



Apple's Shazam Users Jumped in 2018

Description

Apple's ([NASDAQ: AAPL](#)) \$400 million acquisition of music recognition specialist Shazam closed over a year ago and having a rich corporate parent has helped Shazam become profitable. The subsidiary has filed financial results with the Companies House in the U.K., where Shazam is based, which show the company swinging to a profit in 2018. On top of that, Shazam annual active users are now approaching 500 million.

Here's what investors need to know.

Swinging to a profit

[Music Ally](#) reports that Shazam's revenue in 2018 actually fell by 23% to 31.4 million pounds (\$38.9 million) yet was able to post a net profit of 123.9 million pounds (\$153.6 million) thanks to being acquired by Apple. The decline in revenue is likely due to the fact that Apple removed all ads from the app after it finalized the deal in late 2018.

As part of the deal, Shazam recognized 157.7 million (\$195.3 million) in income associated with selling its intellectual property assets and transferring employees to the Cupertino [tech giant](#). Shazam had posted a net loss of 17.7 million pounds (\$21.9 million) in 2017.

Additionally, Shazam finished 2018 with 478 million annual active users, up from 400 million in 2017. Shazam says it has expanded distribution of its service with major companies. Converting Shazam users into Apple Music subscribers was initially seen as a [key justification](#) for the deal in the first place, although the company's music recognition technology can also be leveraged to bolster Apple's [content discovery](#) capabilities.

"Shazam has 150 million active users a month, and about 300 million to 400 million uniques per year," early Shazam investor Nenad Marovac told Business Insider last year. "If you convert 1% to 5% of those users to Apple Music, the investment will pay for itself in spades."

Apple first confirmed the proposed purchase in late 2017, but the deal required regulatory approval to

ensure it would not hurt competition in the European digital music streaming market. The European Commission [cleared the deal](#) in September 2018, with Apple closing the acquisition later that month.

Apple Music is now growing faster

The regulatory filings don't shine much light on conversion rates or how many Shazam users may be signing up for Apple's music streaming service. However, it's worth noting that the rate at which Apple Music adds subscribers has ticked higher over the past year.

Services chief Eddy Cue confirmed in June that Apple Music had hit 60 million subscribers, approximately five months after hitting 50 million. It had taken roughly nine months for the service to get from 40 million to 50 million. That acceleration probably isn't entirely attributable to Shazam, but every little bit helps in the ongoing competition with market leader **Spotify**, which has 108 million premium subscribers.

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1. NASDAQ:AAPL (Apple Inc.)
2. NYSE:SPOT (Spotify)

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evan-niu-cfa

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