global workforce by about 10% and save between $700 million and $900 million in annual pretax costs upon completion. "We're confident that these are the right actions about positioning us for growth and profitability as we go forward," Mr. Roman told analysts in a conference call.

3M unveiled the restructuring plan as it released first-quarter earnings results that topped analysts' expectations. The company reported first quarter net income of $976 million, or $1.76 a share, compared with $1.3 billion, or $2.26 a share, in the same period a year earlier. Analysts had expected earnings of $1.58 a share, according to FactSet.

The company reported $8.03 billion in sales, down from $8.83 billion a year earlier. Analysts had expected $7.49 billion.

3M has struggled with soft demand for its products, and that continued into the first quarter.

Adjusted net sales declined across all four of the company's business segments—safety and industrial, transportation and electronics, healthcare, and consumer—compared with the same period in 2022.

Chief Financial Officer Monish Patolawala attributed a 35% decline in 3M's electronics-segment sales to reduced demand for smartphones, tablets and televisions.

Mr. Roman said the cost-cutting will let 3M give priority to growth areas such as climate technology, sustainable packaging, industrial automation, semiconductors and next-generation consumer electronics.

The restructuring comes after some investors raised concerns over the executive leadership, citing continued declines in 3M's revenue and earnings under Mr. Roman. The company said it welcomes investors' feedback.

3M's stock fell 0.7% to close at $104.37 on Tuesday. The shares hit a 10-year low before bouncing back in recent weeks and are down around 30% over the past 12 months.

3M's shares have been weighed down by litigation. About 230,000 veterans have filed complaints in federal court alleging earplugs made by 3M subsidiary Aearo Technologies LLC failed to protect them from service-related hearing loss. 3M is contesting the lawsuits.

The company is also defending against allegations that PFAS, forever chemicals, have contaminated soil and drinking water. 3M's liability from PFAS litigation could reach tens of billions of dollars by the end of the decade, according to Capstone LLC, a Washington-based firm that advises investors and companies on regulatory issues.

3M is phasing out production of PFAS, though Mr. Patolawala said at an investor conference earlier this year that the company believes the products are safe to make and use. He also said the company did nothing wrong with its earplug business.

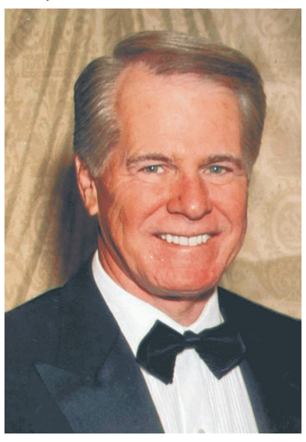
3M is moving ahead with a spinoff of its healthcare business, which accounts for about a quarter of the company's revenue.

It was the only segment to generate organic sales growth year over year during the most recent quarter, and Mr. Patolawala said he expected demand for its products to increase as elective hospital procedures return to normal.

In Memoriam

For more information: wsj.com/inmemoriam

Larry C. Brookshire



HOUSTON, TEXAS - Larry C. Brookshire of Houston, Texas, passed away on April 17, 2023, at his home surrounded by family after a short illness.

Larry was born in Austin, TX in 1947. He grew up in a home with a single mother and two brothers (one severely handicapped). Larry used this humble upbringing to significant advantage throughout his life. The lessons he learned taking care of his older brother instilled in him an empathy for people and a work ethic that served him well throughout his life.

Larry began working summers when he was thirteen as an electrician's helper. He continued this job through his college years. He graduated from the four-year union apprenticeship school (which he attended at night) the same month he graduated from The University of Texas in 1969 with a degree in Electrical Engineering.

He attended South Texas College of Law while working as a project engineer for Fischbach and Moore -at that time, the largest electrical contractor in the world. When he graduated from law school, he was offered an opportunity to run the Houston office. Larry grew the office into one of the most profitable offices in the entire company - he was just thirty-five years old.

His track record for excellence and success continued as he was recruited to become CEO of Dynalectric in Washington, DC. Over ten years under Larry's leadership, the company became the largest electrical contractor in North America.

His entrepreneurial drive led him to his next project: revitalizing one of Houston's oldest companies, Fisk Electric. In 1996, Larry acquired Fisk and overhauled internal processes, quickly changing its trajectory to become one of the preeminent electrical companies in the country. Fisk was purchased by Tyco in 2000.

Since his leadership and vision were not replicable by Tyco, the company's profits lagged in the ensuing years. In 2006, Larry seized the opportunity and re-purchased Fisk from Tyco. For the next five years, Larry led Fisk a second time, during which the company was a major contributor to the Texas Medical Center, Minute Maid Field, and helping restore New Orleans and the Superdome following Hurricane Katrina. During this time the company also performed the electrical and telecommunications work on the City Center project in Las Vegas. At the time, City Center was the largest privately financed project in U.S. history - a momentous capstone for a titan of industry.

Undoubtedly, Larry's humble beginnings set his compass for perseverance, allowing him to repeatedly reach the pinnacle of success in each of his professional undertakings. But while his accomplishments mounted, Larry stayed focused on the essential component for achievement - people. While Larry was widely admired for his entrepreneurial vision and business acumen, he was even more beloved by his family and those close to him for his generosity, undeniable loyalty, and trademark sarcastic wit. This is the legacy he leaves, and he will be deeply missed.

He is survived by his wife, Sunny, his brother, Barry, his sons Ross (Nicole) of Austin, Kyle (Kirstin) of Dallas, his daughter, Kelly Haselwood (David) of Houston, his four grandchildren, who knew Larry as "Cappy," Robert (11), Lexie (9), McKagan (5), and Sydney (2). He will be deeply missed by countless friends and other family members including Cyndi Brookshire, Janna, Matt, Jennifer, and Lance Livingston, Charron Hodge, and Lori Britton. He is preceded in death by his mother, Lea, and his brother, N.A.

A celebration of life will be held at Larry's Houston home on Saturday, April 29, 2023. In lieu of flowers, the family requests donations be made to First Tee Foundation, https://firstteegreaterhouston.org/.