



UNIVERSAL MUSIC GROUP

Universal Music Group N.V. Reports Financial Results for the Second Quarter and Half Year Ended June 30, 2023

Summary Q2 2023 Results¹

- Revenue of €2,697 million increased 6.4% year-over-year, or 8.8% in constant currency, driven by strong growth in the Recorded Music and Merchandising and Other segments
- Recorded Music subscription revenue grew 10.6% year-over-year, or 13.0% in constant currency and streaming revenue grew 2.9% year-over-year, or 5.3% in constant currency
- Adjusted EBITDA of €590 million increased 16.4% year-over-year, or 19.2% in constant currency, and Adjusted EBITDA margin expanded 1.9 percentage points to 21.9%
- Recorded Music top sellers included King & Prince, Morgan Wallen, SEVENTEEN, Taylor Swift, and Stray Kids

Summary H1 2023 Results¹

- Revenue of €5,148 million increased 8.7% year-over-year, or 9.1% in constant currency, driven by growth across all segments
- Recorded Music subscription revenue grew 11.6% year-over-year on both a reported and constant currency basis and streaming revenue grew 2.3% year-over-year, or 1.8% in constant currency
- Adjusted EBITDA of €1,112 million increased 15.6% year-over-year, or 16.2% in constant currency, and Adjusted EBITDA margin expanded 1.3 percentage points to 21.6%
- Net cash provided by operating activities before income tax paid of €703 million increased 16.2% compared to €605 million in H1 2022
- Interim dividend of €437 million, or €0.24 per share

Hilversum, The Netherlands, July 26, 2023 -- Universal Music Group N.V. ("UMG" or "the Company") today announced its financial results for the second quarter and half year ended June 30, 2023.

UMG's Chairman and CEO Sir Lucian Grainge said, "As an artist-centric company, we're not only proud of our continued strong performance, but we're also particularly excited that it enables us to accelerate our strategy to promote a healthier streaming business—one that rewards real artists and real music—and drive growth opportunities for the broader music ecosystem."

"Our strong growth in revenues, Adjusted EBITDA and operating cash flow has enabled our continued strategic investment in the business, further driving long-term shareholder value as we continue to execute on our vision," said Boyd Muir, UMG's EVP, CFO and President of Operations.

¹ This press release includes certain alternative performance indicators which are not defined in the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as endorsed by the EU. The descriptions of these alternative performance indicators and reconciliations of non-IFRS to IFRS measures are included in the Interim Financial Review and Unaudited Condensed Consolidated Interim Financial Statements which is available on our website at investors.universalmusic.com/reports.

UMG Results

(in millions of euros)	Three Months Ended June 30,		%	%	Six Months Ended June 30,		%	%
	2023	2022	YoY	const.	2023	2022	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Revenue	2,697	2,535	6.4%	8.8%	5,148	4,734	8.7%	9.1%
EBITDA	505	507	(0.4%)	2.2%	767	960	(20.1%)	(19.8%)
EBITDA margin	18.7%	20.0%	(1.3pp)		14.9%	20.3%	(5.4pp)	
Adjusted EBITDA	590	507	16.4%	19.2%	1,112	962	15.6%	16.2%
Adjusted EBITDA margin	21.9%	20.0%	1.9pp		21.6%	20.3%	1.3pp	
Operating profit ¹					591	767	(22.9%)	(22.3%)
Net profit attributable to equity holders of the parent					625	241	159.3%	163.7%
Adjusted net profit ²					754	664	13.6%	
Net cash provided by operating activities before income tax paid					703	605	16.2%	
Free cash flow					(13)	104	(112.5%)	
Weighted average number of shares outstanding					1,817	1,813		
EPS					0.34	0.13		
Adjusted EPS ²					0.41	0.37		

1 2022 restated amounts are presented in Note 2.3 of the 2023 Unaudited Condensed Consolidated Interim Financial Statements

2 2022 restated amounts are presented in the reconciliation of Adjusted net profit and Adjusted net profit per share in the 2023 Interim Financial Review

(in millions of euros)	As at		%
	June 30, 2023	December 31, 2022	YoY
	<i>(unaudited)</i>	<i>(audited)</i>	
Net Debt	(2,300)	(1,810)	27.1%

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency. Constant currency is calculated by taking current year results and comparing against prior year results restated at current year rates.

Q2 2023 Results

Revenue for the second quarter of 2023 was €2,697 million, an increase of 6.4% year-over-year, or 8.8% in constant currency, driven by strong growth in the Recorded Music and Merchandising and Other segments.

EBITDA for the quarter declined 0.4% year-over-year, but increased by 2.2% in constant currency, to €505 million. As expected, EBITDA was impacted by non-cash share-based compensation expenses of €85 million during the second quarter of 2023, as the Company rolled out its first global equity compensation plan, which began in the fourth quarter of 2022. There was no non-cash share-based compensation expense during the second quarter of 2022. EBITDA margin was 18.7%, compared to 20.0% in the second quarter of 2022. Excluding non-cash share-based compensation expense, Adjusted EBITDA for the quarter was €590 million, up 16.4% year-over-year, or 19.2% in constant currency, and Adjusted EBITDA margin improved to 21.9%, compared to 20.0% in the second quarter of 2022, as a result of revenue growth, operating leverage and cash compensation savings of €24 million associated with the equity plan rollout.

H1 2023 Results

In the half year ended June 30, 2023 ("H1 2023"), UMG's revenue increased to €5,148 million, up by 8.7% compared to the half year ended June 30, 2022 ("H1 2022"), or 9.1% in constant currency. This increase was driven by improvements across all segments, as discussed further below.

Cost of revenues, consisting of artist and product costs, increased by 7.8% to €2,811 million in H1 2023, reflecting higher revenue. Cost of revenue as a percentage of revenue decreased to 54.6% in H1 2023 from 55.1% in H1 2022 primarily driven by lower merchandising product costs.

EBITDA of €767 million declined 20.1% year-over-year, or 19.8% in constant currency, and EBITDA margin was 14.9% compared to 20.3% in the first half of 2022. EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €345 million during H1 2023 and €2 million during H1 2022. Excluding these amounts, Adjusted EBITDA of €1,112 million, was up 15.6% year-over-year in H1 2023, or 16.2% in constant currency, and Adjusted EBITDA margin expanded 1.3pp year-over-year to 21.6% driven by revenue growth, operating leverage and cash compensation savings of €33 million associated with the equity plan rollout.

Operating profit declined 22.9% year-over-year, or 22.3% in constant currency, to €591 million in H1 2023 due to the higher non-cash share-based compensation expenses in the first half of 2023 compared to the first half of 2022 as discussed above.

Net profit attributable to equity holders of the parent in H1 2023 amounted to €625 million compared to €241 million in H1 2022, resulting in EPS of €0.34 in H1 2023, compared to €0.13 in H1 2022. The improvement in Net profit attributable to equity holders of the parent was in part due to the variance in revaluation of investments in listed and other companies (including Spotify and Tencent Music Entertainment, among others) that was a net income in H1 2023 of €313 million compared to a net expense in H1 2022 of €567 million. Adjusted net profit, which adjusts for the revaluation of investments, non-cash share-based compensation expense, amortization of catalogues and other items, amounted to €754 million in H1 2023, compared to €664 million in H1 2022, resulting in Adjusted EPS of €0.41 in H1 2023, compared to €0.37 in H1 2022. The increase in Adjusted net profit was driven by the growth in Adjusted EBITDA.

Net cash provided by operating activities before income tax paid improved 16.2% to €703 million compared to €605 million in H1 2022 despite the previously disclosed €125 million paid to settle employee tax liabilities from equity grants on non-cash share-based compensation. The improvement in Net cash provided by operating activities before income tax paid was helped by the decline in royalty advance payments, net of recoupments, which was down 57.4% to €95 million in H1 2023 from €223 million in H1 2022, due to the timing of major artist renewals and an increase in recoupment.

The strong Net cash provided by operating activities before income tax paid allowed the Company to continue to strategically invest in the long-term growth of the business. Strategic investments in the period included the acquisition of a 50% stake in the entity that owns the iconic Capitol Records building in Hollywood and acquisitions of a brand services company and a niche record label, among other items. Cash paid for catalogue acquisitions decreased to €89 million in H1 2023 compared to €264 million in H1 2022. Separately, investing activities also included €75 million cash put into escrow for another catalogue acquisition. Free cash flow decreased to a €13 million outflow in H1 2023 compared to a €104 million inflow in H1 2022, mainly as a result of the higher Net cash used for investing activities. The year-over-year decline in Free cash flow was also a result of higher income taxes paid and higher net interest paid, both of which benefitted from previously disclosed tax settlements in certain jurisdictions in the prior year.

UMG's dividend policy is to pay a dividend of at least 50% of adjusted net profit. UMG's Board of Directors declared an interim dividend for H1 2023 of €437 million, or €0.24 per share. The ex-dividend date will be on October 4, 2023, the record date will be on October 5, 2023 and the payment date will be on October 27, 2023.

Net debt, defined as total debt minus cash and cash equivalents, at the end of H1 2023 was €2,300 million compared to €1,810 million at the end of 2022. The increase in net debt was primarily driven by the increase in cash used for investments, tax and dividends partly compensated by strong cash generated by operating activities.

Recorded Music

(in millions of euros)	Three Months Ended June 30,		%	%	Six Months Ended June 30,		%	%
	2023	2022	YoY	const.	2023	2022	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Subscriptions and streaming	1,426	1,314	8.5%	11.0%	2,755	2,524	9.2%	9.1%
of which streaming	358	348	2.9%	5.3%	673	658	2.3%	1.8%
of which subscription	1,068	966	10.6%	13.0%	2,082	1,866	11.6%	11.6%
Downloads and other digital	61	69	(11.6%)	(10.3%)	116	137	(15.3%)	(14.7%)
Physical	326	303	7.6%	11.3%	639	540	18.3%	20.8%
License and other	267	236	13.1%	16.1%	493	442	11.5%	12.6%
Recorded Music revenues	2,080	1,922	8.2%	10.9%	4,003	3,643	9.9%	10.3%
EBITDA					698	842	(17.1%)	(16.7%)
EBITDA margin					17.4%	23.1%	(5.7pp)	
Adjusted EBITDA					969	842	15.1%	15.6%
Adjusted EBITDA margin					24.2%	23.1%	1.1pp	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q2 2023

Recorded Music revenue for the second quarter of 2023 was €2,080 million, up 8.2% compared to the second quarter of 2022, or 10.9% in constant currency. Subscription revenue grew 10.6% year-over-year, or 13.0% in constant currency, driven primarily by the growth in global subscribers as well as the impact of price increases at certain platforms. Streaming revenue grew 2.9% year-over-year, or 5.3% in constant currency, as certain platforms and countries grew, but the performance of the broader advertising industry was mixed. Physical revenue increased by 7.6% year-over-year, or 11.3% in constant currency, driven by strong CD sales in Japan and improvements in vinyl sales. Downloads and other digital revenue declined 11.6% year-over-year, or 10.3% in constant currency, as download sales continued their industry-wide decline. License and other revenue improved 13.1% year-over-year, or 16.1% in constant currency, as a result of improvements in neighbouring rights, brand promotion and live income. Top sellers for the quarter included releases from King & Prince, Morgan Wallen, SEVENTEEN, Taylor Swift, and Stray Kids, while top sellers in the prior-year quarter included BTS, King & Prince, Rammstein, Olivia Rodrigo and INI.

H1 2023

In H1 2023, Recorded Music revenue was €4,003 million, up 9.9% compared to H1 2022, or 10.3% in constant currency.

Subscription revenue grew 11.6% year-over-year on both a reported and constant currency basis. Streaming revenue grew 2.3% year-over-year, or 1.8% in constant currency. Physical revenue grew 18.3% year-over-year, or 20.8% in constant currency. Downloads and other digital revenue decreased by 15.3% year-over-year, or 14.7% in constant currency. License and other revenue improved 11.5% year-over-year, or 12.6% in constant currency. Top sellers for H1 2023 included King & Prince, Morgan Wallen, Taylor Swift, Metro Boomin and TOMORROW X TOGETHER. Top sellers for H1 2022 included BTS, the Encanto soundtrack, Olivia Rodrigo, The Weeknd and King & Prince.

Recorded Music EBITDA of €698 million declined 17.1% year-over-year, or 16.7% in constant currency, while Recorded Music EBITDA margin declined 5.7pp to 17.4% from 23.1% in the first half of 2022. Recorded Music EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €271 million in the first half of 2023. There were no non-cash share-based compensation expenses in Recorded Music during the first half of 2022. Excluding non-cash share-based compensation, Recorded Music Adjusted EBITDA in H1 2023 was €969 million, up 15.1% year-over-year, or 15.6% in constant currency, and Recorded Music Adjusted

EBITDA margin in H1 2023 improved 1.1pp to 24.2% from 23.1% in H1 2022 driven by the growth in revenues, operating leverage and cash compensation savings associated with the equity plan rollout.

Music Publishing

(in millions of euros)	Three Months Ended June 30,		%		Six Months Ended June 30,		%	
	2023	2022	YoY	const.	2023	2022	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Performance	97	36	169.4%	185.3%	187	127	47.2%	48.4%
Synchronisation	60	59	1.7%	5.3%	129	120	7.5%	6.6%
Digital	264	346	(23.7%)	(22.6%)	495	537	(7.8%)	(7.5%)
Mechanical	29	23	26.1%	31.8%	52	46	13.0%	15.6%
Other	14	12	16.7%	7.7%	26	21	23.8%	23.8%
Music Publishing revenues	464	476	(2.5%)	(0.6%)	889	851	4.5%	4.8%
EBITDA					186	200	(7.0%)	(7.0%)
EBITDA margin					20.9%	23.5%	(2.6pp)	
Adjusted EBITDA					216	200	8.0%	8.0%
Adjusted EBITDA margin					24.3%	23.5%	0.8pp	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q2 2023

Music Publishing revenue in the second quarter of 2023 was €464 million, down 2.5% year-over-year, or 0.6% in constant currency. As previously disclosed in UMG's Annual Consolidated Financial Statements for the year ended December 31, 2021, UMG adjusted its accounting policy in relation to certain revenues that are collected through societies (the "Change in Society Accounting"). Of particular note, the €98 million impact associated with the Change in Society Accounting in the second quarter of 2022 reflected a one-time catch-up for the receipt of higher income than was accrued at the end of 2021. Excluding this one-time, prior-year benefit, Music Publishing revenues grew 22.8% year-over-year or 25.7% in constant currency as a result of the continued growth in streaming and subscription revenue and improvement in performance income. Digital revenue declined 23.7% year-over-year, or 22.6% in constant currency due to the Change in Society Accounting partly offset by growth in streaming and subscription revenue. Performance revenue grew 169.4% year-over-year, or 185.3% in constant currency, due to the Change in Society Accounting that had a negative impact in the prior year as well as better than expected receipts following the COVID recovery. Synchronization revenue improved 1.7% year-over-year, or 5.3% in constant currency, due to the timing of deals. Mechanical revenue grew 26.1% year-over-year, or 31.8% in constant currency, as a result of improvements in physical sales.

H1 2023

Music Publishing revenue amounted to €889 million in H1 2023, up 4.5% year-over-year, or 4.8% in constant currency, despite the previously disclosed Change in Society Accounting which resulted in a one-time benefit in the second quarter of 2022. Excluding this prior-year benefit, Music Publishing revenues grew 18.1% year-over-year, or 18.5% in constant currency, as a result of the continued organic growth in streaming and subscription revenue and improvement in synchronisation and performance revenue.

Music Publishing EBITDA of €186 million declined 7.0% year-over-year on both a reported and constant currency basis, while Music Publishing EBITDA margin declined 2.6pp to 20.9% from 23.5% in the first half of 2022. Music Publishing EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €30 million in the first half of 2023. There was no non-cash share-based compensation expense in Music Publishing during the first half of 2022. Excluding non-cash share-based compensation, Music Publishing Adjusted EBITDA of €216 million in H1 2023 was up 8.0% year-over-year on both a reported and constant currency basis, despite the previously disclosed Change in Society Accounting which resulted in a benefit of €17 million in EBITDA in H1 2022. Music Publishing Adjusted EBITDA margin improved by 0.8pp to 24.3% from 23.5% in H1 2022.

Merchandising and Other

(in millions of euros)	Three Months Ended June 30,		%	%	Six Months Ended June 30,		%	%
	2023	2022	YoY	const.	2023	2022	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Merchandising and other revenues	157	141	11.3%	12.1%	264	248	6.5%	5.6%
EBITDA					17	14	21.4%	21.4%
<i>EBITDA margin</i>					6.4%	5.6%	0.8pp	
Adjusted EBITDA					20	14	42.9%	42.9%
<i>Adjusted EBITDA margin</i>					7.6%	5.6%	2.0pp	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q2 2023

Merchandising and Other revenue in the second quarter of 2023 was €157 million, up 11.3% year-over-year, or 12.1% in constant currency, driven by growth in direct-to-consumer sales and despite a decline in touring merchandise sales on lower touring activity compared to the prior year quarter.

H1 2023

Merchandising and Other revenue grew to €264 million in H1 2023, up 6.5% year-over-year, or 5.6% in constant currency, driven by the growth in direct-to-consumer sales and despite lower touring merchandise and retail sales.

Merchandising and Other EBITDA of €17 million grew 21.4%, year-over-year on both a reported and constant currency basis, while Merchandising and Other EBITDA margin improved 0.8pp to 6.4% from 5.6% in the first half of 2022. Merchandising and Other EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €3 million in the first half of 2023. There were no non-cash share-based compensation expenses in Merchandising and Other during the first half of 2022. Merchandising and Other Adjusted EBITDA in H1 2023 was €20 million, up 42.9% year-over-year on both a reported and constant currency basis. Merchandising and Other Adjusted EBITDA margin improved by 2.0pp to 7.6% as a result of lower relative product costs due to the shift in revenue mix towards higher-margin direct-to-consumer revenue as well as cash compensation savings associated with the equity plan rollout.

Items Impacting Comparability of Results

TOTAL UMG

(in millions of euros)	HY23	HY22
Revenue		
Change in Society Accounting	-	98
Adjusted EBITDA		
Change in Society Accounting	-	17

MUSIC PUBLISHING

(in millions of euros)	HY23	HY22
Revenue		
Change in Society Accounting	-	98
Adjusted EBITDA		
Change in Society Accounting	-	17

Change in Society Accounting

As disclosed in UMG's Annual Consolidated Financial Statements for the year ended December 31, 2021, UMG adjusted its accounting policy in relation to certain revenues that are collected through societies (the "Change in Society Accounting"). In prior years, these revenues were recognized when the relevant collection society notified UMG of the usage by the end customer and collectability was assured. Recognition of that revenue, in both 2022 and 2023, is based on an accrual for the best available estimate of when the usage occurs and the amount of consideration which is probable to be collected. This has affected the timing of the recognition of certain revenues across financial reporting quarters compared to periods before 2022 and also notably in the second quarter of 2022 reflected the receipt of higher income than was accrued at the end of 2021.

Conference Call Details

The Company will host a conference call to discuss these results on July 26, 2023 at 6:15PM CEST. A link to the live audio webcast will be available on investors.universalmusic.com and a link to the replay will be available after the call.

While listeners may use the webcast, a dial-in telephone number is required for investors and analysts to ask questions. Investors and analysts interested in asking questions can pre-register for a dial-in line at investors.universalmusic.com under the "Financial Reports" tab.

Cautionary Notice

This press release is published by Universal Music Group N.V. and contains inside information within the meaning of article 7 (1) of Regulation (EU) No 596/2014 (Market Abuse Regulation).

Forward-looking statements

This press release may contain statements that constitute forward-looking statements with respect to UMG's financial condition, results of operations, business, strategy and plans. Such forward-looking statements may be identified by the use of words such as 'profit forecast', 'expect', 'estimate', 'project', 'anticipate', 'should', 'intend', 'plan', 'probability', 'risk', 'target', 'goal', 'objective', 'will', 'endeavour', 'optimistic', 'prospects' and similar expressions or variations on such expressions. Although UMG believes that such forward-looking statements are based on reasonable assumptions, they are not guarantees of future performance. Actual results may differ materially from such forward-looking statements as a result of a number of risks and uncertainties, many of which are related to factors that are outside UMG's control, including, but not limited to, UMG's inability to compete successfully and to identify, attract, sign and retain successful recording artists and songwriters, failure of streaming and subscription adoption or revenue to grow or to grow less rapidly than anticipated, UMG's reliance on digital service providers, UMG's inability to execute its business strategy, the global nature of UMG's operations, UMG's inability to protect its intellectual property and against piracy, UMG's inability to attract and retain key personnel, changes in laws and regulations and the other risks that are described in our 2022 Annual Report. Accordingly, UMG cautions readers against placing undue reliance on such forward-looking statements. Such forward-looking statements are made as of the date of this press release. UMG disclaims any intention or obligation to provide, update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Alternative Performance Indicators

This press release includes certain alternative performance indicators which are not defined in IFRS issued by the International Accounting Standards Board as endorsed by the EU. The descriptions of these alternative performance indicators and reconciliations of non-IFRS to IFRS measures are included in the Interim Financial Review and Unaudited Condensed Consolidated Interim Financial Statements which is available on our website at investors.universalmusic.com/reports.

About Universal Music Group

At Universal Music Group (EURONEXT: UMG), we exist to shape culture through the power of artistry. UMG is the world leader in music-based entertainment, with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content. Featuring the most comprehensive catalogue of recordings and songs across every musical genre, UMG identifies and develops artists and produces and distributes the most critically acclaimed and commercially successful music in the world. Committed to artistry, innovation and entrepreneurship, UMG fosters the development of services, platforms and business models in order to broaden artistic and commercial opportunities for our artists and create new experiences for fans. For more information on Universal Music Group N.V. visit www.universalmusic.com.

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