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FY2022 Results

Wednesday, 15th March 2023

Operator: Good evening, this is the conference operator. Welcome and thank you for joining the Believe Full Year 2022 Earnings presentation. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions by pressing star and one on your telephone keypad. Should anyone need assistance during the conference call, they may signal an operator by pressing star and zero on their telephone.

At this time, I would like to turn the conference over to Mr Denis Ladegaillerie, CEO and Founder of Believe, please go ahead, sir.

2022 Highlights

Denis Ladegaillerie

CEO and Founder, Believe

Introduction and welcome

Thank you very much. Welcome to this Full Year 2022 Earnings Call, we, Xavier and I are delighted to have you with us, and we will be going through Full Year 2022 as well as 2023 perspective and numbers.

Best music company for digital artists

If we can move to slide 4, please? Everyday, Believe is successfully building the best music company for digital artists. I actually like this sentence because I do think it does reflect a fundamental dimension, which is every day the music market is becoming more digital, and this is making Believe stronger and clarifying what is making us unique.

Differentiated positioning

From that standpoint, 2022 has brought a lot of clarity on our differentiated positioning, what we stand for as a company: developig artists and labels at all stages of their career from DIY to established top artists, labels from new developing labels all the way to top labels in the markets. It has also further illustrated out competitive advantage, achieved through digital innovation as a digital native company, supporting digital artists. And it has also illustrated our scaling and powered by product and technology, and our ability to control our growth and profitability path.

All these elements have become more and more apparent, contributing to our attractivity to artists and labels in 2022. And we do think differentiation, competitive advantage, scaling, are going to become more and more apparent to everyone in the market in 2023.

Strong market share gains

Moving on to page 5, these elements have been the contributors beyond our strong market share gains, coupled with operational control in 2022, that have allowed us to deliver great performance and that are putting us on track to deliver in 2023 mid-term financial objectives two years ahead of the IPO plan. Why? Because we have driven very strong growth. That growth has been driven by differentiated positioning.

Operating at all levels for growth

Why are we growing faster than the market? We are growing faster than the market because we are operating across the entire market, DIY, mid-level, top. And necessarily, when you operate on all segments of a market, you grow faster than competitors who are only operating on one or two segments of a market.

Digital innovation

Digital innovation, once again in 2022 and in 2023, have been and will be key drivers of growth. Our digital revenues in 2022 grew twice as fast as the digital music markets. Why is that? strong attractivity to new artists and labels, great ability to develop artists and labels faster than the market. Our increase of profitability in 2022, illustrating again the high level of control that the management has on the growth and profitability path.

Investment control

We control investment, profitable investments at segment level in each of our businesses. We control central platform investments as well allowing us to be in full control of our profitability and growth strategy.

Drivers of growth

Moving on to the next slide, the drivers of our growth. Illustrated on this slide you see the two growth drivers. Once again, we've gone from one million artists to over 1.3 million artists in our portfolio, driven by growth across all segments. We have been attracting new artists at TuneCore as well as in the mid-level as well as more established and top artists than ever before in the history of Believe. So, the market growth is being driven by growth, not only on one segment but generally across all segments.

The growth in digital music sales is an illustration of two things. It's an illustration of our ability to continue attracting and gaining market share, but also of our ability through innovation, like the tooling that we've developed to exploit tools such as Spotify Discovery or best monetize YouTube to drive increased revenues for our artists and labels.

Increasing portfolio of labels

This is very well illustrated in the next slide, slide 7, where what you can see is, on the left hand of the slide, in 2022, our existing portfolio of labels grew 23% faster than the market. This means that through our tools for innovation, we were able to propel their growth at a faster pace and at a faster rate.

Market becoming more digital

And this is also a testament that, as every day the market is becoming more digital, what that means is that every day there are market segments across the world in various geographies where Believe was not operating before and where Believe is now starting to operate, because artists in those segments are now generating the majority of revenues that are digital.

Geographies

Illustrating with a couple of countries and geographies on the next slides: France, Germany and India. Let's have a look to these three geographies in the coming slides.

France

France Believe last year was the second largest music company on digital local repertoire. France is the fifth largest music market. This was the illustration of our ability to develop artists at the top. We sign new artists, Nej, one of the artists here is a good example, we sign new artists when they are at early stage with our know-how expertise. We take them to the top, develop them to the top.

An interesting element here on this slide as well is Believe was the second largest player in the market when it came to catalogue, with second position on the top 200 catalogue streaming album charts. What does that mean? Does that mean that we've become a catalogue company? Yes, to some extent. It illustrates the fact that the largest part of consumption at the start is coming from new artists, new catalogues and the fact that Believe is signing long-term deals and striking long-term relationships with those artists, fully benefitting from their ramp up in revenue through their growth cycle, their career development.

The ability to retain top artists, once again we have re-signed our top artists in the existing portfolio. And lastly it also illustrates our ability to select the right partners and support their growth with Mentissa, for example, nominated as best female breakthrough artist, which are coming from the labels that we invested in a few years ago and illustrating that capability.

Germany

Moving on to another market where there are similar dynamics, now in the fourth largest music market Germany, Believe was the third largest music company on digital local repertoire. There are a couple of things that illustrate the ability in the slide here in the power of a multi-tier model, illustrated here with Theo Junior from TuneCore, that went from being a TuneCore artist all the way to becoming a top ten official German chart artist, supporting artists to reach new heights.

We spoke in one of the earlier calls about Milky Chance, which was previously signed to a traditional record label, which we took to new heights after signing, both on their new releases, 1.2 billion global streams, as well as on their catalogue, which was transferred as part of the deal. And also, the ability to, like in France, continuing to grow artists through the Lifted program, which is one of our programs for developing artists.

Asia

Moving onto slide 10, a larger illustration at a regional level where, as you know, when you project Asia, the region will become the largest music market, this is mostly a local market with, in China, in Japan, across in India markets that are dominated by local artists, Believe is positioned on these markets as a leading local player.

Our target goal in these markets is to become the largest player locally, because these are markets that are purely digital markets. We have made great progress in 2022 through investments, in continuing to do local investments, organic in-sales marketing and support team. And we have taken more and more artists to the top. Here you have a few examples on the slide from Young Captain in China to others in some other geographies. As well as identified a number of pipelines for investment across the territories as we are deploying all of our investment in these geographies.

In a nutshell, very strong market growth across all the geographies, across all the tiers. Just three examples that are basically confirming our ability to become a top market player in all these markets and that is a core element of our continued growth strategy.

Growth strategy

That growth strategy, moving on to slide 11, is continuously driven by the investments that we're making in our central platform to drive innovation. A few examples in 2022 that will go further into 2023. The launch of the new pricing at TuneCore, that has been extremely successful and translated into an acceleration of growth. Also, followed by the launch of a new re-design, new functionalities, split functionality, which allows artists to split royalties.

New functionalities

There will be new functionalities coming months that led the company to nominate TuneCore as one of the top ten most innovative music companies. And testimonials on YouTube and Spotify. Spotify and Spotify Discovery where Believe has been the most engaged and leading player and driven great results for the benefit of our artists and labels. And YouTube, where we have strictly over-indexed significantly on our ability to monetize and grow the revenues of our labels. Or, on the right-hand side of this slide, the launch on Encore, which is Believe's mobile application for artists and labels.

M&A

Moving onto slide 12, as you know, we have had occasion to touch on this on prior calls, we felt that market conditions in 2022 were not quite right to do full-blown M&A, and nonetheless, at the end, in Q4 2022, and most recent months, we have started re-engaging on a few strategic partnerships. You have three illustrations there.

New agreements signed

We have three agreements signed with top local talent management companies in Germany, in France and in India about developing local artists in all these three categories in some of the largest market segments. This is about, once again, talking about the attractivity. These are teams that were previously working either with traditional labels, that have demonstrated a great track record of success that were looking for a new partner for the next phase of their development in the digital world. We estimate that we have a number of these opportunities coming to us in 2023, as well as the changes in the market are now offering quite interesting opportunities to resume our acquisition, much more active acquisition strategy in 2023.

CSR commitments

Moving on to slide 14, at the same time as we've been working on building the business, we have continued our commitment to shape music for good to our CSR commitments, with a couple of [inaudible] on the sharing about value with artists that are on our labels. We were super happy to have paid out over €1.1 billion in digital music sales in 2022. As well as sharing value with all our employees and executives through the launch of new LTA plans as well as the launch of our first employee shareholding plan and additional value sharing.

Diversity

We have once again confirmed and continue to commit to our efforts on diversity and gender equality, with now 50% of our board and of our executive committee we have women as well as 43% of our total headcount being women.

So, all these elements have contributed to a great financial performance that I will now let Xavier run through.

Financial Report

Xavier Dumont

Chief Financial and Strategy Officer, Believe

Operational and financial performance

Thank you, Denis. Can we move to slide 15 please. So, as has been mentioned by Denis, we have had another solid operational and financial performance with market share gains in all key countries and all key PSPs. We reached, for the first time, the €1.1 billion mark in digital music sales, that was the penetration of our model, specifically in the Premium Solutions.

Organic growth in all geographies

The organic growth is 32.2%, and we are growing in all regions, we are growing in every quarter, despite the weaker Q4 that we are going to discuss a bit later. The growth is driven by digital revenue, with 33.8% growth in 2022. And the digital revenue represents 92% of our total revenue, slightly increasing versus last year. The 8% non-digital sales include, notably, physical that we are curbing specifically in Germany, merchandising and live.

EBITDA margin

We reached 4.1% EBITDA margin versus 4% in last financial year '21, driven by a better amortization of the central platform investments.

Positive free cash flow

We are also back to positive free cash flow territory, with €52 million, driven by EBITDA increase and our surplus of working capital variance, enhanced by one-off €20 million yearly payment from one of our digital partners renewed during the year.

Quarterly trajectory

Now let's have a look now to our quarterly trajectory. So, the quarterly, so that's page 16, the quarterly trajectory in terms of organic growth shows a deceleration of growth in Q4 '22. Q4 grew 22.6%. This deceleration is driven by digital sales, specifically in act supported revenue.

Deceleration in Q4

After a first slowdown in June '22, there has been another deceleration in Q4 from November onwards. The last two months of the year, act supported revenue barely grew single digits. Our market share continued to grow as in previous months, but the various act-supported performance has been impacted, essentially due to economic conditions.

Subscriptions by our additional partners continued to be strong but could not compensate the slower act-supported revenue that affected all regions, but more predominantly in the countries where digital penetration is the weaker.

Growth by segment

Let's go now on the next page, to the growth by segment. So, we have strong growth in all segments, Premium and Automated, which is due to the appeal of our model, based on digitalization and differentiated positioning.

Automated Solutions

Automated Solutions targeting music creators have an organic growth at a constant rate of 27% versus last year, with a strong innovative year as mentioned by Denis. We launched the unlimited pricing offer, we localized the service in Southeast Asia, and there are new signing opportunities coming in for 2023.

Automated Solutions growth in Q4 has been slower, with 17% as two core social platforms revenue share offering is also impacted by act-supported stronger growth, and because also the unlimited new pricing has lower appeal that is not yet compensated by the strong ramp up of new clients.

Premium Solutions

Premium Solutions are targeting labels and emerging to top artists show an organic growth of 32.5% versus last year. And the organic growth has been slightly above total Premium Solution growth at 32.5%, with strong market share gains.

The organic growth rate is above total growth rate as we have a negative currency impact in total revenue, mostly related to the depreciation of the Turkish lira and we are against a positive parameter effect from the acquisition made in Q4 '21, and a slightly positive inter-operation effect that is also related to the Turkish lira.

Just also to be precise, as other actors in the music industry mentioned, a positive currency backing their revenue; it is very likely that embedded in the revenue we received from the digital partners, like Spotify, Apple and YouTube there are some positive currency impacts. But, in Q4, given our geographical footprint, this impact has been much, much weaker.

Geographies outline

Let's go to the next page, where we are going to focus on the geographies. We gained market shares in all key geographies. The geographical footprint and growth pattern of the group, as illustrated by Denis, is a good illustration of our model.

APAC and Asia

So, we are focusing on digital music. We are well-positioned in the countries where digital penetration is lower and there the future growth is higher. This is illustrated by the strong growth in APAC and Africa, and I refer to Denis's presentation of Southeast Asia, for example. That growth in that region was 52.7%.

Europe

In all countries, including major developing ones, our digital markets are emerging as more and more traditional genres of music become digital, leading to more opportunities. This is

demonstrated in growth in France with 34% growth and more generally in Europe, excluding France and Germany, that grew 27.6%. Even in Germany, where, as you know, we are reducing voluntarily our exposure to physical heavy contracts, we are getting significant market share in the digital markets, becoming one of the leading players in the local artists market, as Denis illustrated.

The Americas

Finally, thanks to our multi-tiered approach, we serve all digital markets, from the music creators in Automated Solutions, to the top artists in Premium Solutions, and we do that in a profitable way and that is also shown in the Americas growth region, where you know Automated is particularly significant. That region grew by 30.7%.

Selective investment

Let's now see how we are managing to create growth by our very selective investments. So, that's the next slide. So, as you know, we have a digital focus. That digital focus is based on a mix of technologies solutions and music that is allowing for differentiated positioning, digital innovation, which translates into higher appeal to artists and labels and steady operating leverage.

New music genres

We are constantly deploying new teams to address new music genres, or new business lines or new types of artists and labels. We have a very strong operational control as our blueprint is very well defined. Each team is made up of four to five individuals. Each team takes circa two years to reach breakeven, which means that our segmented EBITDA margin is very stable over time.

EBITDA growth

This is a growth investment EBITDA margin, and that margin, as illustrated in the slide, includes circa 5% of the revenue investment. And that 5% is very stable over time because we deploy new teams only when the existing ones have reached profitability and are at full capacity with a very high certainty in terms of profits. That investment in new teams is what drives future growth and will continue if each team can demonstrate that they are growing revenue and operate profitably.

Central Platform

The second investment area for Believe to fueling growth is the Central Platform. This is really a key driver for differentiation and innovation. Central Platform provides the technology and the solutions, not only the tools but the process, the structure and the management that power the business lines in the countries. The Central Platform teams are split between the tech and product teams that design, develop and operate the tech tools.

GNA teams

The GNA teams, the finance, legal, HR, for example, that provide the framework to manage our businesses and resources. The sales team that design the commercial offers and organizations and provide the management tools that are then consistent leverage at local level. The Central Platform costs are not driven by volume, but they are more a function of

the number of colleagues we deploy, the number of business lines we are managing, the number of countries we operate in, or even the number of businesses we acquire.

Group expansion

As the group expanded massively in 2019 and 2020, finalizing its multi-share approach with the launch of artist services in 15 countries, or the spread of artist solutions from label solutions the Central Platform increased significantly as a percentage of revenue in those years. The Central Platform is still expanding in Euro terms as we want to continue investing in new solutions and continue to be at the forefront of innovation.

However, the Central Platform is decreasing as a percentage of revenue. We were at 17% of revenue in 2020, 14% in 2021 and we are at 11.7% in financial year 2022, and the Central Platform will still be decreasing as a percentage of revenue in the financial year 2023.

Group EBITDA margin trajectory

So, this is what drives the EBITDA margin improvement in the next slide. The group EBITDA margin trajectory is a function of the favorable segment EBITDA margin, the margin pre-Central Platform cost. That margin, as we saw before, included 5% on reinvest, 5% on revenue in reinvestment for future growth. So, the margin, excluding reinvestment is around the 19 or 20% mark. The Central Platform costs, as a percentage of revenue, is decreasing and is the one that has been driving and will be driving the next year's the group EBITDA profitability improvement.

Above IPO expectations

Because we are above our IPO expectations in terms of revenue, we have been able to drive operating leverage, which explains why we are in the good position to reach the lower bracket of our 2025 EBITDA target almost two years ahead of our plan.

Positive free cash flow

Let's go to slide, next slide. So, we are, as I said before, we are back to positive free cash flow generation on the back of the EBITDA increase, the Central Platform CAPEX allocation, and a positive working capital balance. So, the positive working capital balance is driven by increased artist and label advances, but that are not impacted by the unusual longer-term contracts that we signed in financial year '21. The commercial strategy of the group in terms of advances has not changed. The advances are there to fuel future growth and the financial KPIs are still the same.

Also, we had one-off payment of €20 million from a digital partner that used to pay quarterly in advance but now pays yearly in advance, this is the renewal in Q3 2022.

Outlook for 2023

Let's go to the next slide, or the slide 24. So, what is our outlook for the year? So, we are now stating an organic revenue growth of around 18%. That is based on a very resilient paid streaming and also the stabilization of accelerated growth as it has been since the month of November 2022, i.e., a low single-digit growth for the full year.

We are anticipating a higher EBITDA which will be around 5% as Central Platform costs will be decreasing as a percentage of revenue.

As we are demonstrating quarter after quarter, our powerful model is to drive growth, to gain market share and to increase profitability. We will maintain our focus on investments, in local safety and Central Platform technical solutions, while managing actively our investment cycles to further improve profitability.

Group operating leverage increase

The group operating leverage will continue to come mostly from the Central Platform cost, as it has been since '20. We expect a positive free cash flow generation in financial year 2023, along with an uplift of circa €20 million financial year 2023, same as '22, based on an annual instalment of a digital partner.

Confirming mid-term objectives

Next slide, we are confirming our mid-term objectives and we are well on track to deliver them. As a reminder, we forecast an organic revenue growth of 22-25% for the period 2021 to 2025. Even if, with a lower guidance for 2023, due to economic conditions, our average would be, since 2021, circa 25% organic CAGR. We also confirm an adjusted EBITDA margin from 5% to 7% by 2025. The operating leverage will be based mostly on a better amortization of the Central Platform costs. And, as you can see, we should be close to the lower bracket next year in 2023. The long-term EBITDA margin for the group of 15% after growth phase is also unchanged.

Now, I will let Denis conclude the presentation.

FY'23 Outlook and Mid-Term Objectives

Denis Ladegaillerie

CEO and Founder, Believe

2023 versus 2022

Thanks very much, I will try to be quick to leave us enough time for questions. So, how do we think about 2023 versus 2022? It is very, very simple. In 2022, to drive performance and growth we used two levers.

Multi-channel model

We used the lever of our differentiated multi-channel model that allowed us to grow in all segments and in all geographies. That lever is going to continue to play fully in 2023.

Innovation

We used the lever of innovation to drive increased market share on the services, same thing, we do think that in 2023 the opportunities to differentiate further and drive innovation are going to be even higher than in 2022.

Acquisitions

And then, there are two additional levers that we do think are going to come in play in 2023. The first one is acquisitions, market conditions are making it much more attractive for us now to resume some conversations than in 2022, that is one, which we didn't leverage in 2022.

Value share

And the second one is the topic in the market around value share. As I am sure many of you have heard, there are a few discussions around value sharing in the market.

Basis of a fair market

What is our perspective on this? We welcome that debate. Very interestingly, I was going through my e-mails a couple of days ago, first e-mail I sent on the topic to the CEO of Deezer was in November 30th, 2011, more than 10 years ago. So, that is a topic that we welcome.

Clean up practices

Why do we think that topic is going to play very positively for Believe? For three reasons, what is it that needs to get solved in terms of value sharing in the market? The first thing is that we need to re-establish the basis of a fair market. A fair market is one that is rid of, cleaned up of fake streaming, abusive streaming, et cetera. What is our perspective based on the data that we have around this, is that Believe, these are practices that span major record labels, independent labels, relatively, with a few exceptions at the same level. Believe has taken a few measures to index below on all of these elements, so that the clean-up of the market should translate into increased market share for us in the mid-term.

Balanced market

The second element, and when I say Believe, it is really Believe Group. The second element that needs to be achieved is a balanced market. In 50% of the markets in the world local artists dominate the market. They represent about two-thirds of the streams. That is the case in the United States, that's the case in Japan, in China, in India. In the other half of the world, local artists, on average, represent about one-third of the streams. We do think this is a major unbalance. This is the first and largest unbalance that has to be corrected in value sharing. And because Believe is positioned first as an actor to support local artists and local labels, we do think that we will be gaining in furthering that objective, for which we are finding very strong support at our global digital music partners.

Increased diversity

The third element in the market is really about increasing diversity. Making sure that value can be allocated across different genres of music. On this we do believe that the diversity of our catalogue across labels, across artists, in various genres of music, especially through our label and artist services business, plays perfectly to that objective.

So, the debate that has been initiated I think is one great debate that we think will set the basis for the creation of a fair, more balanced and more diverse market and this is one topic where we are looking forward to move on all of these conversations as we've had with many of our partners for many years now, in making them become a reality in 2023. And we do think that they will end up significantly benefitting Believe in the long-term as well as in the mid-term.

So, in short, we do think that the opportunities available for us beyond our base-case scenario are very significant for 2023 and we look forward to other years of strong growth.

Thank you very much, and now I think opening the floor for questions.

Q&A

Nicolas Cote-Colisson (HSBC): Thank you very much. Hi. On M&A, you said that market conditions may offer some more opportunities, but alternatively, potential sellers may wait if they can for better days. So, why do you think it would be easier now, and what kind of assets you are more interested in? I will have follow-up questions after. Thank you.

Denis LaDegaillerie: So, for some sellers, there is only so long you can wait, and what we see in the market dynamics is, a lot of the seller, what are they looking for? The same thing as before, which is a partner that helps them accelerate growth. When you go to them with some of the numbers that we're sharing, with our ability to go twice as rapidly as the speed of the market, to increase revenues for existing labels by 23% above the market growth, obviously, these are very attractive elements. So, that is facilitating several conversations. And, once again, we do expect that competitive advantage, driven through innovation, are going to be even stronger in 2023/2024/2025 and a lot of people are starting to realize this.

Once again, every day the world is becoming more digital, and people are realizing this, and they are realizing that we are a digital first company and that is making us more attractive. And I think that market maturity is accelerating some of the conversations.

The types of assets we're looking for. The same as before, great companies with great management teams, aligned to strategies with capabilities in markets or in terms of music that we want to strengthen, and where we do think that we can grow. So, we will exercise the same discipline as we did before. We are also looking at the opportunity of potentially building new capabilities that we think are interesting and play as a core growth rate.

Xavier Dumont: the pause we made in '22 was not for lack of targets. We decided to pause the conversations and to say, before we get further – we need to have more visibility before engaging. So, it was not a question of number of targets, it was more us deciding that.

Nicolas Cote-Colisson: Okay, got it, thank you. And just a quick follow-up. Did you – just to make sure I understood it correctly, the €20 million instalment revenue factored in the 2022 numbers, so it that quite to say that there are going to be another €20 million gain in 2023?

Xavier Dumont: Yes, because basically the partner used to pay quarterly in advance and the negotiation came to a yearly in advance, and that is a two-year contract. So, first yearly payment was 2022 and the second yearly payment is going to be 2023, same amount, yes.

Nicolas Cote-Colisson: And it will be Q3 as well, I suspect?

Denis LaDegaillerie: Probably, yes.

Nicolas Cote-Colisson: Okay, thank you.

James Tate (Goldman Sachs): Thank you, good evening, it's James Tate from Goldman Sachs. I have two questions please. Firstly, in your last results call in November, you mentioned that you were currently in re-negotiations with TikTok could you give us a quick update on where you are with them? Do you still expect a deal to be agreed soon? And are we talking sort of H1 or H2?

And then, secondly, just going back to what you talked about on advertising trends, you mentioned you saw a further drop in November where growth was in low single digits, have

you seen this continue in Q1, and what does your full-year guidance assume in ad-funded streaming trends? Are you expecting to see an improvement? And, if so, when? Thank you.

Denis LaDegaillerie: James, hello. I will pick up the first one and then Xavier will pick up the second one. So, on TikTok we are more advanced in our discussions than where we were last year is what I can tell you. We feel pretty good about how things are moving forward. So, yes, we expect these negotiations to land soon. Xavier, you want to complete?

Xavier Dumont: Yes, on the second question, our guidance assumes that the low single digit performance we see in ad-supported monetization is going to, we've seen that since November, is going to continue. It is continuing today when we speak, and so, the assumption is that it is going to continue for the full year. As you know, there are a lot of uncertainties there, so we thought it was prudent to take the sensible solution for the full year.

Denis LaDegaillerie: I would say our base-case scenario in terms of ad-supported growth for 2023 does not take into account a recovery of the ad market in the second half of the year. We are assuming that the ad market will remain depressed at the level it is currently at the entire year.

James Tate: Thanks very much.

Christoph Cherblanc (Société Générale): Yes, good evening, thanks for taking my question. The first one was about crap music, junk music that you addressed at the end, Denis. Everyone is saying there is a lot of bad music and bad players, what is your best guess of the size of the phenomenon? Because I think there was a French organization CNM study on music recently which was putting that something like 3%, which seems to me a low number. So, is it 5% of the pool, 10% of the pool, 15% of the pool, which is effectively not, you know, not going to the right players? That's the first one.

The second question was also a bit on the same subject. We've seen that Universal was doing some experiments with some platforms, do the experiments of Universal have any impact on what is happening for the pool of Sony, Warner or Believe, meaning that, is it just an experiment between Universal and the platform, and it is not impacting you, or are you leading the same experiment at the same time?

And the last question if I may, was on the Automated Solution. The leverage was low, so I understand you changed the pricing, you've been investing, so should we assume that the leverage is going to come back a bit in '23 and improve a bit, or is it definitely going to be a lower leverage piece?

And, if I can add a very – squeeze a last one, what is the net cash position? Because I think you gave the gross cash position in the release, but I was looking for the net cash position at the end of '22. Thank you.

Denis LaDegaillerie: Okay, thanks very much, Christophe, I'll take the two first one and Xavier will take the two last ones. So, I would say, what we call, so we have very detailed analysis around what we call unfair trade practices. And they essentially fall into two categories, which is fake stream, people buying click farms and then abusive streaming, which is people cutting their catalogues in 40 second increments to gain the system.

So, the first thing I would say is, hey, there's bad actors that are playing, what we're saying is that actually, quite the opposite, which is, this is not the make-up of selected, a limited number of selected bad actors, we see pretty much bad acting, I would say, a portion of bad acting everywhere. Major record labels, large, small, independent record labels, large, small, all of the data we have shown that there is actually not distortion between independent and majors. Which is why we are saying we need to solve that issue. But at the end of the day, do I think that's going to benefit one player or the other, no, I would say with the exception of a very limited number of bad actors, where this is going to have an impact globally, I don't think that is going to move the needle for anyone, let's be very clear on this, in terms of market share.

Now, in terms of magnitude, your question, yes, we have very precise data on services. I would say generally the answer to your question depends on how much investment has been made by one platform or another in fighting these practices. And so, on average, I would say the range is roughly, the range to have in mind is like, this is roughly between one and three percent of the streams, that's what we're talking about. And we've looked at numerous data, like the French National Centre of Music, we've done additional surveys, have had many discussions with the top global DSPs around this. So, we have a pretty good view of what the topic is about, and this is really what we're talking about.

So, you are essentially talking about reallocating to the legitimate pool of content around probably, on average, globally, 2 – 3% of the value in the streams, which, once again is going to take away some market share for one or two players but I would say for the largest players in the market, this is not going to move the needle for anyone.

About your second question around experiments, same thing. I want to be very clear there. As far as we know, there is no experiment by anyone. There are exploratory discussions. So, at that stage, because you will easily understand that most of these elements are going to need to move a pool one way or another, it is very difficult for any of the DSP to move with one player in one direction or the other.

So, what we estimate is, and I had a conversation with the CEO of Deezer to understand where other players were in the market, what I can tell you is, basically, everyone is having very similar conversations at the same time. So, that we, collectively, through these discussions, can find a solution on the various topics that is best to create a healthier market. This is where we are. So, we are far from implementation stage. We are at the stage of discussions.

And so, once again, as far as I know, none of the discussions have yet gone into a deal where different allocations, who have different types of partners. Xavier, do you want to take the two other questions?

Xavier Dumont: Yeah. So, the question, Christophe, on Automated leverage is low and so, yes, we are going to continue investing in TuneCore and the performance in 2023 of TuneCore would be a lower performance, as it has been in the last quarter, because we, for two reasons, which is exactly the same drivers for last quarter, which is, ad-supported monetization impacted the social platforms offer. And second thing, the strong growth in new clients, but that doesn't compensate the ARPU, decreasing the ARPU due to the unlimited

pricing launch. So, we collect that each one is the Automated Solutions part is going to have a lower growth and a lower leverage than the rest of the business in 2023.

On the debt position. So, we're talking about something like €33 million, the vast majority is leasing and very small, a very, very small part being bank debts.

James Tate: Okay, thanks.

Thomas Singlehurst (Citi): Yeah, good evening, it's Tom here from Citi. Thank you so much for taking the question. You are obviously taking quite a lot of share from the major recorded music company, that's both a comment on the fourth quarter, the full year and, actually, each of the last two years. So, the question is, I suppose, what are the consequences of that in terms of the competitive landscape?

I mean, you've talked about potentially the, you know, we've asked about the threat from a change of the monetization model within digital streaming platforms, but can you talk about the level of competitive intensity from services operations within the big major recorded music companies? And also, other potential competitive threats? Is there more competition, for example, for Premium markets? Thank you.

Denis Ladegaillerie: Yeah, thanks very much, Tom, for the questions. I would say, not necessarily, but how to best answer your question, but I would say not much change in the competitive landscape at this point because, once again, what is very interesting is that what has happened in 2022 has really, to some extent, contributed to clarify the competitive landscape.

Which is, if I take DIY, it has been very clear by that all three major companies have said, we do not want to operate in that space. They shut down their operation or they divested their operation in that space. That's the landscape that we are seeing at TuneCore level for DIY, competition landscape is still the same. It is pure players that are operating there. And what we see is, with all of the investments that we've been making in '21/'22, that we are continuing to make in 2023, we are seeing TuneCore gaining market share in that market segment. I feel this is one segment where I feel very good.

TuneCore is impacted in 2023 on growth as well as profitability by the fact that ad-supported revenues are lower. If I look at the number of clients, the growth is very healthy and has been accelerating and I expect it is going to continue to accelerate, so feel very strongly, very good about that business. No change to the competitive landscape.

I would say mid-level market, not seeing much change there. I think there are different levels of investment by different record labels on that market segment. I would say we are not seeing any meaningful difference between what we saw in '21 and '22 and what we're seeing now at the mid-level.

At the top, I would say basically two dynamics there. We're seeing, as the market is becoming more digital as I was illustrating in a couple of slides that we showed, I mean, our ability to compete at the top is getting better and better. Because when you operate in France or Germany, or across the Asian markets, which were pure digital music markets, then our ability to compete at the top is getting stronger every day, because the pool of artists that are digital artists, native, that have the same DNA as we do have, is getting stronger and

stronger every day and we are capturing a bigger and bigger share. So, that is putting us in an attractive position there.

I would say we are focusing on our core geographies there. We are strengthening our capabilities in 2023 in the UK, France, Germany, across Europe, the three largest markets as well as the largest market in Asia, Japan, India, and China. But I would say no real change in market dynamics, which is why one of the three drivers in 2023, which is why we feel very good about continuing to take market share away in 2023 in the market.

Thomas Singlehurst: Perfect. And one follow-up actually on some of the sort of proposed solutions for the perceived iniquity of how royalties are distributed by the DSPs. I mean, as you say, it's a low-hanging fruit of, sort of, cutting out fraudulent streaming makes a lot of sense, but we've seen a suggestion by Warner, for example, that the first artist that is listened to when an app is opened, should get a greater share of royalties than subsequent artists. You know, I am just interested in your broad perspective on whether there are any changes to the current monetization or royalty model that are just unacceptable from your perspective, or are you broadly open-minded?

Denis LaDegaillerie: No, I think it's really the question, I mean, what I like in this debate is the question that I always ask is, hey, what are we trying to solve for here that is going to make the market better? Like, obviously, no one in any market, whether it's the regulator or anyone, wants more value to go to the top. It's very clear. So, what you want to solve for is you want to solve for balance to whatever market that is healthy because I've got the right balance between local artists and international artists.

Why do you want a balance? You want a balance because in a market where you have a low level of local artists and local streams because algorithmic recommendation pushes international content, you are preventing the local market from developing, so you are preventing stronger expression of local culture, and you are taking economic value away from these markets, because international artists are not paying their taxes in those markets. So, we think that's one that needs to be solved for and that is a no-brainer in our view.

The second thing that you want to solve for is really diversity. One of the main elements in the current pool is that it really does concentrate streams on the artist, on younger demographics. I mean, on average, people in the 15 – 25-year-old bracket, they stream two or three times the number of tracks that are being streamed by people in the 55 – 65-year-old brackets. Which means that, if you look at stream coms, the way that you are currently doing it, you are over-indexing value in these brackets, and that is obviously contributing to a little bit less diversity.

So, I do think these are the two things that need to be solved for. How do you solve for them? There have been ideas around UCPS, there have been ideas around solving for rather than accounting for streams to come for time, we have modelled a number of [inaudible]. No, I would say there is no obvious solution that will solve exactly for the target. So, I think that debate is going to take some time.

Thomas Singlehurst: That's great. And one very final one, so apologies, you may have covered this earlier on and I, because I lost the call for a second, so I do apologies if you did. But great that you're getting back underway with respect to potentially allocating capital via M&A. I am just interested in what the focus is going to be on? Is it going to be on

complementing what you've already got geographically? Is it going to be a different focus on different genres within existing markets, or is there something a little bit more leftfield in some of the capabilities, for example? Any idea – any indication of where capital is going to be allocated would be very interesting to know?

Denis Ladegaillerie: So, we are, as I say, two answers. One is, the focus is going to be on the same thing as before, which is strengthening capabilities in areas or in geographies where we are already present and where we do feel that we can accelerate growth of the companies that we do acquire. And I would say, opportunistically, looking at there are some areas where additional capabilities in some areas one thing is where we will be more opportunistic if we think there are great things, or complementary, then we may look at them. But the core is going to be around pretty much what we've done before, the same type of focus on high-growth geographies where we can accelerate the growth of our target.

Thomas Singlehurst: That's super clear, thank you so much.

Operator: Mr Ladegaillerie there are no more questions registered at this time.

Denis Ladegaillerie: Okay, perfect. Well, thank you very much, wish you a great rest of your day for everyone and looking forward to talking to you on the next call. Thanks very much everyone.

[END OF TRANSCRIPT]