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UNIVERSAL MUSIC GROUP

Universal Music Group (AMS: UMG)

GICS Sector: Communication Services
GICS Industry Group: Media & Entertainment

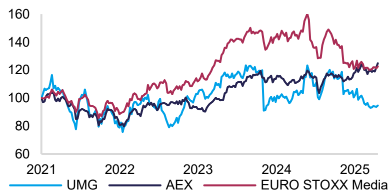
January 13, 2026

Exhibit 1, Universal Music Group Company Data

Recommendation (13-01-2026)	BUY
Potential Upside/(Downside)	44.70%
Target Share Price	**€31.99**
Price (13-01-2026)	€22.11
Market Cap* (EURmn)	€43,099
Shares outstanding (mn)	1,834
Free Float (%)	60.15%
Dividend yield (%)	2.34%
52-Week high (13-01-2026)	€28.89
52-Week low (13-01-2026)	€21.20

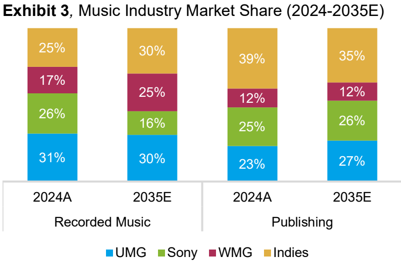
*Source: FactSet, *Fully Diluted Market Cap (13-01-2026)*

Exhibit 2, UMG Share Price vs Major Indices Rebased



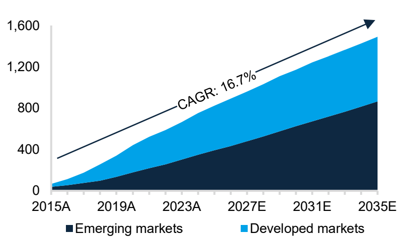
Source: FactSet

Exhibit 3, Music Industry Market Share (2024-2035E)



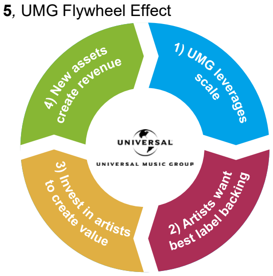
Source: Company Filings

Exhibit 4, Paid Music Subscribers Growth *(mn)*



Source: Team Analysis, Goldman Sachs

Exhibit 5, UMG Flywheel Effect



Source: Team Analysis

Exhibit 6, UMG Catalysts and Key Risks

Positive catalysts	Key Risks
✓ New wholesale pricing	x Slower than expected ARPU Growth
✓ Introduction of tier segmentation	x Slower adoption of new pricing tiers
✓ Vivendi overhang resolving	x Weaker euro
✓ US listing of UMG	x Increased bargaining power of DSPs and artists
✓ Restructuring cost savings	

A SUPERSTAR IN THE MAKING

Executive Summary

We initiate coverage on Universal Music Group (AMS: UMG) with a **BUY** recommendation and a 12-month price target of **€31.99**. This represents a valuation upside of **44.70%**, with a share close price of **€22.11** as of January 13, 2026. The recommendation is based on a weighted mix of intrinsic and multiple-based valuation methods.

Universal Music Group is the largest music rights company in the world, owning over **8.4+mn** copyrights across recorded music and publishing. It currently holds the number 1 and 2 positions in recorded music and publishing with market shares of **31%** and **23%** respectively (**Exhibit 3**), positioning the company at the core of one of the world's most consumed and culturally relevant media ecosystems. Historically, industry growth has been primarily volume-driven through the increased adoption of streaming and music subscription services. The industry has reached a structural inflection point, transitioning from volume-led to pricing-led growth. As the industry enters *"Streaming 2.0"*, it will redefine the wholesale value chain, giving pricing power to the rights holders. With unmatched scale and catalogue depth, UMG is the best positioned among peers to leverage this transformational shift, driving higher margins, stronger FCF generation, and ROIC expansion.

We view UMG as a business with a strong economic moat characterised by its durable, recurring earnings profile and underpinned by its non-replicable music IP. Moreover, we expect that improved margins from Streaming 2.0 will catalyse a re-rating of UMG's share price, therefore making it a compelling investment case.

1. Music is Widely Consumed but Structurally Under-Monetised

Over the past decade, Digital Service Providers (DSPs) have prioritised subscriber growth over pricing optimisation in order to capture market share, entrenching themselves in flat and uniform subscription models that do not reflect the customer's willingness to pay for additional services. This dynamic is evident in the gap in monthly USD spent on media type by US customers, who pay nearly **5x** more per month on video streaming than music streaming (**Exhibit 29**), despite having similar daily time spent (**Exhibit 28**). This reflects the current under-monetisation and potential upside of music as an asset. Additionally, we believe that investors underestimate the potential upside from superfans and think that UMG is the best positioned to profit from this trend, as **9/10 top artists (Exhibit 31**) are with UMG and therefore have a disproportionate share of fan engagement. Our analysis suggests that the superfan trend can potentially increase revenues by **10%** by 2035 (**Exhibit 18**).

2. AI Risks are Overblown and UMG Will Be the Primary Beneficiary

While investor sentiment on AI within the music industry remains divided, our analysis suggests that AI will not dilute UMG's market share. Instead, it represents a new source of revenue through new licensing deals and accelerated music creation. Music consumption is highly concentrated at the top, with **1%** of the tracks driving **90%** of the streaming activity (**Exhibit 33**). This raises the question of whether AI-generated tracks can achieve sufficient scale to enter the top 1%. Music streaming performance is closely related to artist identity, brand, and sustained fan engagement, something that is impossible to achieve without label backing. Additionally, recent survey evidence confirms our thesis, indicating consumer scepticism towards AI usage in the music industry (**Exhibit 34**). Given UMG's dominant representation among top-artists, its catalogue composition provides a natural hedge against potential AI-driven dilution. Simultaneously, UMG has been an early mover in engaging with AI through targeted partnerships, spanning from AI detection to selective music creation initiatives (**Appendix 9**).

3. The Winner Takes It All – UMG Will Efficiently Leverage its Dominant Position

As the industry transitions towards Streaming 2.0 with new wholesale pricing mechanics, UMG is set to leverage its scale into structurally superior and expanding profitability compared to peers. We forecast UMG to increase its EBITDA margin to **26.7%** by 2030, implying a CAGR of **9%** (2024-35). This trajectory would close the profitability gap versus peers, whose margins profiles are comparatively more mature and offer limited scope for further expansion. UMG's profitability expansion will be driven by its recent restructuring cost savings and compounding flywheel effect: **1)** UMG's leading market position provides better wholesale terms with DSPs and greater reach for its artists; **2)** Artists want to sign with the label that has the highest probability for future revenue and stardom; **3)** Artists will produce assets in the form of new music recordings and songs; **4)** These assets will generate additional revenue further increasing UMG's market share (**Exhibit 5**).

Exhibit 7, UMG Key Financials

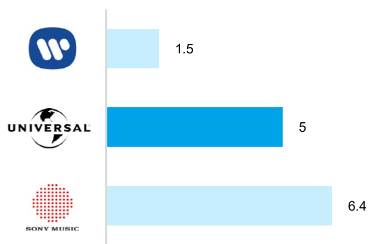
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2035E
Revenue	**7,432**	**8,504**	**10,340**	**11,108**	**11,834**	**12,522**	**13,620**	**14,604**	**15,647**	**16,785**	**17,802**	**22,642**
Growth (%)		*14.4%*	*21.6%*	*7.4%*	*6.5%*	*5.8%*	*8.8%*	*7.2%*	*7.1%*	*7.3%*	*6.1%*	*27.2%*
Operating Income	**1,230**	**1,394**	**1,600**	**1,418**	**1,775**	**2,082**	**2,554**	**2,857**	**3,182**	**3,545**	**3,855**	**5,248**
OI margin (%)		*16.4%*	*15.5%*	*12.8%*	*15.0%*	*16.6%*	*18.8%*	*19.6%*	*20.3%*	*21.1%*	*21.7%*	*23.2%*
Adj. EBITDA	**1,497**	**1,788**	**2,135**	**2,369**	**2,661**	**2,861**	**3,363**	**3,698**	**4,056**	**4,455**	**4,798**	**6,367**
Adj. EBITDA margin (%)		*21.0%*	*20.6%*	*21.3%*	*22.5%*	*22.8%*	*24.7%*	*25.3%*	*25.9%*	*26.5%*	*27.0%*	*28.1%*
Net Income	**1,369**	**888**	**785**	**1,263**	**2,093**	**1,437**	**1,818**	**2,065**	**2,331**	**2,662**	**2,944**	**4,309**
Adj. EPS	0.57	0.70	0.80	0.89	0.98	1.01	1.22	1.34	1.48	1.65	1.80	2.49
ROIC	21.6%	16.6%	20.8%	16.4%	13.5%	16.4%	20.0%	22.2%	24.6%	27.2%	29.3%	37.8%

Note. In Millions of EUR Except for per Share Items

Exhibit 8, UMG Flagship Labels

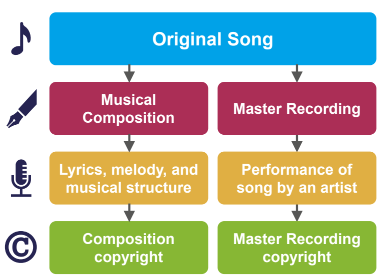
Source: Company Filings

Exhibit 9, Top 3 Global Publishing Catalogue Scale by Number of Works (mn)



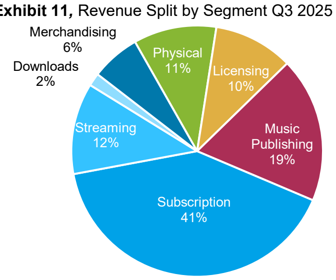
Source: Companies' Filings. Note: Figures are indicative estimates based on company disclosures and industry sources.

Exhibit 10, Music copyrights structure



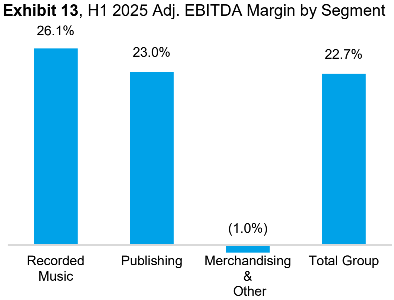
Source: Team Analysis

Exhibit 11, Revenue Split by Segment Q3 2025



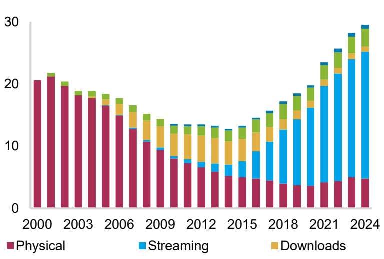
Source: Company Filings

Exhibit 13, H1 2025 Adj. EBITDA Margin by Segment



Source: Company Filings

Exhibit 14, Historical Music Industry TAM ($bn)



Source: IFPI

Overview

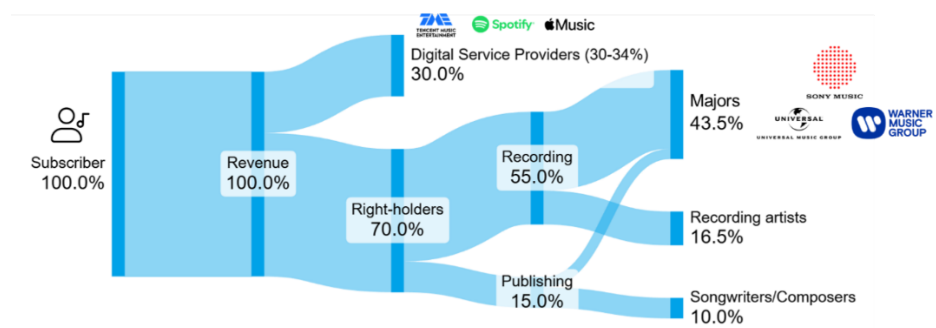
Universal Music Group (UMG) is the world's largest music rights company, operating across recorded music, music publishing, and artist services. Headquartered in the Netherlands and active in over 60 countries, UMG engages in the development of artists and ownership and management of music intellectual property (IP). It monetises content globally through Digital Service Providers (DSPs), broadcasters, brands, and live entertainment partners. UMG's diversified label portfolio, including Republic, Interscope, Island, Capitol, and Def Jam (**Exhibit 8**), supports global A&R, marketing, and catalogue development. Meanwhile, Universal Music Publishing Group (UMPG) oversees one of the largest and most valuable song catalogues worldwide (**Exhibit 9**). Additionally, UMG also generates revenue from merchandising, brand partnerships, live events, and licensing fees. Following its 2021 spin-off from Vivendi and a public listing on Euronext Amsterdam, UMG operates as an independent, IP-driven company with recurring, streaming-supported cash flows.

Business Model

UMG monetises music intellectual property across multiple parallel channels, with DSPs forming the core revenue backbone. When music is streamed, DSPs generate subscription and advertising revenue and remit royalties for two distinct rights: **1)** master recording royalties paid directly to UMG's Recorded Music segment, and **2)** publishing royalties, comprising mechanical and performance royalties, accruing to UMGP (**Exhibit 10**). Publishing royalties are collected either directly from platforms or via Collective Management Organisations (CMOs), which administer performance royalties on behalf of publishers and songwriters. UMG subsequently pays artists and songwriters their contractual shares while retaining the residual economics (**Exhibit 12**).

Beyond streaming, UMG monetises the same IP through physical and digital sales, synchronisation licensing, performance royalties, and complementary artist services. This multi-channel model allows music assets to generate recurring cash flows over time with minimal incremental investments, supporting low capital intensity, operating leverage, and strong free cash flow generation.

Exhibit 12, Simplified Paid Streaming Value Chain



Source: CC Young & Co

Recorded Music

Recorded Music is UMG's largest segment, encompassing artist signings, development, recording, marketing, and global distribution. The division accounts for **75%** of UMG's revenues (**Exhibit 11**), primarily driven by digital streaming and subscription platforms, which represent the majority of the segment's turnover, alongside physical sales, digital downloads, and licensing. Through its network of frontline and catalogue labels, UMG manages master recordings across both new releases and long-lived catalogue assets. Its catalogue provides stable, high-margin, recurring cash flows, while frontline releases drive chart performance, market share, and downstream monetisation opportunities across publishing and merchandising.

Music Publishing (UMPG)

Music Publishing is operated through Universal Music Publishing Group (UMPG), one of the world's largest administrators of songwriting and composition rights. The segment provides **19%** of UMG's revenues (**Exhibit 11**), which are derived from performance, digital, mechanical, and synchronisation royalties. Publishing benefits from long-term contractual frameworks and global repertoire exposure, resulting in structurally diversified, recurring revenues that have grown consistently alongside the expansion of streaming.

Merchandising and Other

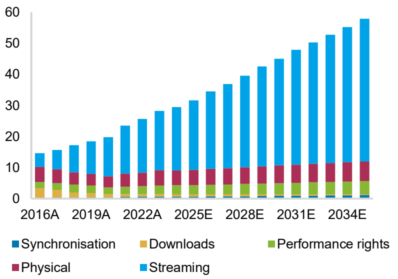
Merchandising and Other is operated primarily through the Group's global merchandising arm, Bravado. Bravado generates revenues from touring, retail, licensing, and Direct-to-Consumer (D2C) channels, accounting for **6%** of UMG's group revenues (**Exhibit 11**). While smaller in scale and more sensitive to touring cycles, merchandising has increased in strategic importance by deepening fan engagement and extending artist brands beyond recorded music.

Industry Overview

Following a prolonged contraction driven by piracy and the decline of physical formats in the early 2000s, the global music industry has structurally stabilised and entered a renewed growth phase (**Exhibit 14**). Today, the industry represents an estimated **$65-75** billion global market at the rights holder level, supported by the continued shift toward digital distribution and subscription-based consumption.

The industry's primary revenue streams comprise Recorded Music, Music Publishing, and Live Music, with Recorded Music representing the largest and most monetised segment. In 2024, recorded music revenues amounted to approximately $29 billion and are expected to grow to **c$58 billion by 2035**, primarily driven by increased music streaming penetration in emerging markets (**Exhibit 4**) and improved monetisation of streaming (**Exhibit 15**).

Exhibit 15, Recorded Music TAM 2024A-2035E ($bn)



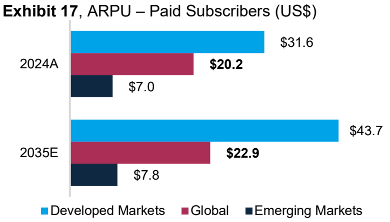
Source: IFPI, Team Analysis

Exhibit 16, Superfan Total Addressable Market by 2030

Additional Superfan Revenue	
Paid subscribers (mn)	1,173
Global ARPU ($)	22.40
Paid subscription revenue ($mn)	**26,270**
% of superfans	20%
Implied number of superfans (mn)	*235*
% of fans with monetisation opportunity	25%
Implied number of monetised superfans (mn)	**58.6**
Superfan vs non-superfan spending multiple	2.0x
Superfan ARPU ($)	44.80
Superfan monetisation revenue ($mn)	**1,313**
Gain to paid subscription revenue	5%

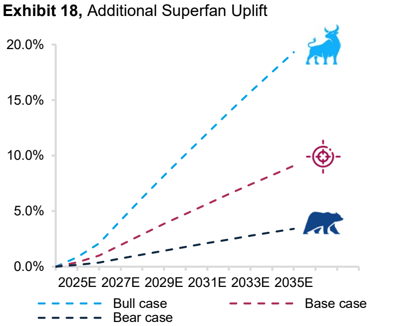
Source: Team Analysis

Exhibit 17, ARPU – Paid Subscribers (US$)



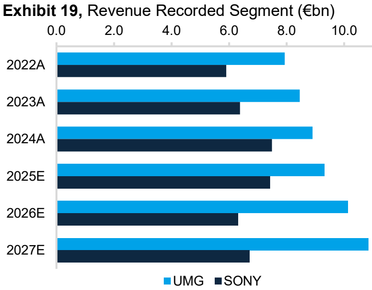
Source: Team Analysis

Exhibit 18, Additional Superfan Uplift



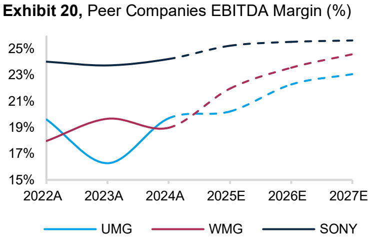
Source: Team Analysis

Exhibit 19, Revenue Recorded Segment (€bn)



Source: Companies Filings, Team Analysis, FactSet

Exhibit 20, Peer Companies EBITDA Margin (%)



Source: Companies Filings, FactSet, Team Analysis

The Global Music Industry is An Oligopoly Led by UMG

The global music industry is highly concentrated at the rights holder level, particularly across recorded music and music publishing, where ownership of commercially relevant catalogues increasingly determines long-term value capture. Universal Music Group (UMG), Warner Music Group (WMG), and Sony Group Corporation (SONY), also known as the "Big Three", collectively account for approximately **75%** of global recorded music revenues and **55-60%** of global publishing revenues (**Exhibit 3**), which positions them to capture a disproportionate share of streaming-led growth. As industry monetisation shifts toward higher-value streams that monetise fan engagement, incremental revenue increasingly accrues to commercially successful artists predominantly represented by major labels, reinforcing their market share position.

Shift to Recurring, Subscription-Led Industry Growth

The industry's transition to streaming has fundamentally reshaped music monetisation by replacing transactional consumption with a recurring, subscription-based revenue model. Since 2016, streaming has driven recorded music growth, expanding at a CAGR of **c21%**. It currently accounts for over two-thirds of recorded music revenues, providing a revenue base which is structurally more scalable and predictable. Paid music streaming subscribers reached approximately **752 million** globally in 2024. Our analysis forecasts subscribers to grow at **c9%** per annum between 2025 and 2027, before gradually moderating as penetration matures in developed markets, reaching a total subscriber count of **1.5 billion** by 2035 (**Exhibit 4**). Consequently, emerging markets account for the majority of incremental subscribers, with users increasing from approximately 350 million in 2024 to over **865 million** by 2035. This is supported by favourable demographics and improving digital infrastructure. Conversely, the new geographic subscriber mix will offset some of the ARPU increases in developed markets, as emerging markets have an overall lower ARPU (**Exhibit 17**).

Streaming 2.0: At the ARPU Inflection Point – A Structural Shift to Monetisation

As paid streaming penetration matures, the industry is entering a second phase of streaming economics in which **growth is increasingly driven by monetisation per user** (**ARPU**) rather than subscriber additions. "Streaming 2.0" reflects an industry shift toward pricing and tier differentiation. It **1)** evolves platforms from a single, uniform subscription into a multi-tier product offering and **2)** changes wholesale pricing mechanics for labels and DSPs. On a rights holder basis, global ARPU is projected to rise from $20.12 in 2024 to $22.9 by 2035. While headline ARPU growth appears modest, the compounding effect across a growing subscriber base is significant, with paid subscription revenues net to rights-holders expanding from c$15.2bn in 2024 to **c$34.1bn** by 2035, underpinned by price increases in developed markets and increasingly higher music streaming penetration in emerging markets (**Exhibit 17**).

An additional upside lever within "Streaming 2.0" is the **monetisation of highly engaged users ("superfans")**. Industry evidence suggests that approximately 20% of paid subscribers already fall within the superfan group who are willing to spend **2x** the amount on music entertainment vs non-superfans. This presents a monetisation opportunity of **c10%** uplift to paid subscription revenues by 2035 without requiring additional subscriber growth (**Exhibit 18**). This can be achieved via new streaming tiers with additional exclusive content and early ticket sale access for their favourite artist.

Artificial Intelligence: Structural Risk and Monetisation Opportunity

Artificial intelligence is emerging as a structural force in the music industry, introducing near-term regulatory uncertainty alongside longer-term monetisation and efficiency opportunities. Advances in generative AI have lowered the cost of music creation and replication, raising fundamental questions around copyright protection, ownership, and the use of existing works for AI training.

In the near term, the primary industry impact of AI is regulatory. Ongoing legal actions and policy initiatives across major jurisdictions are focused on defining standards for consent, attribution, and remuneration. While frameworks remain fragmented, the prevailing regulatory direction increasingly emphasises licensed data usage and traceability, favouring rights-compliant models and established rights holders.

Looking ahead, AI is expected to function primarily as an enabling tool rather than a substitute for human creativity, supporting improved discovery, personalised fan engagement, more efficient marketing, and scalable content localisation. These applications have the potential to extend the commercial reach and economic life of music catalogues without altering underlying consumption behaviour.

Competitive landscape

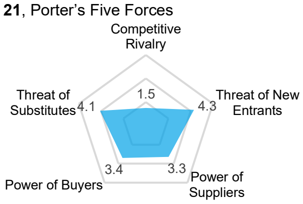
Structural Advantages of Global Music Scale

The global music industry presents high structural barriers to entry, driven by the scale and complexity of global distribution, rights management, and catalogue ownership required to compete at scale (**Exhibit 21; Appendix 3**). Within this oligopolistic structure, UMG possesses the most extensive global distribution and rights-management infrastructure among the "Big Three", spanning recorded music, publishing, and merchandising across all major geographies. Relative to WMG, UMG demonstrates superior catalogue depth and frontline release consistency, resulting in lower revenue growth volatility bound (UMG – **5.25%**, WMG – **8.44%**), which is also visible from the YoY revenue growth (**Exhibit 37**). While SONY leads in publishing, UMG remains the strongest player in recorded music monetisation due to its broader and more scalable music rights portfolio (**Exhibit 19**). UMG has also been an early and proactive adopter of AI within licensing and rights management, through partnerships with generative AI platforms like Udio and Klay (**Appendix 9**). Notably, UMG's collaboration with NVIDIA, leveraging the Music Flamingo model to analyse musical structure and harmony, enhances catalogue management, rights enforcement, and monetisation efficiency.

Entrenched Artist and Platform Relationships

Universal Music Group occupies a central position in the global music value chain, acting as the key intermediary between artists and DSPs. Only a small subset of global superstars holds meaningful bargaining power, whereas the majority of artists depend on UMG's global marketing, distribution, and financing infrastructure. For artists, there are high switching costs due to multi-album contracts, royalty advances, and master ownership, resulting in low artist churn. This underpins UMG's long-term monetisation of catalogues, which represent 66% of recorded music revenue. On the demand side, DSPs remain economically dependent on UMG's vast music IP, which makes up roughly **30-35%** of global recorded music consumption (**Exhibit 3**). The 2024 TikTok dispute demonstrated the limited non-replicability of UMG's music library, as

Exhibit 21, Porter's Five Forces



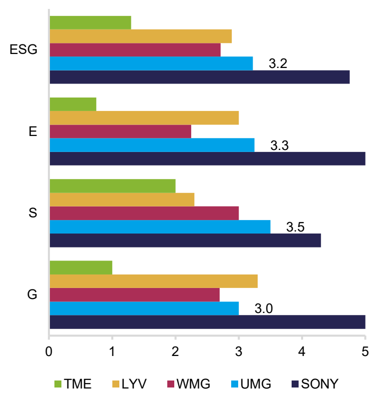
Source: Team Analysis. Note 1 = Worst, 5 = Best

Exhibit 22, ESG Scorecard

UMG	Overall	E	S	G
LSEG	41.83/100	57	51	24
FactSet	13%	N/A	23%	33%
Morningstar	10.59/40+			
Team Analysis	3.2/5	3.3	3.5	3

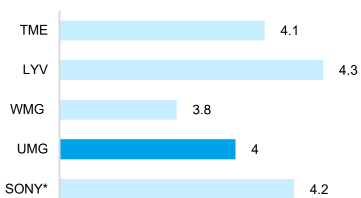
Source: Company Filings, LSEG, FactSet, Morningstar, Team Analysis

Exhibit 23, Peers ESG Scorecard



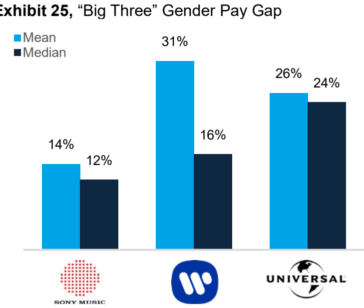
Source: Team Analysis

Exhibit 24, Employee Well-being Score



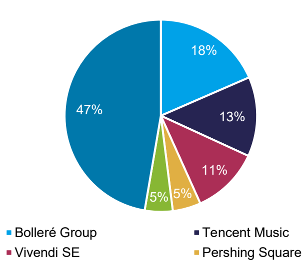
*Source: Indeed Data 2025. Note: *Sony Music Entertainment (SME)*

Exhibit 25, "Big Three" Gender Pay Gap



Source: Gender Gap Reports UK, 2024

Exhibit 26, Top 5 Shareholders and Others (%)



Source: LSEG

content withdrawal materially impaired platform engagement and shifted consumption elsewhere (**Appendix 18**). This mutual dependence enables UMG to secure favourable revenue-sharing terms relative to WMG and SONY, reinforcing its structural bargaining advantage.

Self-Reinforcing IP Monetisation Flywheel

In an oligopolistic industry where the "Big Three" control roughly **70%** of the market, UMG holds the strongest competitive position by scale and catalogue depth. While its EBITDA margin currently lags peers (**Exhibit 20**), we view this as untapped operating leverage rather than a structural weakness. Superior contract terms with DSPs entering "streaming 2.0" and a disproportionate amount of fan engagement underpinned by UMG's flywheel (**Exhibit 5**) will support margin expansion over time. We believe that UMG's strong relationships with DSPs and music IP depth will allow it to exert higher pricing power than its peers as UMG brings stronger negotiating power to the table. If UMG can accomplish this with DSPs, it will be able to put the flywheel into second gear.

Environmental, Social and Governance

UMG's ESG profile is increasingly material as it enters its first CSRD-compliant reporting cycle, improving transparency across its value chain. Environmental and social performance exhibit mixed but improving maturity: UMG operates a structurally low-carbon, IP-driven business model and demonstrates leadership in artist protection and responsible AI, yet it remains constrained by limited Scope 3 target-setting and persistent internal equity gaps. Governance represents UMG's weakest ESG pillar (**Exhibit 22**), reflecting deviations from the Dutch Corporate Governance Code and misalignment in executive remuneration structures. While UMG's governance framework remains broadly in line with industry standards and stronger than several peers, these shortcomings leave it behind best-in-class peers in overall ESG readiness (**Exhibit 23**). UMG's alignment with all 17 UN Sustainable Development Goals further underscores its strategic commitment to advancing environmental, social, and governance practices across its global operations.

Environmental

Low-Carbon Footprint: UMG operates a structurally low-carbon, IP-driven business model, with Scope 1-2 emissions representing only a small share of its footprint. The company reports under the GHG Protocol and has an SBTi-approved target to reduce absolute Scope 1-2 emissions by 58% by 2032, supported by renewable electricity sourcing, facility efficiency upgrades, and optimised travel policies.

Scope 3 Data Limitations: The vast majority of UMG's environmental impact lies in Scope 3 emissions across physical product manufacturing, merchandising, logistics, and digital distribution infrastructure. Only **c9%** of these emissions rely on primary supplier data, and UMG has not set an absolute Scope 3 reduction target, placing it behind best-in-class peers and short of expectations under CSRD's value-chain transparency requirements.

Supplier Oversight: UMG's "Supplier Social Responsibility Policy" outlines minimum environmental standards, but enforcement is uneven across regions, and verification mechanisms are still being developed. This limits the company's ability to influence upstream emissions and improve data accuracy.

Operational Initiatives: UMG has launched several decarbonization initiatives, including low-impact packaging pilots, sustainable vinyl materials, and improved distribution routing, that support alignment with a 1.5°C pathway. These efforts demonstrate progress but remain less mature than peers like SONY, which report more advanced Scope 3 systems and renewable energy integration across operations.

Maturity Assessment: Overall, UMG shows steady progress on direct emissions management but remains in a system-building phase on value-chain measurement, external assurance, and CSRD-level KPIs. As a result, its Environmental profile is mid-range versus peers, with the largest improvement potential in Scope 3 visibility and supplier-level governance.

Social

Employee Well-Being: UMG invests meaningfully in workforce well-being through global and region-specific employee assistance programs, counselling, and real-time emotional support services. These initiatives strengthen workplace resilience and reflect a modern approach to employee welfare. The rankings based on employee surveys are considered and compared to the peers to assess the social score for this division (**Exhibit 24**).

Transparency: UMG maintains robust internal royalty-audit mechanisms and has invested in modernised metadata systems to improve accuracy and reduce disputes. However, based on available news articles, this label has been sued by a lot of its artists due to unpaid royalties or other related issues.

Workforce Inequality & Pay Gap: UMG reported a median 24.4% gender pay gap in one of the UK subsidiaries, which is higher than local peers (SONY – 11.6%; WMG – 15.8%) (**Exhibit 25**). Moreover, women hold 31.0% of senior management positions, which is close to the average of 31.6% in nine major music companies aggregated in 2021.

External Social Impact: Since 2020, UMG has partnered with USC Annenberg Inclusion Initiative to study and address representation inequality in the music business. Additionally, UMG has established a Task Force for Meaningful Change (TFMC) program as a driving force for inclusion and social justice.

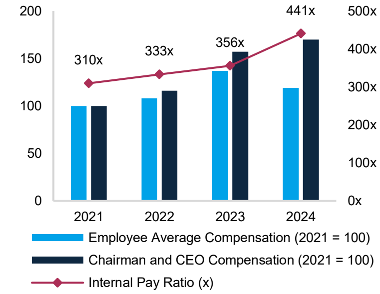
Responsible AI & Artist Protection: UMG is a leader in protecting artists from generative AI misuse. It was the first major label to pressure streaming platforms to block unauthorised AI training on artists' voices and works. Its revised licensing agreement with TikTok restricts AI-generated content from displacing legitimate recordings, reducing long-term legal and reputational risk.

Governance

Controlled Shareholder Base: UMG has a highly concentrated ownership structure with the top five investors controlling approximately 52.7% of total shares (**Exhibit 26**). While concentrated voting power can offer strategic stability, it also creates an environment where minority shareholders may be marginalised. Major shareholders could consult with one another before each General Meeting to form a common view based on a voting agreement. Moreover, UMG's partial non-compliance with the Dutch Corporate Governance Code has sparked notable friction with the broader investor base. At the 2025 Annual General Meeting (AGM), 31.92% of shareholders voted against the executive directors' remuneration policy. The level of dissent signals shareholders' doubts about the board's commitment to aligning pay and performance.

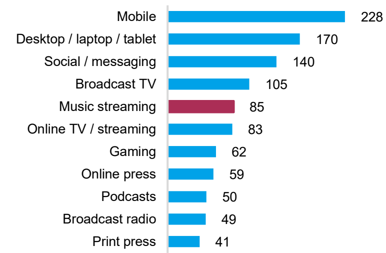
Independent Directors & Committees: UMG's one-tier board consists of two Executive Directors and nine Non-Executive Directors (**Appendix 4**), who lead the three committees: Audit, Remuneration, and Nomination. The board demonstrates

Exhibit 27, Indexed Pay Ratio



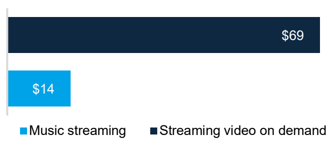
Source: Company Filings

Exhibit 28, Average Daily Time Spent by Entertainment Format (minutes)



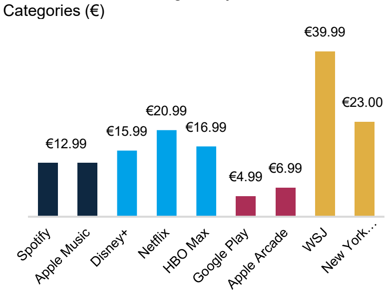
Source: GWI Global Media Market Report

Exhibit 29, Average Monthly US Spending Music vs Video Streaming (US$)



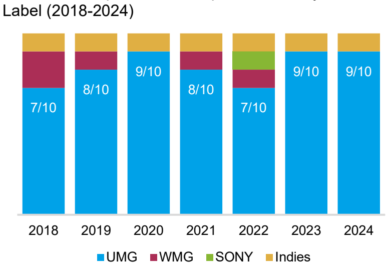
Source: Goldman Sachs

Exhibit 30, Music Pricing vs Adjacent Entertainment Categories (€)



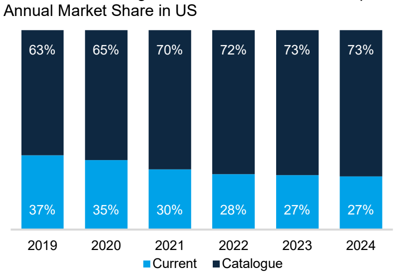
Source: Companies' Websites. Note: Prices reflect standard monthly rates for subscription tiers explicitly labelled "Premium" by each provider.

Exhibit 31, Top 10 Artists Representation by Record Label (2018-2024)



Source: Company Filings, IFPI Global Charts

Exhibit 32, 'Catalogue' vs. 'Current' Total Consumption Annual Market Share in US



Source: Luminate Reports

strong diversity, with women representing 45% of directors and members spanning six nationalities, providing the breadth of expertise needed for a global entertainment company. Corporate oversight is further supported by a confidential 24/7 whistleblowing hotline and employees' annual certification of the Code of Conduct.

Despite these strengths, UMG grants Restricted Share Units (RSUs) to Non-Executive Directors. Such variable compensation raises concerns about potential conflicts between supervisory responsibilities and share price performance. However, given that the awards are relatively modest in size, we view the associated governance risk as acceptable to retain qualified candidates.

Executive compensation: The most significant governance challenge for UMG is the CEO's remuneration framework. Heavily influenced by U.S. media and technology sector norms, this pay structure exhibits several deviations from the Dutch Corporate Governance Code, including his severance entitlement exceeding the recommended one-year fixed-salary limit, his reappointment term extending beyond the four-year guideline, and the absence of a five-year shareholding requirement for Executive Directors. UMG's internal pay ratio has also risen from 310x in 2021 to 441x in 2024 (**Exhibit 27**). Additionally, UMG has yet to integrate ESG-linked KPIs into both short-term and long-term incentive programs.

Nevertheless, these issues should be weighed against the CEO's strategic importance. STIs are tied to rigorous financial targets: revenue growth of 4.8%, adjusted EBITDA growth of 13.0%, and adjusted EPS growth of 28.7%, two of which were achieved, and the last nearly met. The fixed portion of the CEO's pay has declined from 40% (2021) to 20% (2024), indicating a shift toward a more performance-linked structure. A primary concern remaining is the €9.2 million RSUs granted, which require only continued service for three years. Overall, the CEO's pivotal role in driving strategic growth and his longstanding industry relationships suggest these risks may be reasonable as long as UMG continues to increase performance-based elements of compensation.

Investment Summary

Investment Thesis 1: Music Is Widely Consumed but Structurally Under-Monetised

A) Music is structurally underpriced despite unmatched consumption and engagement

UMG owns the world's most valuable and durable music catalogue, yet industry monetisation remains anchored to flat pricing models that materially underprice the asset base. For more than a decade, DSPs prioritised rapid subscriber growth over pricing optimisation, maintaining low and largely uniform subscription prices to capture market share, suppress piracy, and establish streaming as the default global music format. IFPI data show that users of paid subscription accounts grew at a **CAGR of 31% from 2015 to 2024** (reaching a c45% CAGR from 2015-2020) (**Exhibit 4**), reflecting the DSPs' push to focus only on volume-driven growth to drive adoption and capture market share.

The result is a clear and persistent monetisation gap compared to other entertainment media. Music is one of the most frequently consumed entertainment formats globally (**Exhibit 28**), yet revenue capture per unit of engagement remains structurally inferior to adjacent categories. This under-monetisation is further reflected in the average monthly US consumer spending pattern, paying approximately **5x** more on streaming video on demand ($69) vs paid music streaming ($14) (**Exhibit 29**). Additionally, music subscriptions are priced below most other recurring entertainment categories, except for mobile gaming (**Exhibit 30**).

This gap is secular and not demand-driven. Music consumption continues to grow across streaming, social video, gaming, and short-form platforms. **The constraint on price increases is structural and self-imposed**. As a result, UMG's earnings reflect an outdated monetisation structure rather than the true, durable and cultural value of its catalogue, presenting a valuation distortion of **44.70%**. As the industry enters "Streaming 2.0", pricing, new wholesale prices and tier differentiation represent a clear and credible path to earnings re-rating.

B) Superfans represent a structurally under-monetised earnings engine for UMG

Superfans are a small but highly engaged subset of listeners. UMG is uniquely positioned to monetise this cohort, maintaining a structurally dominant presence among the world's top-ranked artists and therefore controlling a disproportionate share of global fan engagement (**Exhibit 31**).

Empirical evidence highlights the magnitude of the resulting monetisation gap. According to Goldman Sachs, average monthly spending by music superfans is twice that of casual listeners across formats. Superfans spend approximately **$181** per month on live music and physical formats combined, compared to **$58** for the average listener, underscoring both the intensity of engagement and willingness to pay for music-related experiences. Yet within streaming ecosystems, superfans remain largely monetised at the same price point as casual users.

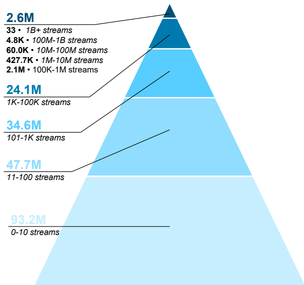
Asian DSPs confirm the scale of untapped monetisation potential. In China, 12% of Tencent Music users adopted a "Super VIP" tier priced at roughly **5x** the standard subscription within 18 months. Estimations suggest that **20%** of paid streaming users globally are superfans. Our estimations suggest that **50%** of the superfans could adopt a premium pricing tier **by 2035**, potentially adding **10%** revenue to UMG. Our bull-case scenario implies a potential 2.7x vs 2.0x base case superfan-led monetisation uplift and faster adaptation rates (**Exhibit 18**).

C) Pricing-led monetisation drives high-quality earnings towards majors

UMG's earnings base is exceptionally resilient and increasingly anchored in back-catalogue consumption. In 2024, catalogue releases, defined as music older than three years, accounted for approximately 66% of UMG's recorded music digital and physical revenue. This aligns with industry consumption data showing that catalogue titles represent over 70% of total music consumption in the U.S., with catalogue share rising steadily from around 63% in 2019 to c73% in 2024 (**Exhibit 32**). The growing dominance and durability of catalogue consumption provide a stable earnings foundation onto which incremental monetisation can be layered. Crucially, monetisation upside is capital light. Price increases, premium tiers, and engagement-based offerings do not require proportional increases in content investment, operating costs, or capital expenditure. Incremental revenue flows through largely fixed cost structures, translating directly into operating leverage and margin expansion.

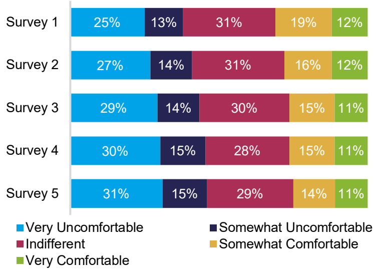
This is not speculative growth. It is a normalisation of monetisation intensity toward levels already observed in adjacent entertainment markets. Downside risk is limited by the stability of core streaming revenues and catalogue durability, while upside remains materially under-reflected in current earnings expectations that largely extrapolate today's flat pricing regime. As pricing evolves, UMG's earnings quality, visibility, and durability structurally improve.

Exhibit 33, 2024 Global Audio Track Streaming Pyramid



Source: Luminate Reports

Exhibit 34, Comfort Levels with AI in Music



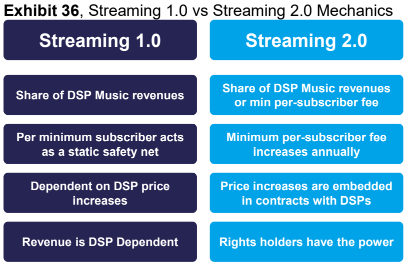
Source: Luminate Reports. Note: Survey 1 - Song Instrument, Survey 2 - Song Lyrics, Survey 3 - New Song Composed by AI, Survey 4 - New Song Performed in Style / Sound of Human Artist, Survey 5 - New Song Performed by an AI Voice

Exhibit 35, UMG's AI Partnerships

Partner (Year)	Strategic Focus
KLAY Vision (2024)	Industry-wide AI licensing
Liquidax Capital (2025)	AI-related IP & patents
Stability AI (2025)	Professional AI creative tools
Udio (2025)	Licensed generative music creation
NVIDIA (2026)	AI infrastructure & model development

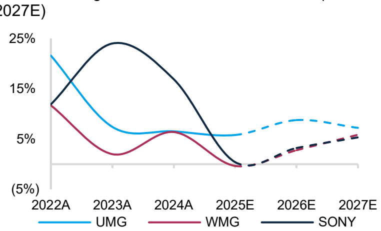
Source: Company Filings

Exhibit 36, Streaming 1.0 vs Streaming 2.0 Mechanics



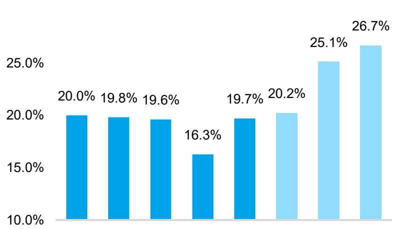
Source: Team Analysis

Exhibit 37, Big Three Revenues YoY Growth (2024A-2027E)



Source: Team Analysis, Companies Filings

Exhibit 38, EBITDA Margin (2020-2035E)



Source: Team Analysis

Thesis 2: AI risks are overblown and UMG will be the Primary Beneficiary

A) AI content does not threaten the economics of the music industry

Fears that generative AI will dilute the market share of major labels overlook the extreme concentration of music economics. In 2024, approximately **90%** of streaming activity was generated by the top **c1%** of tracks (**Exhibit 33**), driven by global hits, superstar artists, and enduring catalogues.

Value in recorded music is therefore not driven by content volume, but by artist identity, fan attachment, and cultural relevance at scale. While AI can increase music-like supply, it does not replicate the social aspect, branding, and rights infrastructure required to generate commercial success. Labels could experiment with making artists who only produce AI songs and invest in A&R, but we view this as a major brand risk that a label is unwilling to take. Moreover, consumer sentiment data indicates rising discomfort as AI-generated music increasingly substitutes for human creativity, particularly when it mimics original songs, artist styles, or vocal performances (**Exhibit 34**), suggesting that generative AI is structurally constrained to low-value, utility-driven use cases.

As Streaming 2.0 creates disproportionate earning shares for music creators focusing on artist-centric monetisation, generic or synthetic content is structurally relegated to low-value use cases and will be assigned a lower earning share by DSPs. AI-driven supply growth does not equate to value dilution for UMG, which manages high-value artists and music assets.

B) UMG is an early mover in AI licensing and partnerships, creating structural advantage

UMG has approached AI as a strategic opportunity rather than a defensive risk, positioning itself as an early mover in shaping how AI interacts with copyrighted music at scale. UMG has been the most proactive in securing high-value partnerships among the "Big Three". The company has entered multiple structured partnerships with AI and technology firms to govern model training, attribution, and monetisation, embedding rights protection while enabling commercial deployment (**Exhibit 35**). Most recently, UMG announced a collaboration with NVIDIA, extending its AI engagement beyond consumer-facing applications into the underlying AI infrastructure layer (**Appendix 9**)**.** The partnership focuses on the development of responsible AI music technologies, including licensed model training, content identification, and rights-aware deployment frameworks. By working directly with a leading AI compute and platform provider, UMG positions its catalogue as a reference standard for compliant AI training and usage.

This upstream engagement allows UMG to influence technical standards regarding attribution, consent, and monetisation at the point where AI systems are built, not merely where they are distributed. Smaller rights-holders lack the scale, legal resources, and negotiating leverage to participate at this level, reinforcing UMG's early-mover advantage as AI adoption accelerates.

C) AI creates incremental, capital-light upside layered onto UMG's core earnings base

UMG's licensing-led approach to artificial intelligence creates a new, high-margin monetisation layer on top of an already resilient, catalogue-driven earnings base. While AI-related revenues are currently immaterial, the scale of potential monetisation is economically meaningful. Even limited penetration of AI training licenses, professional creator tools, and licensed generative platforms represents an estimated incremental revenue opportunity equivalent to **c0.4%** of group revenue over time, achieved with minimal incremental content investment and negligible balance sheet risk.

Crucially, this upside is structurally capital light. AI monetisation relies on licensing and rights governance rather than content creation, allowing incremental revenues to flow at materially higher margins than traditional recorded music formats. As AI adoption expands across media, gaming, advertising, and creator platforms, UMG is positioned to monetise new categories of music usage without bearing the cost or execution risk of technology development. By engaging upstream in AI infrastructure and standards-setting, UMG secures economic participation in AI growth while retaining control over catalogue deployment and artist consent. AI enhances long-term earnings durability and optionality, reinforcing UMG's position as the central rights holder in an AI-enabled music ecosystem rather than a passive participant exposed to disruption.

Thesis 3: The Winner Takes It All – UMG Efficiently Leverages its Dominant Position

A) UMG converts scale into structurally superior operating profitability

UMG's scale advantage translates directly into superior ability to expand profitability from a position of unmatched scale. On an LTM basis, UMG generates an EBIT margin of 16.4%, broadly in line with WMG (16.8%) and below Sony Music Entertainment (SME)'s higher, more mature margin profile. We believe that UMG's scale will allow it to eventually surpass peer profitability by 2029E, growing at an EBIT CAGR of **13.1%** until 2030E. This expansion is supported internally by the firm's cost-saving program and higher operating leverage. While the new minimum per-subscriber fees, i.e. wholesale pricing from "Streaming 2.0", will drive profitability even higher as floor price increases are embedded into contracts with DSPs (**Exhibit 36**). We believe that UMG will be the primary beneficiary of this significant change, as it will be able to set the most aggressive price changes due to its catalogue and artist portfolio size. UMG's profitability remains structurally expansionary, demonstrating that scale in recorded music is not only defensible but can also provide incremental earnings power.

B) UMG exhibits the most predictable and durable growth trajectory

UMG's growth profile is characterised by more stable volatility compared to peers. Revenue growth accelerates sequentially from 5.4% in 2025E to 7.2% by 2027E, reflecting the durability of catalogue-led revenues and the maintained scale and breadth of UMG's revenue base. Earnings growth follows a controlled and repeatable trajectory, with EBIT growth remaining positive across the forecast period, avoiding sharp year-on-year swings.

By contrast, WMG exhibits a materially more volatile profile, with revenue growth of -0.3% in 2025E and EBIT growth fluctuating from -4.9% to 48.6% across the period. SME shows structurally weaker momentum, with revenue growth remaining below 3% through 2027E (**Exhibit 37**). Consequently, UMG distinguishes itself as the sole global music major that merges rapid growth with consistent and reliable earnings expansion, thereby enhancing the strength of its future growth outlook.

C) A measurable monetisation flywheel drives sustained outperformance and rerating

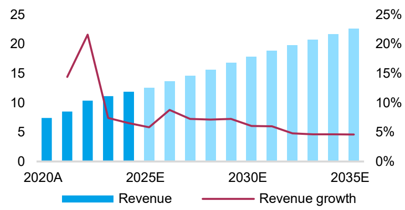
As the largest firm of the "Big Three", UMG leverages its dominant position to negotiate better deal terms for the firm and its artists with DSPs compared to its competitors, as it owns **c32%** of music globally. UMG's ability to leverage their number one position creates an effective compounding flywheel effect: **1)** UMG proves to provide better deal terms and a wider reach for its artists; **2)** The artists want to sign with UMG as they believe it will be the best provider of stardom growth and therefore potential revenue; **3)** UMG invests in these artists and supports their growth, which produces more sound recordings and songs, increasing UMG's catalogue; **4)** Additional artists, sound recordings, and songs, increase UMG's assets which create new potential revenue streams (**Exhibit 5**). We estimate that the rapid profitability increases from UMG's flywheel and the advent of Streaming 2.0 will lead to a re-rating of the stock price.

Financial Analysis

Exhibit 39, DuPont Analysis

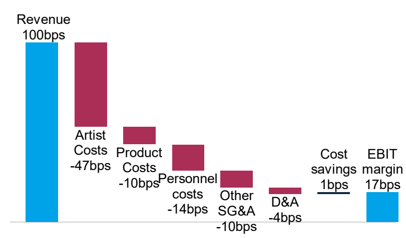
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Dupont Analysis																
Gross Margin	47.3%	45.8%	44.4%	44.1%	43.0%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%	43.3%
EBITDA Margin	20.0%	19.8%	19.6%	16.3%	19.7%	20.2%	22.3%	23.1%	23.8%	24.6%	25.1%	25.6%	25.9%	26.2%	26.4%	26.7%
Net Profit Margin	18.4%	10.4%	7.6%	11.3%	17.6%	11.4%	13.3%	14.1%	14.9%	15.8%	16.5%	17.2%	17.5%	18.0%	18.5%	19.0%
Adjusted Net Profit Margin	13.8%	14.9%	14.1%	14.6%	15.1%	14.9%	16.5%	17.1%	17.6%	18.4%	19.0%	19.5%	19.8%	20.2%	20.7%	21.1%
Asset Turnover	0.6x	0.7x	0.9x	0.8x	0.7x	0.7x	0.7x	0.7x	0.6x	0.6x	0.6x	0.6x	0.6x	0.5x	0.5x	0.5x
Return on Assets	-	7.5%	6.6%	10.2%	13.8%	8.0%	9.5%	10.0%	10.2%	10.4%	10.5%	10.7%	10.6%	10.3%	10.1%	10.0%
Financial Leverage	7.1x	6.0x	4.9x	4.4x	3.8x	3.5x	3.2x	2.9x	2.8x	2.7x	2.6x	2.4x	2.3x	2.3x	2.2x	2.2x
Return on Equity	-	48.5%	35.8%	47.3%	55.6%	29.0%	31.1%	30.1%	29.2%	28.7%	27.6%	26.5%	24.9%	23.7%	22.9%	21.9%
Return on Invested Capital	21.6%	16.6%	20.8%	16.4%	13.5%	16.4%	20.0%	22.2%	24.6%	27.2%	29.3%	31.5%	33.0%	34.6%	36.2%	37.8%
Liquidity																
Current ratio	0.7x	0.6x	0.6x	0.6x	0.6x	0.7x	0.9x	1.0x	1.2x	1.4x	1.5x	1.6x	1.8x	2.0x	2.2x	2.3x
Quick ratio	0.7x	0.6x	0.5x	0.6x	0.6x	0.7x	0.9x	0.9x	1.2x	1.3x	1.5x	1.5x	1.7x	2.0x	2.1x	2.3x
Debt Ratios																
Interest coverage ratio	23.2x	3.7x	2.2x	9.4x	9.5x	12.5x	15.3x	17.0x	18.9x	20.9x	22.7x	24.5x	25.8x	27.2x	28.6x	30.1x
Net Debt / EBITDA	1.6x	1.5x	1.1x	1.2x	1.1x	0.6x	0.2x	(0.1x)	(0.4x)	(0.7x)	(0.9x)	(1.2x)	(1.4x)	(1.7x)	(1.9x)	(2.1x)

Exhibit 40, UMG Group Revenue and Revenue Growth (€bn)



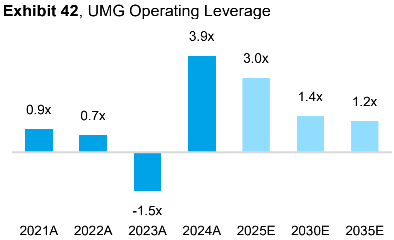
Source: Company Filings, Team Analysis

Exhibit 41, FY25 EBIT Margin Bridge



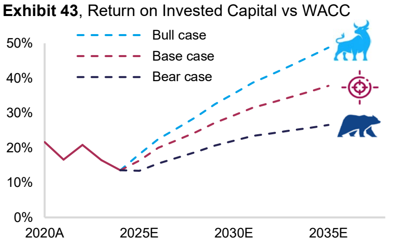
Source: Team analysis

Exhibit 42, UMG Operating Leverage



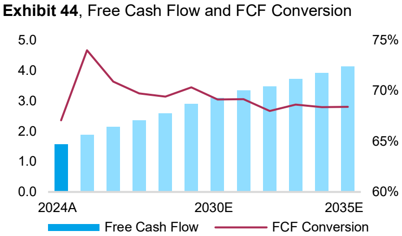
Source: Company Filings, Team Analysis

Exhibit 43, Return on Invested Capital vs WACC



Source: Company Filings, Team Analysis

Exhibit 44, Free Cash Flow and FCF Conversion



Source: Company Filings, Team Analysis

Evolving growth drivers from growth to pricing

In FY24, UMG had revenues of €11.8bn, which historically grew at a CAGR (2021-'24) of **11.6%,** primarily driven by subscriber growth that skyrocketed at an average growth rate of **18%** during the COVID-19 pandemic (**Exhibit 40**). We believe the music industry is at an inflexion point where UMG's revenue will benefit the most from **1)** A strategic shift from volume to pricing growth as subscriber growth is slowing in developed markets from a CAGR (2025-'30) of **4.8%** to **2.7%** (2030-'35) (**Exhibit 4**); **2)** An increase in licensing fees through new licensing models in gaming, sports, and AI. While pricing will be the primary driver, the average ARPU will be partly offset by a higher share of low ARPU from the increased subscriber growth in emerging markets. We forecast revenue growth CAGR (2024-'35) of **5.9%**, which initially grows at **6.6%** until 2030, after which it decreases to **5.1%**. However, growth in 2025 will be suppressed due to a stronger EUR/USD exchange rate. It has rapidly increased in H1 from **1.036 EUR/USD** at the beginning of the year to **1.175 EUR/USD,** resulting in an estimated **-2.5%** impact on organic revenue growth.

Entering a new age of margin expansions

Since 2020, EBITDA margins have remained stable at an average of **c19%**, peaking in 2020 at **20%** (**Exhibit 38**). During the CFA Research Challenge company day, it became clear that management is focusing on improving profitability, but is not yet ready to set a target. However, we believe that EBITDA margins will improve in the short-term to **c25% by 2030** and further expand to **26.7% by 2035**. These improvements are driven by **1)** Ongoing restructuring aiming to save **€250mn** annually by 2026; **2)** New wholesale pricing floor and annual price increases should be margin accretive and will force DSPs to adjust accordingly to keep their margins; **3)** Monetisation opportunity by superfans, who are estimated to spend **2.0x** more than the regular music user, increasing margins. This is reflected in an elevated operating leverage in the first three years, after which it decreases to **1.2x** by 2035 (**Exhibit 42**).

Music is one of the best entertainment assets to own

Compared to other similar entertainment asset classes, music has several strong advantages that make it a quality asset to own. **1)** Music is a non-consumptive asset. Other entertainment assets exhibit rapidly diminishing marginal utility for the consumer. For example, films lose their utility for the consumer the more they watch the same movie, and books are usually read once they are bought. However, music can be heard more than 100 times for a user, generating revenues over a lifetime. **2)** Music is monetised across multiple formats. Music is an integral part of human culture and, therefore, will be integrated into future innovations. It is already implemented in games, fitness apps, AI tools, which create multiple methods for consumers to engage with music, generating multiple revenue cycles using everyday applications. **3)** Music combines scarcity and demand. Past music catalogues are powerful assets that are not reproducible. These assets provide timeless value for consumers and investors alike. UMG has the infrastructure and partnerships to manage the distribution and royalties of the songs. **4)** Music is a capex-light asset. Once you own the copyright to a recording or song, you require minimal additional investments to leverage the musical asset. While the initial acquisition can be costly, the maintenance of music assets is often low, especially in catalogues (older than 3 years), which account for 70% of UMG's recorded music revenues. We believe that UMG will further grow its music catalogue from **€3.4bn** in 2024 to **€4.3bn** in 2035.

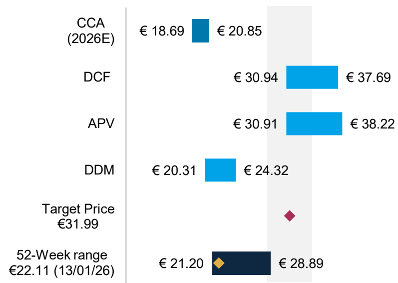
Exceptional capital deployment

We forecast ROIC to grow from 13.5% in 2024 to 37.8% in 2035, driven by higher profitability and high operating leverage. As mentioned in the previous paragraph, music requires minimal investments for its upkeep, meaning that UMG will be able to leverage this characteristic to improve ROIC. Additionally, the new wholesale floors created by Streaming 2.0. is expected to increase EBIT margins, driving NOPAT margins to 16.1% by 2030. The widening gap between a stable invested capital growing at CAGR (2024-'35) of **0.5%** and a ROIC expansion of **24.3%** by 2035, signifies superior economic value creation compared to peers. We believe that the growing ROIC-WACC spread (**Exhibit 43**) perfectly reflects the competitive advantage gained by the company's scale, pricing power, intangible assets, and flywheel mechanism.

Unlocking financial flexibility through best-in-class free cash flow conversions

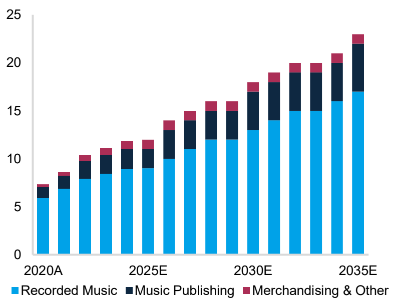
UMG's negative working capital and focus toward profitability will lead to increased free cash flows and additional cash reserves for potential future acquisitions. Moreover, the annuity-like nature of music catalogues results in low reinvestment rates, which allows UMG to reach high FCF conversion rates. We estimate that FCFs will be roughly doubled from **€1.56bn** in 2024 to **€3.09bn** by 2030 (**Exhibit 44**). UMG poses a best-in-class FCF conversion rate at an average of **69%** during our forecasting period, significantly outperforming WMG's FCF conversion rate of **48%**. We believe that UMG's relatively low capital intensity allows for this discrepancy in FCF conversion. The gap in free cash flow allows for greater financial flexibility in acquisitions, buybacks, and payout policy, which we estimate to be held at **53%** in line with recent payouts.

Exhibit 45, Target Price Football Field



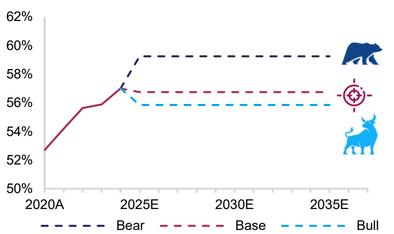
Source: Team Analysis

Exhibit 46, Base Scenario Revenue Forecast (€bn)



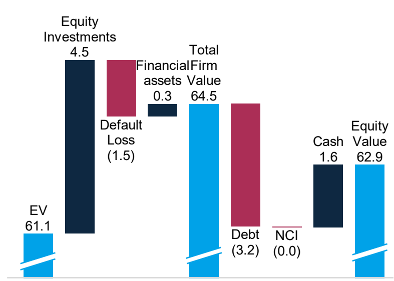
Source: Team Analysis

Exhibit 47, Artist and Product Costs as % of Revenue



Source: Team Analysis

Exhibit 48, EV-to-Equity Bridge (€bn)



Source: Team Analysis

Exhibit 49, DCF Scenarios Analysis

	Bear	Base	Bull
Revenue CAGR	*5.6%*	*6.1%*	*6.7%*
Terminal EBIT Margin	*21.2%*	*22.2%*	*23.2%*
Invested Capital*	*2.7%*	*3.4%*	*4.1%*
Implied Share Price	***€30.25***	***€34.78***	***€39.53***
Upside / Downside	36.81%	57.29%	78.78%

*Source: Team Analysis. Note: * as % of Revenue*

Exhibit 50, Terminal WACC Buildup

Terminal WACC	
Risk-free rate	1.75%
Equity risk premium	5.41%
Levered beta	1.08
Cost of Equity	**7.57%**
Pre-tax Cost of Debt	3.22%
Tax rate	25.7%
After-tax Cost of Debt	**2.39%**
Market value of debt	**€7,358**
Market value of equity	**€81,564**
Enterprise Value	**€88,922**
WACC	**7.14%**

Source: Team Analysis

Valuation

We estimate a target price of **€31.99** per share, representing a **44.70%** upside from UMG's closing price on 13-01-2026, supporting a **BUY** recommendation. Our methodology assigns **80%** to our DCF and **20%** to the relative valuation (**Exhibit 45**). We opted to assign a higher weighting to the DCF analysis, reflecting UMG's transformational story, long-term value creation, structurally recurring cash flows, and strong competitive position, which are not fully captured by market-based valuation multiples given the limited availability of close pure-play comparables.

DCF Valuation

The DCF values UMG's operating assets based on explicitly forecasted free cash flows (FCF) through 2035, followed by a terminal value. The extended forecast horizon reflects the long economic life of music catalogues and the gradual maturation of streaming and licensing revenues. We have forecasted a implied target price of **€34.78** through our DCF valuation.

Revenues

Revenue is forecast across Recorded Music, Music Publishing, and Merchandising & Other, reflecting the distinct monetisation dynamics, maturity profiles, and visibility of each segment.

Recorded Music revenues are the primary value driver, expanding from approximately €9.3bn in 2025E to **€16.6bn** by 2035E in our base scenario (**Exhibit 46**), implying a revenue **CAGR of 6%** over the forecast period. Growth is driven predominantly by paid subscription streaming, supported by continued subscriber expansion in emerging markets and ARPU growth of 2-3% p.a. in developed markets through pricing and tiering initiatives. Ad-supported streaming provides incremental growth, while physical and download formats decline at a high-single-digit rate, partially offsetting streaming-led expansion. As penetration increases, Recorded Music growth gradually decelerates from c9% in the mid-2020s to c4-5% by the later years of the forecast.

Within paid streaming, incremental revenue from fan monetisation and superfan engagement is explicitly incorporated. The model assumes a stable c20% superfan share of the subscriber base, with the proportion of fans adopting monetisation opportunities increasing from low single digits to c50% by 2035, alongside higher spend intensity relative to non-superfans. This results in industry-level superfan monetisation revenue rising from $70m in the mid-2020s to **$3.4bn** by 2035, of which UMG captures its proportional share through its leading catalogue and artist roster. These revenues enhance growth in the explicit forecast period but are not required to sustain terminal assumptions, which remain anchored in core subscription economics.

Music Publishing revenues grow steadily from approximately €2.4bn in 2025E to **€4.7bn** by 2035E, implying a CAGR of c7% (**Exhibit 46**). Growth is driven by recurring royalty income across performance, digital, mechanical, and synchronisation revenues, supported by increasing global music consumption and rising digital usage. Growth moderates over time, converging toward c4-5% in the ending period of the forecast, reflecting the mature but durable nature of publishing cash flows.

Merchandising & Other revenues increase from approximately €0.8bn in 2025E to **€1.4bn** by 2035E, corresponding to a CAGR of **5%**, primarily linked to global live music activity, touring intensity, and artist engagement. Growth is forecasted to decelerate gradually as the segment scales and remains a complementary, non-core contributor to overall value creation.

Operational Expenses

UMG's operating cost base consists primarily of artist participation and distribution costs (**Exhibit 47**) that scale with revenue, alongside a largely fixed global operating platform. Personnel expenses are modelled to grow broadly in line with regionally weighted core inflation, supplemented by modest headcount expansion over the forecast period. This reflects the scalability of UMG's global operating infrastructure and supports operating leverage as revenues grow faster than the underlying cost base, consistent with the margin expansion observed over the forecast period.

Invested Capital

Reinvestment requirements at UMG are driven primarily by investments in music catalogues and artist advances, which represent the Group's principal form of economic capital expenditure and generate resilient cash flows. Catalogue additions are therefore modelled as a stable percentage of revenue, reflecting disciplined capital allocation rather than volume-driven expansion. Investments in other intangible assets and tangible capital expenditure relate mainly to platform, technology, and infrastructure support, which are modelled as a stable percentage of revenue, reinforcing the capital-light nature of the business.

Net Working Capital

UMG operates with structurally negative net working capital, driven by advance payments to artists and labels that are recovered over time, alongside favourable payment terms with digital service providers and distributors. Historical stability in receivable, payable, and inventory days supports our assumption that working capital remains a modest source of cash as revenues grow, rather than a structural drag on free cash flow.

WACC

Our methodology splits the WACC into two components: **1)** WACC during the forecast period, **2)** terminal WACC. The WACC and its constituents are more heavily weighted towards spot rate estimates, while the terminal period uses 5yr averages and medians to arrive at a smoothed terminal WACC. We estimated a D/E ratio of **0.08** in 2025E and a D/E ratio of **0.09** in 2035E. The WACC in 2025E is estimated at **7.32%,** which will decrease to a terminal WACC **7.14%** (**Exhibit 50**).

Cost of Debt: We used a synthetic debt methodology to approximate the credit yield spread based on UMG's current credit rating. While UMG has outstanding bonds, these are not traded actively, meaning there is insufficient data to create a 'true' credit spread. Through Damodaran's estimates, we have derived a credit spread of **1.47%** based on UMG's **BBB+** rating. We used a weighted average of the 5yr (**30%**) and current risk-free rate (**70%**) from the Euro short-term rate to estimate a risk-free rate of **1.75%**. Our terminal post-tax cost of debt is **2.39%**.

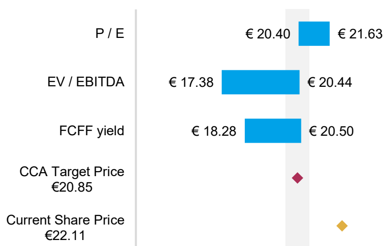
Cost of Equity: A bottom-up beta methodology has been used to derive UMG's beta, based on a blended weighting of peers (**25%**) and UMG's own beta (**75%**). A weighted average unlevered beta of **1.02** has been derived from monthly 5-year datasets for peers and post-IPO data for UMG. We opted to use CAPM as our method for calculating the cost of equity, resulting in a terminal cost of equity of **7.57%**.

Exhibit 51, APV Sensitivity Table: Terminal CoC vs Terminal Growth Rate

Terminal Growth	Terminal Unlevered CoC		
	7.17%	7.57%	7.97%
1.20%	33.37	31.52	29.91
1.60%	34.75	32.69	30.91
2.00%	36.35	34.03	32.04
2.40%	38.22	35.58	33.34
2.80%	40.43	37.39	34.84

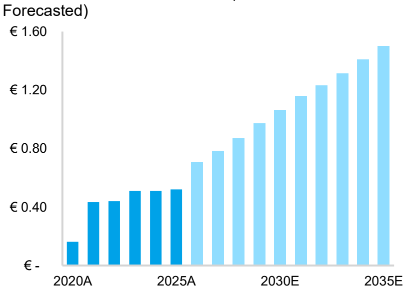
Source: Team Analysis

Exhibit 52, CCA Football Field (2026E)



Source: Team Analysis

Exhibit 53, Dividend Per Share (Historical & Forecasted)



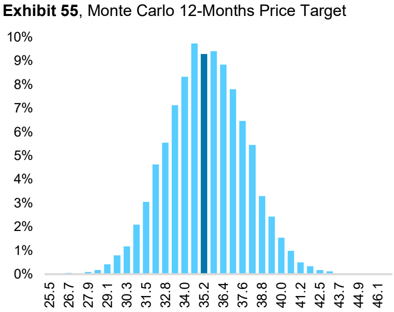
Source: Company Filings, Team Analysis

Exhibit 54, DDM Scenarios

	Bull	Base	Bear
Terminal Payout Ratio	55%	53%	50%
PV Stage 1	€7.53	€6.56	€5.13
PV Terminal Value	€18.2	€14.70	€10.95
Implied Value/Share	**€25.74**	**€21.26**	**€16.08**
Upside/Downside	16.42%	(3.83%)	(27.26%)

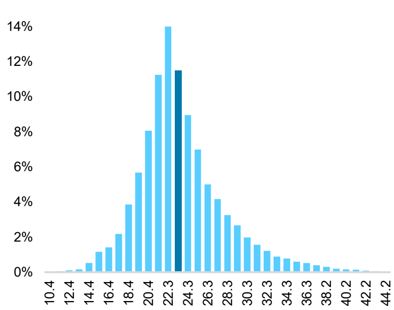
Source: Team Analysis

Exhibit 55, Monte Carlo 12-Months Price Target



Source: Team Analysis

Exhibit 56, Geometric Brownian Motion 12-Months Price Distribution



Source: Team Analysis

Terminal Growth: Terminal value is estimated using a perpetual growth approach, assuming a long-term growth rate of 2.0%, broadly aligned with nominal GDP growth in UMG's core markets, where approximately 80% of revenues are generated across the U.S. and Europe. This reflects the mature yet durable nature of global music consumption and long-term inflation anchors in these regions. At a terminal WACC of 7.15%, the implied multiple of 19.8x EBITDA remains appropriate for a high-quality, capital-light IP business with long-duration cash flows.

Adjusted Present Value (APV)

In addition to the DCF, an APV framework is applied as a complementary intrinsic valuation, isolating the value of UMG's operating assets from financing effects and corroborating underlying value. Based on a terminal unlevered cost of capital of c.7.6%, APV implies an equity value of **€34** per share. Sensitivity analysis indicates a valuation range of €31-€37 per share across reasonable assumptions for discount rates and long-term growth (**Exhibit 51**).
The close alignment between APV and DCF outcomes reinforces confidence in the intrinsic valuation and confirms that value creation is driven primarily by operating fundamentals rather than financial structuring.

Comparable Companies Analysis

We valued UMG using three peer groups that are part of the same value chain as UMG: **1)** Labels, **2)** Live Entertainment, and **3)** DSPs. UMG operates in an oligopoly, meaning that truly similar publicly available businesses are scarce, so these peer groups are used as a proxy for UMG's business growth drivers. We used three multiples, EV/EBITDA, FCFF yield, and P/E to address the differences in business model and give a robust valuation perspective. EV/EBITDA is used for operating performance comparability, FCFF yield reflects the cash generation capacity across firms, while P/E captures the net earnings to equity holders. The median multiples were EV/EBITDA **13.6x**, FCF yield **5.2%**, and P/E **22.0x**. Our multiple-based valuation method suggests that UMG is overvalued by **4.7%** at a target price of **€20.85** (**Exhibit 52**). It performed worse across EV/EBITDA (**-6.1%**) and FCF yield (**-6.6%**), but better at the P/E ratio (**-1.4%**), driven by a steadily decreasing share price in the last 6 months. Taking a longer historical look, UMG's relative valuation has roughly halved since its IPO from FY1 P/E of **38.5x** to **22.3x**. We find this unjustified as their growth rates have not declined in the same period. We opted to attribute **20%** of the target share price to the CCA to reflect the premium compared to peers on the basis of UMG being the best-in-class stock option within the recorded music and publishing industry.

Dividend Discount Model

UMG's dividend profile has exhibited limited volatility since its 2021 IPO, with payout ratios ranging from **61.8%** (2021) to **52.4%** (2024), consistently remaining above UMG's policy of distributing 50% of annual net profit. Notably, dividend per share has only increased by €0.01 since 2023 (**Exhibit 53**), indicating slow payout growth despite the company's expansion. We view this conservatism not as a lack of growth, but as a management decision to prioritise capital for organisational redesign and ongoing investment initiatives. Accordingly, our base case of the DDM assumes UMG will maintain a disciplined **53% payout ratio**, aligning with its most recent distribution levels. This yields an implied equity value of €21.26 per share, representing a **c4%** downside relative to the current share price of €22.11. Under the bull case, a modest increase in the payout ratio to 55% results in c.16% upside, reflecting enhanced cash return visibility. Conversely, the bear case assumes dividends are capped at the 50% policy floor, implying a c27% downside and effectively bounding valuation risk (**Exhibit 54**). Despite this result, we believe the DDM should serve as a secondary reference for valuation support rather than a primary anchor. This is due to the model's high sensitivity to payout assumptions during a phase of prioritising growth, as well as UMG's relatively short dividend history as a public entity. Hence, the DCF model provides a more holistic picture of UMG's ability to monetise expanding revenue streams from AI and superfan, which the DDM fails to capture effectively.

Probabilistic Price Distribution and Downside Risk

To complement our intrinsic valuation frameworks, we conducted a series of probabilistic analyses to assess the distribution of potential 12-month share price outcomes and near-term downside risk. A Monte Carlo simulation based on historical return dynamics produces a price distribution centred around c€35 and our €31.99 target price lying within the central mass of simulated outcomes (**Exhibit 55**). Separately, a Geometric Brownian Motion framework was used to model 12-month forward price paths conditional on the current share price, generating a right-skewed distribution centred in the mid-€20s with a wide dispersion of plausible outcomes (**Exhibits 56-57**), and illustrates asymmetric upside potential and the breadth of possible price paths over the investment horizon. Downside risk was further evaluated using both Monte Carlo-based and historical Value-at-Risk measures (**Exhibits 58-59**), which indicate limited left-tail risk relative to the magnitude of upside implied by our intrinsic valuation. Taken together, these analyses reinforce our valuation by contextualising the expected return profile within a probabilistic assessment of price dynamics and downside risk.

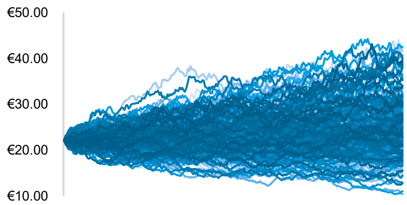
Investment Risks

Market and Industry Risks

[M1] Slower-than-expected ARPU improvements: As industry growth shifts toward core streaming ARPU-led monetisation through pricing and tiering, delays in DSP price increases or weaker execution of segmented pricing could weigh on near-term revenue growth. **Valuation impact**: A 100-bps reduction in recorded music revenue growth in 2025-2026, followed by convergence to the base-case trajectory, implies an approximate 2-3% downside to the base-case DCF valuation, reflecting delayed monetisation rather than structural value erosion. **Mitigation**: ARPU expansion is driven by gradual pricing and mix optimisation, allowing deferred monetisation to be recovered over time. Revenue diversification across formats and primarily volume-driven growth in emerging markets reduce reliance on near-term ARPU uplift.

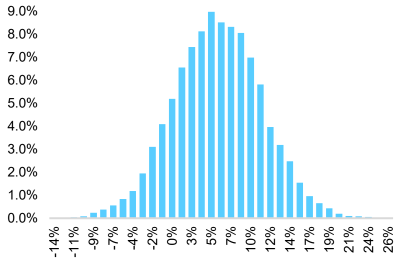
[M2] Increased bargaining power of DSPs: Concentration among large DSPs could increase platform bargaining power, potentially resulting in less favourable licensing economics for rights-holders. **Valuation impact**: Increased DSP bargaining power is reflected through a 50-bps reduction in recorded music revenue growth and a 20-bps reduction in publishing growth across the forecast period, capturing modest pressure on realised streaming economics. This implies an approximate c3% downside to the base-case DCF valuation. **Mitigation**: UMG's scale and ownership of indispensable global catalogues materially constrain DSPs' ability to substitute away from UMG's content, preserving negotiating leverage. While temporary content withdrawals may result in short-term revenue foregone for UMG, they impose disproportionately higher long-term costs on DSPs through reduced engagement, elevated churn risk, and weakened platform differentiation, as evidenced by

Exhibit 57, 12-Month Geometric Brownian Motion



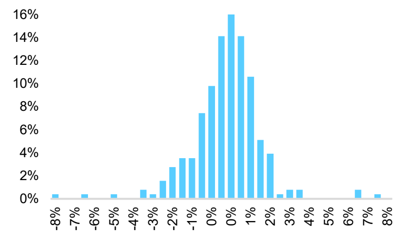
Source: Team Analysis

Exhibit 58, Monte Carlo Value-at-Risk



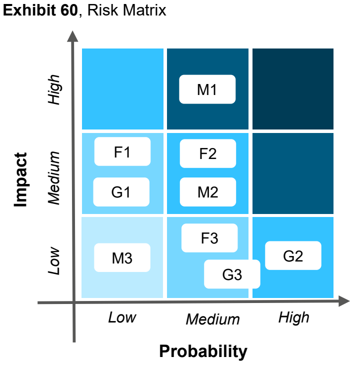
Source: Team Analysis

Exhibit 59, Historical Value-at-Risk



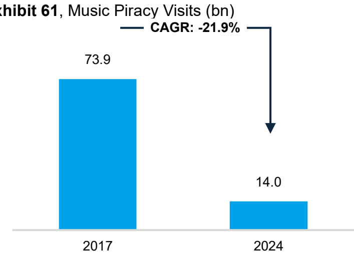
Source: Team Analysis

Exhibit 60, Risk Matrix



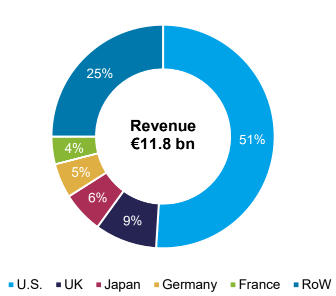
Source: Team Analysis

Exhibit 61, Music Piracy Visits (bn)



Source: MUSO Piracy by Industry Data Review

Exhibit 62, UMG Geographical Revenue Split (2024)



Source: Company Filings

UMG's 2024 TikTok negotiations (**Appendix 18**). More broadly, licensing and monetisation changes have historically been implemented on an industry-wide basis, limiting the risk of sustained structural margin erosion.

[M3] Piracy: While structurally declining, higher DSP pricing could prompt limited reversion to piracy among price-sensitive users, particularly in emerging markets. However, from 2017, music piracy declined 21.2% year-on-year to 13.9 billion visits in 2024 (**Exhibit 61**), reflecting the continued adoption of licensed streaming services. **Valuation impact**: Not explicitly modelled. **Mitigation**: Licensed streaming continues to offer superior convenience and value relative to piracy, supported by tiered and regional pricing, enforcement efforts, and improved rights management. As a result, any piracy reversion to early-2000s levels in a higher-price environment is unlikely given streaming's instant, cross-device access and integrated consumption experience. Music also remains structurally less exposed to piracy than TV and publishing, as its catalogue is broadly available across all major DSPs, whereas TV and publishing content is more fragmented and often platform- or format-specific, raising access friction and piracy incentives.

Firm-Specific Risks

[F1] Slower adoption of new monetisation formats: UMG is investing in incremental monetisation formats beyond core streaming, including short-form video licensing, social platforms, AI-related licensing, and direct-to-fan initiatives. Slower-than-expected adoption or monetisation of these formats could delay incremental revenue upside, particularly if platform development, regulatory clarity, or consumer behaviour evolves more gradually than anticipated. **Valuation impact**: A more gradual ramp-up of new monetisation formats, reflected through a 75-bps reduction in recorded music growth in 2027-2030, implies an approximate c2% downside to the base-case DCF valuation, with long-term value unchanged. **Mitigation**: This represents a timing risk rather than a structural impairment, as core streaming revenues remain stable and recurring. New formats are treated as upside optionality rather than a requirement to sustain the base case, allowing delayed adoption to be absorbed without long-term value erosion.

[F2] Artist cost inflation: Competition among major labels for top-tier artists and catalogues may increase advance payments and royalty rates, particularly as successful artists gain negotiating leverage. Sustained escalation in artist-related costs could pressure profitability if revenue growth does not fully offset higher payouts, especially in a more competitive signing environment. **Valuation impact**: Reflected through higher artist cost assumptions of +100 bps as a percentage of revenue relative to the base case, reducing operating leverage in the forecast period. **Mitigation**: UMG's scale, global marketing reach, and data-driven artist development reduce reliance on purely financial competition for talent. Long-term ownership and rights retention further limit the persistence of higher upfront artist costs.

[F3] M&A execution and valuation risk: UMG pursues acquisitions to expand its catalogue and rights portfolio (**Appendix 3**), exposing it to the risk of overpaying for assets in an increasingly competitive and consolidated market. Recent transactions such as the proposed acquisition of Downtown Music, currently subject to ongoing regulatory and legal scrutiny (**Appendix 18**), illustrate both the strategic rationale for catalogue expansion and the execution, timing, and approval risks inherent in large-scale deals. As the pool of high-quality independent assets narrows, incremental acquisitions may offer lower marginal returns or face greater regulatory constraints. As the pool of high-quality independent catalogues and labels diminishes, incremental acquisitions may offer lower strategic and financial returns, while regulatory scrutiny could further constrain deal activity. **Valuation impact**: Reflected through conservative reinvestment assumptions and the absence of explicit M&A-driven value creation in the base-case valuation. **Mitigation**: UMG applies strict discipline to bolt-on and catalogue acquisitions and increasingly complements M&A with strategic partnerships and platform collaborations.

Governance, Ownership, and Financial Risks

[G1] Ownership structure and governance uncertainty: UMG is subject to ownership-related uncertainty due to Vivendi's significant shareholding and the influence exercised by the Bolloré family through its control of Vivendi. Ongoing legal scrutiny in France regarding the interpretation of "de facto control" has reduced visibility on Vivendi's long-term intentions with respect to its UMG stake, contributing to a valuation overhang driven by sentiment, liquidity, and potential share overhang rather than operating fundamentals. **Valuation impact**: Not explicitly modelled. No impact assumed on operating cash flows or terminal growth. **Mitigation**: This risk is non-operational and does not affect UMG's catalogue economics or cash-flow generation. Its impact is primarily sentiment- and liquidity-driven and is partly reflected in the current valuation, limiting downside to near-term volatility rather than intrinsic value.

[G2] Currency risk: A significant portion of UMG's revenues and costs are denominated in non-euro currencies, exposing reported earnings to foreign exchange volatility. In particular, UMG's sizeable U.S. revenue base (**Exhibit 62**) increases sensitivity to short-term EUR/USD movements, which may be amplified during periods of heightened geopolitical or macroeconomic uncertainty in the United States. **Valuation impact**: Currency effects are treated as translational and are reflected through conservative FX assumptions based on spot rates at the valuation date. No structural impact on long-term intrinsic value is assumed, consistent with the absence of FX-driven cash flow impairment. **Mitigation**: UMG's transactional FX exposure is largely mitigated through natural hedging, with revenues and costs predominantly matched in local currencies. Residual balance-sheet exposures are centrally managed using short-dated FX forwards and swaps for risk management purposes only, materially limiting earnings volatility from currency movements.

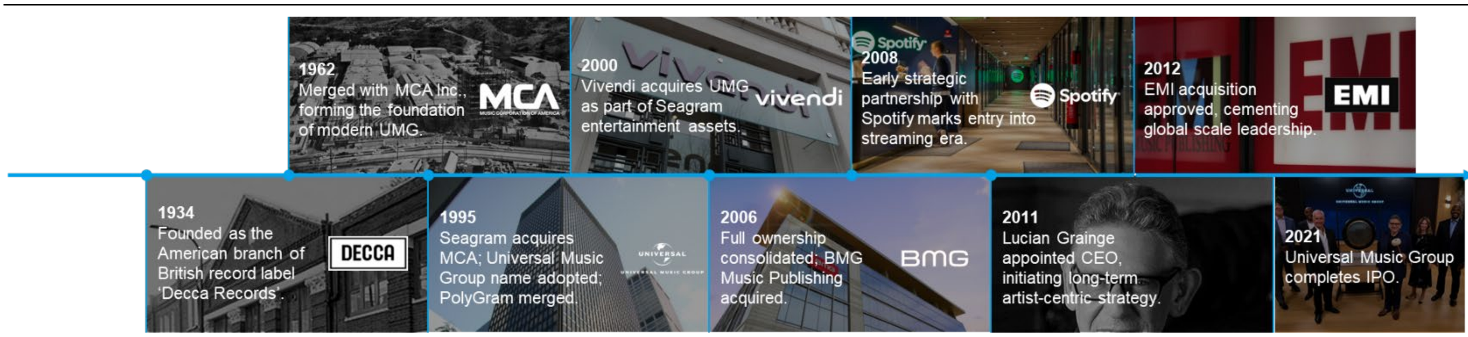
[G3] Governance quality lags peers on selected ESG metrics: UMG's governance framework deviates from certain best-practice standards under the Dutch Corporate Governance Code, particularly in executive remuneration structure, board compensation practices, and the absence of ESG-linked KPIs in incentive plans. These factors have contributed to shareholder dissent, as evidenced by elevated opposition to executive remuneration at recent AGMs. **Valuation impact**: Not explicitly modelled; potential impact limited to modest valuation discount versus best-in-class governance peers rather than cash-flow impairment. **Mitigation**: UMG's board structure provides strong independence and oversight, while executive remuneration remains anchored to demanding financial performance targets. Governance gaps are therefore expected to translate into a modest relative valuation discount rather than cash-flow risk.

Appendices – Table of Content

Appendix 1 – Glossary

Term	Explanation
Digital Service Providers (DSPs)	Digital Service Providers (DSPs) in music refer to platforms that distribute or stream music in digital formats. Examples of DSPs include Spotify, Apple Music, YouTube, and online stores like iTunes or Amazon Music.
Intellectual Property (IP)	In the context of music, IP stands for Intellectual Property. It refers to the legal ownership of creations such as music compositions, lyrics, and sound recordings. IP is crucial in the music industry as it allows artists to monetise and license their works, protecting their rights and ensuring they receive royalties for their creations
Artists and Repertoire (A&R)	In music, A&R stands for "Artists and Repertoire." It refers to the division of a record label or music publishing company responsible for scouting and developing artists and songwriters. A&R representatives play a crucial role in identifying talent, overseeing the artistic development of recording artists, and acting as a liaison between artists and the record label.
Catalogues	Catalogues refer to the collection of songs of different genres and generations, which are defined as being older than 3 years.
Collective Management Organisations (CMOs)	Collective Management Organizations (CMOs) are entities that manage the rights of authors, performers, and other rights holders by collecting and distributing royalties from users to the right and royalty holder.
Streaming 2.0	An advanced streaming model that differentiates listeners into regular users and superfans, aiming to capture the higher willingness to pay superfans through premium tiers and additional fees. It is artist-centric, prioritising authentic artist-fan engagement, rewarding real artists, combating fraud, and leveraging new technologies to enhance monetisation beyond traditional volume-based streaming.
Average Revenue Per User (ARPU)	Average Revenue Per User (ARPU) is a financial metric that measures the average revenue generated per user over a specified period. In the context of our analysis, it refers to the average revenue per paid music streaming subscriber.
Big Three	The term "Big Three" refers to the three largest companies in the music industry Universal Music Group (UMG), Warner Music Group (WMG), and Sony Music Entertainment (Sony), which together hold the largest share of the global music market.
17 Sustainable Development Goals (SDGs)	17 UN Sustainable Development Goals refer to the SDGs that UMG considers the closest to their core operation, which are categorised as Environmental (SDG: 7, 12, 13), Social (SDG: 3, 4, 5, 8, 9, 10), Governance (SDG: 16,17).

Appendix 2 – History of Universal Music Group (UMG)



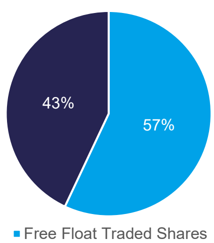
Appendix 3 – M&A History

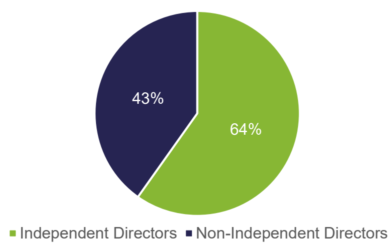
Industry expansion among major recorded-music companies is primarily executed through mergers and acquisitions rather than greenfield investment. Given the scarcity and durability of music intellectual property, scale is most efficiently achieved through the acquisition of labels and services platforms with established artist relationships, distribution infrastructure, and local market presence. As a result, M&A activity provides a clear signal of long-term strategic intent and capital allocation discipline. The table, therefore presents selected corporate M&A transactions and equity investments undertaken by Universal Music Group and its subsidiaries since 2016 (not exhaustive). It focuses on transactions that materially affect UMG's corporate or platform structure, while excluding artist signings, catalogue and repertoire acquisitions, distribution agreements, organic regional expansions, and commercial partnerships, which represent ongoing operational activity rather than structural change.

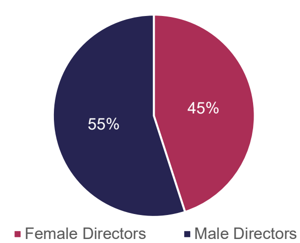
Period	Target(s)	Region	Deal Type	Deal Value	Segment
2016	FameHouse	U.S.	Acquisitions	$1mn	Digital Marketing / DTC enabling
2018	Universal Music Africa	Africa	Platform build	N/A	Recorded music / regional ops
2019	Epic Rights	U.S.	Acquisition	n.d.	Merchandising / licensing
2019	Ingrooves	Global	Acquisition	n.d.	Distribution & services
2020-23	Hyperion Records; PIAS	Europe	Acquisitions	n.d.	Independent labels
2021	Boomplay Music	Africa	Strategic partnership	N/A	Streaming / emerging markets
2023-24	RS Group; Mavin Global	Asia; Africa	Majority acquisitions	$45mn; c$150	Recorded music
2023	Chabaka Music *(via VMG)*	MENA	Acquisition	n.d.	Artist & label services
2024	Chord Music Partners	Global	Minority stake	$240mn	Music publishing
2024	Downtown Music Holdings *(via VMG)*	Global	Acquisition	$775mn	Artist & label services
2024	NTWRK	U.S.	Minority investment	n.d.	Commerce / culture
2025/26	Excel Entertainment	India	Minority investment	€80m	Film & music

Appendix 4 – Shareholder Structure and Board Composition

Top 10 Shareholders Ownership: 62.79%







Board of Directors

Name	Position	Gender	Nationality
Sir Lucian Grainge	Executive Chairman of the Board, Chief Executive Officer	M	British
Vincent Vallejo	Deputy Chief Executive Officer, Corporate and Executive Director	M	French
Cathia Lawson-Hall	Non-Executive Director	F	French &Togolese
James Mitchell	Non-Executive Director	M	British
Sherry Lansing	Non-Executive Independent Chairman of the Board	F	American
Mandy Ginsberg	Non-Executive Independent Director	F	American
Eric Sprunk	Non-Executive Independent Director	M	American
Luc Van Os	Non-Executive Independent Director	M	Dutch
Nicole Avant	Non-Executive Independent Director	F	American
Margaret Frerejean-taittinger	Non-Executive Independent Director	F	American
Haim Saban	Non-Executive Independent Director	M	American & Israeli

Appendix 5 – Corporate Executives' Biographies

Name	Position	Background and Responsibilities
Sir Lucian Grainge	Executive Chairman & CEO	He has spent over 40 years at UMG and is widely credited with pioneering modern artist development and innovative business models. He was knighted in 2016 in recognition of his leadership and contributions to the music industry.
Mr. Vincent Vallejo	Deputy CEO	He joined UMG in 2021 after serving in senior audit and project roles at Vivendi since 1998. He is now based in Hilversum and leads corporate initiatives related to UMG's listing on Euronext Amsterdam.
Mr. Matt Ellis	Chief Financial Officer (CFO)	He joined UMG in 2024 after a decade-long tenure at Verizon Communications, where he also served as CFO. He oversees all global financial operations, including investor relations and corporate development.
Ms. Jody Gerson	CEO of Universal Music Publishing Group	She spent 17 years at EMI Music Publishing and 7 years as Co-President of Sony/ATV Music Publishing before joining UMPG in 2015 and making history as the first female chairman of a global music company. She leads UMPG and oversees more than 5 million copyrights.
Mr. Eric Hutcherson	Chief People & Inclusion Officer	Before UMG, he was the Chief Human Resources Officer for the National Basketball Association (NBA). He leads the global team responsible for talent functions, culture, and diversity initiatives.
Mr. Will Tanous	Chief Administrative Officer	He joined UMG in 2013 after serving as an executive at Warner Music Group. He now plays a key role in business strategy, overseeing communications, public policy, investor relations, and the Global Impact team.

Mr. Jeffrey Harleston	General Counsel	He joined the company in 1993 and is a founder of the Universal/Motown Fund. He is responsible for the global oversight of all business transactions, contracts, litigation, and government relations.
Mr. Philippe Flageul	Controller	He joined UMG in 2015 after two decades at the Bolloré Group. He oversees UMG's finance operations, including accounting, tax, treasury, and global procurement.
Mr. Michael Nash	Chief Digital Officer (CDO)	Before UMG, he was the Executive Director of the industry's first digital distribution trial (Madison Project) and served as an executive at WMG from 2000 to 2011. He oversees digital business development activities worldwide.
Mr. Boyd Muir	Chief Operating Officer (COO)	He was previously UMG's CFO and was appointed COO in October 2024. He played a vital role in UMG's 2021 IPO and has led major acquisitions, including EMI and BMG's music publishing assets. He is responsible for UMG's global operations and is driving UMG's transition from physical to digital.

Appendix 6 – Porter's Five Forces

Threat of New Entrants		**4.3**
Time and Cost of Entry	Building a global music infrastructure requires significant upfront investment in catalogue acquisition, royalty administration, and a distribution network.	4
Specialist Knowledge	The industry requires deep knowledge of copyright law, licensing, and global royalty processing, which limits the ability of inexperienced entrants to compete effectively.	3.5
Economies of Scale	While AI lowers music creation costs, UMG benefits from extensive scale in rights management and global marketing resources that new entrants cannot replicate quickly.	4
Distribution & DSP Access	Entrants lack the long-standing DSP relationships where UMG could secure favourable playlisting, raising barriers to competing at scale.	5
Brand Reputation	Artists prefer labels with established industry relationships, reducing viability for unknown entrants.	5
Threat of Substitutes		**4.1**
Direct Substitutes	Podcasts, gaming, and video compete for consumer attention but do not directly replace music consumption.	3.5
Generative-AI Music	AI-created music can act as a partial substitute in background music or low-cost licensing use cases, but not credible replacements for mainstream commercial repertoire.	3
Publishing Rights	In use cases like film, advertising, and television, replacing licensed music is difficult due to copyright requirements and the creative role that songs play within visual content.	5
Incentives to Substitute	Streaming's low cost and daily utility keep consumers engaged with licensed music, sustaining strong demand for UMG's catalogue and low incentive to substitute.	4.5
Fan Engagement	UMG enables fans to form tangible connections with artists through live events and merchandising, reducing the likelihood of substitution beyond recorded music.	4.5
Power of Suppliers		**3.3**
Supplier Concentration	Only superstar artists have significant leverage, while mid-tier and emerging artists depend heavily on UMG's global promotion and distribution.	3
Talent Scarcity	Top-performing artists and successful songwriters are scarce and irreplaceable, giving them higher bargaining power.	1.5
Uniqueness of Service	Although self-release platforms exist, few artists can match UMG's playlisting reach with DSPs, reducing their ability to pursue alternatives.	4.5
Switching Costs for Suppliers	Switching labels can be difficult because artists are often bound by multi-album recording contracts, and labels typically retain ownership of existing master recordings.	3.5
Capital Requirements	Artists scaling from local to global status demand heavy investment in touring, marketing, and data analytics, capabilities which they cannot easily replicate.	4
Power of Buyers		**3.4**
Buyer Concentration	The top 50 music services accounted for 98% of UMG's recorded music digital revenue in 2024	2
Platform Economics	DSPs control subscription pricing and playlist algorithms, which directly influence UMG's revenue and margins. However, they also depend on UMG's premium IP and extensive catalogue.	3
Superfan Buyers	Superfans exhibit low price sensitivity and are willing to pay premium prices for exclusive products and experiences. This reduces buyer bargaining power in UMG's D2C channels.	4.5
UGC Platforms	UGC platforms such as TikTok, Reels, and YouTube Shorts act as large-scale music users but pay substantially lower royalties than DSPs. They could also lean more on independent music.	2.5
DSP price sensitivity	UMG's catalogue contains global hits and superstar artists that, if DSPs remove access, would materially reduce the attractiveness of their platform.	5
Competitive Rivalry		**1.5**
Strength of Competitors	UMG competes directly with Sony and Warner for market share across recorded music and publishing. Their comparable scale and global reach intensify rivalry across all core activities.	1
Independent Labels	The growth of independent distributors (DistroKid, AWAL, Tunecore) increases competitive pressure for developing artists and niche genres, broadening the competitive field beyond the Big Three.	2
Artist Retention	When contracts expire, artists can move to competing labels, creating competition during renewal cycles. This forces UMG to improve contract terms to retain top talent.	2
Catalogue Acquisition Competition	Rival labels aggressively bid for music catalogues, driving up acquisition prices and intensifying competition for long-term IP assets.	1
Service Differentiation	Labels compete by offering services in global marketing, playlist promotion, and tour coordination, which requires ongoing investment and elevates competitive pressure.	1.5

Scale: 1 = Lowest Threat, 5 = Highest Threat

Appendix 7 – SWOT Matrix

Global Market Leadership
UMG is the world's largest music entertainment company with a strong reputation and robust infrastructure. This makes UMG the preferred partner for top artists and allows it to capture the streaming expansion.
Extensive Music Catalogue
Owns over three million recordings and five million compositions that provide long-term revenue, recurring cash flows, and strong negotiation power in licensing agreements.
Scalable and High-Margin Operating Model
Digital distribution has near-zero marginal cost per stream, and centralised rights-management and marketing systems support economies of scale.

Dependence on DSPs
Relying on major digital service providers (Spotify, Apple Music, Amazon) limits pricing power and exposes the company to platform-driven changes in revenue share and licensing terms.
Concentrated Ownership Structure
With the top ten shareholders controlling roughly 62.79% of the company, governance influence is concentrated, reducing minority shareholder power and heightening strategic sensitivity to major investors' interests.
Reliance on Developed Markets
UMG's revenue mix is concentrated in developed markets with significantly higher ARPU, despite emerging markets accounting for increasing streaming activity but much lower monetization per user.

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Expansion in Emerging Markets
Emerging regions such as LATAM, India, Africa, and Southeast Asia are experiencing rapid streaming growth and rising paid-streaming adoption.
Technology Advancements
UMG establishing early partnerships with AI companies enables deeper consumption analytics and smarter licensing decisions, creating a first mover advantage to shape the industry practices and empowering artists.
Superfan Monetization
Premium fan experiences, such as VIP events and exclusive content, yield monetization beyond standard streaming and enable UMG to capture more value by targeting the most engaged listeners.

AI-Driven Content Dilution
Although UMG is partnering with AI companies to monetize AI-generated content, producing synthetic music at a large scale may still dilute market share and reduce the visibility of human artists.
Under-Monetized Short-Form Platforms
More music in now discovered on short-form video platforms that pay substantially lower royalties than traditional streaming services, which may result in diluted revenue per stream and weaker monetization.
Bargaining Power Shifting Toward Top Artists
Top artists increasingly demand higher royalties, greater ownership stakes, and more flexible contract terms. These rising expectations could increase UMG's talent acquisition and retention costs.

Appendix 8 – Major Music Industry Incumbents

Sony Group Corporation (SONY)

Sony Group Corporation is a global entertainment conglomerate with operations spanning music, film, gaming, electronics, and financial services. The company is listed on the Tokyo Stock Exchange and in the United States via ADRs. Music represents one of Sony's core entertainment businesses and is reported within the group's consolidated financial statements rather than as a standalone listed entity.

Sony's Music segment comprises Recorded Music, Music Publishing (Sony Music Publishing), and Visual Media & Platform activities, and it generated approximately €20 bn of revenue on a trailing twelve-month basis as of September 2025. The segment has a higher proportion of publishing income than UMG, providing structurally stable, recurring royalty revenues and lower earnings volatility. Sony also benefits from integration with its broader entertainment ecosystem and a strong position in Japan, where physical formats remain more resilient.

Key differences vs UMG

- **Strengths**: Largest global publishing platform; diversified IP monetisation across entertainment formats; resilient Japanese market exposure.
- **Limitations**: Lower recorded-music market share; limited segment disclosure due to conglomerate structure; less focused standalone digital and AI strategy.

Warner Music Group (WMG)

Warner Music Group is the third-largest global music company and one of only two publicly listed pure-play music majors. WMG is listed on Nasdaq, providing the closest capital-markets comparability to UMG. WMG generated approximately €6 bn of revenue on a trailing twelve-month basis as of September 2025, representing roughly half of UMG's scale. WMG operates across Recorded Music, Music Publishing (Warner Chappell), and Artist & Label Services, with a greater reliance on frontline recorded music.

Key differences vs UMG

- **Strengths**: High organisational agility; strong exposure to high-streaming genres; leaner cost base enabling higher incremental operating leverage.
- **Limitations**: Smaller scale and weaker DSP bargaining power; higher hit-cycle volatility; smaller publishing platform; limited ancillary revenue streams

Appendix 9 – AI Partnerships and Strategic Positioning

Overview

UMG has progressively shifted from a primarily defensive stance toward artificial intelligence to a selective partnership-driven strategy. Rather than resisting AI adoption outright, UMG has focused on shaping rights-compliant, licensed, and artist-controlled AI ecosystems, positioning itself as a standard-setter in AI-enabled music creation and infrastructure.

The partnerships outlined below illustrate UMG's proactive engagement across three layers of the AI value chain:

1. Consumer-facing generative platforms
2. Professional creative tools
3. Foundational AI infrastructure and IP

Partner	Year – Month	Strategic Focus	Positioning Impact
KLAY Vision	2024 – April	Industry-wide AI licensing	Shapes regulatory & training standards
Liquidax Capital	2025 – July	AI-related IP & patents	Builds long-term licensing leverage
Stability AI	2025 – October	Professional AI creative tools	Enhances artist productivity & retention
Udio	2025 – November	Licensed generative music creation	Sets precedent for rights-cleared AI music
NVIDIA	2026 – January	AI infrastructure & model development	Anchors UMG within core AI ecosystem

KLAY Vision – Multi-Major AI Licensing Framework

UMG joined SONY and WMG in a multi-major licensing agreement with KLAY Vision, an AI music technology company specialising in model training and content-detection systems. The agreement provides licensed access to major-label catalogues for AI training and detection under a shared, standardised framework agreed across all three majors.

- **Key elements**: licensed catalogue access; standardised licensing terms across majors.

- **Implication**: Reinforces UMG's influence in shaping industry-wide AI training standards while generating recurring non-streaming licensing revenue.

Liquidax Capital – AI Infrastructure Music IP

UMG entered a strategic partnership with Liquidax Capital, an AI-focused IP investment and development firm, to jointly develop and commercialise foundational technologies supporting rights-compliant AI music use.

- **Key elements**: audio attribution and watermarking; rights-compliant model-training methods; advanced stem-separation algorithms.
- **Implication**: Positions UMG as a potential licensor of AI-music infrastructure IP, strengthening long-term leverage as AI adoption expands beyond traditional distribution.

Stability AI – Professional Creative Tools

UMG partnered with Stability AI, an AI research company developing professional generative tools, to integrate licensed music data into studio-grade AI tools used in music production and engineering.

- **Key elements**: AI-assisted stem separation, vocal processing, and sound design; models trained exclusively on authorised data.
- **Implication**: Embeds AI into professional production workflows, improving artist productivity and reinforcing UMG's role as a creative-infrastructure provider.

Udio – Licensed Generative Music Platform

UMG resolved its copyright dispute and entered a strategic partnership with Udio, a consumer-facing AI music-generation platform, to co-develop a fully licensed generative music system expected to launch in 2026.

- **Key elements**: rights-cleared AI model training on UMG catalogue data; voluntary artist opt-in for voice, likeness, compositions, and stems; clear attribution, provenance, and monetisation controls.
- **Implication**: Establishes a precedent for licensed generative music while reducing long-term litigation and regulatory risk.

NVIDIA Partnership – Multimodal AI Infrastructure & Model Development

In January 2026, Universal Music Group announced a strategic partnership with NVIDIA, the leading provider of AI compute and foundation-model infrastructure. The collaboration focuses on advanced multimodal AI model development and deployment, integrating music across audio, text, and associated metadata.

The partnership builds on NVIDIA's research into multimodal foundation models, including Flamingo-style architectures, which are designed to process audio and text together within a single AI system. Unlike single-modality generative models, these architectures are designed to link musical audio directly with information such as lyrics, credits, and permitted uses. In practice, this means that music can be generated only within predefined rights and attribution boundaries, making it easier to track who owns the content and to prevent outputs that lack proper authorisation or credit.

- **Key elements**: scalable AI compute infrastructure; collaboration on multimodal model architectures relevant to music applications; integration of rights-cleared music data into foundation-model workflows.
- **Implication**: Anchors UMG within the core AI infrastructure layer rather than at the application level, strengthening its positioning as a preferred rights-holder partner for enterprise AI developers as multimodal AI systems scale across entertainment, media, and interactive use cases.

Strategic positioning – AI adaptation compared to other players

Among the major music rights holders, UMG, SONY, and WMG all recognise AI as strategically important, but their approaches differ. UMG has adopted the most rights-holder-centric and defensive AI strategy, prioritising licensing, governance, and controlled integration of AI to protect catalogue value while improving marketing, analytics, and royalty processing efficiency. Sony's approach is more technology-driven and decentralised, reflecting its broader group exposure to electronics and gaming, while Warner's strategy has focused on selective partnerships and cost optimisation at a smaller scale. Overall, UMG's combination of scale, data ownership, and bargaining power positions it best to convert AI adoption into incremental operating leverage rather than value dilution. AI-related strategy and positioning are based on company disclosures, earnings calls, and industry reports.

Appendix 10 – Relative Valuation

Peer Group	Labels	Live Entertainment	DSPs
	Warner Music Group, Sony Music	Live Nation, TKO, eventim	Spotify, NetEase, Tencent Music Entertainment

CCA - Valuation metrics				EV/EBIT				EV/EBITDA				P/E				FCF yield			
Company	**Ticker**	**Market Cap**	**Enterprise Value**	**LTM**	**2025E**	**2026E**	**2027E**	**LTM**	**2025E**	**2026E**	**2027E**	**LTM**	**2025E**	**2026E**	**2027E**	**LTM**	**2025E**	**2026E**	**2027E**
Labels																			
Universal Music Group	UMG-NL	40,541	48,628	24.0x	23.4x	19.0x	17.0x	20.5x	19.2x	16.0x	14.4x	20.0x	28.2x	22.3x	19.6x	3.9%	4.6%	5.3%	5.8%
Warner Music Group	WMG-US	13,475	16,944	16.6x	24.1x	16.3x	14.1x	12.4x	13.2x	12.0x	10.8x	41.2x	34.7x	21.2x	17.8x	4.2%	3.8%	5.2%	6.2%
Sony Group Corporation	6758-JP	–	30,816	14.4x	14.4x	13.8x	13.0x	11.2x	11.2x	10.7x	10.1x	NA	NA	NA	NA	NA	NA	NA	NA
Live entertainment																			
Live Nation Entertainment Inc	LYV-US	28,432	30,524	19.1x	26.8x	22.9x	19.5x	15.4x	15.2x	13.6x	12.1x	97.4x	nm	49.4x	35.1x	3.9%	3.9%	4.5%	5.4%
CTS Eventim	EVD-DE	7,536	6,507	15.1x	13.6x	11.9x	10.8x	12.4x	11.3x	10.2x	9.2x	26.2x	25.1x	21.7x	19.3x	4.6%	3.7%	5.7%	6.6%
TKO	TKO-US	35,559	37,982	41.9x	49.1x	26.3x	23.9x	30.2x	28.2x	19.6x	18.4x	171.6x	179.6x	44.5x	35.6x	1.4%	2.1%	3.6%	4.5%
DSPs																			
Tencent	1698-HK	23,478	20,678	17.9x	13.0x	14.5x	12.7x	16.2x	15.6x	13.8x	12.1x	17.3x	17.7x	19.9x	17.1x	4.2%	5.6%	5.9%	6.0%
Spotify	SPOT-US	101,362	95,915	46.1x	45.3x	32.2x	24.6x	46.0x	42.7x	30.4x	23.1x	70.8x	64.5x	40.0x	30.9x	2.3%	2.8%	3.5%	4.3%
Netease Cloud Music Inc	9899-HK	4,336	2,984	18.1x	15.1x	11.9x	9.4x	17.9x	15.1x	11.7x	9.4x	12.9x	13.0x	15.5x	13.3x	1.0%	7.6%	6.4%	7.6%
Maximum		101,362	95,915	46.1x	49.1x	32.2x	24.6x	46.0x	42.7x	30.4x	23.1x	171.6x	179.6x	49.4x	35.6x	1.0%	2.1%	3.5%	4.3%
75th Percentile		35,559	37,982	24.0x	26.8x	22.9x	19.5x	20.5x	19.2x	16.0x	14.4x	77.4x	49.6x	41.1x	31.9x	2.0%	3.5%	4.2%	5.1%
Median		**23,478**	**30,524**	**18.1x**	**23.4x**	**16.3x**	**14.1x**	**16.2x**	**15.2x**	**13.6x**	**12.1x**	**33.7x**	**28.2x**	**22.0x**	**19.5x**	**3.9%**	**3.9%**	**5.2%**	**5.9%**
25th Percentile		7,536	16,944	16.6x	14.4x	13.8x	12.7x	12.4x	13.2x	11.7x	10.1x	19.4x	21.4x	20.9x	17.6x	4.2%	4.9%	5.8%	6.3%
Minimum		–	2,984	14.4x	13.0x	11.9x	9.4x	11.2x	11.2x	10.2x	9.2x	12.9x	13.0x	15.5x	13.3x	4.6%	7.6%	6.4%	7.6%
Mean		**28,302**	**32,331**	**23.7x**	**25.0x**	**18.7x**	**16.1x**	**20.3x**	**19.1x**	**15.3x**	**13.3x**	**57.2x**	**51.8x**	**29.3x**	**23.6x**	**3.2%**	**4.3%**	**5.0%**	**5.8%**

Appendix 11 – Total Addressable Market (TAM) explanations

Recorded Music – Total Addressable Market Calculations

TAM is based on population data (2024–2035) from the United Nations, adjusted for regional internet penetration (World Bank) and paid streaming adoption. Starting from a 2024 baseline, paid streaming penetration and ARPU (net to rightsholders) are uplifted over time to reflect growth in usage and monetization. Multiplying projected subscribers by ARPU yields the paid streaming TAM. Ad-supported streaming is estimated using global ad-supported user benchmarks and reported ARPU.

Superfan – Total Addressable Market

Based on 2024 paid subscription revenue, we assume a gradual increase in superfan adoption, reaching a 20% share by 2029 (base case). Superfans are assumed to generate 2x regular ARPU, driving incremental growth in total paid subscription revenue.

Music Publishing – Total Addressable Market

Publishing revenue comprises performance, digital, synchronisation, mechanical, and other royalties. Growth assumptions reflect stream-specific drivers with conservative haircuts: performance growth adjusted for non-royalty live-music components; digital broadly tracks recorded music with a modest uplift for stability; synchronisation grows at a premium due to diversification; mechanical is flat to slightly negative due to physical decline despite regulatory support; other royalties decline structurally. Assumptions align with external benchmarks**.** Base-year estimates use 2024 data from the International Confederation of Music Publishers (ICMP). Stream-specific haircuts are applied, and resulting growth implies a **c.5.5% twelve-year CAGR, consistent with external forecasts such as Omdia (c.5.4%), validating the assumptions.**

Appendix 12 – Income Statement

All figures given in EUR millions unless stated

	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenues	**7,432**	**8,504**	**10,340**	**11,108**	**11,834**	**12,522**	**13,620**	**14,604**	**15,647**	**16,785**	**17,802**	**18,865**	**19,770**	**20,690**	**21,647**	**22,642**
Cost of Revenues	(3,917)	(4,608)	(5,753)	(6,208)	(6,746)	(7,106)	(7,729)	(8,288)	(8,879)	(9,525)	(10,102)	(10,706)	(11,220)	(11,741)	(12,285)	(12,849)
Artist costs	(3,283)	(3,800)	(4,704)	(5,152)	(5,464)	(5,885)	(6,435)	(6,937)	(7,432)	(7,973)	(8,456)	(8,961)	(9,391)	(9,828)	(10,282)	(10,755)
Product costs	(634)	(808)	(1,049)	(1,056)	(1,282)	(1,221)	(1,294)	(1,351)	(1,447)	(1,553)	(1,647)	(1,745)	(1,829)	(1,914)	(2,002)	(2,094)
Gross Profit	**3,515**	**3,896**	**4,587**	**4,900**	**5,088**	**5,416**	**5,891**	**6,316**	**6,767**	**7,259**	**7,699**	**8,159**	**8,551**	**8,948**	**9,362**	**9,793**
Selling, General and Administrative Expenses	(2,285)	(2,502)	(2,702)	(3,213)	(3,015)	(3,000)	(2,988)	(3,095)	(3,206)	(3,319)	(3,431)	(3,547)	(3,665)	(3,787)	(3,912)	(4,038)
Amortisation and Impairment Losses on Intangible Assets	–	–	(285)	(269)	(298)	(333)	(349)	(364)	(380)	(396)	(413)	(431)	(449)	(468)	(488)	(507)
Operating Profit	**1,230**	**1,394**	**1,600**	**1,418**	**1,775**	**2,082**	**2,554**	**2,857**	**3,182**	**3,545**	**3,855**	**4,182**	**4,436**	**4,693**	**4,963**	**5,248**
Financial Income	613	143	37	454	1,279	21	63	93	128	212	283	361	409	500	630	734
Financial Expenses	(53)	(377)	(735)	(151)	(187)	(166)	(167)	(168)	(168)	(169)	(170)	(171)	(172)	(173)	(174)	(175)
Income/(Loss) from Equity Affiliates	(9)	5	(2)	–	4	–	–	–	–	–	–	–	–	–	–	–
Profit Before Income Taxes	**1,781**	**1,165**	**900**	**1,721**	**2,871**	**1,937**	**2,450**	**2,783**	**3,141**	**3,587**	**3,968**	**4,371**	**4,673**	**5,020**	**5,420**	**5,807**
Income Taxes	(412)	(277)	(115)	(458)	(778)	(500)	(632)	(718)	(810)	(926)	(1,024)	(1,128)	(1,206)	(1,295)	(1,398)	(1,498)
Net Income	**1,369**	**888**	**785**	**1,263**	**2,093**	**1,437**	**1,818**	**2,065**	**2,331**	**2,662**	**2,944**	**3,244**	**3,467**	**3,725**	**4,021**	**4,309**
Net Income Attributable to Shareholders	**1,366**	**886**	**782**	**1,259**	**2,086**	**1,430**	**1,811**	**2,058**	**2,324**	**2,655**	**2,937**	**3,237**	**3,460**	**3,718**	**4,014**	**4,302**
Net Income Attributable to Non-Controlling Interests	**3**	**2**	**3**	**4**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**	**7**
Adjustments to net income																
EBITDA	1,487	1,686	2,028	1,808	2,332	2,532	3,034	3,369	3,727	4,126	4,469	4,830	5,120	5,413	5,719	6,038
Non-cash share-based compensation expense		79	107	561	329	329	329	329	329	329	329	329	329	329	329	329
Implied one-off items	10	23	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Adjusted EBITDA	**1,497**	**1,788**	**2,135**	**2,369**	**2,661**	**2,861**	**3,363**	**3,698**	**4,056**	**4,455**	**4,798**	**5,159**	**5,449**	**5,742**	**6,048**	**6,367**
Adjustments to net income																
Financial income and expenses excl. interest and income from investments		220	671	(377)	(1,177)	–	–	–	–	–	–	–	–	–	–	–
Non-cash share-based compensation expense		79	107	561	329	329	329	329	329	329	329	329	329	329	329	329
Restructuring expense		–	–	41	169	–	–	–	–	–	–	–	–	–	–	–
Certain one-time items		23	(11)	–	–	–	–	–	–	–	–	–	–	–	–	–
Impairment of intangible assets			17	(7)	2	–	–	–	–	–	–	–	–	–	–	–
Amortization of catalogues		144	233	236	245	254	254	256	258	262	268	274	282	291	300	310
Tax on adjustments		(81)	(345)	(87)	128	(151)	(150)	(151)	(152)	(153)	(154)	(156)	(158)	(160)	(162)	(165)
Adjusted Net income	**1,028**	**1,271**	**1,454**	**1,626**	**1,782**	**1,863**	**2,244**	**2,491**	**2,760**	**3,094**	**3,380**	**3,684**	**3,914**	**4,178**	**4,481**	**4,776**

Appendix 13 – Balance Sheet

All figures given in EUR millions unless stated

	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Non-Current Assets	**8,000**	**8,760**	**8,035**	**9,035**	**12,747**	**12,778**	**13,056**	**13,326**	**13,617**	**13,936**	**14,245**	**14,573**	**14,878**	**15,189**	**15,511**	**15,847**
Goodwill	1,369	1,480	1,578	1,624	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895
Non-Current Royalty Advances	1,182	1,536	1,593	1,574	2,085	2,033	2,211	2,371	2,540	2,725	2,890	3,062	3,209	3,358	3,514	3,675
Catalogues	2,330	2,982	3,058	3,020	3,393	3,389	3,407	3,444	3,498	3,572	3,660	3,763	3,876	3,999	4,132	4,275
Other Intangible Assets	79	96	119	180	232	278	320	357	392	427	460	492	522	552	581	610
Property, Plant and Equipment	176	167	167	177	242	257	270	282	292	301	306	308	306	299	287	273
Right of Use Assets	416	388	318	316	446	473	499	524	545	563	581	599	616	632	648	665
Investments in Equity Affiliates	72	109	156	222	578	578	578	578	578	578	578	578	578	578	578	578
Non-Current Financial Assets	1,962	1,592	690	1,436	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245	3,245
Deferred Tax Assets	414	404	348	479	625	625	625	625	625	625	625	625	625	625	625	625
Other Non-Current Assets	–	6	8	7	6	6	6	6	6	6	6	6	6	6	6	6
Current Assets	**3,540**	**3,334**	**3,604**	**4,056**	**4,573**	**5,749**	**6,880**	**8,101**	**10,594**	**12,818**	**15,146**	**16,732**	**19,367**	**23,061**	**26,038**	**29,168**
Inventories	79	99	163	210	255	273	296	318	340	365	387	411	429	450	471	493
Current Tax Receivables	1	3	4	36	30	30	30	30	30	30	30	30	30	30	30	30
Current Royalty Advances	677	844	984	1,060	1,211	1,215	1,321	1,417	1,518	1,628	1,727	1,830	1,918	2,007	2,100	2,196
Other Current Financial Assets	1,641	–	–	91	27	27	27	27	27	27	27	27	27	27	27	27
Trade and Other Receivables	1,641	1,803	2,014	2,246	2,497	2,569	2,794	2,996	3,201	3,443	3,652	3,870	4,045	4,244	4,441	4,645
Cash and Cash Equivalents	1,141	585	439	413	553	1,636	2,411	3,313	5,479	7,324	9,323	10,564	12,918	16,302	18,970	21,777
Total Assets	**11,540**	**12,094**	**11,639**	**13,091**	**17,320**	**18,527**	**19,936**	**21,427**	**24,211**	**26,754**	**29,391**	**31,305**	**34,245**	**38,250**	**41,549**	**45,015**
Total Equity	**1,634**	**2,030**	**2,352**	**2,983**	**4,551**	**5,360**	**6,316**	**7,388**	**8,585**	**9,936**	**11,419**	**13,040**	**14,764**	**16,606**	**18,584**	**20,694**
Shareowners' Equity	1,634	2,030	2,351	2,962	4,526	5,335	6,291	7,363	8,560	9,911	11,394	13,015	14,739	16,581	18,559	20,669
Non-Controlling Interests	–	–	1	21	25	25	25	25	25	25	25	25	25	25	25	25
Total Liabilities	**9,906**	**10,064**	**9,287**	**10,108**	**12,769**	**13,167**	**13,620**	**14,039**	**15,626**	**16,818**	**17,973**	**18,265**	**19,482**	**21,645**	**22,965**	**24,321**
Non-Current Liabilities	**4,898**	**4,672**	**2,767**	**3,841**	**5,145**	**5,451**	**5,875**	**5,760**	**6,804**	**7,356**	**7,959**	**7,674**	**8,429**	**10,064**	**10,866**	**11,681**
Non-Current Provisions	335	355	291	300	266	266	266	266	266	266	266	266	266	266	266	266

Long-Term Borrowings And Other Financial Liabilities	2,369	2,277	1,113	1,826	1,778	2,066	2,471	2,338	3,363	3,894	4,476	4,169	4,902	6,514	7,291	8,082
Deferred Tax Liabilities	896	850	580	676	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Long-Term Lease Liabilities	447	421	346	324	475	493	511	530	550	570	591	613	635	659	683	708
Other Non-Current Liabilities	851	769	437	715	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456	1,456
Current Liabilities	**5,008**	**5,392**	**6,520**	**6,267**	**7,624**	**7,716**	**7,745**	**8,279**	**8,821**	**9,462**	**10,014**	**10,591**	**11,052**	**11,580**	**12,099**	**12,639**
Current Provisions	137	80	103	122	195	195	195	195	195	195	195	195	195	195	195	195
Short-Term Borrowings And Other Financial Liabilities	640	318	1,137	278	873	567	–	–	–	–	–	–	–	–	–	–
Trade And Other Payables	4,126	4,875	5,150	5,711	6,394	6,792	7,388	7,922	8,464	9,105	9,657	10,234	10,695	11,223	11,742	12,282
Short-Term Lease Liabilities	78	80	77	86	66	66	66	66	66	66	66	66	66	66	66	66
Current Tax Payables	27	39	53	70	96	96	96	96	96	96	96	96	96	96	96	96
Total Equity and Liabilities	**11,540**	**12,094**	**11,639**	**13,091**	**17,320**	**18,527**	**19,936**	**21,427**	**24,211**	**26,754**	**29,391**	**31,305**	**34,245**	**38,250**	**41,549**	**45,015**

Appendix 14 – Cash Flow Statement

All figures given in EUR millions unless stated

	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Net Change in Cash and Cash Equivalents	**168**	**(597)**	**(135)**	**(17)**	**152**	**1,083**	**775**	**902**	**2,165**	**1,846**	**1,999**	**1,241**	**2,354**	**3,384**	**2,667**	**2,808**
Foreign Currency Translation Adjustments	(35)	32	1	(34)	6	–	–	–	–	–	–	–	–	–	–	–
Change in Cash and Cash Equivalents	**133**	**(565)**	**(134)**	**(51)**	**158**	**1,083**	**775**	**902**	**2,165**	**1,846**	**1,999**	**1,241**	**2,354**	**3,384**	**2,667**	**2,808**
Beginning of the Period	**1,008**	**1,137**	**572**	**438**	**387**	**553**	**1,636**	**2,411**	**3,313**	**5,479**	**7,324**	**9,323**	**10,564**	**12,918**	**16,302**	**18,970**
End of the Period	**1,141**	**572**	**438**	**387**	**545**	**1,636**	**2,411**	**3,313**	**5,479**	**7,324**	**9,323**	**10,564**	**12,918**	**16,302**	**18,970**	**21,777**
Net Cash Provided By/(Used For) Operating Activities	**926**	**1,140**	**1,732**	**1,885**	**1,755**	**2,741**	**2,856**	**3,128**	**3,419**	**3,819**	**4,115**	**4,452**	**4,686**	**5,015**	**5,334**	**5,659**
Operating Profit	1,221	1,394	1,600	1,418	1,775	2,082	2,554	2,857	3,182	3,545	3,855	4,182	4,436	4,693	4,963	5,248
Amortisation and depreciation expense	236	277	377	382	409	450	480	512	546	581	614	649	684	720	756	790
Non-cash share-based compensation expense, net of employees tax withheld	–	–	107	429	131	329	329	329	329	329	329	329	329	329	329	329
Impairment (reversal)/charge on intangible assets	–	–	17	(7)	2	–	–	–	–	–	–	–	–	–	–	–
Changes in provision, net	(33)	8	65	18	1	–	–	–	–	–	–	–	–	–	–	–
(Gain)/loss on sale of assets	1	(2)	2	(26)	(23)	–	–	–	–	–	–	–	–	–	–	–
Other	9	(3)	–	–	–	21	63	93	128	212	283	361	409	500	630	734
Adjustments	**213**	**280**	**568**	**796**	**520**	**800**	**873**	**934**	**1,003**	**1,122**	**1,227**	**1,338**	**1,422**	**1,548**	**1,715**	**1,853**
Royalty Advances Payments, Net of Recoupments	(588)	(364)	(148)	(100)	(186)	52	(178)	(160)	(169)	(185)	(165)	(173)	(147)	(149)	(155)	(162)
Cash Provided by Operating Activities Before Taxes	**846**	**1,310**	**2,020**	**2,114**	**2,109**	**2,935**	**3,248**	**3,631**	**4,015**	**4,482**	**4,917**	**5,347**	**5,711**	**6,092**	**6,523**	**6,939**
Other Changes in Net Working Capital	287	85	(33)	164	(5)	306	240	215	214	262	222	233	181	218	209	217
Net Cash Provided by Operating Activities Before Taxes	**1,133**	**1,395**	**1,987**	**2,278**	**2,104**	**3,240**	**3,489**	**3,846**	**4,230**	**4,744**	**5,139**	**5,580**	**5,891**	**6,310**	**6,732**	**7,157**
Tax Paid/Received	(207)	(255)	(255)	(393)	(349)	(500)	(632)	(718)	(810)	(926)	(1,024)	(1,128)	(1,206)	(1,295)	(1,398)	(1,498)
Net Cash Provided By/(Used For) Investing Activities	**(975)**	**(391)**	**(520)**	**(622)**	**(1,051)**	**(427)**	**(465)**	**(498)**	**(534)**	**(573)**	**(607)**	**(643)**	**(674)**	**(706)**	**(738)**	**(772)**
Catalogue Investments	(929)	(388)	(359)	(178)	(266)	(250)	(272)	(292)	(313)	(336)	(356)	(377)	(395)	(414)	(433)	(453)
Other Intangible Assets Investments	(37)	(48)	(60)	(74)	(92)	(125)	(136)	(146)	(156)	(168)	(178)	(189)	(198)	(207)	(216)	(226)
Capital Expenditures	(29)	(13)	(33)	(47)	(91)	(51)	(56)	(60)	(64)	(69)	(73)	(78)	(81)	(85)	(89)	(93)
Purchases Of Consolidated Companies, After Acquired Cash	(4)	(11)	(22)	(97)	(163)	–	–	–	–	–	–	–	–	–	–	–
Investments In Equity Affiliates	(2)	(28)	(22)	(81)	(390)	–	–	–	–	–	–	–	–	–	–	–
Purchase Of Financial Assets	(3)	(43)	(36)	(154)	(145)	–	–	–	–	–	–	–	–	–	–	–
Investments	**(1,004)**	**(531)**	**(532)**	**(631)**	**(1,147)**	**(427)**	**(465)**	**(498)**	**(534)**	**(573)**	**(607)**	**(643)**	**(674)**	**(706)**	**(738)**	**(772)**
Proceeds from Sales of PP&E and Intangible Assets	–	6	–	–	2	–	–	–	–	–	–	–	–	–	–	–
Proceeds from Sale of Consolidated Companies, net Divested Cash	11	117	–	1	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds from Sale of Financial Assets	16	14	9	1	79	–	–	–	–	–	–	–	–	–	–	–
Divestitures	**27**	**137**	**9**	**2**	**81**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends Received from Equity Affiliates	2	2	2	4	12	–	–	–	–	–	–	–	–	–	–	–
Dividends Received from Investments	–	1	1	3	3	–	–	–	–	–	–	–	–	–	–	–
Net Cash Provided By/(Used For) Financing Activities	**217**	**(1,346)**	**(1,347)**	**(1,280)**	**(552)**	**(1,230)**	**(1,617)**	**(1,729)**	**(720)**	**(1,400)**	**(1,509)**	**(2,568)**	**(1,657)**	**(925)**	**(1,928)**	**(2,079)**
Distributions to Shareowners	(294)	(785)	(798)	(929)	(933)	(950)	(1,184)	(1,315)	(1,456)	(1,633)	(1,784)	(1,944)	(2,065)	(2,205)	(2,365)	(2,520)
Dividends Paid by Consolidated Companies to Noncontrolling Interests	(5)	(2)	(2)	(2)	(4)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Transactions with Shareowners	**(299)**	**(787)**	**(800)**	**(931)**	**(937)**	**(957)**	**(1,191)**	**(1,322)**	**(1,463)**	**(1,640)**	**(1,791)**	**(1,951)**	**(2,072)**	**(2,212)**	**(2,372)**	**(2,527)**
Proceeds from Borrowings	2,294	3,176	5,938	6,647	4,321	1,075	406	421	1,025	531	582	637	1,621	1,612	777	829
Repayments of Borrowings	(1,669)	(3,624)	(6,359)	(6,815)	(3,755)	(1,093)	(567)	(555)	–	–	–	(944)	(888)	–	–	(38)
Interest, Net	(15)	(17)	(30)	(77)	(81)	(147)	(147)	(147)	(147)	(147)	(147)	(147)	(147)	(147)	(147)	(147)
Other Cash Items Related to Financing Activities	(3)	(8)	4	(10)	2	–	–	–	–	–	–	–	–	–	–	–
Transactions on Borrowings and Other Financial Liabilities	**607**	**(473)**	**(447)**	**(255)**	**487**	**(165)**	**(309)**	**(281)**	**878**	**384**	**435**	**(454)**	**585**	**1,464**	**630**	**643**
Repayment of Lease Liabilities	(91)	(70)	(86)	(80)	(81)	(89)	(97)	(105)	(113)	(122)	(130)	(139)	(146)	(153)	(160)	(167)
Payment of Interest of Lease Liabilities	–	(16)	(14)	(14)	(21)	(19)	(20)	(20)	(21)	(22)	(23)	(24)	(25)	(25)	(26)	(27)

Appendix 15 – Vivendi / Bolloré Ownership Structure and Implications for UMG

Background and relevance for UMG

Vivendi remains a significant shareholder in UMG, while the Bolloré family exercises influence over Vivendi through its holding structure. French authorities have examined whether Vincent Bolloré exercised *"de facto control"* over Vivendi despite not holding a formal majority of voting rights, a finding that under French securities law could trigger regulatory remedies to protect minority shareholders. In late 2025, France's highest civil court reopened proceedings related to the interpretation of de facto control, prolonging uncertainty at the Vivendi level. The case concerns historical governance at Vivendi and does not allege misconduct or governance deficiencies at UMG, but it **reintroduced uncertainty around Vivendi's flexibility in managing its UMG stake**.

Why the case mattered for market sentiment

Investor concern focused on the potential consequences of an adverse ruling, which could have required Bolloré-controlled entities to regularise the control situation, possibly through accelerated or forced reductions of certain shareholdings, including Vivendi's stake in UMG. This created downside risk through increased **share overhang and short-term volatility**.

Prior to the postponement, market expectations generally anticipated an outcome favourable to Bolloré, on the basis that de facto control would be difficult to establish. A favourable resolution was therefore seen as modestly positive for UMG through the removal of ownership-related uncertainty.

Investment perspective

The Bolloré de facto control proceedings are best viewed as a Vivendi-level governance matter with relevance for UMG through ownership mechanics and investor sentiment. Event-driven hedge funds see this as an investment opportunity by going long in Vivendi and short in UMG, creating downward pressure on UMG's stock price, disregarding the company's fundamentals. The issue has functioned primarily as a **sentiment-driven overhang**: in a downside scenario, the impact would likely be limited to short-term share price pressure and volatility rather than any deterioration in underlying fundamentals. UMG's long-term investment case remains driven by the strength of its flow generation and operating execution, which are unaffected by the outcome of the proceedings. Thus, we can see that this overhang alleviate in 2026 as there has not been a date yet for the court case as of the writing of this report.

Appendix 16 – U.S. Listing

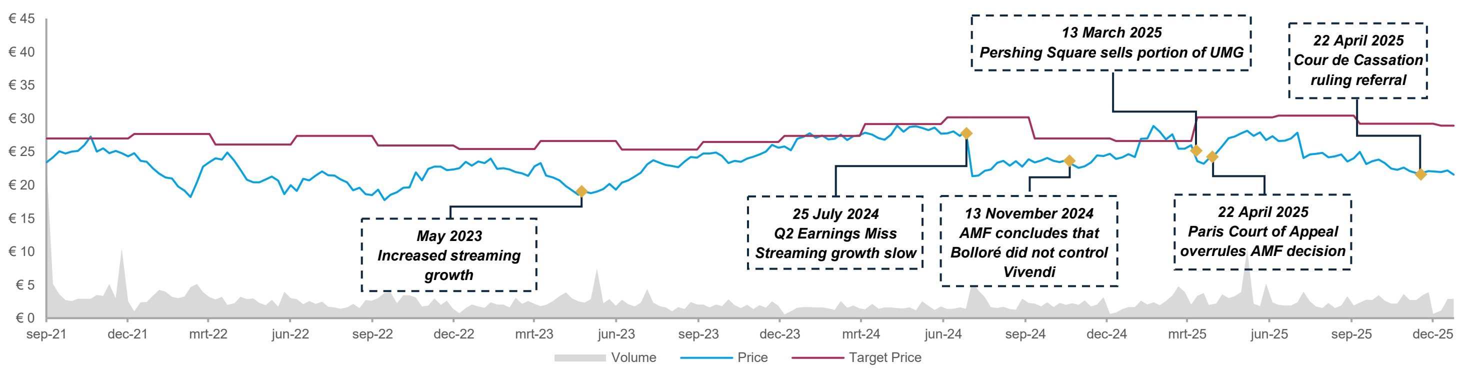
Background

Universal Music Group (UMG) is currently listed on Euronext Amsterdam. Since late 2024, the company has been progressing toward a secondary listing in the United States, following the exercise of registration rights by a major shareholder, Bill Ackman, through his hedge fund Pershing Square Holdings. In this context, in June 2025, UMG confidentially filed a draft Form F-1 registration statement with the U.S. Securities and Exchange Commission to enable a U.S. offering of existing shares, meaning the transaction would not raise primary capital for the company.
UMG has indicated that the potential U.S. listing would not alter its operational structure, strategic priorities, or underlying business model, and that any offering would be subject to regulatory review, market conditions, and final board approval. No binding timeline, exchange venue, or transaction size has been formally announced as of January 2026, and UMG has not committed to delisting from Euronext Amsterdam.

Investment perspective

A U.S. listing is expected to be incrementally positive from a capital markets perspective, primarily through improved trading liquidity, broader access to U.S. institutional investors, and increased equity research coverage. It may also enhance comparability with U.S.-listed peers such as Warner Music Group (WMG) and better align UMG's shareholder base with its predominantly U.S.-dollar revenue exposure. Bears make the case that Pershing Square has to sell the shares at a discount, driving UMG's stock price down even further. However, we argue that in such an event, the tender offer would be oversubscribed, which would make the shares sell above the current share price. This is further indicated by the current gap between equity research analyst target ratings and the current share price (**Appendix 17**). The potential listing is therefore **viewed as a liquidity and visibility catalyst**, rather than a driver of near-term operating performance or intrinsic value and is not explicitly reflected in the base-case valuation.

Appendix 17 – UMG Share Price Annotation



Since IPO, UMG has remained fairly stable, hovering between a share price of c€17-30 driven by streaming revenue and estimates of profitability improvements. The most significant events occurred from mid-2024 onwards, including an earnings miss in Q2, and the stock decreased by roughly 30%. This was mainly due to high streaming growth estimates, which did not materialise, causing the sudden downward trend. As mentioned in (Appendix 15), the Vivendi case creates a scenario where event-driven hedge funds put downward pressure on the stock by going long in Vivendi and short in UMG. Moreover, during the same period, Pershing Square sold some of its shares to push for a US listing of UMG (**Appendix 16**).

Appendix 18 – Cases

TikTok Case

In early 2024, UMG temporarily removed its catalogue from TikTok following a licensing dispute over compensation and rights protection. UMG argued that TikTok's royalty structure undervalued music usage despite the platform's heavy reliance on sound-driven content. The dispute ended after three months with a new agreement offering better and improved royalty structure and financial terms for UMG and its artists. That means that artists like Taylor Swift, Drake, BTS, Olivia Rodrigo were unavailable on the platform. Even artists who are not signed by the label as Harry Styles, SZA were removed simply because UMG has participated somewhere in the process of creating the specific song. This example reinforces UMG's bargaining power and highlights the economic value of premium music catalogues in platform negotiations. This in turn, emphasises how much bargaining power the IP right owners have in the industry. *Source*: Harvard Business School

Power Play In The Music Industry

Universal Music Group (UMG) holds substantial bargaining power over artists, who are often economically dependent on its global distribution, marketing capabilities, playlist access, and scale advantages. UMG's size further reinforces this power, as artists may switch between labels that ultimately remain under UMG's ownership, limiting their true outside options. At the consumer level, while end-user loyalty to specific DSPs is relatively low, music itself remains essential, with global listeners spending over 20 hours per week consuming music, ensuring steady demand for premium content. However, UMG's power is more balanced in its relationship with Digital Service Providers. In 2024, three customers, primarily major DSPs such as Spotify, accounted for over 40% of UMG's total revenues, generating income across both Recorded Music and Music Publishing. This level of revenue concentration strengthens DSPs' negotiating leverage and helps explain why platforms like Spotify capture a substantial share of industry value. UMG's ownership of top global catalogues prevents platforms from easily bypassing the label. Overall, the industry is characterised by mutual dependence, where bargaining power is shared rather than dominated by a single player.

Downtown Music Holdings Case

In December of 2023, UMG's Virgin Music group announced its intentions to buy Downtown Music Holdings for a price of $775 million. After formal notification European Commission (2025 July) decided to conduct a further investigation into this deal. Even though the deal did meet the national requirements for the Netherlands and Austria, it activated the EU competition laws and escalated into peer companies writing formal complaints and backlash from the European Composer & Songwriter Alliance (ECSA) and Independent Music Companies Association (IMPALA). Even though UMG is still optimistic about the deal coming through, EC can still add additional conditions to the deal or block it completely, the decision impacts the power that the giants of the music industry hold and the landscape of other independent players. *Source: RAME*

Appendix 19 – ESG Scorecard

Approach & Rationale: Given the lack of standardisation in ESG reporting and differences in industry classification, ESG ratings for the company vary significantly across providers. We reviewed ESG assessments from leading data providers and selected sector-relevant peers to construct a proprietary ESG scorecard focused on the factors most material to our analysis. Reflecting the company's asset-light, IP-driven business model, the overall ESG score assigns greater weight to Governance (45%) and Social factors (35%), with Environmental factors weighted at 20%. The scorecard reflects our assessment of ESG performance based on publicly available disclosures and peer comparison.
Source: Company Filings, Team Analysis

Rating	Category	Description
0	N/A	No evidence of effort to achieve the criterion.
1	Weak	Evidence of some effort, but little progress or success in achieving the criterion.
2	Adequate	Evidence of effort and some level of success in achieving the criterion.
3	Average	Effort and success in line with the industry average in achieving the criterion.
4	Strong	Above-average effort and success in achieving the criterion.
5	Leading	Innovator for industry initiatives, high levels of effort and success in achieving criterion.

Criteria	UMG	SONY	WMG	TME	LYV
GHG Emissions	Has SBTi-approved target to reduce Scope 1-2 by 58% by 2032. Increasing renewable usage in offices and implementing efficiency upgrades to lower operational footprint.	Industry leader with a validated net-zero 2040 target, strong progress towards 100% renewable energy. Extensive low-carbon operational measures across its global facilities.	Has standard emission-reduction goals and limited renewable energy use, supported by basic operational efficiency initiatives that in line with industry norms.	Lacks science-based emission targets, has minimal renewable energy use, and shows little evidence of structured low-carbon operational activities.	Has science-based 2030 emission-reduction target and is implementing renewable energy sourcing and efficiency upgrades at certain venues, although execution varies across global portfolio.
Target Reduction	4	5	3	1	4
Renewable Energy	3	5	2	1	3
Low-Carbon Operations	3	5	2	1	3
Disclosures	Aligned with GRI, SASB, CRSD (2024); transparent on Scope 1-2; Scope 3 still partially estimated and developing.	Industry-leading ESG reporting; full Scope 1-3 visibility; highly detailed, audited, and aligned with global framework.	Provides essential data but limited Scope 3 transparency, less comprehensive and less quantitative than peers.	Minimal environmental disclosures; no alignment to global frameworks; sparse and inconsistent reporting.	Reports environmental information for major venues, but disclosure is inconsistent and fragmented across regions.
Disclosure Score	3	5	2	0	2
Environment Score Total	**3.3**	**5.0**	**2.3**	**0.8**	**3.0**
Employee Well-Being & Support	2	4	1	5	3
Transparency	Strong internal royalty audit and reporting infrastructure. But a lot of lawsuits for unpaid royalties.	"Artists Forward" and "Legacy Unrecouped Balance Forgiveness" programs. Has fewer lawsuits than other labels.	Delayed reporting and transparency. More lawsuits than peers per market share.	The least transparent and has faced lawsuits for licensing.	Limited exposure to royalty payments, but lawsuits in other areas.
Transparency (Unpaid royalties and operational lawsuits)	4	5	3	1	2
Artist protection AI:	First major label to demand streaming platforms block AI training on its catalogue.	Sent formal letters to AI companies warning against unauthorised use of its catalogue and voice models.	The CEO promotes a responsible AI innovation framework.	Least amount if available information does not release protection frameworks.	Not a threat as they do not own the catalogue.
Artist protection AI	5	4	3	1	2
Diversity, Equity & Inclusion (DEI)	USC Annenberg Inclusion Initiative to study DEI topics, TFMC, mostly male executives.	DEI is core to its organisation, partners with DEI organisations, and focuses beyond employees.	Global DEI Institute in 2022, the first of its kind, since 2022 reports DEI as a key pillar.	limited publicly available information.	Global initiative to increase diversity by 2025.Lowest representation of underrepresented executives.
Total: DEI	3	4	5	1	2
Social Score Total	**3.5**	**4.3**	**3.0**	**2.0**	**2.3**
Management	Highest remuneration package and very long CEO tenure. Board consists of non-independent members from top shareholders.	Much lower executive pay and well-structured succession planning; diversified leadership with a highly independent board.	Lower pay levels with the new CEO, but the majority of shareholders voted against and nearly half of the board is non-independent.	Lower transparency, but overall remuneration is smaller than UMG and LYV, limited board independence.	High CEO remuneration and extremely long tenure, good board diversity and independence.
Management Score	3	5	2	1	4

Shareholders	Highly concentrated ownership and voting agreements are formed between top shareholders, no proxy statement to review for more details on governance.	Shares are mostly free float with no dominant controlling investor.	Controlled company status with dual class stock structure.	Parent Company Tencent is retaining effective control over strategy and major voting power.	Highly concentrated ownership but more free float compared to UMG, with a large stake held by Liberty Media.
Shareholders Score	3	5	2	1	4
CSR Strategy	Established a Global Impact Team, Strategy aligns with SDGs, requires more quantitative targets, and aligns with ESRS and CSRD guidelines.	CSR program embedded across the group with clear sustainability targets and long-term environmental commitments.	Developed a CSR strategy with measurable goals and detailed reporting.	CSR strategy is limited and less transparent, with initiatives mainly aligned to Tencent's broader corporate responsibility efforts.	Drives sustainability through its "Green Nation" environmental and community initiatives.
CSR Strategy Score	3	5	4	1	2
Governance Score Total	**3.0**	**5.0**	**2.7**	**1.0**	**3.3**
Total ESG Score	**3.2**	**4.8**	**2.7**	**1.3**	**2.9**

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