Believe FY 2023 Earnings

Wednesday, 13th March 2024

Introduction

Denis Ladegaillerie

CEO & Founder, Believe

Continuing to Invest to Build the Best Platform

While increasing profitability

Welcome everyone. I am happy to sit down with you to report a strong set of full year results for the third year since our IPO. This set of results is characterised by solid organic growth showing acceleration in Q4, a strong profitability improvement throughout the year as we scale, and positive free cash flow in the second half of the year. Believe's mission is to develop artists and labels at all stages with expertise, respect, fairness and transparency. What does that mean? We source artists and labels at early stages and support them in becoming established artists and labels. Once established we support them in their journey to become top artists or labels in their market segment. Once at the top we support them in reaching new heights.

From a business model standpoint, we aim to maximise the commercial potential of our artists' and labels' music and brands by supporting them creatively and in developing their audience. We participate in their commercial success. The more value we create in partnership with our artists and labels, the more we participate in the value we have created together. That is at the core of what we have been doing in 2023 and what we are going to do in 2024. Invest and innovate to create more value for our artists and our labels at all stages. The more value again we create for our artists the more we can participate in value creation.

We do this at the top of the market by investing in breaking more artists in the top-200 than ever before in Believe's history. That is a big part of our investment in the areas where we have gained the most market share in 2023. We do the same investing in Premium Solutions with continued investments in teams and innovation that translated into growing our labels faster than the market again and with TuneCore Accelerator. Lastly in 2023, we started expanding our services with the acquisition of Sentric that we are now building to become Believe Publishing.

From a financial standpoint, our investment in music and technology in 2023 has translated into a strong adjusted organic growth at 19.5%, increased adjusted EBITDA margin of 5.7% that reflects the investments and the transformation of our model, creating more value to extract more value, continued efficiency drive and naturally the scale effect.

FY23 Highlights

Denis Ladegaillerie

CEO & Founder, Believe

On Track to Build the Best Technology-Enabled Music Company

Building market share at the top across a greater variety of music genres in European countries

After pausing investment in sales in H1 2023 to adjust to slower growth, the Group has resumed its investment in the second half of the year in building local teams to develop and support top artists in top-20 global markets especially in Europe and Asia. The group gained additional market share in most key markets and is now positioned as a top-three player by digital music market share for local acts in key European and Asian markets including four of the top-10 global music markets. Japan, Germany, France and India. As you can see on this slide here in France, Believe proved that it has become the best new artist development capacity in the French market with 42[?] albums in the Top200 ranking number one on local acts with a 29% market share of the Top200 albums with 42 albums in the Top200 in 2023. Including WeRenoi here on the picture, the most streamed artist in France. We also had Raf Camora, a Believe artist with whom we have renewed a long multiyear relationship as the most streamed artist, and also 48 albums in the Top100 weekly album charts through the year.

Lastly, we had our first number one Global Spotify single with *Si no Estás* by Iñigo Quintero through a partnership with the artist and one of our Spanish labels. These successes at the top are being achieved in a wider variety of genres of music, as you can see, of course in hip-hop but also in pop, in metal and in local pop.

Celebrating First Decade in Asia by Expanding Footprint in Q4'23

Strengthening a leadership position already at scale

The second geography which we invest in is Asia where we have continued to strengthen our leadership position especially in the three largest markets in the zone. In China, we have continued to build our teams and expand our capabilities with success driven by strong local partnerships with local music digital services. In India, we have continued to pursue our investment across all business lines, entry level, established, top artist, and also strengthen our presence there with the acquisition of White Hill Music, the leading catalogue of Punjabi music original soundtracks from a longstanding commercial partner of Believe. In Japan, where we started to foray in last year, we launched our Premium Solutions and most recently PLAYCODE which is a new dedicated imprint targeted at top local hip-hop artists, a genre of music that is starting to gain share locally.

High Quality of Service Driving Strong Performance of Labels Served by Believe

Secure solid level of renewals and new signings

We have also continued to deliver significant growth above the market growth to our portfolio of existing label partners. As you can see on this slide here, 35% above market growth driven by an increase in our marketing and promotional investments across all platforms. This is also a great illustration of what I was describing earlier, moving from distribution to full label services and expanding significantly the value that we do create for our labels and being able to participate in a deeper way in that value creation. Taking full advantage of our inhouse media technology platform for media buy and our global editorial teams in more than 50 countries. We have also continued as we do each year to selectively strengthen our portfolio of local labels. A couple of examples here with Mahogany Recordings in the UK or most recently we have had the privilege to partner with MarqueeLabel, Bella Union in the UK.

TuneCore Accelerator Programme

A new marketing programme launched Q4'23 designed to support self-releasing artists' development.

That drive to create ever more value for our artists and labels is also one that we are applying to the new artists at TuneCore where through 2023 and continuing in 2024 we are now deploying a number of artist development programmes and marketing programmes at early stages for a large number of artists. These programs in the past quarter alone have helped 10,000 artists increase their stream by an average of 133% compared to the previous quarter, driven by marketing investments across a large number of platforms from TikTok to YouTube, to Spotify and others.

In Line with Its CSR Program *Shaping Music for Good*, Believe is Committed to Develop a Diverse and Inclusive Work Environment

Lastly and as a core commitment for Believe, we have continued to build our *Shaping Music for Good* program. As you know we have had very strong focus on gender equality. As a reminder, 50% of Believe board members are women. 50% of our comics are women at party, and another on training, 94% of our employees in 2023 received on average 11 hours of training during the year. That is the key driver of how we build expert team to support our artists and labels.

I will now let Xavier take you through the numbers.

FY 2023 Financials

Xavier Dumont

Chief Financial & Strategy Officer, Believe

FY 2023 Key Financial Indicators

> *An annual performance affected by currency headwinds but delivering on objectives presented at the IPO.*

Let us jump to page 12. As presented by Denis we have another solid operational and financial performance with market share gains in all key countries and all key DSPs despite currency headwinds. The organic growth of 14.4% and the organic growth adjusted for market embedded FX of 19.5% demonstrates that fact. We had currency headwinds throughout the year with a peak in Q3, but we also have strong resilient market growth driven by price increases despite still depressed AdSense[?] and[?] streaming monetization as expected. The digital revenue represents 90% of our total revenue versus 92% in financial year 2022. The 10% of non-digital sales are growing 48% driven by Publishing, Live and Branding. We reached 5.7% EBITDA margin versus 4.6% last year driven by better amortization of the Central Platform investments and controlled investments locally. We are already at mid-term IPO objective level. We also have a free cash flow that is almost at breakeven with minus €3.1 million. We had a strong positive H2 cash flow after an H1 that saw significant attractive opportunities to sign or renew deals with labels and artists at much better conditions for us.

Q4’23 Organic Growth up +15.7%

> *Back to double digit increase despite currency headwinds which are still weighing down on Group’s performance.*

Let us now have a look at our growth per quarter jumping to slide 13. The quarterly trajectory in terms of growth showed deceleration of growth throughout the year with a rebound in Q4 2023 which grew 21.8% in organic growth adjusted for embedded market FX. As I said before, we had significant negative FX exposure embedded in the market stemming from the appreciation of the euro versus almost all currencies. After three quarters of deceleration driven by lower ad-supported revenue leading to late growth in emerging markets, the last quarter has seen higher growth rates versus Q3. Organic digital sales in Q4 grew 13% with an easier comp on ad-supported and also subscription price increases. We also benefitted from strong non-digital revenue organic growth of 38% leading to a total Q4 organic growth of 15.7%. Our market share continued to grow at a higher pace in Q4 than in Q3.

A Solid Performance Driven by Organic growth in Both Segments

Further market share gains in Premium Solutions

Let us now go to page 14 to see the performance by segment. We have grown in all segments, Premium and Automated, which is a tribute to the appeal of our model based on digital innovation and differentiated positioning as explained by Denis. The Automated Solutions which are targeting music creators had a total growth of 14.6% including 9.9% organic, a negative FX impact of 2.8% and a 7.6% positive impact of Sentric integration, our new publishing platform. As expected, Automated Solutions had a lower organic growth in financial year 2023 driven by lower ad-supported monetization but also because the new pricing we rolled out in 2022 had led to lower ARPU not yet compensated by the ramp up in new clients. We introduced several initiatives in H2 2023 including price increases or as Denis also illustrated the new TuneCore Accelerator that led to a much stronger Q4 with 20% organic growth in Automated.

Premium Solutions which are targeting labels and emerging to top artists showed a 15.8% growth versus last year which translates into a 20.1% adjusted organic growth without the embedded FX. We have been taking market share throughout the year despite negative FX and depressed ad-supported monetization that affected markets where the digital penetration is the lowest. We benefitted from DSP price increases notably in Q4 and also from an easier comp on ad-supported monetization but as expected we did not see significant ramp up of ad-supported monetization at the end of the year. Adjusted Premium organic growth rate is 20.1% as I said and includes a negative 5.4%[?] estimated FX market embedded impact, a negative 1.4% currency rate impact in total revenue mostly related to the depreciation of the Turkish lira, against a 2.6% perimeter effect essentially from Sentric, and an almost neutral 0.2% positive hyperinflation effect also related to the Turkish lira.

Strong Growth in Most Regions

Notwithstanding a more challenged environment notably in emerging markets

If we go now to page 15 which shows the performance by geography. We gained market share in almost all key geographies and our geographical footprint and growth pattern of the Group illustrates our model. We are focusing on digital music, well-positioned in the countries where digital penetration is the lowest and thus the future growth is higher. This is illustrated by the robust growth in Europe excluding France and Germany of 25.9%. The region benefitted from the Sentric integration but as we also celebrate the ten-year anniversary of our presence in Eastern Europe, the revenue was driven mainly the strong performance in that sub region and also by Turkey. APAC Africa also illustrates this where we grew 14.9%. That region has been strongly impacted by FX, by a lower ad-funding monetization and a lower DSP price adjustment. As mentioned by Denis, we have launched our full service offer in Japan and we made an acquisition in India which will help our future growth in the region in a market that is still less booming in the past years but has demonstrated strong resilience.

In all countries including major developed ones, our addressable markets are enlarging as more and more traditional genres of music become digital leading to more opportunities. This is demonstrated in growth in France with 14.9% reflecting a strong Q4 at 33%. Q4 has been positively impacted by the strong Live business activity; and as the leader in local music new acts on the market, we also depend on the release scheduling of our artists which were significantly higher in Q4 than in Q3. In Germany, we are reducing voluntarily our exposure to physical heavy[?] contracts but we are still gaining digital market share in Q4. Thanks to our multitiered approach we serve all digital artists from music creators in Automated to the top artists in Premium and all in a profitable way as shown in the Americas region growth of 17.4% driven by Brazil and Mexico and of course the resumed strong growth in TuneCore in Q4.

Continued Investment in Automated and Premium Solutions

Notwithstanding a lower intensity than in previous years aligned with market growth

If we now go to page 16 you can see how we drove investments during the year. Our digital focus that is based on a mix of technology solutions and music allows for differentiated positioning, digital innovation translating into higher P2[?] artists and labels and steady operating leverage. We are constantly deploying new teams to address new music genres or new business lines or new types of artists or labels. We have strong operational control as our blueprint is very well defined. As you know, each team is made up of 4-5 individuals and each team takes circa two years to reach breakeven. We then have strong control of our execution; and when our revenue numbers do not reach the planned levels, then we reduce our investment level accordingly until we reach the expected profitability for each team. As we expected monetization to be lower, we decreased our investment levels from almost 5% last year to 3% in financial year 2023. We continue to work on efficiencies leading to higher segmental EBITDA margin as we will see later.

Better Amortization of Central Platform costs

Thanks to a focus on efficiency plans

The second driver of our profitability is the Central Platform which is key in our model. Central Platform is one of the key drivers for Believe differentiation[?] and innovation. Central Platform provides the technology and the solutions, not only the tools but also the processes, the structuring management that power the business lines in the countries. The Central Platform teams are split between the Tech & Product teams that design, develop and operate the tech tools, the GAD[?] teams of Finance, Legal and HR that provide the framework to manage our business and resources, and the Sales team that design and enable the commercial offer and organization, and provide management tools that are then leveraged at local level. Central Platform costs are not driven by volume but are more a function of the number of products 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. As the Group expanded massively in 2019 and 2020 finalizing its multitiered approach with the launch of Artist Services in 15 countries, or splitting Artist Solutions from Label Solutions, the Central Platform increased significantly as a percentage of revenue in these years.

The Central Platform is still expanding in real terms as we want to continue investing in innovative solutions and continue to be at the forefront of innovation as Denis mentioned. However, the Central Platform is decreasing as a percentage of revenue. As a reminder in 2020, we were at 17.2% of revenue and we are now at 10.4% in financial year 2023. In financial year 2023, the Central Platform grew by only 3% in total cash terms as we rolled out efficiency plans and we postponed also some projects to 2024. We do expect to invest more in 2024 as we prepare for the next growth phase, and we have exciting opportunities around audience development[?] data but always carefully managing our Central Platform costs of a revenue ratio.

Strong Increase in Group's Adjusted EBITDA Margin

Illustrating focus on efficiency and operating leverage

If we now go to slide 18, you can see how that translates to EBITDA margin improvement. The Group EBITDA margin trajectory is a function of the segment EBITDA margin, i.e., the margin pre-Central Platform cost. As we lower investment to reflect lower growth by 190 bps as we saw before, the segment EBITDA margin grew only by 40 bps because of the weaker revenue leading to a slower ramp up in teams' profitability. The Central Platform costs as a percentage of revenue is decreasing which is the one that normally contributes the most to the expansion of the Group EBITDA profitability as the second driver of our EBITDA margin trajectory. By the careful management of our cost investment level, we have been able to drive operating leverage which explains why we are reaching our mid-term objective level almost two years ahead of our plan despite lower growth in financial year 2023.

Free Cash Flow Reflects Leveraging Strong Commercial Opportunities at High ROI

If we now go to page 19, we see what the free cash flow performance of the business during the year was. After increased advance investments in H1, H2 saw significant cash flow generation. As you will remember, we had a negative free cash flow in H1 mainly because of the working capital variance that reflected further investments in advances to artists and to labels. Due to our positioning and quality of service as well as the current environment, we have been able to extract more value from key partners, mostly labels and top artists, with higher margins and higher contract durations. Advances have a very high ROI, much more than most other types of cash allocation including M&A, so we seize those unique opportunities. The longer-term contracts led to higher advances paid, translating into a 40% recoupment ration within one year versus 51% last year as shown in the last row of the table. The assumption for the full year was that those behaviors coming from labels would be a limited window of opportunity that we had to seize in H1. That assumption was right. As we saw in H2 deal negotiations leading to more standard advance rate and terms, H2 has seen strong cash flow generation, helped us more some favorable DSP term negotiations. Capex costs are decreasing as we have been postponing some projects in the Central Platform leading then to an almost neutral free cash for the full year. For the record our M&A spending is €70 million roughly, below the €100 million target. As announced, we pushed some conversations into 2024 to carefully manage our free cash flow focusing more on advances.

FY 2024 Outlook and Mid-Term Objectives

Xavier Dumont

Chief Financial & Strategy Officer, Believe

FY 2024 Guidance

Another step towards long-term Adjusted EBITDA margin of 15%

Now let us turn to page 21 regarding the guidance. As an introduction for the guidance, as you know, Believe is the object of ongoing discussions around a potential change of control of the

Group. At this stage the company is not in a position to assess the potential impact on its business and financial condition, linked to the uncertainties created by the current situation. To be clear, the guidance provided does not take into account any of those potential impacts. We are now expecting organic revenue growth of around 18% and FX embedded revenue growth organic adjusted for FX of 20%. We assume resilient paid streaming and uplift from future DSP price increases in H2 2024. We also assume a recovery of absolute growth in H2 2024 and we expect a soft Q1 which is going to increase performance then in the following quarters. We are anticipating a higher EBITDA margin of around 6.5% as Central Platform costs will still be 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 a focus on investments in local sales teams and Central Platform tech and solutions while managing actively our investment cycle to further improve profitability. The Group operating leverage will continue to come mostly from the Central Platform cost amortization as it has been since 2020. We expect slightly positive free cash flow generation assuming a stable level of terms and conditions on our contracts as we have seen in H2.

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*

On page 22, we are confirming that we are on track to deliver our mid-term objectives. An organic growth of 22-25% for the period 2021-2025, an adjusted EBITDA margin from 5-7% by 2025. This 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 highest brackets target in 2024, thanks to controlled investments. The long-term EBITDA margin for the Group of 15% after hypergrowth phase is also unchanged. Now I will let Denis conclude the presentation.

Closing Remarks

Denis Ladegaillerie

CEO & Founder, Believe

Conclusion

Thank you very much Xavier. One simple conclusion. As you have understood, in 2024, we will essentially continue executing our strategy as presented at IPO. One, drive solid organic growth. Two, gradually increase profitability supported by continued investments and innovation to create more value for our artists and labels and participate in their success. We will now open the Q&A session and answer your questions about the annual performance and outlook. I want to be precise that we will not take questions about the ongoing offer process during this earnings call and remind you that the information available to date is included in the press releases that have been issued over the last few weeks. Thank you very much.

Q&A

Nicolas Cote Collison (HSBC): Hi everyone. First question is on working cap. Can you just help us on what we should consider for 2024? I think you said in line with H2, so just to be clear. I am sorry if I did not catch it properly. You also made a comment about higher return on investment from advances compared to M&A. Although you are saying that you would consider more acquisitions in 2024, how can you reconcile the two? Then not talking directly about the deal but this is what is in your press release; you mentioned potential business disruption or uncertainties from the discussions. What are you referring to? Is it about artists not willing to engage or is there something else we should consider? Very last, again, talking about the deal but not about the details of the deal. Can you just help us with the timeline for the AMF to review the questions from the Board? Thank you.

Xavier Dumont: Thank you. I am not going to answer your question three and question four. You have all the necessary information that has already been disclosed in the various press release, so I am just going to answer your questions one and two. I am going to start with number two which is M&A versus advances. As we discussed with previous earnings, the difference between advances and M&A is that advances have a very recurring ROI and you have a faster payback. In the capital allocation, as a company, we tend to say first we deliver advances and if we have good opportunities we seize them. Then of course, we do M&A. We are not saying that we are going to cut completely one or another. What we are saying is that what we did in 2023 is because we seized very interesting advance opportunities, then we said okay, we are going to cut back a bit on M&A, postponing some discussions into 2024 because we want to have enough cash to be able to finance our advance opportunities. That is the reasoning that we are making. The assumption for 2024 is that we are going to have to pay less advances versus revenue in 2024 because we think that H1 was super strong and a unique window of opportunity because H2 has been much more regular in terms of terms and conditions that have been there.

Having said that, we do say also that we are going to invest in advances because at the end of the day, we are guiding towards a neutral free cash flow or slightly positive free cash flow if you will. We think that our job is to be able to finance the growth of the business with high ROI advances, with also extra EBITDA but also extra investments that we can make in the teams. This is how we want to use our cash. M&A is below the free cash flow. We have dedicated, as you know, an envelope for M&A. Our target is still to spend €100 million a year. We have a lot of opportunities there, but we are super careful with these opportunities depending on the way we want to strategize the business.

Nicolas Cote Collison: Thank you. On the working cap for 2024, some kind of indication?

Xavier Dumont: I think you can do the mathematics because it to get to neutral free cash given the EBITDA you can deduct the working cap quite easily.

Nicolas Cote Collison: Okay. Thank you.

Speaker (Stifel): Hi, good afternoon. Three questions to start with. To come back first on your Q4 particularly sales in the Automated Solutions. You have a strong jump in Q4, 20%, and I believe it links to your new marketing program that you launched in the fourth quarter. It seems to be a great success. What do you anticipate for the full year of 2024 on this specific TuneCore business? Should we expect growth to remain at 20% as we have seen effectively in Q4? That is my first question.

The second question is still on Q4. You had a strong rise on non-digital sales in Q4, apparently more than 70%. I would just like to try and understand what happened there. Are there any specifics? Now coming back a bit on the depreciation and the EBITDA. You mentioned that the depreciation was €61 million for the full year and it was €21 million in first half. Would this mean that the depreciation has been moving from €21 million to €40 million in H2? What has really happened there? Is it exceptional? I am trying to understand what happened. What are the other below the operating profit in terms of financials and also do you have a positive impact on the tax element on the aspect? Just to start my first questions. I will have also more questions on the prospect but those three questions to start with.

Xavier Dumont: Okay, so expectations for TuneCore, yes, Q4 the performance in TuneCore was driven by a price increase and the new marketing program that have an impact on the performance of the business. We do expect the growth of the Automated and TuneCore business in 2024 to be in the range of what has been happening in Q4. That is our target that we are there.

Denis Ladegaillerie: Just to complete around this, the core of our strategy is to create more value for artists because when we create more value for artists, then we are able to participate better in value creation. That is the same for TuneCore. We are moving TuneCore from a large scale low value add business to a very targeted business targeted at new and up and coming artists with potential who we are helping develop. Basically, the acceleration of growth that we are seeing and that we are expecting in 2024 reflects these two elements; acquisition that is targeted at higher earning artists and labels and the ability to better participate in the value that we are creating for them.

Xavier Dumont: The second question was on non-digital sales. Non-digital sales jumped. You have two effects. You have the Sentric effect because publishing is a digital sale, and you have a Live effect specifically in France because France is the only country where we are operating the Live business. These were the two effects that explain the performance in Q4 in non-digital sales.

Below EBITDA I do not know what you are referring to. This issue that depreciation has increased versus last year, it is just a matter of the M&A and PP[?] allocation. The depreciation of our cost of capital is roughly the same. As you know, we are stable there. The difference in depreciation comes from the allocation of the acquisition price of M&A.

Speaker: Yes, but just to come back on that, in the first half you had €21 million of depreciation overall, and then you speak in your press release about €61 million, which means that it should be €40 million in H2. This is why I am lost. The only M&A you have done is Sentric I would say recently. The biggest one. Do you mean you have done an exceptional depreciation somewhere? It is why I was a bit lost there. H1 against H2 in terms of depreciation. I do not know if you have the numbers, but it looks strange to me.

Xavier Dumont: Let me revert to you. I do not recall any exceptional depreciation. I think it is really allocation but let me revert to you on this one.

Speaker: Okay, thank you. On the tax because it appears to be effectively a positive impact on your earnings.

Xavier Dumont: Yes, it is a positive impact as we had some deferred taxation and taxation improvement that led us to have this positive impact. However, the impact is not recurring. We have negative income tax as we are paying taxes in some countries despite the fact that the Group is loss-making.

Speaker: Okay, thank you. I am stopping here. I will have more questions later on, but I will leave the floor to others.

Emelie Megel (Head of Investor Relations, Believe): We do have a question from Sam Taylor. Can you talk a little bit more about the Central Platform? What previous technology or processes does this tie together? What does it actually do and what is the continuing technology evolution of Central Platform in the future? Do you see this primarily being a revenue and growth driver or something delivering efficiency and cost savings, freeing up cash to be invested elsewhere in the business?

Denis Ladegaillerie: So, very good question, Sam. It is both. The Central Platform has two functions. It is a revenue-enabler. Through the Central Platform, the technology product, we are able to create differentiation, increase the audiences of our artists through a number of functions. So, it has a revenue-enablement function and a differentiation function, and it also has a cost-efficiency function. The Central Platform is not just about technology and product, it is also about central teams that are organizing, streamlining our business on a global basis, so that when we operate artist services in Indonesia or in China, or in France or in the UK, these contracts, the contracts that our teams are signing, have similar structures or a structure that can be operated without having too complex information systems. So that is the role of the Central Platform.

So, every year we invest in two areas, increasing revenue and enablement. So, this is essentially through marketing technologies, which is one component of a platform, and data intelligence technology. It is about leveraging the data that we are getting from the DSPs every day to put that into the hands of our team, so that they can drive actions around creating assets for our teams and for marketing and artist development plans.

The other part of a platform is driving efficiency at scale. So, what the platform does, it is a supply chain, so it moves music and music videos from our artists to the DSPs. As part of that supply chain, there is a lot of investment going on into controlling copyright infringement, streaming fraud/abuse, etc., to ensure that we only deliver artists that are available.

The third brick is a royalty management system that is allowing us to manage €1.2 billion of sales and pay them to artists, whether these are top artists where the payments are a little bit more complex, or TuneCore or load share, that is what the platform does.

Emilie Megel: You have a second question off Sam. In UMG's recent earnings call they disclosed that TikTok contributed €111 million in revenues. What are the comparable figures for Believe? With Universal withdrawing catalogue, do you see opportunities to drive more revenue here or is there a knock-on effect from UMG-controlled co-rights and Believe-controlled recordings? Do you see the current move in the US to ban TikTok or force ByteDance to divest having any impact on future revenues?

Xavier Dumont: TikTok is not what we communicated before; we did not communicate. I think, with TikTok, it is not significant in our revenue in terms of royalties. However, I will let Denis explain more, TikTok is interesting for us to help develop audience that are going, then, to be revenue generated in other stores.

Denis Ladegaillerie: Yeah, exactly. Just to complete Xavier's answer, I think we have expressed that view publicly already. We are happy with our current relationship and our current deal with TikTok. What we look for in our deals is we want to ensure that we get financial payments from all of our partners, that create a level playing field. We would not want to make our catalogue available on TikTok at a price and on terms that would be less favorable to comparable services like Meta or YouTube for similar usage. We did renegotiate our deal last year with them and we feel that, today, our deal, from a financial standpoint, is in par when we look at usage with what we are getting from other platforms, and we are quite satisfied with the rest of the relationship there.

With regards to the impact of UMG, obviously, with any partner, as you know, revenues are being paid based on the revenue pool that is allocated according to the people that are participating in the pool. If there is one partner that not long participates in the pool, obviously, it does increase the revenue share for other partners. However, again, TikTok is not a meaningful driver in the grand scheme of things in revenues. Therefore, do we expect benefits from this? No, or very marginally.

Any other questions, Emilie?

Emilie Megel: No more questions on my side.

Denis Ladegaillerie: Perfect.

Julien Onillon (Stifel): Yes. Sorry, just to come back on questions. I just want to come back a bit about the prospect on two specific markets. First, France. You have strong growth, 15% growth, in particular when the market was only growing 5% this year. I look at the charts in France, the top ten, let us say, albums, four of your artists were in the top ten, which is a great performance. What could we expect in France for this year, considering how well you have performed last year in France, and that in prospect, also, a price increase of Spotify? We know why Spotify is increasing prices in France, it is due to composite tax, but it is clear, also, that it will be more than composite in the tax and makes more revenue for Spotify, and therefore for you indirectly. What are your prospects in terms of growth you believe you can have in France? My first question.

My second question is on Germany, where, at country, I will say your performance in appearance has been weak. You explained it is due to, effectively, non-digital sales you have cut. However, what digital sales growth has been last year, and what you would expect for this year in Germany, considering, effectively, the underperformance, I will say, relative underperformance, we have seen last year? Thank you.

Xavier Dumont: In France, as I said, there is a strong performance in quarterly performance, because it is on the live business. We gained market share in the digital market, which is, as you know, how we measure our performance, and we had double-digit in Q4 in digital sales in France, which is a very good performance. Having said that, our capacity to grow in France from a revenue standpoint is more limited because we already in the number-one seat in terms of local acts, and so, basically, we represent the market. So, our view is that we can still outgrow the market, but in a more limited fashion for ’24. Hopefully, we are going to get double-digit, we will see, but that will depend, of course, on the French digital market, because this is what is driving part of the funds.

Denis Ladegaillerie: To add to what Xavier was saying, and I will start, starting with the questions around Germany, as well, that Xavier will complete is. In France we are number one.

We were the largest local record label in the market last year for local artists. Success attracts success, so it means that we have more incoming calls from artists than ever because they have seen the great work that we have been doing. We see, actually, even stronger sales dynamics.

To Xavier's point, we already have a large market share there, so what is going to be our strategy? It is very simple. When you are market leader, what do you seek to do? You seek to optimize your economics. You have pricing power; you have choice; artists are coming to you. What are we going to do? We are going to exercise that pricing power to progressively improve our economics in the market, and then we start building the other lines of businesses: publishing, we have not deployed publishing in France yet; live, as Xavier was mentioning. Essentially, you optimize, and to say it differently, we expect growth on the digital side, but at a lower level, and we expect to grow profitability of the business and we expect to grow other ancillary lines of revenues.

I would say, if you take a country like Germany, where we are not the number one player for local content, we are the third larger player for local content, basically our view there, it is a mix. There are market segments where we are optimizing. We are very strong in hip-hop in Germany locally, we have been looking at optimizing our business in that territory. We are continuing to invest in new genres of music, in Schlager locally, the new generation of artist. It is a mixed strategy there, one where part of the business we are optimizing at that stage because we are very happy with our market share. Biggest artist in hip-hop locally, most streamed artist locally in hip-hop, 48 tracks in the Top100, so we are quite happy with the position in hip-hop. We are building other genres of music and optimizing.

Xavier, do you want to complete from a financial standpoint?

Xavier Dumont: Yeah. From a financial standpoint, all these restructurings which are in Germany, carving[?] contracts, as I said before, that takes time. We do expect the performance, the digital performance of the business in '24 in Germany to be probably low single digit or something like that, because when you are carving physical-heavy contracts you are also cutting digital revenue. Even if you make progress in the artist segment, for example, you still have negative impact coming from this structuring of the contract. Probably it is still going to be a country where we are going to grow at a slower pace versus any other countries.

Julien Onillon: Does it mean that, if you do that, your profitability somewhere here will significantly improve in Germany?

Xavier Dumont: Yes. Exactly that.

Julien Onillon: Okay. Thank you.

Denis Ladegaillerie: Perfect. Thank you very much everyone for attending this call and we wish you a great rest of your day. Thank you.

[END OF TRANSCRIPT]