Q1 2023 Revenues Call

Thursday, 27th April 2023

Operational Highlights

Denis Ladegaillerie

Founder and CEO, Believe S.A.

Introduction

Welcome, everyone, to this Q1 2023 Investor Call. You can move on to Slide 3. Xavier and I will be taking you through the presentation on this call.

A strong start to FY 2023, thanks to Believe's expertise on digital artists and music genres

First, moving on to Slide 4. I am very happy to report that Believe delivered a very strong first quarter 2023, on the back of a strong Q4 2022 quarter. This quarter has been once again fuelled by very strong market share gains due to a stronger than ever attractivity for artists and labels.

On a personal note, I have spent the past quarter travelling to almost all of the major music markets in the world: in the US, Japan, the UK, Brazil, India, France, where I met our partners many artists and labels. One thing that has struck me while I was travelling is the story is the same everywhere. Essentially, there is a new generation of digital artists that is rising in all markets and established artists are becoming more digital. Believe's multi-tier model is specifically adapted and is the power of the fuel beyond our ability to attract artists and labels and grow at a faster pace than the market.

A good start to the year for Believe, with revenue growth above +20%

Our growth has, of course, been fuelled by a continued strong growth of paid streaming penetration and a continued challenging environment on the ad-supported market. In Q1 2023, we also expanded our set of services with our view to be able to serve artists and labels across all of their needs with the acquisition of Sentric, which is a new business line for the Group.

As you know, publishing, with live and recording, our third largest source of revenues for artists. We do think that offers a significant opportunity for us ahead as the publishing markets become more digital. That also signals the fact that we are now resuming our acquisition strategy and deploying the capital that we raised at IPO and that we will be continuing to deploy in the coming quarter to progress through our long-term strategy, both organically and through acquisitions.

Strong performances from the existing roster reflecting Believe's expertise in maximising audiences and monetisation in the digital ecosystem

Moving on to Slide 6, the first driver beyond our Q1 strong performance is the fact that as in Q4 and the entire year 2022, we are continuing to grow our artists and labels at a much faster pace than the market.

In Q1 2023, the performance of our labels grew at 18.2% above the market. This is only existing labels. This really reflects our ability through our expertise on developing artists on Spotify, through all of the opportunities available to us there – YouTube, TikTok, Apple Music, all of our partners – in contributing to grow the audiences and the monetisation of our artisan labels.

Obviously, that is transforming into EBIT, due to the trust of our artists that have put their confidence in Believe. You have a few examples on the right-hand of the slide with some top artists across the various markets from Ultimo in Italy to Yura Yunita in Indonesia or WeRenoi in France.

Strong level of signing as Believe attracts more and more digital artists and labels across all genres

Moving on to Slide 7, besides growing artists and labels faster than the market, this has been also a very dynamic quarter, in terms of new signings and renewals across the regions and the genres of music. We have a few renewals first with Jul, our top artist in France, or Interbyte Media in Malaysia. These are relationships that we have renewed and extended for almost a decade now for the second, third, fifth time by expanding long-term agreements, both in artist services as well as in label and artist solutions with artists and labels that we have contributed to grow significantly.

It is also illustrated by a couple signings here like Hamza, for example, in France, or FATA in Italy about being able to win artists for whom there is a strong market competition for new signings. That is, once again, in genres of music that are very digital, reflecting the level of maturity that we are seeing in the market from artists seeking partners that have a similar DNA as them, as digital artists developing in digital markets.

Then, also, the ability to upsell artists like Fabian Wegerer here in Germany from one set of service, label and artist solution, which is our solution for mid-level artists to our top artist and services solutions. Between the ability to sign new artists, our ability to continue to consolidate our roster through signing long-term relationship with existing artists and competing very effectively in digital music market segments, our growth for Q1 2022 has been fuelled by strong market share gain.

Launched in Q3 2022, b:electronic is helping local artists and labels reach global audiences in the global electronic music world

Moving on to Slide 8, we have continued in Q1, and as we had in Q3 and in Q4, to deploy new bespoke services, especially in music genres that are fully digital. b:electronic is a good example. This is basically building a capability that is dedicated to digital music for both artists and labels leveraging our expertise, our editorial teams around the world, our ability to leverage algorithm-based recommendations to accelerate audience development.

Our ability to leverage long-form video, short-form video, multi-format video to develop our artists in that genre of music, that is translating, likewise, in very strong artists and label attractivity with the recent signing of Rinse in the UK, which is one of the top local electronic music labels that is working with Katy B, Nia Archives and several artists. I could also cite Cr2 or Big Top Amsterdam are a few of our artists and labels.

This has allowed us, in the past six months, the capability to break tracks regionally and globally to success contributing to strong attractivity. We are launching, once again, focussing on our multi-tier model, launching a partnership with TuneCore and Beatport to be able to extend a solution to this genre of music to artists at all levels.

Acquisition of Sentric to develop new opportunities for artists and labels, with a first step in the digital publishing market

Moving on to Slide 9, the acquisition of Sentric. We have been looking at the publishing market for quite some time. Our target goal and our mission is to develop artists at all stages of their career and with a range of services that is best adapted to them. We have been looking at publishing for several years now.

We do think it is a market that is a natural extension for us. We are very happy to make the acquisition of Sentric in Q1 because Sentric is a global independent music publishing platform, which we know quite well because Sentric has been the publishing partner for TuneCore for a couple of years.

The second reason is that we see an acceleration, as you can see on the bottom-left hand of the slide, of the share of digital music in the pie of publishing revenues. Obviously, for TuneCore artists, the share of digital music revenues is much higher, so that is a perfect fit for us.

Our team in a number of territories at Believe have been solicited by artists and labels, who are also publishers, for us to be able to offer a solution across recording and publishing. That is now providing us with the opportunity to build a comprehensive solution for them, which is what we are going to be working in the coming year, developing a significant opportunity in a market that represents a significant percentage of overall music revenues and where we had ambitions similar to what we have achieved in terms of building up market share in the required music space.

Developing a diverse and inclusive music industry for all stakeholders. 'It is with our artists and collaborators that we are Shaping Music for Good'

Finally, in Q1, consistent with our strategy, we have been continuing to develop our CSR strategy, 'Shaping Music for Good' across a number of dimensions, the two main ones of them being supporting the creation of a more gender representative and inclusive music industry and investing in employees.

On the gender parity side, we once again published in Q1, *Be the Change*, which is our study about diversity and inclusion in the music industry to address and to raise awareness around the issues of perception gap, sexual harassment, abuse, recognition, the leadership for women and our Group and be able to address them an area where Believe has been leading across many dimensions and geographies.

The same thing around investing in our teams. We believe more than ever, and as we have been travelling and seeing all of our teams around the world, in the power of building the best-in-class teams with the most advanced expertise. The market is changing very rapidly. Our ability to ensure that our teams have the best knowledge about how to leverage our key partners for the benefit of artists is a critical component and competitive advantage and one where we are aiming to lead.

As a conclusion, all of these elements are translating into stronger attractivity for artists and labels than ever before. Now, the ability to serve them across a new dimension with publishing has allowed us to drive continued growth and continued market share growth in Q1, which I will now let Xavier explain in numbers for you.

Q1 2023 Financial Results

Xavier Dumont

CFO and Strategy Officer, Believe S.A.

Q1 2023 organic growth up +22.8%, a trajectory in line with Q4 2022

Thanks, Denis. As presented by Denis, we have another strong operational and financial performance, with market share gains in all key countries and all key DSPs. The organic growth reached 22.8% in Q1 2023 versus last year. This is the same growth as in the last quarter, Q4 2022.

The digital organic growth was 22.6%, slightly decreasing versus Q4 2022, as the ad-supported single-digit growth further deterioration started in November, but we maintained solid market share gains. In fact, our market share continued to grow as in previous months, but the various stores monetisation performance has been impacted, especially due to economic conditions.

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

The digital revenue represented 93% of our revenue in the quarter, same as last year. The non-digital sales include, notably, the physical sales that, as you know, we are carving specifically in Germany, but also merchandising, branding and live that had a very good performance in the quarter.

Let us now have a look at our performance by segment in the next slide, Page 12.

Premium Solutions driving the revenue growth, while Automated Solutions is ramping up following its pricing changes

We have strong growth in all segments, Premium and Automated, which is a tribute to the appeal of our model, as described by Denis.

In Automated Solutions, where we target music creators, we have an organic growth at constant exchange rate of 9.8% versus last year in the quarter. As expected, Automated Q1 performance has seen slower organic growth as TuneCore social platforms revenue share offering was also impacted by the ad-supported store growth and because the unlimited new pricing has lower ARPU that is not yet compensated by the very strong ramp-up of new clients.

For Premium Solutions, when we target labels and emerging to top artists, we show an organic growth of 23.8% in the quarter, which means also that the organic growth is slightly above the total Premium Solutions growth, which is 23%. The organic growth rate at 23.8% is above total growth rate as we have a negative currency rate impact of 0.9%, mostly related to the depreciation of the Turkish lira versus euros that is adjusted for. We have also a 0.1% positive hyperinflation effect.

Just also to be clear that other actors in the music industry like Spotify mentioned a positive currency impact in the 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. However, we estimate that given our geographical footprint, that impact is very limited in the quarter.

Growth in all geographies in Q1 2023 reflecting Believe's strong position in the digital music industry across the world

If we now have a look at the Page 13 of the growth by geography. We gained market shares in all geographies. The geographical footprint and growth pattern of the Group. It perfectly illustrates our model.

First, we are focussing on digital music. We are well-positioned in the countries where digital penetration is lower and thus, future growth is higher. This is illustrated by the strong growth in APAC in Africa. As Denis illustrated, we have a very strong growth in the region. That growth reached 40% in Q1, even accelerating versus last quarter.

In all countries, including mature or developed ones, addressable markets are enlarging as more and more traditional genres of music become digital. That leads to, of course, more opportunities. This is demonstrated by the growth of France by 13.2%, when we operate across multiple music genres that are switching to digital. More clearly, it is also demonstrated in Europe, excluding France and Germany with 21.1% growth, same growth as the last quarter. Even in Germany, when we are reducing voluntary our exposure to physical heavy contracts, we are still gaining significant market share in the digital market as during the quarter, we grew double-digits in digital growth in the country.

The third characteristic of our model is that we serve all digital artists from the creators to the top artists in a profitable way. This is illustrated by the growth in Americas, where we grew 25.2%, which is a higher growth than the last quarter, even despite the Automated performance.

Our digital focus that is based on a mix of technology solutions and music allows for better quality of service to higher appeal to artists and labels, leading to steady operating leverage.

FY 2023 Outlook and Mid-Term Objectives

FY 2023 guidance: Driving a profitable growth strategy towards long-term adjusted EBITDA margin of 15%

If we now switch to the Slide 15, we are going to discuss our guidance. As we demonstrated, we had a better-than-expected Q1 performance. However, we want to be cautiously optimistic. We maintain our guidance of an organic revenue growth of around 18%, reflecting strong market share gains, resilient paid streaming and stabilisation of ad-sponsored growth, as it has been since the month of November 2022, i.e., a low single-digit growth for the full year for the key stores. We are anticipating a higher EBITDA margin of around 5%.

Our central platform costs will continue decreasing as a percentage of revenue. As we are demonstrating quarter-after-quarter, our powerful model is to drive growth, gain market share and increase profitability. We will maintain our focus on investment in local sales team and central platform tech and solutions while managing actively our investment cycles to further improve profitability. The Group operating leverage will continue to come mostly from the central platform cost, as it has been since the financial year 2020.

Regarding the cash flow, it is always hard to predict the working capital dynamics, specifically regarding the advances that are fuelling our growth. Providing that there is no change in the label behaviour, such as what we had in financial year 2021 with several Tier 1 labels asking for longer-term duration at renewals, we do expect a positive free cash flow generation in the financial year 2022.

On track to deliver on mid-term objectives, further building scale in Premium and Automated Solutions to reach 15% adjusted EBITDA margin after hyper growth phase

In the next Slide 16, we are also confirming that we are well on track to deliver on midterm objectives, which is an organic revenue growth of 22% to 25% for the period 2021 to 2025. We are also expecting an adjusted EBITDA margin from 5% to 7% by 2025.

This operating leverage will be based mostly on a better amortisation of the central platform cost. As you can see, we should be close to the lower bracket target in 2023, thanks to higher revenue and central platform investments. The long-term EBITDA margin for the Group of 15% after hyper-growth phase is also unchanged.

Now, I will let Denis conclude the presentation.

Conclusion

Denis Ladegaillerie

Founder and CEO, Believe S.A.

Believe on the right track to build the best music company for digital artists

Thank you very much, Xavier, on Slide 18. As Xavier was saying, we feel cautiously optimistic for 2023, the year ahead. We feel very optimistic about our ability to continue to gain market share. We do think this is the fundamental power beyond our multi-tier model, allowing us to work with the new generation of digital artists that is rising as well as capturing month-after-month more of the established and top artists in each market where we operate.

That is making us feel very confident in our ability to continue to gain market share in 2023 through continued investment in hiring, training teams locally as well as continuing to drive innovation, as we have had, in digital audience development, digital marketing and promotion tools to continue growing our artists at a much faster pace than the market. Obviously, we do think that 2023 will continue to put us on track to achieve our long-term ambition of becoming the best company to work with digital artists in this new market.

Thank you very much. We will now open the floor to questions.

Q&A

Nicolas Cote-Colisson (HSBC): Hi, everyone. I have one question, maybe from an industry point of view.

I am just curious to get your view about the artist-centric model. I know you already talked about it several times, but just in the light of the UMG comments about their results, I would just like to get your updated thoughts and whether you recognise yourself as an entity participating to the noise and the other supply, to paraphrase UMG? Thanks.

Denis Ladegaillerie: Very good question. What do we think about the topic of the value sharing? We think there are three dimensions to that debate, which are separate dimensions. I would say dimension number one is the price segmentation, essentially. As you know, price segmentation has been going on for quite a while, family plans, student plans, etc. One part of the discussion is how do we create a price segmentation for super fans to be able to better monetise super fans.

I do think that we have a similar view as anyone in the music industry there, which is price segmentation is going to contribute to increased ARPU. That is going to be beneficial for everyone. We have more and more top artists. These artists have very engaged fans. We have a lot of entry-level artists. These entry-level artists, especially at the beginning of their career, even tend to have stronger fandom than top artists. We do think that that price segmentation is going to benefit us like it is going to benefit every single player.

The second topic is really what we call the hygiene, the clean-up of the content pool, which is essentially the limiting of fake streaming, abusive content, etc., sensing which is a topic which we have been fighting on for a few years now and which we do think will create value back to the people that have already handled most of these topics.

As I mentioned in previous calls on all of these topics, both Believe and TuneCore are at much lower levels, on average, than the market. We do anticipate that this will come to benefit us once that happens.

Then, the third segment is really about the change in the economics and the value sharing. Our view there remains the same, which is every single player has a different vision on the market so it is going to take time to align.

For Believe, it is very simple. What we are about is we are an artists development company. We have always made it very clear that the music market starts with DIY artists and it ends up with top artists, including top global artists. If I take one top global artist at the moment that is not with us, Ed Sheeran started on TuneCore as an artist with less than 1,000 fans many years ago before he became a top artist.

Our view is very simple. It is the digitisation of the market as the load has created a much fairer, much more diverse market. We do think our view is that that should – obviously, we have a very different view on that, from that standpoint, from UMG. We do think that DIY artists are contributing to diversity to animate the markets on digital music services, obviously. That is really how we are thinking about the market globally.

Nicolas Cote-Colisson: Great. Thank you. Very clear.

Nicolas Langlet (Exane BNP Paribas): Good afternoon, everyone. I have two questions on Sentric.

First of all, do you think with that acquisition, you have the sufficient scale on that segment or you are looking or already in discussion with other players to get it at even stronger scale on the publishing platform segment?

Secondly on Sentric margins, do you expect it to be neutral in 2023 with the integration costs? In the coming years, what margin do you expect from that business?

Finally, on the generative AI tools, so there has been some debate in recent weeks on the potential impact for the music industry. Curious to get your thoughts about how this could impact the industry and how Believe is positioned on that thematic[?]. Thank you.

Denis Ladegaillerie: Sure. Thank you, Nicolas. I will take the first and the third question. Then, I will let Xavier answer the second one.

On Sentric, the acquisition is actually the perfect set for us because this is a platform that is probably the best rights management platform today that exists. We have looked at a number of acquisitions in this space. For that reason, we think it is a perfect fit for it. However, it is a platform that has not yet been expanded commercially. There is obviously a strong synergy for us in expanding the platform.

We have all of our sales teams around the world to be able to acquire rights from artists and labels. Yes, one of the first things that we are going to be doing is expanding the scale of the platform to be able to put more volumes and more revenues by signing more publishing administration deals in synergy with our existing recorded music business.

I will let Xavier finish. Maybe you want to finish around the Sentric and then I will follow-up on, generally, the AI afterwards, yes?

Xavier Dumont: Yes. Regarding the profitability of Sentric, as we said, because of the integration costs, it is going to be pretty neutral for this year. For the years to come, I would say we are going to execute the same policy as we have on the recording side, which is a profitable growth policy, so investing in the platform, investing in local teams to expand the business.

We will, as usual, manage carefully the profitability. However, I do not expect it to be meaningfully profitable versus the Group because we want, first, to grow the business and to expand the business and not raise significantly the profitability of the business. However, long-term margins are going to be interesting for the Group in the future. That is for sure.

Denis Ladegaillerie: Thanks, Xavier. On AI, Nicolas, I think our position there is very clear. The way we are looking at it as a business is, and I think we have expressed this in the past, which is AI or technology is here, in our view, to enhance human creativity, not to replace it. What does that mean for us very practically as a business is that we have deployed a number of quality controls in our business. We do not wish to distribute and we are not to distribute any content that is 100% created by AI, whether that is Believe or at TuneCore. We have a number of quality control processes in place. We will strengthen them. Once again, our view is that AI is here to enhance human creativity, not to replace it.

The second thing is, obviously, as I think other players in the market, we view AI as an opportunity forward. It is an opportunity to augment human creativity. It is also an opportunity for monetisation for the artists, especially with generative AI. What we are doing now is we are experimenting with a few of our large global AI companies around attribution.

Formerly, it all boils down to if a track is being created tomorrow that uses music from several artists, if we want to be able to license that track and for the original artist to be compensated, we need to know what percentage of the new song that has been created is attributable to that artist. We are doing a number of experiments to see how reliable attribution models are so that then we can move on to potentially licensing and generate a revenue opportunity for the artist.

We are also experimenting around how AI can be used to deepen the engagement between audiences and artists. We know that there are a number of users that do like to create content from the artist. That is their way of engaging with the artist. We are doing some tests in that area as well with some of the larger players, which we do think, at the end of the day, is going to create an additional revenue opportunity for the music industry globally. That is really how we are thinking about it at this point.

Nicolas Langlet: Perfect. Thank you very much.

Lisa Yang (Goldman Sachs): Hi, good evening. I have a few questions, please.

Firstly, it is on ad-supported. I think you mentioned losing digit revenue growth in the first quarter. I was curious if you have seen any major improvement for the quarter or what other trends you are seeing in April? It seems like the commentary and actually some of the results we have seen from the big platforms and even Spotify, I think has maybe been a bit better than expected or point towards a bit of improvement. I am wondering whether your assumption of either losing deal for the year is being a bit conservative here. That is the first question.

Secondly is on the price increase. I was just wondering whether you can really share the latest, in terms of your conversations you are having with DSPs, and any thoughts, I guess, in terms of the timing of it?

More broadly, do you think the price increases we recently saw and we might see this year, is that more of a one-off? Do you think this is, again, something that could be recurring? Is the industry ready to basically absorb price increases every two or three years? That is the second question.

Thirdly, just to come back on the performance and the guidance for the full year. Obviously, the 23% growth in Q1 is clearly impressive. I think you still have some impact from Russia in the quarter. If you can maybe quantify that? Any reason why we should not see an improvement from Q2, where you are actually noting that pressure impacts?

Actually, the fourth question, if I may, just to follow up on your comment around due to AI, which I thought was very, very interesting. Can you maybe talk a bit more in detail about the controls you have in place? If you, for instance, the content that is not 100% AI, generally, but let us say 50% is still, I do not know, potentially using vocals from other artists without having the rights of license, how can you control it?

I am just curious just to understand can you really prevent some maybe content which is maybe part AI-ready, which does not have the right license in place, so basically using the TuneCore distribution platform? Thank you.

Denis Ladegaillerie: Okay. Xavier, do you want to take the first one?

Xavier Dumont: Thank you, Lisa, for your question. On ad-supported, I would say, unfortunately, we have not seen any improvement since November. Yes, we agree that we had seen, for example, as announced by Spotify, the ad-supported by Spotify increasing much more during the quarter. However, this is a small part of the ad-supported monetisation. That has been largely compensated by less favourable variances in other key stores. The situation in Q1 has been very stable in ad-supported versus since November.

The last few weeks of April, because this is one of your questions, show the same trend. We do not see, at the moment, an improvement. That is why we say we are cautiously optimistic in the sense that there is no improvement, but we still have strong market share gain. This is the level of uncertainty we have at the moment.

Denis Ladegaillerie: Do you want to take the Russia impact maybe as well?

Xavier Dumont: Russian impact is at roughly 7% of our revenue. As we said in the last quarter, we are still operating in full compliance of the sanctions from the US and UN and other countries. Our target number one is really to protect our teams that are operating locally. The situation, of course, I would say, is very fluid, in the sense that it can evolve at any given time. However, for the moment, the situation has been stable for the past month.

Denis Ladegaillerie: Thanks, Xavier. On the price increases, Lisa, I would say there are two price increases.

There is a general price increase which some services made last year and which we think some of the services that did not make them last year are likely to make them in 2023, as I said earlier. Is that going to come in Q2 or in Q3? I do not know, which is the reason why we have not taken into account in our model any assumption around price increases in 2023, but we do expect them to come in 2023.

Then, there is the second level of price increase, which is the price segmentation for super fans I was talking about, which we do think is going to take at least a few more quarters to get developed and to move into implementation phase.

On AI, I think what we are seeing and what we have experienced with so far is, I would say, attribution on AI is not very different from attribution of rights on content ID on YouTube, for example. It is really about analysing a track, analysing a voice, analysing how a new track is being made up about, what various components are being made up from other tracks.

We do think that there are a couple of attribution models out there that are sophisticated enough, or not far from, to be able to really have very precise attribution models. We do think that, yes, the ability to say, 'This track is X percent this artist, X percent this artist, X percent this artist', we do think that the technology is actually here today. It has just not yet been deployed.

The same thing for the controls. You have technologies out there in the market today that can detect an AI-generated track with 99.9% accuracy versus a human-created track. It is something where we feel very good with the fact that the ability to control is there. Now, it needs to be deployed everywhere. We need to finalise the testing. We need to deploy there. However, these technologies exist and are there.

How much time is it going to take to put them in full deployment? Probably it might be a quarter, maybe two. However, we do think, ultimately, the ability to control both potentially revenues as well as quality control of the distribution is very high.

Lisa Yang: Thanks very much.

Thomas Singlehurst (Citi): Good evening. Congratulations on a good quarter.

Market share gains. We talked about it a lot and I would love to just try and break it down a little bit. I presume a decent chunk of it is just a function of your exposure by genre and geography and obviously the fact that you are digital first. I was wondering whether you could go one level deeper and talk to us about how consumption is shifting, in particular in developed markets, and just how you expect that to evolve? I suppose I am just trying to work out at what point does your growth rate converge back with industry growth. That was the first question.

Then, the second one. Sentric looks like a very exciting deal. You are obviously going to be running it for growth and scaling it up. However, you also said you have already been a partner with Sentric sometime. I am just interested in the degree of overlap and how quickly that can be ramped. Is this an area where it is a pretty easy conversation with your artists just to say, 'Look, flip over your publishing administration to us', or is it a bit more complex than that? Thank you.

Denis Ladegaillerie: Okay. Thank you, Tom. I will try to answer. Xavier, feel free to jump in anytime.

On the market share growth, I would say this is really driven by the digital transformation of the market. Once again, I have been to all these countries in the past three, four months. The thing that struck me is how quickly the pandemic has actually accelerated all across in all of the markets.

If I take Japan, it is a very traditional market. How quickly the pandemic has accelerated the focus from top artists, established artists, record labels and, of course, the new DIY artists into digital, into understanding what they need to do to develop themselves. Obviously, that is playing at the core of our positioning and is the core of our strength. I would say, globally, this is really a step change in the maturity of a market that is driving attractivity across the board, once again, at all levels.

If I take an example, I was in India two weeks ago. In India, for the first quarter of this year, Believe was the number one player, in terms of market share in the market, ahead of traditional labels, ahead of local majors. Why? Because of the strategy of the multi-tier strategy that we have built. We built artist services there because the market is large. We have had more and more success with number one Billboard Charted Artists, Top 10, Top 20 Billboard Charted Artist. That has driven market share growth. We have a portfolio of local labels that is more diverse than anyone else. We have localised and built TuneCore locally to bring in the new generation of DIY artists.

All of these elements are contributing. That is how we build. Think about this. We started in India ten years ago with one local consultant. Ten years afterwards, we are number one in the market with, depending on the services, between 15-30% market share on local music services. That is how we have built with a couple of acquisitions. I would say that is really the target model.

Obviously, in all these markets: Southeast Asia, Brazil, LatAm that are very digital markets, then our ability to differentiate and compete is greater because you are talking about digital markets. However, I would say you are seeing the same thing in the major markets. A few examples that I took earlier, talking about France or Germany, where we are competing with traditional labels and winning. Sometimes we are winning; sometimes we are losing because, as Xavier was saying, there are more market segments where we were not operating before where we are starting to operate now, that is leading us to increased market share.

It is really all across the territories and it is really driven by the model. It is a function of the fact that we operate more and more at the top. We are very strong in the middle with the ability to retain, accelerate the growth of artists and our labels through the digital expertise that we have that is more advanced and being able to bring in new DIY artists at the same time.

Xavier Dumont: Maybe I would add to Denis' point that most markets are still very traditional in the way they promote and market artists.

If I take the example of India, 50% of the market is Bollywood music. It is still very traditional because it is a TV and radio market. To your point, in mass markets that are still very traditional, the switch to digital is just happening, like pop music in France or Philippines music in the Philippines.

I would say the growth is ahead of us, more than behind us because the switch to digital is just starting in most markets, including very major markets such as the UK or the US.

Denis Ladegaillerie: Thanks, Xavier. Tom, on Sentric, there are two synergies that we are going to start chasing. First with Sentric is one. Now, owning Sentric is going to allow us to drive a deeper integration between Sentric and TuneCore. We already have a significant percentage of the TuneCore artists signing up to the TuneCore publishing offer through Sentric, but we do feel that there is potential to further expand acquisition on the publishing side for TuneCore clients.

Then, yes, there is, I would say, a significant low-level hanging fruit on the Believe side. Our Believe sales team across, I would say, all territories in mature and new emerging territories have been pressuring me and the team for at least four, five years to make an acquisition in publishing because they have opportunities to sign.

When we sign artists at the top that we are responsible, that we are developing, a lot of time publishing is available, and we can provide the additional services, same collaboration. We do actually provide them for the artist. We are fully set up to provide there a full publishing solution for these artists.

We have also a number of labels that we work with that do have publishing catalogues and, for the same reasons, looking for one-stop shop solution and asking us to provide publishing administration. We do think that level of, I would say, low-level hanging fruit synergies with publishing is high. That is what we are working on right now.

However, our target goal, at the end of the day, is to do with publishing, something very similar with what we have done with recording, which is to build a global publishing leader in the market. We are going to deploy, work on that plan later this year and put investment beyond to be able to achieve a higher ambition than just the first level of synergies I was describing about.

Thomas Singlehurst: That is great. Thank you very much.

Christophe Cherblanc (Société Générale): Good evening. Thanks for taking my questions.

The first one was on ad-related revenues. I just wanted to clarify. Xavier, did you say they were flat in Q1 or still growing at low single-digits? Related again to advertising, I would assume that YouTube is a huge part of your advertising-related revenue. Is it fair to assume its 75%, 80% of total? Then, we can use YouTube as a proxy for that kind of revenue line? That is the first question.

The second one is on Sentric. Will it be reported within Automated Solution or will it be a different line? What is the date of consolidation? Also in terms of model, is it a revenue share and a traditional publishing model or is it just a flat fee like what TuneCore is doing?

I have a third question, more for Denis. You were speaking about the super fan issue. I have to tell you, I have certainly no idea what is a super fan. To the best of your knowledge, what is the share of the population which could qualify for a super fan rating? Is it 5-10%, more than that, less than that? That will be extremely helpful to try to seize the opportunity. Thank you.

Xavier Dumont: Thank you, Christophe, for your questions that are always very precise on those matters. I will take the two first and then Denis will take the third one.

On ad-supported, yes, I confirm its low single-digit growth. That is because also we are gaining market share in those markets in ad-supported DSPs and ad-supported offers, as we are for others. As you know, we do not communicate on the split, but yes, I can confirm that in most of the countries where we are, specifically emerging territories, YouTube is a very, very strong player. It has, of course, a strong contribution to the ad-supported performance. Just as a reminder, YouTube has also a subscription part through YouTube Music, but it is still mostly an ad-supported scheme through YouTube and YouTube Shorts.

Regarding the consolidation, Sentric will be consolidated first in Automated Solutions because, as Denis said, there is a strong component of the Sentric offer today that is linked to the TuneCore offer. That is why we put it in Automated. Of course, as we are going to expand the commercial offers of Sentric to the Premium Solutions clients, then that part will be part of the Premium Solutions. However, today, Automated is what makes more sense, from a consolidation standpoint. It is a model that is a revenue-share model. In some self-service part, there is a fixed fee component, but most of the monetisation is revenue-share based.

Denis Ladegaillerie: Thanks, Xavier. Christophe, on the super fan, I wish I had a number to provide for you on this one. There is no such definition of what a super fan is. Typically, the way we at Believe view them is, I would say, any top artist generally has a fan base that is between 0.5-1.5% of the people that are listening to the artist that are people who are going to buy merchandising or who are going to buy concert tickets and who are much more engaged with the artist. That is typically what we see in that range.

It varies a lot. When we look at, for example, at businesses like Nuclear Blast or some segments of the DIY markets where you have super fans that are much more engaged, they are the family and friends of the early years. Sometimes, you can have an artist with a few thousand listeners who have up to 25-30% of their fan base as a super fan base that will be heavily engaged.

How does this translate globally, in terms of additional revenues? It is difficult to say, at this stage. What is the additional potential of monetisation of the super fans? How much would a super fan of Jul tomorrow be willing to pay on top of his regular Deezer subscription or Apple Music subscription to get to exclusive content or exclusive experiences? It is probably going to be difficult to say. It varies artist by artist.

My sense is that, as I think about it from a business model standpoint, we expect some testing to be done around these topics by a few services in 2023 and then take the learnings and probably have more larger scale deployment in 2024 or beyond of this type of offering. That is my sense. I am not sure that fully answers your question, but that is the best I can do at this stage on this one.

Christophe Cherblanc: No, that is very useful. Based on what you say, it seems that across the board, the price increase would be much more significant, in terms of impact, than more segmentation of the market. That is helpful.

Denis Ladegaillerie: Yes. Yes, absolutely.

Christophe Cherblanc: Yes. Just on the date of consolidation of Sentric? Sorry, I think Xavier…?

Xavier Dumont: 1st April because we bought –

Christophe Cherblanc: 1st April? Okay.

Xavier Dumont: We bought them end of March, so 1st of April is going to be the consolidation date.

Christophe Cherblanc: Okay. Thank you. Super clear.

Denis Ladegaillerie: Perfect. We are right on time. Thank you very much, everyone, and have a good rest of your day. Thank you for your attention.

Xavier Dumont: Thank you very much. Bye-bye.

[END OF TRANSCRIPT]