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UNIVERSAL MUSIC GROUP (UMGNF) Q4 FY2025 earnings call transcript

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Mar 5, 2026, 12:15 PM EST

Earnings call

Universal Music Group posted 8.7% constant currency revenue growth and 8.6% Adjusted EBITDA growth in 2025, outpacing the prior year. Strategic investments in AI, direct-to-consumer, and emerging markets...

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Operator 0:00:00

Good evening, and welcome to Universal Music Group's fourth quarter and full year earnings call for the period ended December 31, 2025. My name is Nadia, and I'll be your conference operator today. Your speakers for today's call will be Sir Lucian Grainge, Chairman and CEO of Universal Music Group, Michael Nash, Chief Digital Officer, and Matt Ellis, Chief Financial Officer. They will be joined during Q&A by Boyd Muir, Chief Operating Officer. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star followed by the number one on your telephone keypad. If you would like to withdraw your question, please press star followed by two. As a reminder, this call is being recorded.

Operator 0:00:52

Please also let me remind you that management's commentary and the sponsors to questions on today's call may include forward-looking statements, which by their nature are uncertain and outside of the company's control. Although these forward-looking statements are based on management's current expectations and beliefs, actual results may vary in a material way. For a discussion of some of the factors that could cause actual results to differ from expected results, please see the Risk Factors section of UMG's 2024 Annual Report, which is available on the investor relations page of UMG's website at universalmusic.com. Management's commentary will also refer to non-IFRS measures on today's call. Reconciliations are available in the press release on the investor relations page of UMG's website. Thank you. Sir Lucian, you may begin your conference.

Lucian Grainge 0:01:45
Chairman and CEO

Many thanks, and thank you all for joining us on today's call. As you can clearly see from our results, last year was a very good year. Our artists, songwriters, and labels once again racked up record-breaking successes. We made excellent progress across our strategic initiatives and continued our long, uninterrupted streak of strong financial growth. I'm pleased to report that in 2025, both revenue and Adjusted EBITDA grew by nearly 9%. I must begin by highlighting the creative excellence and commercial success of our artists and songwriters. Their extraordinary music continues to shape culture across the world. Every year, the IFPI, the Recorded Music Industry's global trade association, reveals the world's top-selling artists. For 2025, nine out of the top 10 were UMG artists, with Taylor Swift at number one.

Lucian Grainge 0:02:51
Chairman and CEO

As you let that astonishing fact sink in, let me throw in another one. 2025 was the third year in a row that we have represented nine out of the top 10 best-selling artists on the planet. The only recording artist whom we did not represent on recorded is Bad Bunny, and he's represented by our Universal Music Publishing division. No other company has ever come even remotely close to UMG's outstanding performance year after year in developing new artists who go on to become global brands. A quick look at the 2025 lists across major platforms reveals our remarkable industry-leading position. This slide highlights just a handful of them.

Lucian Grainge 0:03:45
Chairman and CEO

Our extraordinary momentum continues to build with a string of recent number one albums across genres and geographies, from Taylor to Olivia Dean, King & Prince, Mrs. GREEN APPLE, both from Japan, Stray Kids, J. Cole. I could go on and on. As to the critical acclaim and awards, I'll briefly mention how our artists and songwriters won big at this year's Grammys. UMG artist and songwriter, Kendrick Lamar, was the night's biggest winner with five awards, including Record of the Year. Kendrick is now the Grammys' most decorated rap artist of all time with 27 awards. Olivia Dean was named Best New Artist, the fourth time in the past five years that a UMG artist has received that honor. That also is an unprecedented achievement. Billie Eilish, Lola Young, Lady Gaga, Jelly Roll, Leon Thomas, UMPG's Bad Bunny were amongst many other winners.

Lucian Grainge 0:04:55
Chairman and CEO

It was also an incredible night at last year's Brit Awards. Sorry, last week's Brit Awards at the

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Trending tickers
NBIS Nebius Group N.V. 109.22 +12.79 (+13.27%)
ORCL Oracle Corporation 169.81 +20.32 (+13.59%)
DOMO Domo, Inc. 5.60 +1.22 (+27.85%)
KALA KALA BIO, Inc. 0.4924 +0.1985 (+67.54%)
AVAV AeroVironment, I... 204.63 -16.95 (-7.65%)

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ORCL Oracle Corporation 169.85 +20.36 (+13.62%)
NBIS Nebius Group N.V. 109.44 +13.01 (+13.49%)
UNF UniFirst Corpora... 276.11 +17.97 (+6.96%)
PBF PBF Energy Inc. 42.05 +2.39 (+6.03%)
BNTX BioNTech SE 89.89 +6.00 (+7.15%)

Top losers
BWLP BW LPG Limited 15.14 -2.14 (-12.40%)
HMY Harmony Gold M... 16.50 -2.44 (-12.86%)
AVAV AeroVironment, I... 204.78 -16.80 (-7.58%)
SBSW Sibanye Stillwate... 13.57 -0.86 (-5.93%)
HYMC Hycroft Mining H... 42.17 -2.68 (-5.98%)

Most active
NIO NIO Inc. 5.81 +0.11 (+2.02%)
ORCL Oracle Corporation 169.85 +20.36 (+13.62%)
NVDA NVIDIA Corporat... 185.54 +0.77 (+0.42%)
NBIS Nebius Group N.V. 109.44 +13.01 (+13.49%)

Top economic events United St...
MBA 30-Yr Mortgage Rate
Mar 11, 2026, 7:00 AM EDT Prior: 6.09 New: 6.19
Mortgage Market Index
Mar 11, 2026, 7:00 AM EDT Prior: 377.5 New: 389.6
Initial Jobless Clm *
Mar 12, 2026, 8:30 AM EDT Prior: 213 New: -
U Mich Sentiment Prelim
Mar 13, 2026, 10:00 AM EDT Prior: 56.6 New: -

Earnings events
Upcoming
No earnings events for this period.

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weekend where UMG swept the major categories.

Lucian Grainge 0:05:06
Chairman and CEO

Olivia Dean took home four awards, including Artist of the Year, Album of the Year, and Song of the Year. Other winners include Sam Fender, Lola Young, Dave, and Jacob Collier. The Olivia Dean success is an indication how our U.K. company is developing new artists and once again, delivering them to the world across all geographies. The demand for our music continues to grow. The subscriber numbers increase, so does the consumption. Industry data from Luminate shows that on-demand audio streams topped 5.1 trillion last year, an increase of nearly 10%. We unequivocally believe that the growth of the business will continue, hitting the 1 billion subscriber mark in the next few years. Our multi-pronged strategy to capture this growth, of course, includes our excellence in artist development, along with continued implementation of our Streaming 2.0 initiatives.

Lucian Grainge 0:06:21
Chairman and CEO

We will also make bold moves in four key areas of the strategic plan, each of which will create meaningful monetization opportunities, driving growth across an entire interconnected ecosystem. That word interconnected is very significant. Today, as I want to share with you the progress we're making in those four areas, expanding our presence in label and artist services, accelerating our efforts in high potential markets, strengthening our direct to consumer and superfan initiatives, and adding to our growing portfolio of responsible AI partnerships. The first critical area is our services to independent labels, entrepreneurs, and artists around the world, one of the fastest-growing areas of the business. Those labels operate in a diversity of markets, genres, and languages, and generate meaningful revenue from artist rosters of varying sizes.

Lucian Grainge 0:07:20
Chairman and CEO

As much as they differ, they share a common desire to partner with a company that provides them with the best and widest range of services. In 2021, we established Virgin Music Group to expand our expertise and resources in this fast-growing sector, which will be further accelerated by the recent acquisition of Downtown Music. Matt will go into detail about Downtown's financials later, but for now, I will say that the combination of Virgin Music and Downtown will create a global end-to-end solution designed to meet the evolving needs of independent artists, entrepreneurs, and rights holders at every stage of their development. The combined company will offer a broad, more flexible suite of services ranging from high touch to self-service platforms, including digital and physical distribution, marketing, business intelligence, neighboring rights, synchronization, royalties, as well as publishing rights management.

Lucian Grainge 0:08:24
Chairman and CEO

Our last acquisition of this magnitude was in 2011, which of course, was EMI. At that time, we saw the value that others did not and doubled down on the traditional A&R and catalog business. Today, 15 years later, that acquisition is universally acknowledged as one of the most successful and strategically important in the history of the music industry. I firmly believe that our acquisition of Downtown will be as transformational. It creates a scalable and profitable engine of growth that also elevates UMG's core label, publishing and super fan businesses, enabling us to better cover the entire music industry. It is no small matter that Downtown also expands UMG's global footprint, collectively serving more than 5,000 business clients and more than four million creators in 145 countries.

Lucian Grainge 0:09:21
Chairman and CEO

That last point leads us to the second critical area of our strategic plan, our growing geographical expansion into high potential markets. UMG's approach is to create a compelling array of business solutions that offer multiple ways for artists, labels, and entrepreneurs to engage with us. Always in compliance with our strict investment criteria, we partner with the best of them and then deepen the partnership over time. Here's an example of our strategy in action. In India, Universal Music had operated a multi-label structure for years, already offering artists a compelling choice of brands. Earlier this year, we supplemented that choice by investing in Excel Entertainment. Excel is a leading film and digital content studio in a country where original soundtracks remain at the heart of the fast-growing music market.

Lucian Grainge 0:10:13
Chairman and CEO

The deal gave UMG global distribution rights to Excel's future soundtracks, while our publishing division became Excel's exclusive music publishing partner. The two companies will launch a dedicated Excel music label. On top of this, through Downtown and Virgin Music Group, we now service approximately 100 clients in the region, including new deals with Punjabi label, Jus Records and South Indian label, Millennium Records. When you take a step back, you can see how UMG has built multiple points of entry into the Indian market. Each of our business units operate with its own unique creative and commercial expertise, but also has access to UMG's powerful global systems and resources. As a result, our ability to capture growth efficiently is increasing. This is an approach that is working well in many other dynamic, highly populated markets, including China.

Lucian Grainge 0:11:14
Chairman and CEO

Moving on to our third key strategic effort, I'm very bullish about super fans, as you all know. Given the enormous demand for great products and exciting experiences, we believe this segment is massively under-monetized. Our own D2C business has grown to 1,600 online stores and generates hundreds of millions of dollars in revenue. This only scrapes the surface of our potential. We will further scale our D2C business by stimulating an entire category of third-party super fan platforms, each with its own distinctive approach and model. These will operate alongside the premium tiers being developed by the traditional DSPs, as well as what we're creating and how we're creating an ecosystem in which special events, experiences, and products will entice super fans in both the virtual and physical worlds.

Lucian Grainge 0:12:08
Chairman and CEO

There's more Competition develops, more innovation will result, connectivity to fans will increase, and the opportunities to drive monetization will continue to multiply. We recently announced two partnerships in this space. The first is with Stationhead, a live music segment platform that connects artists and fans through real-time listening experiences, community interaction, and integrated commerce. With over 250 UMG artist events in 2025, Stationhead contributed billions of premium UMG artist streams on subscription platforms across millions of active users. Their week-of-release listening parties contributed to 11 number one albums across the entire industry. They've executed very successful fan campaigns for UMG, artists such as Sabrina Carpenter, Billie Lilish, Ariana Grande, Ki'op Demon Hunters, Nicki Minaj, Olivia Rodrigo, and many others. The second partnership is with EVEN, which provides super fans with early access to music, exclusive content, and community features. Interscope artist.

Lucian Grainge 0:13:20
Chairman and CEO

Cole, for example, used EVEN for multiple direct-to-fan campaigns, including the 10th anniversary of 2014 Forest Hills Drive and the pre-release strategy for his latest album. Both projects leveraged EVEN's white label solution to reach hundreds of thousands of fans and sell millions of dollars of physical product. The EVEN campaign was a significant factor in The Fall Off, his new album, debuting at number one in the U.S. We don't need to develop a new platform, but both Stationhead and EVEN integrate directly into UMG's current architecture and its direct to-consumer architecture, capturing fan data and fostering a deeper relationship between artists and fans. Superfan opportunities are rapidly evolving, and we will be right there at every step of their evolution. This evolution is being supercharged by AI, which leads us to obviously the fourth focus of our strategic discussion.

Lucian Grainge 0:14:21
Chairman and CEO

Our embrace of responsible AI technologies continues to be very aggressive. We're forging partnerships across a spectrum of artist creation and fan engagement initiatives. They're two separate initiatives. I'm very aware that a large swathe of the investment community looks at the intersection of AI and media and sees only some of the risks. I wanna be very clear. We fundamentally disagree with that view. We believe AI represents an unprecedented commercial opportunities for UMG and our artists in both the near and the long term. We're working tirelessly to shape the business models and the legal and legislative frameworks that will form the foundation of a responsible AI ecosystem. I encourage people to spend time to really understand the work that's being done and the opportunities that lie ahead.

Lucian Grainge 0:15:23
Chairman and CEO

Personally, I've never really been more energized about the possibilities that we're pursuing. Once again, we face another exciting transformation. Here are just a few of the things that I'm excited about. On our last call, we discussed our agreements with Udio and Stability AI. Not long after that, we announced our licensing agreement with KLAY Vision. KLAY's large music model is trained entirely on licensed music. It will evolve AI experiences for superfans while respecting the rights of artists and songwriters. We're excited about this company's vision and applaud their commitment to ethicality in generative AI music. In December, we revealed we're also collaborating with Splice, the world's most popular music creation platform. Together, we're building a roadmap for the development of commercial AI tools rooted in creative control and sonic excellence.

Lucian Grainge 0:16:30
Chairman and CEO

Last month, we unveiled the first of its kind alliance with NVIDIA, the world leader in AI computing. Our shared ambition is to transform and enrich the music experience for billions of music fans around the world. This collaboration will cover everything from artist tools to music discovery to fan engagement. NVIDIA articulated the relationship perfectly when they said, "We're entering into an era where a music catalog can be exploited like an intelligent universe, conversational, contextual, and genuinely interactive, and we'll do it the right way, responsibly with safeguards that protects artists' work, ensure attribution, and respect copyright." How phenomenal. Our work with NVIDIA will be a multi-year partnership, and like our other AI initiatives, create significant win-win potential in market-led solutions. Our strategy for these AI deals is informed by a significant amount of consumer research, both our own and third party.

Lucian Grainge 0:17:34
Chairman and CEO

We're just not sticking our finger in the wind. Our insights team recently conducted a global study on consumer attitudes towards AI and music. The key takeaway is that consumers want AI driven by human intent or AI as an enhancement of, and not as a replacement for, human creativity. Consumers are asking for transparency with respect to how AI is used in the creation of music. This research underscores our belief that AI isn't just an incremental revenue opportunity, it's going to introduce entirely new formats. The superfan AI experiences I mentioned earlier are just the beginning. We foresee entirely new AI formats that will offer fans greater personalization, hyper-personalization, and social expression through artist-centric music experiences.

Lucian Grainge 0:18:31
Chairman and CEO

Given the high level of interest in AI from both the creative and investor communities, I've asked Mike Nash, who you know well, our Chief Digital Officer, to present more on this in more detail later on this important topic so that we can see how excited we are. What I've covered in my remarks today is only a fraction of what we're executing every day at UMG. With an artist roster and a music catalog that is the envy of the industry, we're also the biggest driver of new subscribers to the DSPs. Because we've earned a unique level of credibility and influence working with both established and emerging innovators, we continue to expand our already broad portfolio of revenue streams.

Lucian Grainge 0:19:22
Chairman and CEO

Our vision is a stronger, more connected and ever-growing ecosystem that is attracting new entrepreneurs, expanding our full global footprint, accelerating our D2C business, creating new products and experiences, and leveraging AI to take music to places fans can barely imagine and in ways in which they can barely imagine. In short, we're designing and building a strong foundation for a profitable and exciting future for our artists and our songwriters, for our

company, for the industry, and obviously for our shareholders. We're extremely confident about the path ahead and look forward to a really strong 2026. On that basis, Lucian and optimism, let me hand it over to Michael, and then we'll hear from Matt. Thank you.

Michael Nash 0:20:18
EVP and Chief Digital Officer

Thank you, Lucian. I'll take a few moments to discuss in more detail how we're advancing the best interests of our artists and their fans with our AI strategy while promoting innovation. I'll do that by addressing two topics that are critical to better understanding the risks and benefits of AI for our business. The first topic is the perception of risk of AI revenue dilution, and the thoughtful measures we've taken to neutralize any negative impact. The second topic relates to consumer receptivity to responsible AI innovation. Misunderstandings have resulted from anecdotal press reports that AI-generated content has somehow overtaken the charts. Nothing could be further from the truth. Stories about number one AI songs have been reported based on digital download charts, where 2,500 units of a EUR 0.99 legacy product can manufacture a chart number one.

Michael Nash 0:21:12
EVP and Chief Digital Officer

As you can see from the data on this slide, a handful of anecdotes have been completely over-extrapolated. We assembled this top 10 of chart-debuting AI acts as identified by Billboard and Luminate. Consumption of this top 10 has been immaterial. The most-streamed act didn't break into the top 7,000 globally in 2025, and the number 10 act didn't break into the top 92,000. In the aggregate, the most prominent AI content barely registers, even in the leading market for this English language repertoire, totaling less than, excuse me, totaling less than 0.15% of the streams of the top 50,000 artists in the U.S. last year.

Michael Nash 0:21:56
EVP and Chief Digital Officer

Some commentators say, "That's right now, what about the future?" We don't have to theorize about the future of AI saturation as it's become a marketplace reality with 60,000 AI tracks being uploaded a day at present. What impact is any streaming of these tracks having on our revenue? Most of this content is AI slop or fraud fodder associated with royalty diversion schemes. 85% of AI streams on one representative platform, Deezer, were identified as fraud and then excluded from royalty pool allocation. Apple recently reported that its efforts to address the flood of AI uploads included exclusion of 2 billion fraudulent streams last year. Platforms like Spotify have also outright removed tens of millions of spammy AI tracks from their services.

Michael Nash 0:22:44
EVP and Chief Digital Officer

Despite the huge volume of AI uploads, the aggregate organic consumption of AI content by actual consumers is less than half of 1% based on the best available data. That's consumption. What about revenue? It's important to take into account all three aspects of our deals to protect us from a revenue perspective. In addition to, one, anti-fraud provisions, there's two, demonetization of generic AI slop under UMG Artist-Centric agreements, and three, anti-AI dilution provisions in numerous UMG agreements we've previously announced and discussed. Anti-AI dilution stipulations generally mean that pure AI-generated content, similar to other non-music content, is removed from the calculation of share of streams by the DSP for purposes of determining our artist royalties.

Michael Nash 0:23:37
EVP and Chief Digital Officer

Therefore, while we remain vigilant in addressing infringing AI services, we're seeing no indication that AI royalty dilution is a material issue for UMG from a revenue perspective. When you take into consideration the significant opportunities to commercialize AI innovation through new products and services that Lucian outlined and the empirical data demonstrating insignificant and comprehensively mitigated risk, thoughtful analysis will conclude that the impact AI will have on our business will be overwhelmingly net positive. The data on this slide makes it very clear that consumers are rejecting AI slop and fakery. What do they want from AI innovation as applied to their music experience instead? That's the second topic I'll address with another set of data points. As Lucian noted, UMG conducts rigorous consumer research on strategic topics.

Michael Nash 0:24:29
EVP and Chief Digital Officer

Related to the highlights he covered, here you see some key findings that emerged from a survey of 28,000 consumers conducted in 13 countries, representative of the global music marketplace. Use of AI is fast becoming mainstream, with 54% of global consumers expressing familiarity. Not surprisingly, the predominant use case is search, and among those users, nearly half report conducting music-based queries, such as what to listen to, what merch is available for my favorite artists, what concerts are near me. We see this as an early indication of the promise of AI that it holds for elevating discovery, recommendation, and contextualization as AI becomes more integrated into music services. The vast majority of consumers continue to prioritize human artistry. Most seek transparency, safeguards, and ethicality in AI music development and deployment.

Michael Nash 0:25:28
EVP and Chief Digital Officer

Confirming what the consumption data told us on the prior slide, by an almost 7:1, consumers expressed disinterest versus interest in so-called AI artists. In fact, over 2/3 of consumers want to be able to block purely AI-generated music entirely. In the U.S., where AI awareness is highest, nearly 3/4 of consumers want to block AI music. With this backdrop of attitudes and preferences, let's focus on music applications. Roughly half of consumers under 45 expressed interest in AI for music, predominantly interest in AI for enhancement of music experience, meaning deeper personalization of the experience and customization of music, restoring, remixing, and reinterpreting favorite songs, and interactive and co-creative music experiences. These emerge as key triggers of consumer interest and perceived value.

Michael Nash 0:26:24
EVP and Chief Digital Officer

The expression of interest translates into some of the most important components we are focused on with the partners Lucian highlighted in development of innovative new AI music services. What consumers are rejecting and what they want to embrace will define the business landscape of significant opportunity for UMG moving forward with AI innovation. With that, I'll turn it over to Matt.

Matt Ellis 0:26:47
CFO

Thank you, Michael. 2025 was another excellent year for UMG, both creatively and commercially. Lucian outlined the strong, sustained performance of our artists, songwriters, and company and how our multi-pronged strategy will continue to propel our growth. Before I get into the details of our financials, I want to address our proposed U.S. listing. With the uncertainty in the market creating meaningful dislocation in valuations, our board does not see this as the right time to move ahead with the listing. Should that change, we will update the market. Turning to our results, once again, in 2025, we achieved healthy growth on both the top and bottom line. As always, we present our results on a constant currency basis. FX movements impacted 2025 revenue growth rates by 3%, and based on currency markets, we expect 2026 to include a 4%-5% headwind to revenue.

Matt Ellis 0:27:49
CFO

For the year, in constant currency, revenue grew 8.7%, which was more than a point of acceleration above the previous year's growth rate, and Adjusted EBITDA grew 8.6%. This resulted in an Adjusted EBITDA margin of 22.5%, in line with the prior year. Cost savings and operating leverage helped us maintain margins for the year despite headwinds from revenue mix and repertoire mix, cost pressures in our merchandising business, and incremental overheads from business combinations. 2025 adjusted diluted EPS grew to EUR 1.03, up from EUR 0.96 in 2024. We remain on schedule with our EUR 250 million cost savings program, which began in 2024. We achieved our planned EUR 90 million in cost savings in 2025, including the expected EUR 40 million in savings in the second half of the year.

Matt Ellis 0:28:47
CFO

We continue to expect that an incremental EUR 40 million-EUR 50 million in phase 2 savings will be realized in 2026, with the remaining EUR 35 million-EUR 45 million benefit to benefit 2027. Before turning to the results for the quarter, I'd like to mention certain items that impact comparability of our results versus the prior year. This detail is laid out on the slides you see in front of you, as well as in our press release. First, the fourth quarter of 2025 includes a legal resolution contributing revenue of EUR 45 million and EBITDA of EUR 26 million. This is booked in downloads and other digital revenue in Recorded Music. We call out settlements for purposes of comparability, but as a reminder, legal recoveries are common in our business and represent real revenue earned from the copyrights we own.

Matt Ellis 0:29:40
CFO

In fact, you may recall the fourth quarter of 2024 included two legal settlements. Together, they accounted EUR 40 million of revenue and EUR 29 million of EBITDA and were booked primarily in Recorded Music licensing with a small amount in Music Publishing. In addition, the fourth quarter of 2024 included catch-up income of EUR 20 million from a DSP partner related to new product rollouts in the second and third quarters of 2024. This was booked in Recorded Music subscription revenue and had associated EBITDA of EUR 12 million. Since it's revenue related to activity in the second and third quarters of 2024, it does not impact comparability for the full-year results. With that out of the way, let me turn to the quarterly results, where I will also provide figures adjusted for the items impacting comparability.

Matt Ellis 0:30:35
CFO

In the fourth quarter, total revenue grew 10.6% in constant currency. Adjusted EBITDA grew 6.4%, while Adjusted EBITDA margin of 22.5% was 70 basis points lower than the prior year quarter. Excluding the items impacting comparability in both years, total revenue grew 11.2% and Adjusted EBITDA grew 8.6%. Margin was down 40 basis points to 22.0%, primarily due to headwinds from revenue mix and repertoire mix in Recorded Music and cost pressures in our merchandising business. Now let me turn to the results from each of our business segments. Recorded Music revenue grew a very strong 13.9% for the quarter and 9.3% for the year.

Matt Ellis 0:31:26
CFO

Excluding the items impacting comparability, Recorded Music revenue grew 14.4% for the quarter and 9.1% for the year. Recorded Music Adjusted EBITDA grew 9.6% for the year. Excluding the items impacting comparability, Adjusted EBITDA grew 9.7% in 2025, and Adjusted EBITDA margin expanded 20 basis points to 25.5%. The benefit of cost savings and operating leverage more than offset margin headwinds from repertoire mix, outsides growth in lower margin physical sales and incremental overheads from business combinations. The margin pressure from repertoire mix includes strong growth in Virgin Music, which has a different business model and margin structure than our traditional frontline label business. Looking further at Recorded Music revenue, subscription revenue grew 7.7% for the quarter.

Matt Ellis 0:32:23
CFO

Excluding the DSP Catch-Up Income in the fourth quarter of 2024, subscription revenue grew 9.6% for the quarter, largely thanks to continued healthy subscriber growth at many global, regional and local DSP partners. Six of the top 10 markets, including the U.S., saw high single digit or double-digit subscription revenue growth. The acceleration in subscription growth in the fourth quarter was primarily driven by retail price increases in some smaller markets, which more than offset minor 2024 price increase benefits we have now begun to lap. Subscription revenue grew Excuse me. Subscription revenue grew 8.6% for the year, not very different from the rates of growth seen in 2024. Even with a lower contribution from pricing, an encouraging result as you look forward to the benefits still to come from our new Streaming 2.0 deals.

Matt Ellis 0:33:20
CFO

2025 growth did include an approximate 1% benefit from various acquisitions. We expect 2026 subscription revenue to benefit from improved wholesale rates in these agreements with the benefits layering in throughout the year. Ad-supported streaming revenue grew 9.3% in the fourth quarter and was up 4.7% for the year. Stripping out some contractual benefits in the quarter,

underlying growth was mid single digits and was driven by slightly better performance to several key platform partners. Physical revenue grew 21.3% in the fourth quarter and 5.4% for the year. The strength in the fourth quarter was largely driven by vinyl sales of Taylor Swift's The Life of a Showgirl, which drove outsized direct-to-consumer growth in the U.S. and Europe.

Matt Ellis 0:34:13
CFO

License and other revenue also performed well, up 18.1% in the fourth quarter and 11.0% for the year. Excluding the legal settlements in the prior year, license and other revenue grew 26.8% in the quarter and 13.6% for the year. In addition to underlying licensing growth, the quarter benefited from strong live event and other related income, primarily in Japan, as well as from a compensatory payment as part of a strategic licensing agreement with an AI music platform. Turning now to Music Publishing, revenue grew 1.4% in the quarter or 2.8% excluding the prior year settlement referenced earlier. The slower growth in the quarter was due to the timing of collections from certain societies and other sources, which helped results in the fourth quarter of 2024.

Matt Ellis 0:35:06
CFO

Underlying growth in the business remains healthy. While the growth rates vary, Music Publishing's reported revenue by quarter in 2025 was much more consistent than 2024. The performance of our publishing business is better viewed on a full year basis. In 2025, Music Publishing revenue grew 9.3% or 9.8% excluding the prior year settlement. The strong Music Publishing growth for the year was fueled by strength in digital and synchronization revenue, while performance and mechanical revenue also grew. The growth benefited from the inclusion of Chord and a major television studio business win in this year's results, and we have now lapped the inclusion of both of these items.

Matt Ellis 0:35:53
CFO

Music Publishing Adjusted EBITDA grew 10.0% for the year or 10.5% excluding the items impacting comparability, and Adjusted EBITDA margin expanded 20 basis points to 24.3%. Moving to merchandising. Revenue was flat both in the quarter and for the year as this is a transactional business with release and tour schedule-driven volatility. In the fourth quarter, growth in touring and direct-to-consumer revenue offset lower retail sales. Merchandising Adjusted EBITDA for the year declined 61% due to higher manufacturing and distribution costs driven by both product mix and broader cost pressures. We are continuing to take steps to improve the profitability of our merchandising business, including investing in our D2C business and working to reconfigure our manufacturing supply chain.

Matt Ellis 0:36:49
CFO

Net profit for 2025 amounted to EUR 1.53 billion compared to EUR 2.09 billion in 2024, resulting in earnings per share of EUR 0.84 compared to EUR 1.14 last year. The decrease in net profit in 2025 was due to smaller increase in the valuation of investments in listed companies, which increased EUR 283 million in 2025 compared to EUR 1.2 billion in 2024. Net profit included the EUR 227 million in non-cash share-based compensation expense for 2025 compared to EUR 329 million in 2024. We expect a similar level of share-based compensation expense for 2026.

Matt Ellis 0:37:39
CFO

In addition, net profit reflects restructuring costs of EUR 95 million in 2025 related to our strategic organizational redesign, as well as EUR 45 million of costs related to our U.S. listing and certain M&A advisory costs, compared to EUR 169 million of restructuring costs in 2024. Adjusted net profit grew 7.0% to EUR 1.91 billion in 2025, resulting in adjusted diluted EPS growth of 7.3% to EUR 1.03 compared to EUR 0.96 in 2024. In line with our commitment to pay a dividend of at least 50% of our net profits, as adjusted for certain non-cash items, UMG has proposed a final dividend for 2026 of EUR 514 million or EUR 0.28 per share.

Matt Ellis 0:38:36
CFO

If approved at our AGM, this would bring our full-year dividend to EUR 0.52 per share in line with our 2024 dividend. Before I turn to cash flow, I'd like to take a moment to talk about the importance of our long-term-minded and financially disciplined reinvestments in our business. With our focus on long-term value creation, we continue to reinvest in the healthy growth we see enduring in our business for years to come. This could take a number of forms. It, of course, includes signing new artists and re-signing, broadening, and extending our relationships with existing artists. It includes investing in our infrastructure and technology to maximize opportunities in an evolving landscape. For example, around AI, data and analytics, direct-to-consumer, and superfan efforts. It includes the addition of Music Publishing catalogs to our best-in-class collection.

Matt Ellis 0:39:32
CFO

It also includes M&A as we strengthen our presence in high-potential music markets and expand our independent label services businesses through Virgin Music Group. I'd like to take a minute to speak about the re-signing of artists and specifically royalty advances. As a reminder, advances are recoupable against artists' future royalties. Cash royalties are paid once an advance is fully recouped. There's a very low level of risk in advances to our most established artists, given that we have a long history of how they have performed, clear visibility of the returns, and a unique understanding of where opportunities exist to expand our partnership beyond Recorded Music or Music Publishing rights. Further, deals are most often structured to extend until advances are recouped, giving us added protection.

Matt Ellis 0:40:22
CFO

The advances are normally recouped not just through the future releases from our artists, but also the catalog of the prior work that audiences continue to engage with. Our spend on advances is a strong reflection of the health of our business. We have an unprecedented roster of the world's best artists, which continues to expand, and we expect continued healthy growth in the monetization of our robust catalog of songs and recordings. In 2025, we proactively extended and expanded deals with some of our biggest recording acts and songwriters, as we expect to do in 2026 as well. We view the successful long-term relationships with our superstar artists and songwriters as the truest reflection of the value UMG provides them. In many cases, these artists

are not only extending their existing partnership with UMG, but broadening into new areas where they haven't historically worked with us.

Matt Ellis 0:41:18
CFO

It's important to recognize that advances in one year don't typically relate to revenue in that particular year, and recoupment is not necessarily associated with advances made in the same year. Therefore, it's difficult to draw any meaningful conclusion from looking at net advances in a given year or from advances as a % of sales. Looking over a longer period allows for a more meaningful analysis, so consider this view of the past six years. Between 2019 and 2025, gross advances grew at an 8% CAGR. During the same time frame, UMG's revenue grew by 10% and Adjusted EBITDA improved 14%. In combination with the other areas of investment I mentioned, such as accelerating our investment in Virgin Music and expanding our growth in high-potential markets, we have put in place a EUR 1 billion bridge facility to help fund this investment cycle.

Matt Ellis 0:42:15
CFO

With the underlying growth in our EBITDA, our leverage remains unchanged at 0.9x as of December 31, 2025, and we are committed to maintaining our current credit ratings. UMG is the company it is today due to the consistent investment in the future that Sir Lucian and the team have made year after year. We remain financially disciplined and are best positioned to assess and value any music assets in the market. The level of investment in our sector by non-traditional players in recent years shows the conviction that others have about the future of music. We couldn't agree with them more. Our optimism about the future means that we intend to continue our disciplined investing to ensure that UMG remains the industry leader. Let me turn to free cash flow.

Matt Ellis 0:43:07
CFO

In 2025, our net cash provided by operating activities before income taxes paid was EUR 2.14 billion, compared to EUR 2.10 billion in 2024. As I mentioned, 2025 included a step-up in royalty advance payments related to the timing of major artist renewals. Royalty advance payments, net of recoupments, amounted to EUR 402 million in 2025, compared to EUR 186 million last year. Income taxes paid increased to EUR 403 million from EUR 349 million in 2024. Net interest in other financing activities was EUR 90 million, compared to EUR 70 million in the prior year. Free cash flow before investing activities amounted to EUR 1.6 billion in 2025, similar to 2024.

Matt Ellis 0:43:57
CFO

Conversion to free cash flow before investments was 55% of Adjusted EBITDA. While this is at the lower end of our historical range, it reflects the variability of the timing of artist advances, which I discussed the importance of a moment ago. This significant cash generation allowed us to continue our long-term investment in the business. We spent EUR 854 million on investments in 2025, including on CapEx, catalogs, and other strategic acquisitions, compared to EUR 1.1 billion in 2024. Free cash flow amounted to EUR 702 million compared to EUR 523 million last year, driven by the strong cash generation of the business and lower level of investments year-over-year.

Matt Ellis 0:44:46
CFO

To give you a bit more color on our investments, in 2025, we spent EUR 280 million on catalog acquisitions, net of divestments of intangible assets, similar to our net spend of EUR 266 million in 2024. The divestments included catalogs transferred to Chord, as well as other intangible sales. We spent EUR 195 million on CapEx and other intangible asset investments, which mostly includes CapEx-like software investments, compared to EUR 183 million in 2024. We expect CapEx to be EUR 100 million-EUR 200 million higher in 2026 due to real estate projects in a number of our key locations.

Matt Ellis 0:45:31
CFO

The remainder of our other 2025 investment spending of EUR 379 million focused largely on deals which push forward our strategic initiatives, including deals in Thailand, Vietnam, Indonesia, and Japan, as well as certain superfan initiatives. We also used EUR 104 million on further funding for Chord. This number will obviously be higher in 2026, with the inclusion of the Downtown and Excel investments, together with activities still to come during the year. Before we move to Q&A, I wanted to take a moment to comment on our recently closed Downtown acquisition. For purposes of comparability, we plan to break out quarterly revenue and EBITDA for Downtown in 2026.

Matt Ellis 0:46:16
CFO

To give you a sense of the scale of their business, in 2025, Downtown's unaudited results showed revenue of EUR 891 million and EBITDA of EUR 40 million. With the strong 2025 results, we paid a 17x 2025 EBITDA on a pre-synergy basis and expect the post-synergy multiple to be closer to 13x. We're very excited to welcome Downtown to the UMG family and are encouraged about the future for Virgin Music Group. In summary, 2025 was another year of strong financial, strategic, and operational performance and provides us with the optimism for the opportunities ahead for us in 2026 and beyond. With that, Sir Lucian, Boyd Muir, Michael Nash, and I will now take your questions. Operator, please open the line for Q&A.

Operator 0:47:12

Great. Thank you. If you would like to ask a question, please press star followed by one on your telephone keypad. If you would like to remove your question, please press star followed by two. When preparing to ask your question, please ensure to unmute yourself locally. We ask you please limit yourselves to two questions. The first question goes to Omar Mejias of Wells Fargo. Omar, please go ahead.

Omar Mejias 0:47:38
VP of Media and Entertainment Equity Research

Good evening, guys, and thanks for the question. Maybe first on subscription growth. You've now delivered subscription growth of 8%+ over the past six quarters with little to no material benefit from pricing and now growth is approaching double-digit levels. With Streaming 2.0 agreements

kicking in and DSPs implementing price hikes, are there any offsetting items that would prevent subscription growth from further accelerating over the next couple of quarters? Just trying to get a better understanding on some of the puts and takes impacting growth going forward. Thanks.

Matt Ellis 0:48:18
CFO

Thanks, Omar. Let me start with that. Michael will add some color commentary as well. Thank you for pointing out the strong growth we've had for six quarters now, over 8%, as you say, without really the benefits of Streaming 2.0 benefits kicking in. In terms of any offsetting items, you know, of course, the only thing I would refer to is, you know, as I said in my prepared remarks, we had a small benefit last year from some of the companies we added. We expect to see the pricing changes kick in during the course of 2026. You won't see the full effect coming all at once as of January 1.

Matt Ellis 0:49:04
CFO

As you say, we're excited that we've created this level of momentum as we now come into this new, this new period of time. With that, Michael, I'll let you add.

Michael Nash 0:49:15
EVP and Chief Digital Officer

Let me just add, in referencing Capital Markets Day, we provided a framework for thinking about the Streaming 2.0 deals that we were looking to implement. We've now announced 3 of those Streaming 2.0 deals. As Matt said, we're, you know, looking for the benefits from the rate rises to start to impact the results. I would still reference the 8%-10% CAGR midterm guidance that we gave you for the period from 2023 to 2028. That's the target that we're delivering to. We would be delighted if we had opportunities to accelerate, at this time, I would just focus on the fact that we established a game plan. We're executing the game plan. We expect to be able to continue to deliver to the targeted guidance.

Operator 0:50:06

The next question goes to James Heaney of Jefferies. James, please go ahead.

James Heaney 0:50:14
SVP of Equity Research

Yeah, great. Thanks for the question. Can you just talk about the strength that you saw in streaming revenue in the quarter? How much of that do you think is overall improvements to the ad products at the DSPs versus just general ad market strength? Anything to parse out there would be helpful.

Matt Ellis 0:50:32
CFO

Thank you for the question. As I mentioned in the remarks, you know, we have a diversity of partner services and formats, and every quarter, we see some differences in the comps related to different deal terms and timing of renewals. About half of the growth in 4Q is actually due to a contractual benefit that came through. I think if you look at the low to mid-single digits underlying growth posted in prior three quarters, that gives you a probably a better sense of where the, you know, as we think about that revenue stream going forward there. Certainly enjoyed the jump up there in 4th quarter but would, you know, expect something more in line with prior quarters going forward.

Matt Ellis 0:51:18
CFO

Michael, you can talk a little more about our ongoing efforts in that space.

Michael Nash 0:51:23
EVP and Chief Digital Officer

Moving forward, we do continuously urge caution in revenue growth expectations here, as we have reminded you all on these calls over the last several quarters. We remain highly focused on driving growth over the midterm. What we reflect on as we look at market evolution is, you know, there is a secular migration of advertising spend from analog to digital. We see a focus on, you know, video and social as being very attractive categories to be recipients of that spend. We believe in working with our partners on better monetization of ad-supported listening, the increased engagement with social video platforms, we do expect to see sustained growth over the midterm in ad supported.

Operator 0:52:15

The next question goes to Julien Roch of Barclays. Julien, please go ahead.

Julien Roch 0:52:22
Managing Director

Yes, good evening. Two questions from Matt, if I may. On catalog acquisition, you did EUR 280 million, which was higher than I thought. As my understanding is that Chord Music would do some of the catalog acquisition that you had done directly in the past. Could you give us an indication for catalog acquisition in 2026? I understand it depends on the opportunity, but some indication would be useful. Then, you had a whole speech about net content investment in artists, how it comes with positive returns. You also said that 2026 would see an elevated level, like 2025. Is the interpretation that the 2026 level will be broadly around the EUR 400 million of 2025? Is that the right interpretation of what you said?

Michael Nash 0:53:13
EVP and Chief Digital Officer

Yeah.

Matt Ellis 0:53:14
CFO

It's good. Thank you, Julien. Thank you for the question. Look, 2026 advances will depend on when certain artist deals close, but it's really not surprising that in a growing industry where royalties are increasing, that advances would also be increasing. As I mentioned earlier, since 2019, advances have grown by an 8% CAGR, and revenues have grown by 10%. You can see certainly those things are moving together.

Matt Ellis 0:53:45
CFO

Just based off of the both the roster of artists that we've had for a while, you heard from Lucian's comments, the success we've had with new artists, again in 2025 as shown at the you know, two award shows over the past couple of weeks, that we continue to bring more successful artists into the roster, and that's gonna continue to drive advances that we pay out and also recoup again. You know, we'll wait and see which deals close during the course of the year to see where that goes. I actually see increases in our advances outstanding as a sign of a healthy growth in the industry going forward.

Matt Ellis 0:54:33
CFO

In terms of expectations around catalog acquisitions in 2026, and Boyd, maybe you can jump in on this one as well. Again, it's a little bit of, you know, very early in the year here. We'll see what comes out. We're excited about the progress that Chord has made as they continue to acquire catalogs as we work closely with them. As I mentioned in my remarks, we had not only our investment, our initial investment in them in 2024, we made an incremental investment last year because they are continuing to find good catalogs to invest in, and we're happy to partner with them and expect to continue to see strong volumes of catalog transactions.

Matt Ellis 0:55:22
CFO

We will be at our fair share or more of these, I'm sure, as the year goes on.

Boyd Muir 0:55:27
COO

I mean, Excuse me, Julien, just to add to what Matt, you said. You know, we've got very clear if you look to the priorities that are the strategic priorities that Lucian ran through. Clearly, you know, aligning ourselves in the growth markets to a similar market share position as we have in the more developed markets is incredibly important, particularly as we see the increasing number of subscribers being added into those growth markets. You know, we've stated that as our objective. One aspect of this is clearly M&A. It's all local language. The deals are all relatively small.

Boyd Muir 0:56:08
COO

Over the last three years, we've acquired 18 businesses in these growth markets, and we have a pipeline of deals that we're working on at the moment. You know, similarly on Chord. I mean, Chord has performed very well. 20 catalog acquisitions in its basically its first full year being part of or being associated with Universal Music. Also, you know, what is good is that their ability to attract a long-term time horizon investors has been very strong in 2025. I think we're very positive about where we are with Chord.

Operator 0:57:05

The next question goes to Peter Supino of Wolfe Research. Peter, please go ahead.

Peter Supino 0:57:14
Managing Director and Senior Analyst of Media and Entertainment

Good afternoon. I wanted to ask you a question at the intersection of investment and growth. As your cash investment pace normalizes in the 2027 or 2028 timeframe as contemplated in your Capital Markets Day, can Universal still maintain a 7% like sales growth rate which was the view expressed at that time? Is that a growth rate which includes the normalized benefits of heavy acquisitions like you've made in the last two years? Thank you.

Matt Ellis 0:57:54
CFO

Yes. Thank you, Peter. Look, certainly when we gave Capital Markets Day guidance, we were focused on the view of the business, out five years at that point in time. I would say looking at the business today, there is nothing that changes our positive outlook for the business, not just through 2026, but beyond. Certainly, we expect to continue to invest in the business as well, and that will supplement the growth. There is still significant runway in the core part of streaming and subscription business for both increased subscriber volumes and increase in ARPU. We don't expect those things to in aggregate or flatline, you know, three years from now. Mike, I don't know if you wanna add anything as we look at that.

Michael Nash 0:58:51
EVP and Chief Digital Officer

I think that everything we've seen with the evolution of the market, makes us confident in what we have projected as the performance of the business on an organic basis. We're not at this point saying that we need to change the allocation of cash to support the objectives that we identified, which we're delivering to.

Boyd Muir 0:59:13
COO

The other thing that I would add, in the guidance that we gave, we did note that that guidance did not include any transformational, you know, M&A. You know, we talked, you know, Matt and Lucian talked about the acquisition of Downtown, and that clearly is a transformational transaction.

Operator 0:59:41

The next question goes to Clay Griffin of MoffettNathanson. Clay, please go ahead.

Clay Griffin 0:59:49
Research Analyst

Thanks. Good afternoon. Matt, you framed the advance, the change in advance well, I think, but just maybe just step back and explain or help us think through the competitive dynamics in that space. Are you seeing renewed pressure from PE and some of these JV structures, and how is that impacting your ability to retain top-tier talent?

Matt Ellis 1:00:19
CFO

That's a great question. As I think about it, we see more activity in the catalog space than in the advances space in terms of those, what I would refer to as newer entrants to the music business. That's where we see them show up more. As I said in my remarks, we're advantaged from the standpoint that our view of the value of any music asset is based off of the largest dataset in the industry. That helps us ensure that you know, we believe we know the right value for each catalog that comes to market and is available. We do see more of them showing up in processes. We're also involved in the catalog space more than the advances space.

Clay Griffin 1:01:10
Research Analyst

No, you said it well.

Operator 1:01:16

Thank you. The next question goes to Michael Morris of Guggenheim. Michael, please go ahead.

Michael Morris 1:01:23
Media and Internet Equity Research Analyst

Thank you, good afternoon. Wanted to ask first, just to go back to the first question and your response about subscription growth in 2026. It sounded like your answer implied that, or maybe explicitly said that you expect the growth rate to be within the range that you provided at the Investor Day of 8%-10%. Is that a fair characterization, or do you think that this is one of those years where you could exceed that range of growth? My second question.

Matt Ellis 1:01:52
CFO

Yeah.

Michael Morris 1:01:52
Media and Internet Equity Research Analyst

Is about these consumer-facing AI services, if I could. They appear close to rolling out. The majority of the discussion seems to be around newer players like Udio and KLAY, rather than sort of your established DSP partners. Do you expect the majority of that engagement with AI tools to come from new players, or do you expect launches from your DSP partners, and do they have the rights to launch products at this point? Thank you.

Matt Ellis 1:02:21
CFO

Yeah. Let me start with your first question, Michael. Thank you for both of them. Just to be clear, while I provided some factors that will drive subscriber growth this year and was certainly, you know, excited about having the new deals actually show up in our revenue streams this year, I did not say that our expectation is that subscription growth this year would be in the range that we provided for the full five-year period of 8%-10%. So, you know, we'll see where it plays out during the year. We're confident that with the continued growth we see and those new price points kicking in, that will be a positive benefit for 2026. Michael, I'll let you.

Lucian Grainge 1:03:12
Chairman and CEO

It's Lucy. I'd like to just add there, sorry to interrupt you. The work that we've done over the last 10, 12, three years with the DSPs, they feel like our established business partners and of course that they are. You have to remember that 15 years ago, no one had ever heard of them. The work that we're doing and the work that they're doing, Spotify, Apple, Amazon, YouTube, obviously, what I've seen, I'm extremely encouraged by. We will be working with them. We are working with them alongside new players. We talked about NVIDIA. I'm not able to talk about the array of other conversations that we're having with companies and platforms which are equally as innovative and exciting and well-funded.

Lucian Grainge 1:04:12
Chairman and CEO

They're investing many, many EUR billion in infrastructure, as we all know. Whenever there's a new technology, a new format comes out of it. We've got an encouraging environment where we're working to keep every single format that we have going, growing and improving in terms of what the technology and the products can provide. At the same time is, and I've said this before, we want to be and are the hostess with the mostest. We wanna be at every single dinner party that there is around town, that's what we continue to do. Those formats and those businesses are not mutually exclusive. We are working with them all.

Lucian Grainge 1:05:11
Chairman and CEO

It comes back to why we're as excited about what the products are, about the opportunities for artists. I've seen them. They're incredibly compelling. In the same way that I saw ad-funded

streaming, and I saw that the dream from ad-funded streaming was going to be into premium subscription. We are right. We've seen this. I've done it. We've managed these transformations. If you really wanna go down memory lane, I've gone through from LP vinyl into the CD, then into digital downloads. I like what's going on, I like what I see, and we're attacking it, and we're excited by it.

Operator 1:05:55

The final question goes to Silvia Cuneo of Deutsche Bank. Silvia, please go ahead.

Silvia Cuneo 1:06:04
Director

Thanks. Good evening, everyone. I wanted to ask about Downtown Music. Since the completion of the acquisition, could you please elaborate on the first strategic priorities for the business and the main revenue drivers for 2026? Any color on the recent trends will be helpful. Secondly, regarding your AI partnerships, particularly with Udio, can you comment about what is expected as a contribution of the Udio licensing to your 2026 financials, perhaps at high level and from when? If you could comment about the potential AI licensing opportunities pipeline in 2026. Thank you.

Matt Ellis 1:06:49
CFO

I'd like to just comment before I hand it over to the team on some of the specifics. Just on high level.

Matt Ellis 1:06:55
CFO

Strategy with regard to Downtown, in the same way that I spoke just a few moments ago about sort of parallel businesses and parallel activities, I see exactly the same with Downtown. You can see our performance year in, year out. For the last three years, we've had nine out of the top 10 best-selling artists in the world. That's the top of the market. We are very aware, and we can all see that the rest of the market is also growing. Downtown gives us an opportunity to grow our artists and label services, and we've got a two-step twin approach to everything that's going on within the marketplace.

Matt Ellis 1:07:45
CFO

In the same way that we talk about Mrs. GREEN APPLE or King & Prince in Japan or BTS out of Korea, we are also looking at and talking about tuck-in investments and bringing in entrepreneurs and providing label services throughout the rest of the world, through the Downtown Virgin strategy. You have to remember, Virgin is I suppose the brand name. It was Virgin that acquired Downtown, and we also have another company in there, which is a white label business called Ingrooves. We've actually got three interfacing businesses at various stages of the artist, entrepreneur, label services, business and function, which is growing. I'm excited about what we're doing, and I'm excited that we're able to close Downtown, and that's one of the reasons why we did it.

Matt Ellis 1:08:42
CFO

We're covering every single blade of grass in terms of region, content, culture, genre, format, technology, and that's how we're doing it.

Michael Nash 1:08:56
EVP and Chief Digital Officer

With respect to the second question, regarding the planned launches of some of the announced new services, and the pipeline. I think that we said publicly, in the announcement of some of these services that they have plans for launching this year. You know, to be more specific about that, obviously, that would be a conversation with the individual services, but we're working to support the launches of the partnerships that we've entered into. In terms of giving you any guidance with revenue contribution, that's not something that we typically do in any category or would be doing, with respect to the launch of new services.

Michael Nash 1:09:35
EVP and Chief Digital Officer

In terms of the pipeline, I would direct you back to Lucian's call to action note in October of 2025, in which he talked about a dozen different partnerships potentially being in the pipeline. Now, we've obviously delivered on a number of those new deals since then, but you can rest assured that we're speaking with every single relevant party, whether that's a new entrant or that's an established platform, about the potential to harness AI innovation in developing their services. We're very focused in delivering on that pipeline.

Michael Nash 1:10:11
EVP and Chief Digital Officer

With respect to scope of opportunity, one point that I would make is we've talked about super premium and our research suggesting that 20% of the current subscriber base is the target for a significantly improved offer they'd be willing to pay double the current subscription price for. What's happened over the last year is that AI innovation has kind of overtaken the conversation around technology innovation with all the service providers and with respect to the evolution of music. We're gonna see AI being a significant component of what will become the super premium tiers of 2026 and beyond. That gives you some sense of scope of opportunity. As Lucian mentioned, AI is not just an incremental revenue opportunity. AI is an introduction of a new set of formats.

Michael Nash 1:11:04
EVP and Chief Digital Officer

This is a paradigmatic change, in the landscape with respect to innovation and the evolution of music. We believe that this is something that over time, implemented in a number of different ways, including things like agentic AI, could potentially lead to significant opportunity for

customer value realization at the end of this decade and into the next.

Operator 1:11:34

Thank you. This now concludes today's call. Thank you all for joining, and you may now disconnect your lines.

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