believe®

Believe H1 2023 Results

Wednesday, 2nd August 2023

Introduction

Denis Ladegaillerie

Founder & CEO, Believe

Welcome

Thank you very much. Welcome, everyone, to this H1 2023 webcast. Xavier Dumont, our Chief Financial Officer and Strategy Officer, and I will be presenting through this webcast.

Significant profitability improvement and solid organic growth despite digital market currency headwinds in H1 '23

If you can move directly to slide four. Our mission, as a company, is to develop artists at each stage of their career in the digital world, in all local markets. The way we accomplish our mission and the way we differentiate is by leveraging people and technology to build the best products and services for artists and labels.

In H1, furthering that mission, our focus has been on three key topics. One, we had an exceptionally high level of new opportunities to capture commercial opportunities, either through new business or renewals that I will describe. Our second focus, as in the previous quarter, has been on improving our efficiency and our profitability as we have done consistently since the IPO.

Our third focus was to continue to invest and differentiate in AI, in experimentations and building the principles so that we can differentiate further and further improve our attractivity to artists and labels.

Starting with the first highlight, H1 has really been one period of very strong commercial activities at two levels, and I will get into details into each of these levels. We had a very strong level of new signings, especially with established artists and also large labels. What we have seen is this is a factor of two things. This is a factor of essentially in more and more markets, digital markets, digital segments of the market are becoming more and more important.

Believe having built over time a track record of breaking working with top artists in each market, is creating opportunities for us that were not existing before and that we have been able to leverage in H1 in commercial terms.

The second set of opportunities that we had in H1 2023 is the opportunity to renew a set of very large contract with existing artists and labels with a view to significantly improve both the economic terms as well as the length of these contracts, and something that is being built on the back of very strong trust relationship established with existing clients, seeking to deepen or expand existing relationship over a longer period of time or over larger set of services.

That has led us, as Xavier will cover this further, into expanding, allocating more capital and advances to these unique opportunities, which by experience, we have seen as both highly valuable and high return opportunities.

As a result, we have seen a solid organic growth in H1 2023, that has been slightly slowed in Q2 2023, mostly related to the significant euro appreciation that we have seen, affecting our digital revenues from non-Eurozone.

As you know, a large part of our focus has been in investing in emerging markets, especially Asia being our number one market for investments and having a large revenue base in US dollars, the euro appreciation translated into revenues for us, has had a negative impact on Q2 2023 revenues.

We still see, as other players in the market moderate ad-funded monetisation. We have seen a slight recovery in some of the markets, not in all markets.

Our third focus, and Xavier will expand around this, has been really around increasing profitability. As you have seen, we have been able to expand profitability, EBITDA margin by 250 basis points at two levels, improving segment margin profitability. This is the profitability of our various commercial segments as well as the operating leverage driven by the scale effect, the ratio of central platform cost to top line is further continuing to contribute to EBITDA margin.

H1'23 highlights: successful track record of developing artists and labels unlocking new commercial opportunities

Moving on to slide five, the commercial opportunities that we have seen in H1 2023 at two levels. I think we can move directly to slide six.

Stronger track record at the top and recognized quality of services unlocking new commercial opportunities with established artists

First level where we have seen very significant opportunities is within the established artist market. There is a couple of examples on this slide. Believe was, if I take France, for the first half of the year, the biggest hip hop label in the market in terms of market share, 22 albums in the top 200. Hip hop is the largest market segment by far, 27% market share locally, including three of the five most streamed albums. This is one market where we are more advanced, but it does demonstrate the ability over time to build on a track record of success with a mix of breaking new artists as well as working with established top artists where we have long-standing relationships.

Also illustrated by Grammies received by some of our artists here, Gur Sidhu, Lucky Ali in India as examples, and the fact that Believe received the award for best label and artist services company in the UK, which is really aimed at rewarding companies providing the highest quality of service in the UK at the Music Awards a few months ago.

Our focus, generally, what we are seeing is more market segments becoming more digital. Our track record of working with established top artist is driving stronger attractivity to new artists coming to us directly, and that is translated into some of the allocation of capital that we have been making.

Strong appeal to established artists across a greater variety of territories and music genres

The second opportunity is we have seen and a few more examples, moving on to slide seven, around that reflects the diversity in terms of music genres as well as territories. As you know, our focus is on signing and developing local artists. All of the data is showing us that the market share of local artists is increasing on all digital music services on Spotify, but as

well as on YouTube and other services. We are continuing to invest, firstly, on developing local artists in their markets across a wide range of genres of music.

High-quality of service driving attractive renewal & new opportunities with top labels

Second opportunity that we have seen in H1 is the opportunity to renew and sign a number of large tier one labels. That opportunity is being driven by the fact that very consistently for the past several years, our labels have grown at a much faster rate than the market, thanks to the set of services, thanks to the expertise of our local teams and the way we are organised to serve them.

For the first half of 2023, the average performance of our labels has been 44% higher than what we have seen in the market. That is only the portfolio of existing labels on a comparison basis. The ability for us to externalise this performance is, as you can imagine, high, and that has led a number of artists and a number of labels to come back to us asking us to strike much longer relationship to expand the set of services that we are providing them at a higher level of operating margins.

As a management team, we made the choice to move forward and capture these opportunities as we do think by experience and all the data showed us, and Xavier will touch around this, that the ROI of this relationship in the long term is extremely high, and that has driven us to allocate more cash to advances to capture high level opportunities and high return opportunities.

Believe Southeast Asia 10-year anniversary: Strengthening a leadership position already at scale

From a geographic standpoint, moving on to slide nine as an illustration, we have continued focusing around Asia, where, in the first half of the year, we have celebrated our 10-year anniversary in Southeast Asia, where we have been able to establish from no presence 10 years ago, to a leadership position that is already at scale with a leadership position in most local markets in terms of both artists and label distribution, where we are continuing to invest significantly on all aspects of our business premium services as well as developing automated solutions there.

We expect these markets to grow very significantly. Although despite the currency headwinds that we mentioned earlier, we expect these markets to grow 4.5 times by 2030 in the region. The region remains one of the key investment themes for us for the future.

Embracing Artificial Intelligence: new opportunities to foster growth and efficiency with 4 Responsibility principles

Lastly, before Xavier moved on to our efforts around improving profitability and efficiency. We have had a very high focus in H1 2023 around innovating and building our engagement principles around artificial intelligence. We do think that artificial intelligence is going to have a major impact in three dimensions.

The first one is creativity. We do think that generative AI and what we are seeing in the market will empower every artist to make high-quality music. We think that for a large part of our business for our Automated Solutions, technology will rapidly be available to elevate the quality of the music that is being produced, allowing younger artists, developing artists to

compete faster in the mid-level market segments and towards the top with higher quality music and accelerate their learning curve to improve their craft.

Therefore, that is one focus of ours, how do we leverage AI, generative AI technology to build products and services for artists that are making the benefit of helping them elevate their craft.

The second element where we think AI is going to make a very significant difference is one where we have been investing for several years now is Discovery. A large part of new artist discovery today is being done by algorithm-based recommendation across music services, and we have been for several years now building machine learning models to be able to optimise the marketing and promotion of our artists of their tracks on various digital music services to help them expand market share and do services. That has been a continued effort in H1. That is going to be a continued effort for the next two to three years in differentiating in that category.

The third thing is efficiency. As part of the effort that we are driving, we do think that AI has the potential to help us as an end-to-end technology in music digital business, we do think that the potential for AI leverage generative AI or AI to improve our business from deal-making to marketing campaigns to efficiency in our supply chain is extremely high, and we are engaging on all of these topics internally.

In parallel to this, as other players, we do think it is our responsibility to approach AI with a very responsible approach, and we spend a large part of the first half of the year building our engagement rules around four principles of consent, control, compensation and transparency by which we are approaching every single AI opportunity that is being submitted to us by our digital music partners around the world or smaller companies coming to us to experiment. These have been really the themes of our growth.

I will now let Xavier develop around how that has translated and also how we have furthered our effort of improving profitability in H1 2023.

Financial Review

Xavier Dumont

CFO, Believe

H1'23 financials: significant profitability improvement and solid organic growth impacted by currency headwinds

Thank you, Denis, and hello, everybody. Nice to have this conversation tonight.

H1'23 key financial indicators integrating Forex impact and still weak ad-funded monetisation

Moving to slide 12 about the key elements of our financial performance. As presented by Denis, we have another solid operational and financial performance in H1 with market share gains in Q1 at the same level than in Q2. The organic growth reached 17.5% in H1, and we are growing in all regions despite a weaker Q2.

We have 18% digital revenue growth with a strong and resilient paid streaming monetisation single digital ad-funded monetisation on average, but much weaker in emerging countries and

in mature countries. We have very strong headwinds on currencies embedded in our DSPs revenues, especially in Q2, and we will see that just in detail afterwards.

The digital revenue represents 91% of our revenue, slightly decreasing versus last year. The 9% of non-digital sales include notably publishing with the acquisition of Sentric in Q2, physical that you know we are curbing specifically in Germany, merchandising and live.

As announced in our past communications, we actively manage our investment cycles with a focus on efficiency and returns. We reached 5.8% adjusted EBITDA margin, up 250 basis points versus H1 2022, driven by a better amortisation of the central platform investments and by improving margins at segment level despite lower revenue growth.

We signed significant attractive opportunities to sign or renew deals with labels and top artists at much better conditions like duration or margins, leading to a higher level of advances and thus, negative free cash flow for H1 at minus €32.9 million.

H1'23 organic revenue growth up +17.5%, a strong start to the year despite Q2'23 currency headwinds

Let us now have a look at our growth by quarter on slide 13. As we said before, the quarterly trajectory in terms of organic growth show a deceleration of growth in Q2. We grew organically by 12.9%. The main factor that contributed to the performance of that quarter is the currency headwind embedded in royalties paid out by our digital partner.

As you know, DSPs like Spotify or YouTube received money from the subscription or the advertising in local currencies, which constitute most of their revenue. Our contracts with them provide that we receive a share of those revenues. Even if a vast majority of our DSP contracts are in euros, we are still impacted by the variance of the DSPs local currency translation embedded in their statements.

As flagged last year, this effect was positive in 2022. However, as euro appreciation is much stronger versus almost all currencies, Q2 impact has been more significant with minus 6.5% and even more than that in June.

Adjusted for embedded currency impact, our organic digital growth was 23.6% in Q1 and 20.5% in Q2. Our Premium Solutions market share gain is the same in the two quarters. Q2 performance also reflects the weight of our various geographies as emerging markets, which have higher growth rate are suffering the most from weaker ad-supported monetisation.

Organic growth impacted by currency headwinds in Q2'23

Let us now have a look at our performance by segment on slide 14.

On Premium Solutions, we have shown strong growth despite currency headwinds with a very strong commercial dynamics, reflecting the appeal of our model based on digital innovation and differentiating positioning. Our market share growth has been stable each quarter, but we are still impacted by the weak ad-supported monetisation despite easier comps in June. As you may remember, there was a first drop in ad-supported monetisation in June last year. We have not seen much recovery in the last few weeks, specifically in emerging markets.

As you can see, our organic growth is the same as our total growth in Premium Solutions as we have a positive effect from the integration of Sentric in Q2 that is offset by negative effect on the Turkish lira depreciation versus euro.

On Automated Solutions, we have a single-digit organic growth in line with our expectations. TuneCore's social platforms revenue share offering is also impacted by the weak ad-supported monetisation and the unlimited new pricing has lower ARPU not yet compensated by the strong ramp-up of new clients.

Strong growth in most regions notwithstanding a more challenged environment

If we have a look now on slide 15 on our geographies. We gained market shares in more geographies. The geographical footprint and growth pattern of the Group illustrate our model. As you know, we are focusing on digital music. We are positioned in the countries, where digital penetration is lower, and thus, the future growth is higher.

This is illustrated by the strong growth in APAC Africa, as mentioned by Denis a few minutes ago on the 10 years anniversary of our presence in Southeast Asia, for example. That area grew by 23.6%. In all countries, including mature and developing ones, our addressable markets are enlarging as more and more traditional genres of music become digital, leading to more opportunities, both in the recording and now in the publishing market.

This is demonstrated in growth in France with 12%, and more generally, Europe, excluding France and Germany at 23.6%. I just want to flag that Sentric is shown in that region, i.e. Europe, excluding France and Germany.

Germany is experiencing slower growth, reflecting a less dynamic market and our continuing efforts to reduce our exposure to physical heavy contracts. Thanks to a multi-tiered approach, we served all digital artists from music creators in automated to the top artists in premium in a profitable way, as shown in the growth of the America regions of 21.7%.

Continued investment to fuel future profitable growth in Premium and Automated, with strong level of control resulted in increasing Segment margin in H1'23

If we now go to the next slide, that would be 16, on investments. Our digital focus that is based on a mix of technology solutions and music allow for differentiated positioning, digital innovation that translates into higher appeal to artists and labels and steady operating leverage.

As you know, we are constantly deploying new teams to address new music genres on new business lines or new types of artists or labels. We have a very strong operational control as our blueprint is very well defined. Each team is made up of four or five individuals, and each team takes circa two years to reach breakeven. We have a very strong control and execution, and as demonstrated, when our revenue numbers do not reach the planned levels, then we reduce our investments accordingly until we reach the expected profitability.

As we expect amortisation level to be lower, we decreased our investment levels, and we continue to work on efficiency, leading to higher segment EBITDA margin as we will see later.

Central Platform costs further reduced thanks to a focus on efficiency plans

If we go now to next page on page 17, the central platform. As you know, central platform is one of the key drivers for building differentiation and innovation as the central platform provides the technology and the solutions, not only in tools but also processors, structuring 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 – the G&A team, the finance, legal, HR, for example, that provides

the framework to manage our business and resources, and the sales and marketing teams that design the commercial offers in organisation and provide management tools that are then leveraged at local level. That is why central platform costs are not driven by volume, but they are more a function of the number of products we deploy, innovation, the number of business lines we are managing, the number of countries we operate in or the number of businesses we acquire.

As the Group expanded massively in 2019 and 2020, finalising its multi-tiered approach with the launch of artists services in 15 countries or the split 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 such as AI, data and marketing or just development, and we want to continue to be at the forefront of innovation. However, the central platform is decreasing as a percentage of revenue. As illustrated, we went from 12.4% in H1 2022 to 10.9% in H1 2023, and will still be decreasing in financial year 2023. The main factors that drive the central platform costs in H1 2023 has been further efficiency projects, specifically in IT and finance as well as investments in sales and marketing around data, AI and audience development.

Strong increase in Group's Adjusted EBITDA margin – illustrating focus on efficiency and operating leverage

That translates on page 18 on a very strong EBITDA margin improvement. The Group EBITDA margin trajectory is a function of the segment EBITDA margin, i.e., the margin pre-central platform cost. Because lowering investments reflect lower growth by almost 100 basis points and still work on our efficiencies, this margin grew by 140 bps despite weaker revenue.

The central platform cost is a central driver of our EBITDA margin trajectory, and that is decreasing as a percentage of revenue. This is the one that is normally contributes the most of the expansion of the Group EBITDA profitability.

By a careful management of our cost investment level, we have been able to drive operating leverage, which explains why we are reaching our midterm objective level two years ahead of the plan despite lower growth in revenue in the first half of the year.

Free Cash Flow reflect leveraging strong commercial opportunities at high ROI

If we go now to the slide 19 on the free cash flow. The free cash flow reflects the very strong commercial activity we had during this semester. As we have a negative free cash flow in H1, but mainly because of the working capital variance that reflects the further investments we made in advances.

As flagged by Denis and also mentioned during our past communications, the advanced projection depends on the contract conditions with the labels and the artist. Because of our positioning and quality of service and maybe also because of the current environment, we have been able to extract more value from key partners, mostly labels and artists, with higher margins and higher contract durations.

Advances have a very high ROI, 31%, much more than most of other type of cost allocation, including M&A. We signed those unique opportunities in the last few weeks. You may remember that we had the same phenomenon in H1 2021. However, this year, the

opportunities have been much more numerous and even more profitable. We are talking about a limited number of deals and we gave in the press release some colour on what those signings are, where there are mostly labels, which provide, of course, a higher level of confidence.

Capital costs are stable and the CapEx increase that you can see are mainly linked to M&A. Most of it is adjusted for in the line acquisition-related amounts.

Revised FY 2023 guidance given current currency environment with strong focus on profitable growth towards long-term Adjusted EBITDA margin of 15%

If we now go to page 21 regarding the guidance. We took into consideration the strong currency headwinds, and we are because of that revising our guidance down on revenue growth. However, because of our good operating leverage, we are increasing our EBITDA margin. We are now expecting an organic revenue growth of around 14%, including a 9% negative FX embedded in the digital market.

Without that effect, organic growth will be around 19.5%, reflecting resilient paid streaming, weak ad-funded growth as it has been since the beginning of the year and continuous market share gains. We are anticipating a higher EBITDA margin of around 5.5% as central costs will be decreasing as a percentage of revenue.

We are demonstrating quarter-after-quarter, how powerful our model is to drive growth, get market share and increase profitability. We will maintain our focus on investments in local sales team and in central platform Tech & Solutions. However, at the same time, we will continue to manage actively our investment cycle to further improve profitability.

The Group operating leverage will continue to come mostly from the central platform cost as in the past. As we want to continue leveraging the higher return on advances and the unique commercial opportunities we have, we now anticipate a negative free cash flow for the full year, nevertheless, showing improvement versus H1 2023.

From a cash allocation standpoint and given the high return we have on advances, we plan to reduce our M&A target for 2023. Our target was €100 million of M&A for this year. We have already spent €48 million in H1, mainly Sentric, and we will manage actively our acquisition pipeline to get the best returns between advances, M&A and other investments in local and central OpEx.

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

We confirm in page 22 that we are on track to deliver on our mid-term objectives, an organic revenue growth of 22-25% for the period 2021 to 2025, an adjusted EBITDA margin from 5% to 7% by 2025. This operating leverage will be based mostly on the better amortisation of the central platform cost. As you can see, we are above the lower brackets in 2023, thanks to higher revenue and control platform investments.

The long-term EBITDA margin for the Group of 15% after hyper-growth phase is also unchanged.

Now I will let Denis to conclude the presentation.

Conclusion

Denis Ladegaillerie

Founder & CEO, Believe

Conclusion

Thank you very much, Xavier. Well, as a conclusion, what I would say is what are we aiming to do for H2 2023 is very much along the lines of what I indicated in the introduction, which is we expect commercial opportunities that we have seen in H1 2023 to continue coming our ways with opportunities on long-term renewal, higher value, higher ROI renewals to continue in H2 2023, which is why we have made the decision on allocating capital to these opportunities rather than M&A, as Xavier was saying.

Number two, we expect we will continue through automation and leveraging technology, AI, non-AI to continue improving the profitability and efficiency of the central platform, while continuing to invest in technology to be able to differentiate in helping our creators become more creators through product and technology and people and help them reach audiences as we have done in a very targeted and very efficient way.

That is going to be our priorities for H2 2023, very aligned with our mission to become the best at developing artists at each stage of their career in the digital world.

Thank you very much. I think we are moving on to the questions.

Q&A

Nicolas Cote-Colisson (HSBC): Two questions, please. The first one is on FX. I wonder which currencies would you say was the most impacting in Q2? Because I get the Turkish lira that you mentioned on the slides. However, I mean the US dollar did not really change much in the last few months. Hence, it should not be a big surprise compared to when we last spoke in April. I just want to check on what other currencies are hitting your organic growth.

My second question is on advances. I would like to understand a bit better how it works there, because I get your point that it is helping long-term growth and returns. However, what is the difference right now? Because it feels like everything happened in the last couple of months when I would have assumed that these things take time to mature before signing these deals. I guess I would like to understand the process here and how suddenly there is such a step-up in opportunities leading for more spending in advances.

Xavier Dumont: Thank you for your questions. On FX, the effect is really up on Q2. When you look at each and every currency euro appreciated versus each and every currency, and you talk about dollar, dollar is part of the equation. However, you look at the euro versus dollar, in the last few weeks, and you will see that euro appreciated a lot. However, all currencies are impacted. That would be, of course, not only dollar, but that will be the Indian rupee, that would be, of course, Turkish lira, that will be most of the emerging countries' currency. I am struggling actually to see one currency under which the euro has not gained. That is why we have this impact.

As you said, this impact was quite recent. I mean it is really Q2, and it is even worse actually in June. The projections we made on the currency, the minus 9% is a basis of what the

banks are telling us about the projections and you may have heard what others said in the market that there is going to be a stronger currency impact going forward than there have been in Q2.

The second thing on advances. The way it works that the negotiation usually starts in, I would say, end of Q1, beginning of Q2. Then you get a few weeks of negotiation before striking the deal. I do not know if you remember, but I often say that the way it works is that a label will come and see you and say I want a big advance to which you are going to tell, yes, if you want a big advance, and you need to sign for a longer period. Usually, there is a balance between the duration of the contract and the level of advances.

The new thing there is that several of those conversations that started same way ended with the label or the artist accepting much, much larger duration in contracts and also higher gross margin for us, which was, I think, a factor of, I suppose the economic environment that makes a bit less easy for them to finance. They accept better conditions.

The fact that also our positioning and quality of service is very strong, and so they are willing to engage on a longer period because they are more confident about the fact that Believe will deliver a very good service on the long term for them. That is what led to the fact that in the last quarters, specifically, we had those opportunities that are quite unique.

Denis Ladegaillerie: Maybe to add, Nicolas, to what Xavier was saying is I think, do we think this is really a structural element that is going to come back? No. We think that this is more opportunities. As you might remember, we had the same thing a couple of years ago where we had one quarter, where we renewed a few big deals and that had an impact.

What we expect there really, as Xavier was saying, is we have been really good. I mean, you have been on all of our calls. What you have seen on a lot of our calls is we have grown our portfolio of labels anywhere between 15% to 44% faster than the market. That has been consistent for the past almost two years. We are getting to the point where we have been really good at externalising that value and why Believe is positioned as high value-added provider to them by helping them develop their revenues faster than anyone else.

I think that is the work that we have been doing for that positioning for the past couple of years that is now paying out, and that is now putting us in a position that is giving us now a window to strengthen and expand this relationship. We think that is what is driving on top of the global economic context, these conversations.

Nicolas Cote-Colisson: Look, it makes a lot of sense. I get your point, it is not structural, but more opportunistic. I get that. Maybe just a follow-up, a very short one. Did you think that your ROI on M&A could have been higher than 31% previously? You are ready to reinvest in advances because of the high returns. I am just wondering when you do your capital allocation whether you take that into account.

Xavier Dumont: I would say, on average, no, it is lower than that. However, yes, we had returns on some acquisitions that was much higher than that. Our point was to say, okay, we want to be, I would say, responsible and what is the most efficient capital allocation from, I would say, not only a return but payback also because payback is important. In what period you organically to get the cash back? As you know, payback on advances is much, much shorter than on M&A. That is also what drove our decision there.

However, as Denis said, it is more, I would say, opportunistic and short term than really long term.

Tom Singlehurst (Citi): In fairness, I think we have anticipated to say at this moment where that currency impact would unwind. However, I suppose now that it is unwinding, maybe you can just say a few words on just how we can be sure that there is not a market share loss embedded in that. We know that the big major incumbents or discussions with some of the streaming platforms around reducing prominence for long-tail content. Are we 100% sure that there is not any fundamental drag on your share performance within that 2Q figures? That will be the first question.

Secondly, I mean, leaving aside the currency impact, just from a market perspective, I know UMG said they saw a slight improvement in advertising funded streaming, but there was no clear pathway to a better performance in the second half, absent an easier comp. I was just wondering whether you could give some insights on the outlook for directly or indirectly ad-funded streaming at a market level.

Denis Ladegaillerie: Maybe I will take the first one and Xavier can complete. On the market share data, all of the biggest DSPs are providing us market share data either on a monthly basis or on a quarterly basis. That is something that we are monitoring permanently, and that is how we are calculating our market share across the territory. We have a very precise way of knowing exactly whether it is on YouTube, on Spotify, how much market share we have grown in what territories and globally.

What we have seen, as Xavier was saying, is all of the data is showing us that we are continuing to gain market share. Some of the questions around value sharing so far have really been around when we see all of the discussions so far are at early stages, and I think they are really focusing around what everyone is aiming at doing, which is curbing abusive streaming and streaming fraud. I think everyone is very aligned.

You might have seen the alliance that we announced and that we spearheaded with a few of our players to help with that. Market share is continuing in short, and we do not expect market share gains to move in the short term, which is what our projections right now is to see in H2 very similar market share gains as what we have seen in H1. Xavier, you want to complete and answer the second one?

Xavier Dumont: Yes. Well, I think also you can probably triangulate with the results that has been published by Universal Music Group and by Spotify also that would give you a high level view of our growth versus them and that we have shown you the fact that we are growing faster than they do. Even if it is, of course, just a proxy because our calculations and market share are much more precise that. As Denis said, we have detailed reporting by the DSPs on market share, etc.

On the second part, I think on ad-funded monetisation, as you know, we have been always cautious. I would say because the uncertainty is super high. When we go into details, it is true that, for example, you see the Spotify results, Spotify ad-supported is better. However, when you see other actors like local actors or even in YouTube, for example, you see that the ad-supported monetisation is not really getting much stronger. We also saw what we said also last time, which is there are differences per country.

As we just said, mature countries are faring slightly better than emerging countries. Taking into consideration all these facts, plus the fact that we were supposed to have an improvement in June because the comp was easier and we did not see that improvement. That is the reason why our assumptions that we took was that there will not be improvement in the ad-supported monetisation going forward, except for the ones that I quoted.

Of course, we do not have a crystal ball. Of course, we may be wrong. However, it is the assumption that since, I would say, the most reasonable with the information we have today.

Julien Onillon (Stifel): I just wanted to come back on your EBITDA margins. It is improving strongly in the first half but you expect some decline if you take your guidance and somewhere because it is like only 5.5% compared to 5.8% in the first half for the full year. My question is beyond eventually decline you might have in the second half, any impact from the currency in terms of cost reduction. You have an impact of 9% expected of currency in the second half on the revenue side. Do you have some reduction anticipated due to currency impacts? That is my first question.

My second question will come back to the small details on your financials. I was looking at your detailed financials and you have the associate earnings, I would say, which were positive last year becoming negative this year?

The second question was also a slight decline in your, let us say, on the minority incomes, which will mean that there is one division, which is probably going down in terms of earnings.

Could you explain a bit more on what is declining slightly on this revenue or, say, profitability from one of your subsidiaries probably which is going down slightly.

Xavier Dumont: I am not sure I understood all your questions, but will answer to the two ones I heard and then you can precise me the one I miss. On the currency impact on cost, basically, of course, there are some savings coming from the currency, euro appreciation. I would say that is mostly going to be in TuneCore in automated and in some other countries. Yes, we have a bit of an impact on this.

However, as you know, most of our cost base are first the royalties, which is directly as per the contracts. Then on HR costs and OpEx, a large majority of our costs are in euro because there are the central platforms and the euro countries. We tend to have less favourable, I would say, impact on costs that we have there.

The reason why we assume that we are going to have a bit of less EBITDA margin in H2 compared to last year would be that as we assume that the growth is going to be lower, and we assume that we are going to step up some of the investments to prepare for next year, that would translate into a slightly less EBITDA margin in H2 than we had in H1. That was the reasoning that we made.

On your second question, so I did not get the first part. I got the minority part, which I think it is more to do with, as you know, we have majority shares, but so minority in DMC, which is a Turkish label. There is the Turkish lira impact on this that explains the result on this.

The second part is that change in associate links, it is more I think –

Julien Onillon: Yes. On the associate earnings, it was a positive last year, about €0.3 million, and it is negative this year, currently €0.9 million.

Xavier Dumont: Yes. We made several JVs that we announced last quarter and last year. Those JVs are loss-making at the beginning. That is why they have a negative impact on associates' equity.

Julien Onillon: It is just the beginning of the JVs, which explained, and this is supposed to recover later.

Xavier Dumont: Exactly.

Nicolas Cote-Colisson: Two follow-up questions on the free cash flow. Can you just confirm we still have this positive contribution of €20 million in July from your renewal of the contracts? Secondly, on the acquisition-related amounts, finally quite high at almost €12 million in H1. I understand you have made the Sentric acquisition. However, what I am just surprised, it is a very big number, maybe three times what I was expecting. Is there anything I am missing there?

Xavier Dumont: First, yes, I confirm that we should receive, at the end of Q3, I think in September, if I remember well, the payment from our digital partner, if everything goes according to plan.

The second part is that because we made some catalogue acquisitions during the period. That is why you have such a big amount because that is what I said of CapEx. Those catalogue acquisitions are in CapEx, and they are reversed to M&A.

Nicolas Cote-Colisson: Okay. If I may, Xavier may hate me for this question. However, do you have any plans, at some point, move to quarterly results as opposed to half year results?

Xavier Dumont: No, I do not have any plans on that one.

Nicolas Cote-Colisson: Because you can tell with such set of results, okay? Again, everything you said makes a lot of sense, and you know how to run the company and we can see how the strategy is shaped for investors having only every six months with the possibility of some surprises to say the less either on FX or on the way you manage your capital allocation, makes it quite hard for investors to pursue, but just a remark from my side.

Xavier Dumont: Yes. If I may say so, I understand what you are saying. It will not change on H1 because there is a lot of things that we are describing happened in Q2. However, yes, I get your point.

Denis Ladegaillerie: Well, thank you very much for your participation, everyone, and we wish you a good rest of your day. Thank you very much.

[END OF TRANSCRIPT]