Universal Music Group N.V. Reports Financial Results for the Second Quarter and Half Year Ended June 30, 2022

Summary Q2 2022 Results

- Revenue of €2,535 million, representing growth of 17.3% year-over-year in constant currency, driven by strong growth across all segments.
- Adjusted EBITDA increased 8.3% year-over-year in constant currency as certain one-time items, discussed below, and a rebound in lower-margin merchandising revenue, impacted EBITDA growth rates relative to revenue.
- Recorded Music top sellers represented a geographically diverse set of artists including BTS, King & Prince, Rammstein, Olivia Rodrigo and INI, while Music Publishing benefited largely from growth in subscription and streaming revenue and Merchandising and Other saw a strong rebound in touring revenue.

Summary H1 2022 Results

- Revenue of €4,734 million, representing growth of 16.9% year-over-year in constant currency, driven by strong growth across all segments.
- Adjusted EBITDA increased 11.0% year-over-year in constant currency as certain one-time items, discussed below, and a rebound in lower-margin merchandising revenue, impacted EBITDA growth rates relative to revenue.
- Net cash provided by operating activities before income tax paid of €605 million compared to €470 million in H1 2021.
- Interim dividend of €435 million, or €0.24 per share.

Hilversum, The Netherlands, July 27, 2022 -- Universal Music Group N.V. (“UMG” or “the Company”) today announced its financial results for the second quarter and half year ended June 30, 2022. A detailed financial review and financial statements are available on our investor relations website at investors.universalmusic.com.

Sir Lucian Grainge, UMG’s Chairman and CEO, said, “Our strong performance across diversified revenue streams is fuelled by the successful partnerships we’ve formed with our artists—both new and established—in markets around the world. The widespread growth we are producing throughout UMG demonstrates that our strategy is progressing as planned, underscoring the strength and resilience of our business and our ability to deliver for our artists and our shareholders alike.”

“We’re driving incremental revenue and EBITDA through a range of compelling monetization opportunities, which in turn enables us to thoughtfully reinvest in the business’s long-term growth”, 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

Revenue for the second quarter of 2022 (“Q2 2022”) was €2,535 million, an increase of 25.4% year-over-year, or 17.3% in constant currency. UMG’s Recorded Music, Music Publishing and Merchandising and Other segments all had strong revenue growth, as discussed further below.

EBITDA for the quarter grew 18.7% year-over-year, or 8.8% in constant currency, to €507 million, driven by revenue growth. EBITDA margin was 20.0%, compared to 21.1% in the second quarter of 2021 (“Q2 2021”). EBITDA and EBITDA margin in Q2 2021 were impacted by a net €2 million of share-based compensation and expenses related to UMG’s listing on Euronext Amsterdam. Excluding these expenses, Adjusted EBITDA for the quarter was up 18.2% year-over-year, or 8.3% in constant currency, driven by revenue growth. Adjusted EBITDA margin was 20.0%, compared to 21.2% in the second quarter of 2021.

As disclosed in the UMG 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 recognised when the relevant collection society notified UMG of the usage by the end customer and collectability was assured. Recognition of that revenue is now 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, with a benefit of €98 million in revenue and €17 million in both EBITDA and Adjusted EBITDA for the second quarter of 2022.

In addition, as previously disclosed, Q2 2021 benefited from a catch-up payment from a digital service provider (the “DSP Catch-Up Payment”), amounting to €41 million in revenue and €26 million in both EBITDA and Adjusted EBITDA.
Excluding the Change in Society Accounting and DSP Catch-Up Payment, Adjusted EBITDA margin was 20.1% in Q2 2022, compared to 20.3% in Q2 2021.

The remaining decline in Adjusted EBITDA margin was driven by revenue mix, as lower-margin merchandising revenues benefited from a strong rebound in touring, while higher-margin revenue streams continued to exhibit solid growth.

H1 2022 Results

In the half year ended June 30, 2022 (“H1 2022”), UMG’s revenues of €4,734 million increased by 23.6%, or 16.9% in constant currency, compared to the half year ended June 30, 2021 (“H1 2021”). This increase was driven by double-digit improvements across all segments, as discussed further below.

Cost of revenues, consisting of artist and product costs, increased by 27.4% to €2,608 million in H1 2022, reflecting higher revenues and revenue mix. Cost of revenues as a percentage of revenues increased to 55.1% from 53.4% driven by higher artist costs from a greater proportion of Music Publishing revenues in H1 2022 as well as the impact of the DSP Catch-Up Payment and a previously disclosed exceptional recovery of an advance provision and release of historic royalties (the “Exceptional Recovery and Release”) in the first quarter of 2021 (with a €20 million impact) that all benefited artists costs relative to revenues in the prior year period.

Operating profit improved 11.8% year-over-year, or 6.7% in constant currency, to €765 million in H1 2022 driven by the growth in revenues. EBITDA amounted to €960 million, an increase of 16.8%, or 11.1% in constant currency, compared to H1 2021, also as a result of the growth in revenues.

EBITDA and Adjusted EBITDA margin were impacted by share-based compensation of €2 million during H1 2022 and by €3 million of expenses related to UMG’s listing on Euronext Amsterdam during H1 2021. Excluding these amounts, Adjusted EBITDA for H1 2022 was €962 million, up 16.6% compared to H1 2021, or 11.0% in constant currency, driven by revenue growth. Adjusted EBITDA margin contracted 1.2pp year-over-year to 20.3%.

Revenue, EBITDA and Adjusted EBITDA for H1 2022 benefited from the Change in Society Accounting discussed above, amounting to €144 million in revenue and €34 million in both EBITDA and Adjusted EBITDA.

Revenue for H1 2021 benefited from the DSP Catch-Up Payment described above, while EBITDA for H1 2021 benefited from the DSP Catch-Up Payment and the Exceptional Recovery and Release described above.

Excluding these items, Adjusted EBITDA margin was 20.2% in H1 2022, compared to 20.6% in H1 2021.

The remaining decline in Adjusted EBITDA margin was driven by revenue mix, as lower-margin merchandising revenues benefited from a strong rebound in touring, while higher-margin revenue streams continued to exhibit solid growth.

Net profit attributable to equity holders of the parent for H1 2022 amounted to €241 million compared to €452 million in H1 2021, resulting in EPS of €0.13 in H1 2022, compared to €0.25 in H1 2021. The decline in Net profit attributable to equity holders of the parent was due to the variance in revaluation of investments in listed companies (including Spotify and Tencent Music Entertainment) and other financial investments that was an expense in H1 2022 of €567 million compared to a net expense in H1 2021 of €170 million. Adjusted net profit, which adjusts for the revaluation of investments amongst other items, amounted to €763 million in H1 2022, compared to €578 million in H1 2021, resulting in Adjusted EPS of €0.42 in H1 2022, compared to €0.32 in H1 2021. The increase in Adjusted net profit was driven by the growth in EBITDA and a decline in interest and income tax expense, both driven by a €100 million benefit from two tax litigations finalized in H1 2022.

Net debt, defined as total debt minus cash and equivalents, at the end of H1 2022 was €2,283 million compared to €2,010 million at December 31, 2021.
Net cash provided by operating activities before income tax paid improved to €605 million in H1 2022 compared to €470 million in H1 2021, an increase of 28.7%, mainly as a result of the growth in EBITDA and favourable working capital movements. Royalty advance payments, net of recoupments grew to €223 million in H1 2022 from €130 million in H1 2021, due to the timing of major artist renewals partly offset by higher recoupment.

Free cash flow decreased to €104 million in H1 2022 compared to €280 million in H1 2021, mainly as a result of the timing of catalogue acquisitions (-€221 million), whilst the prior half year benefited from the disposal of Alamo Records (-€102 million). This was partly offset by the improvement in net cash provided by operating activities (+€122 million).

UMG’s dividend policy is to pay a dividend of 50% of adjusted net profit. UMG’s Board of Directors declared an interim dividend for H1 2022 of €435 million, or €0.24 per share. The ex-dividend date will be on October 5, 2022, the record date will be on October 6, 2022 and the payment date will be on October 28, 2022.

**Recorded Music**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>% YoY</th>
<th>% const.</th>
<th>Six Months Ended June 30,</th>
<th>% YoY</th>
<th>% const.</th>
</tr>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Subscription Revenue</td>
<td>€ 966</td>
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<td>Streaming Revenue</td>
<td>€ 348</td>
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<td>15.6%</td>
<td>€ 658</td>
<td>€ 526</td>
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<td>Downloads and Other Digital Revenue</td>
<td>€ 69</td>
<td>€ 72</td>
<td>(4.2%)</td>
<td>(12.7%)</td>
<td>€ 137</td>
<td>€ 153</td>
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<td>Physical Revenue</td>
<td>€ 303</td>
<td>€ 250</td>
<td>21.2%</td>
<td>17.4%</td>
<td>€ 540</td>
<td>€ 463</td>
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<td>License and Other Revenue</td>
<td>€ 236</td>
<td>€ 210</td>
<td>12.4%</td>
<td>6.3%</td>
<td>€ 442</td>
<td>€ 391</td>
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<td>Recorded Music Revenue</td>
<td>€ 1,922</td>
<td>€ 1,654</td>
<td>16.2%</td>
<td>9.0%</td>
<td>€ 3,643</td>
<td>€ 3,137</td>
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<tr>
<td>Recorded Music EBITDA</td>
<td>€ 842</td>
<td>€ 749</td>
<td>12.4%</td>
<td>6.9%</td>
<td>€ 842</td>
<td>€ 749</td>
</tr>
</tbody>
</table>

**Recorded Music EBITDA margin**

|                | 23.1% | 23.9% | (0.8pp) |

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

**Q2 2022 Results**

Recorded Music revenues for the second quarter of 2022 were €1,922 million, up 16.2% compared to the second quarter of 2021, or 9.0% in constant currency. Subscription revenue of €966 million grew 14.6% year-over-year, or 7.0% in constant currency. Subscription revenue in Q2 2021 benefited from the DSP Catch-Up Payment. Excluding this item, subscription revenue in the second quarter of 2022 grew 20.4% year-over-year, or 12.1% in constant currency. Ad-supported streaming revenue of €348 million grew 24.7% year-over-year, or 15.6% in constant currency, due to the ongoing improvement in ad-based monetization and enhanced deals in social media.

Physical revenue showed another quarter of strong growth, increasing by 21.2% year-over-year, or 17.4% in constant currency, mainly driven by strong sales from BTS and King & Prince. Downloads and other digital revenue were down 4.2% year-over-year, or 12.7% in constant currency on the continued industry-wide decline in downloads. License and other revenue improved 12.4% year-over-year, or 6.3% in constant currency, as a result of higher synchronisation and live income. Top sellers for the quarter included BTS, King & Prince, Rammstein, Olivia Rodrigo and INI, while top sellers in the prior-year quarter included BTS, Justin Bieber, Olivia Rodrigo, The Weeknd and Morgan Wallen.

**H1 2022 Results**

In H1 2022, Recorded Music revenues were €3,643 million, up 16.1% compared to H1 2021, or 10.1% in constant currency. Subscription revenue of €1,866 million grew 16.3% year-over-year, or 10.0% in constant currency. Subscription revenue in H1 2021 benefited from the DSP Catch-Up Payment. Excluding this item, subscription
revenue grew 19.4% year-over-year, or 12.7% in constant currency. Ad-supported streaming revenue of €658 million grew 25.1% year-over-year, or 17.1% in constant currency.

Physical revenue grew 16.6% year-over-year, or 13.4% in constant currency, driven by strong vinyl demand as well as continued CD sales, particularly from BTS and King & Prince. Downloads and other digital revenue fell 10.5% year-over-year, or 16.0% in constant currency, on the continued industry-wide decline in download sales. License and other revenue improved 13.0% year-over-year, or 7.8% in constant currency, as a result of improvements in synchronisation, live and brand deals. Top sellers for H1 2022 included BTS, the Encanto soundtrack, Olivia Rodrigo, The Weeknd and King & Prince while top sellers in H1 2021 included BTS, Justin Bieber, Olivia Rodrigo, The Weeknd and Morgan Wallen.

Recorded Music EBITDA in H1 2022 was €842 million, up 12.4% year-over-year, or 6.9% in constant currency, driven by the growth in revenues. Recorded Music EBITDA margin declined by 0.8pp to 23.1% from 23.9% in H1 2021 as a result of the DSP Catch-Up Payment and the Exceptional Recovery and Release. Excluding these items, Adjusted EBITDA margin grew 0.4pp to 23.1% from 22.7%.

**Music Publishing**

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended June 30,</th>
<th>%</th>
<th>%</th>
<th>Six Months Ended June 30,</th>
<th>%</th>
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<tr>
<td></td>
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<td>2022</td>
<td>2021</td>
<td>const.</td>
<td>2022</td>
<td>2021</td>
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<tr>
<td>Performance</td>
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<td>(unaudited)</td>
<td>(33.3%)</td>
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<td>Synchronisation</td>
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<td>€ 36</td>
<td>€ 54</td>
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<tr>
<td>Digital</td>
<td></td>
<td>€ 346</td>
<td>€ 156</td>
<td>121.8%</td>
<td>104.7%</td>
<td>€ 537</td>
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<tr>
<td>Mechanical</td>
<td></td>
<td>€ 23</td>
<td>€ 20</td>
<td>15.0%</td>
<td>9.5%</td>
<td>€ 46</td>
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<tr>
<td>Other</td>
<td></td>
<td>€ 12</td>
<td>€ 18</td>
<td>(33.3%)</td>
<td>(29.4%)</td>
<td>€ 21</td>
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<tr>
<td>Music Publishing Revenue</td>
<td></td>
<td>€ 476</td>
<td>€ 293</td>
<td>62.5%</td>
<td>50.6%</td>
<td>€ 851</td>
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<td>Music Publishing EBITDA</td>
<td></td>
<td>€ 200</td>
<td>€ 134</td>
<td>49.3%</td>
<td>39.9%</td>
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<tr>
<td>Music Publishing EBITDA margin</td>
<td></td>
<td>23.5%</td>
<td>23.8%</td>
<td>(0.3pp)</td>
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</table>

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

**Q2 2022 Results**

Music Publishing revenue amounted to €476 million in the second quarter of 2022, up 62.5% year-over-year, or 50.6% in constant currency. Music Publishing revenue benefited from the Change in Society Accounting discussed above. Excluding this benefit, Music Publishing revenue grew 29.0% year-over-year, or 19.6% in constant currency, as a result of organic growth trends, fueled by healthy growth from streaming and subscription, the broadening monetization of music publishing rights, a continued rebound in physical sales, as well as initial contributions from catalogue acquisitions made in prior years.

Within Music Publishing, digital revenue grew 121.8% year-over-year, or 104.7% in constant currency, reflecting the Change in Society Accounting, as well as continued growth of streaming and subscription. Synchronisation revenue grew 31.1% year-over-year, or 20.4% in constant currency, as a result of increased income from advertising, TV and motion pictures. Performance revenue declined 33.3% year-over-year, or 40.0% in constant currency, reflecting the Change in Society Accounting. Mechanical revenue grew 15.0% year-over-year, or 9.5% in constant currency, driven by the Change in Society Accounting, as well as the recent growth in industry-wide physical sales.
**H1 2022 Results**

Music Publishing revenue amounted to €851 million in H1 2022, up 50.9% year-over-year, or 42.1% in constant currency. Revenues benefited from the Change in Society Accounting discussed above. Excluding this benefit, Music Publishing revenue grew 25.4% year-over-year, or 18.0% in constant currency, as a result of organic growth trends, fueled by healthy growth from streaming and subscription, the broadening monetization of music publishing rights, a continued rebound in physical sales, as well as initial contributions from catalogue acquisitions made in prior years.

Within Music Publishing, digital revenue grew 90.4% year-over-year or 78.4% in constant currency, reflecting the Change in Society Accounting, as well as continued growth of streaming and subscription. Synchronisation revenue grew 31.9% year-over-year, or 23.7% in constant currency, as a result of increased income from advertising, TV and motion pictures. Performance revenue declined 2.3% year-over-year, or 8.0% in constant currency, reflecting the Change in Society Accounting. Mechanical revenue grew 21.1% year-over-year, or 15.0% in constant currency, driven by the Change in Society Accounting, as well as the recent growth in industry-wide physical sales.

Music Publishing EBITDA of €200 million was up 49.3% year-over-year, or 39.9% in constant currency. EBITDA benefited from the Change in Society Accounting discussed above. Excluding this benefit, Music Publishing EBITDA grew 23.9% year-over-year, or 16.1% in constant currency, as a result of organic growth trends and initial contributions from catalogue acquisitions made in prior years. Music Publishing EBITDA margin was down 0.3pp to 23.5% compared to 23.8% in H1 2021 as a result of the revenue mix shift in Music Publishing away from higher-margin performance revenue.

**Merchandising and Other**

<table>
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<th></th>
<th>Three Months Ended</th>
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<th>Six Months Ended</th>
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<tr>
<td></td>
<td>June 30,</td>
<td>2022</td>
<td>2021</td>
<td>YoY</td>
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<tr>
<td>Merchandising and Other Revenue</td>
<td>€141</td>
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<td>78.5%</td>
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<td>Merchandising and Other EBITDA</td>
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<td>€0</td>
<td></td>
<td>n/m</td>
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Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

**Q2 2022 Results**

Merchandising and Other revenue grew to €141 million, up 78.5% year-over-year, or 65.9% in constant currency, as touring-related merchandising revenue rebounded following a COVID related slow-down in live touring in the prior year period.

**H1 2022 Results**

Merchandising and Other revenue grew to €248 million, up 79.7% year-over-year, or 67.6% in constant currency, as touring-related merchandising revenue rebounded following a COVID related slow-down in live touring in the prior year period.

Merchandising and Other EBITDA in H1 2022 of €14 million was up from €0 in H1 2021. EBITDA margin of 5.6% improved from zero due to the timing of artist expenses.

**Conference Call Details**

The Company will host a conference call to discuss these results on Wednesday, July 27, 2022 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 have been described in UMG’s 2021 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.

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About Universal Music Group
At Universal Music Group (EURNEXT: 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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Investors
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Upcoming Calendar
3Q 2022 Results: October 27, 2022