Risk Factors Comparison 2023-11-21 to 2022-11-22 Form: 10-K

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Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or adversely affect our business, financial condition, results of operations, cash flows and prospects. These risks are discussed more fully in Item 1A. Risk Factors herein. These risks include, but are not limited to, the following: • our ability to identify, sign and retain recording artists and songwriters and the existence or absence of superstar releases; • the ability to further develop a successful business model applicable to a digital environment and to enter into artist services and expanded- rights deals with recording artists in order to broaden our revenue streams in growing segments of the music entertainment business; • our revenues are subject to rate regulation, or set, by governmental entities or local third- party collecting societies which may limit profitability; • the popular demand for particular recording artists or songwriters and music and the timely delivery to us of music by major recording artists or songwriters; • ~~our results of operations, cash flows and financial condition are expected to be adversely impacted by the coronavirus pandemic; •~~ the diversity and quality of our recording artists, songwriters and releases; • slower growth in streaming adoption and revenue; • our dependence on a limited number of digital music services for the online distribution and marketing of our music and their ability to significantly influence the pricing structure for online music stores; • risks associated with our non- U. S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital; • the impact of heightened and intensive competition in the recorded music and music publishing industries and our inability to execute our business strategy; • our ability to obtain, maintain, protect and enforce our intellectual property rights; • threats to our business associated with digital piracy, including organized industrial piracy ~~,~~ and cyber security; • a potential loss of catalog if it is determined that recording artists have a right to recapture U. S. rights in their recordings under the U. S. Copyright Act; • our substantial leverage; and • holders of our Class A Common Stock have limited or no ability to influence corporate matters due to the dual class structure of our common stock and the existing ownership of Class B Common Stock by Access, which has the effect of concentrating voting control with Access for the foreseeable future. PART I ITEM 1. BUSINESS Introduction Warner Music Group Corp. (the " Company ") was formed on November 21, 2003. We are the direct parent of WMG Holdings Corp. (" Holdings "), which is the direct parent of WMG Acquisition Corp. (" Acquisition Corp. "). Acquisition Corp. is one of the world' s major music entertainment companies. The Company and Holdings are holding companies that conduct substantially all of their business operations through their subsidiaries. The terms " we, " " us, " " our, " " ours " and the " Company " refer collectively to Warner Music Group Corp. and its consolidated subsidiaries, unless the context refers only to Warner Music Group Corp. as a corporate entity. Acquisition of Warner Music Group by Access Industries Pursuant to the Agreement and Plan of Merger, dated as of May 6, 2011 (the " Merger Agreement "), by and among the Company, AI Entertainment Holdings LLC (formerly Airplanes Music LLC), a Delaware limited liability company (" Parent ") and an affiliate of Access Industries, Inc., and Airplanes Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent (" Merger Sub "), on July 20, 2011 (the " Merger Closing Date "), Merger Sub merged with and into the Company with the Company surviving as a wholly owned subsidiary of Parent (the " Merger "). In connection with the Merger, the Company delisted its common stock from the New York Stock Exchange (the " NYSE "). Initial Public Offering On June 5, 2020, the Company went public again and completed an initial public offering (" IPO ") of Class A common stock of the Company, par value $ 0. 001 per share (" Class A Common Stock "). The Company listed its shares on the NASDAQ stock market under the ticker symbol " WMG. " The offering consisted entirely of secondary shares sold by Access Industries, LLC (collectively with its affiliates, " Access ") and certain related selling stockholders. Following the completion of the IPO, Access and its affiliates continue to hold all of the Class B common stock of the Company, par value $ 0. 001 per share (" Class B Common Stock "), representing approximately 98 % of the total combined voting power of the Company' s outstanding common stock and approximately 73 % of the economic interest. As a result, the Company is a " controlled company " within the meaning of the corporate governance standards of NASDAQ. See Item 1A. Risk Factors — Risks Related to Our Controlling Stockholder. Our Company We are one of the world' s leading music entertainment companies. Our renowned family of iconic record labels, including Atlantic Records, Warner Records, Elektra Records and Parlophone Records, is home to many of the world' s most popular and influential recording artists. In addition, Warner Chappell Music, our global music publishing business, boasts an extraordinary catalog that includes timeless standards and contemporary hits, representing works by over ~~100~~ **150** , 000 songwriters and composers, with a global collection of more than one million musical compositions. Our entrepreneurial spirit and passion for music has driven our recording artist and songwriter focused innovation for decades. Our Recorded Music business, home to superstar recording artists such as Ed Sheeran, Bruno Mars, Cardi B and Dua Lipa, generated $ 4. ~~966~~ **955** billion of revenue in fiscal ~~2022~~ **2023** , representing ~~84~~ **82** % of total revenues. Our Music Publishing business, which includes esteemed songwriters such as Twenty One Pilots, Lizzo and Katy Perry, generated $ ~~958~~ **1, 088** million of revenue in fiscal ~~2022~~ **2023** , representing ~~16~~ **18** % of total revenues. We benefit from the scale of our global platform and our local focus. Today, global music entertainment companies such as ours are more important and relevant than ever. The traditional barriers to widespread distribution of music have been erased. The tools to make and distribute music are at every musician' s fingertips, and today' s technology makes it possible for music to travel around the world in an instant. This has resulted in music being ubiquitous and accessible at all times. Against this industry backdrop, the volume of music being released on digital platforms is making it harder for recording artists and songwriters to get noticed. We cut through the noise by identifying, signing, developing and marketing extraordinary talent. Our global artists and repertoire (" A & R ") experience and marketing strategies are critical ingredients for recording artists or songwriters who want to build long- term global careers. We believe that the music, not the technology, delights fans and drives the business forward. Our commercial innovation is crucial to maintaining our momentum. We have championed new business models and empowered established players, while protecting and enhancing the value of music. We were the first major music entertainment company to strike landmark deals with important companies such as Apple, YouTube and Tencent Music Entertainment Group, as well as with pure- play music technology companies such as MixCloud, SoundCloud and Audiomack. We adapted to streaming faster than other major music entertainment companies and, in 2016, were the first such company to report that streaming was the largest source of our recorded music revenue. Looking into the future, we believe the universe of opportunities will continue to expand, including through the proliferation of new **hardware** devices such as ~~smart~~ **high fidelity** speakers and **wearables,** the **expanded** monetization of music on social media ~~, fitness~~ and **wellness and** ~~other~~ -- **the** ~~platforms~~ **evolution of new engagement and fandom opportunities on the brink of true revenue potential** . We believe advancements in technology will continue to drive consumer engagement and shape a growing and vibrant music entertainment ecosystem. Our History The Company today consists of individual companies that are among the most respected and iconic in the music industry, with a history that dates back to the establishment of Chappell & Co. in 1811 and Parlophone in 1896. The Company began to take shape in 1967 when Warner- Seven Arts, the parent company of Warner Records (formerly known as Warner Bros. Records) acquired Atlantic Records, which discovered artists such as Led Zeppelin and Aretha Franklin. In 1969, Kinney National Company acquired Warner- Seven Arts, and in 1970, Kinney Services (which was later spun off into Warner Communications) acquired Elektra Records, which was renowned for artists such as The Doors and Judy Collins. In order to harness their collective strength and capabilities, in 1971, Warner Bros., Elektra and Atlantic Records formed a groundbreaking U. S. distribution network commonly known as WEA Corp., or simply WEA, which now stretches across the world. Throughout this time, the Company' s music publishing division, Warner Bros. Music, built a strong presence. In 1987, the purchase of Chappell & Co. created Warner Chappell Music, one of the industry' s major music publishing forces with a storied history that today connects Ludwig van Beethoven, George Gershwin, Madonna and Lizzo. The parent company that had grown to become Time Warner completed the sale of the Company to a consortium of private equity investors in 2004, in the process creating the world' s largest independent music company. The Company was taken public the following year, and in 2011, Access acquired the Company. Since acquiring the Company, Access has focused on revenue growth and increasing operating margins and cash flow combined with financial discipline. Looking past more than a decade of music entertainment industry transitions, Access and the Company foresaw the opportunities that streaming presented for music. Over the last ~~eight~~ **twelve** years, Access has consistently backed the Company' s bold expansion strategies through organic A & R as well as acquisitions. These strategies include investing more heavily in recording artists and songwriters, growing the Company' s global reach, augmenting its streaming expertise, overhauling its systems and technological infrastructure, and diversifying into other music- based revenue streams. The purchase of Parlophone Label Group (" PLG ") in 2013 strengthened the Company' s presence in core European territories, with recording artists as diverse as Coldplay, David Bowie, David Guetta and Iron Maiden. That acquisition was followed by other investments that further strengthened the Company' s footprint in established and emerging markets. Other milestones include the Company' s acquisitions of direct- to- audience businesses such as entertainment specialty e- tailer EMP Merchandising, live music application Songkick and youth culture platform UPROXX. Industry Overview The music entertainment industry is large, global and vibrant. The recorded music and music publishing industries are growing, driven by consumer and demographic trends in the digital consumption of music. Consumer Trends and Demographics Consumers today engage with music in more ways than ever. According to the International Federation of the Phonographic Industry (" IFPI ") Engaging with Music ~~2021~~ **2022** report, global consumers spent ~~18~~ **20** . ~~4~~ **1** hours listening to music each week in ~~2021~~ **2022** . Demographic trends and digital music penetration have been key factors in driving growth in music consumption. Younger consumers typically are early adopters of new technologies, including music- enabled devices. According to IFPI' s Engaging with Music ~~2021~~ **2022** report, in ~~2021~~ **2022** , the rapid emergence of short- form video, livestreaming and in- game experiences drove new opportunities in music. Of the time people spent using short- form video apps, 68 % involved music- dependent videos. In addition, ~~29~~ **32** % of the surveyed population had watched a music livestream such as a concert in the last ~~12 months~~ - **month** , and in gaming, ~~31~~ **44** % of gamers have attended a virtual concert on platforms like Fortnite, Roblox, or Minecraft. Additionally, according to IFPI, ~~in the physical sales space, for the first time in 20 years, there was~~ growth **continued** in the physical market. Revenues increased by ~~16~~ **4. 0 % to $ 4. 6 billion, driven by the continued resurgence of interest in vinyl. Revenue from Vinyl grew 17** . 1 % **in 2022** ~~to $ 5 billion. This was partly~~ driven by ~~a recovery~~ **its strongest performance** in **Asia with that region accounting for almost half the global revenues for** physical ~~retail which had been heavily impacted in 2020 by the COVID- 19 pandemic. Revenues from CDs grew for the first time this millennium and there was particularly strong engagement with the format in Asia. At the same time~~ , **according to IFPI** ~~the recent resurgence of interest in vinyl continued with very strong revenue growth in 2021 of 51. 3 % (up from 25. 9 % growth in 2020)~~ . Members of older demographic groups are also increasing their music engagement. According to an IFPI survey, users of paid accounts as a percentage of all streaming service users rose from 38 % to ~~47~~ **46** % of those surveyed between 2019 and ~~2021~~ **2022** , with growth seen across all demographics. While 55- to 64- year- olds using streaming services remained the age group least likely to use a paid streaming service, they saw the fastest uptake in growth in relative terms. Music permeates our culture across age groups, as evidenced by the footprint that music has across social media. According to **Statista** ~~the Recording Industry Association of America (" RIAA ")~~ , as of September 2022, ~~6~~ **5** out of the top 10 most followed accounts on **X (formerly** Twitter **)** belong to musicians, and according to YouTube, the majority of videos that have achieved more than one billion lifetime views as well as the top 10 most watched videos of all time, belong to musicians. ~~Further, according~~ **According** to ~~MusicWatch Inc.~~ **Luminate (formerly MRC Data / Billboard)** , ~~77~~ **44** % of ~~music consumers across all age groups used~~ social media ~~for~~ **users discover** music ~~in 2021~~ **via social media sites / apps. Furthermore, Gen Z Music listeners are 69 % more likely to discover new music via short video clip sites** . The music industry as a whole is currently undergoing a transformation driven by Gen Z. According to Luminate, Gen Z is investing more time and money on music when compared to the average music listener. They spend 21 % more hours and spend 18 % more money on music annually compared to the average music listener. Gen Z listeners are also 28 % more likely to pay for premium music subscriptions. One in four Gen Z listeners who are not currently paying for a streaming service intend to begin paying for one in the next 6 months. The recorded music industry generated $ ~~25~~ **26** . ~~9~~ **2** billion in global revenue in ~~2021~~ **2022** , according to IFPI, which represents a year- over- year increase of ~~18~~ **9** . ~~5~~ **0** %, marking the ~~seventh~~ **eighth** consecutive year of growth. According to IFPI, global recorded music revenue has grown at a CAGR of 11 % since ~~2017~~ **2018** . IFPI measures the recorded music industry on a global scale based on five revenue categories: streaming, downloads and other digital (excluding streaming), physical, synchronization and performance rights. Streaming is the largest of these categories, generating $ ~~16~~ **17** . ~~9~~ **6** billion of revenue in ~~2021~~ **2022** , representing ~~65~~ **67** % of global recorded music revenue. Within streaming, subscription audio streams generated approximately ~~73~~ **72. 2** % of revenue, or $ 12. ~~3~~ **7** billion, with the remainder of streaming revenue coming from ad- supported audio streams and video streams, which generated ~~27~~ **28** % of revenue, or $ 4. ~~6~~ **9** billion. Overall, streaming grew by ~~24~~ **11** . ~~3~~ **5** % in ~~2021~~ **2022** as compared to ~~2020~~ **2021** . Physical represented approximately ~~19~~ **17. 5** % of global recorded music revenue in ~~2021~~ **2022** , with growth in ~~both~~ vinyl ~~and CD~~ sales. Performance rights revenue represents the use of recorded music by broadcasters and public venues, and represented approximately 9 **. 4** % of global recorded music revenue in ~~2021~~ **2022** . Downloads and other digital revenue represented approximately ~~4~~ **3. 6** % of global recorded music revenue in ~~2021~~ **2022** . Synchronization revenue is generated from the use of recorded music in advertising, film, video games and television content, and represented 2 **. 4** % of global recorded music revenue in ~~2021~~ **2022** . ~~Global Recorded Music Industry Revenues 2017 to 2021 ($ in billions)~~ Source: IFPI From a geographical standpoint, the largest markets for recorded music in ~~2021~~ **2022** were the United States, Japan, the United Kingdom, Germany, **China,** France ~~, China~~ , South Korea, Canada, **Brazil and** Australia ~~and Italy~~ . The graphic below sets out the top ten markets and their respective revenue growth for ~~2021~~ **2022** . We believe the following secular trends will continue to drive growth in the recorded music industry: Streaming Still in Early Stages of Global Adoption and Penetration According to IFPI, global paid music streaming subscribers totaled ~~528~~ **589** million at the end of ~~2021~~ **2022** . While this represents an increase of ~~19~~ **16** % from ~~443~~ **509** million in ~~2020~~ **2021** , it still represents less than ~~14~~ **13** % of the ~~3~~ **4** . ~~9~~ **7** billion smartphone users globally in ~~2021~~ **2022** ~~, according to Newzoo~~ . It also represents a small fraction of the user base for large, globally scaled digital services such as Facebook, which reported 3. 0 billion monthly users as of September ~~2022~~ **2023** , and YouTube, which reported over 2. ~~5~~ **7** billion monthly users as of ~~September~~ **June** ~~2022~~ **2023** . Additionally, Instagram reported ~~1~~ **2** . ~~5~~ **0** billion monthly users while TikTok reported 1. 0 billion monthly users. **Total (** ~~On- demand~~ audio **and video)** streaming reached **617** ~~1. 13 trillion~~ **billion** streams in the United States in **2022, up 14 % from** 2021 ~~,~~ according to Luminate ~~(formerly MRC Data / Billboard)~~ . The potential of global paid streaming subscriber growth is demonstrated by the penetration rates in early adopter markets. Approximately 58 % of the population in Sweden, where Spotify was founded, was estimated to be paid music subscribers in ~~2021~~ **2022** , according to Goldman Sachs. This compares to approximately **41 %,** 38 % ~~, 35 %~~ and ~~30~~ **34** % for established markets such as the United States, United Kingdom and Germany, respectively. There also remains substantial opportunity in emerging markets, such as Brazil and India, where paid streaming penetration is low compared to developed markets. According to Goldman Sachs, paid streaming penetration for Brazil and India in ~~2021~~ **2022** was ~~12~~ **15** % and ~~1~~ **2** %, respectively. China, in particular, represents a substantial growth market for the recorded music industry. Digital music monetization models, including paid streaming and virtual gifting (which refers to the purchase of a digital, non- durable, non- physical item (e. g., an emoji) that is delivered to another person often during a live karaoke performance), created the foundation for the recorded music industry to overcome piracy and generate revenue in China. According to Goldman Sachs, paid streaming models are at an early stage in China, with an estimated ~~8~~ **11** % paid streaming penetration rate in 2021. Despite its substantial population, China was the world' s ~~sixth~~ **fifth** - largest music market in ~~2021~~ **2022** , having only broken into the top 10 in 2017. Opportunities for Improved Streaming Pricing In addition to paid subscriber growth, we believe that, over time, streaming revenues will increase due to pricing increases as the broader market further develops. Streaming services are already at the early stages of experimenting with price increases. For example, in ~~2021~~ **2023** Spotify increased prices in **65 countries for the individual, duo, family and student plans. For the second time in 12 months in 2023 Deezer increased prices for all new premium and family subscriptions in key territories including France, UK, Spain, Italy and the Netherlands. YouTube increased prices of its individual and family plan tiers on both YouTube Premium and YouTube Music in** the United States ~~, the UK and other European markets. Spotify has reported positive early results, having seen no meaningful impacts to churn or customer intake~~ in **2023** ~~these markets~~ . In 2022, Apple Music increased prices of its ~~student~~ **individual and family** plans in the United States ~~, the UK and Canada~~ , and Amazon Music Unlimited increased the prices of both its individual and family subscription plans. We believe the value proposition that streaming provides to consumers supports premium product initiatives. Technology Enables Innovation and Presents Additional Opportunities Technological innovation has helped facilitate the penetration of music listening across locations, including homes, offices and cars, as well as across devices, including smartphones, tablets, wearables, digital dashboards, gaming consoles, smart speakers, exercise equipment, personal computers and connected TVs. These technologies represent advancements that are deepening listener engagement and driving further growth in music consumption. Short- form music and music- based video content has grown rapidly, driven by the growth of global social video applications such as TikTok, **Instagram Reels and YouTube Shorts** which ~~features~~ - **feature** short videos often set to music. **60 % of emerging platform revenues in the music industry last year came from short- form video and social media, which includes TikTok, Instagram Reels, YouTube Shorts, and Snapchat Spotlight.** According to Sensor Tower, TikTok was the most downloaded app globally in the first half of ~~2022~~ **2023** , surpassing ~~3~~ **4** . 5 billion all- time downloads. Such applications have the potential for mass adoption, illustrating the opportunity for additional platforms of scale to be created to the benefit of the music entertainment industry. These platforms enable incremental consumption of music appealing to varied, and often younger, audiences. From a recording artist' s perspective, these platforms have the potential to rewrite the path to stardom. For example, our recording artist, Fitz & the Tantrums, an American band, rose to international fame in 2018 as their song " HandClap " went viral in Asia on TikTok. Fitz & the Tantrums quickly topped the international music charts in South Korea and surpassed one billion streams in China. Short- form music and music- based video content have also become increasingly popular on social media platforms such as Facebook, Instagram and YouTube (through its recent introduction of " Shorts "), further illustrating the growing number of potential pathways through which recording artists may gain consumer exposure and grow connections with their fans. Music publishing involves the acquisition of rights to, and the licensing of, musical compositions (as opposed to sound recordings) from songwriters, composers or other rights holders. According to Music & Copyright, the music publishing industry generated $ ~~6~~ **8** . ~~9~~ **1** billion in global revenue in ~~2021~~ **2022** , representing an approximate 17. ~~6~~ **7** % increase from $ ~~5~~ **6** . 9 billion in ~~2020~~ **2021** (following an increase in global music publishing revenues of ~~5~~ **17** . ~~2~~ **6** % from ~~2019 to~~ 2020 **to 2021**). Music publishing revenues are classified by Music & Copyright as coming from four main royalty sources: digital ~~;~~ **,** mechanical ~~;~~ **,** performance ~~;~~ **,** and synchronization. In ~~2021~~ **2022** , digital, which accounted for approximately ~~57~~ **59** % of global revenue, represented the largest component of industry revenues, while ~~synchronization~~ **performance** , which accounted for approximately 18 %, represented the second- largest and fastest- growing component of industry revenues. ~~Performance~~ **Synchronization** accounted for approximately 17 % of global revenue in ~~2021~~ **2022** . Mechanical revenues from traditional physical music formats (e. g., vinyl, CDs, DVDs), accounted for approximately ~~6~~ **5** % of global revenue in ~~2021~~ **2022** . Global Music Publishing Industry Revenues ~~2017~~ **2018** to ~~2021~~ **2022** ($ in billions) Positive Regulatory Trends The music industry has benefited from positive regulatory developments in recent years, which are expected to lead to increased revenues for the music entertainment industry in the coming years. Music Modernization Act (" MMA "). In 2018, the enactment of the MMA in the United States resulted in major reforms to music licensing. The MMA improves the way digital music services obtain mechanical licenses for musical compositions, requires the payment of royalties to recording artists for pre- 1972 sound recordings streamed on digital radio services such as SiriusXM and Pandora, and provides for direct payments of royalties owed to producers, mixers and engineers when their original works are streamed on non- interactive webcasting services. Copyright Royalty Board (" CRB "). In 2018, the CRB issued its determination of royalty rates and terms, significantly increasing the ~~mechanical royalty rates paid for musical compositions in the United States from 2018 through 2022. In August 2020, following an appeal of that decision by some digital music services, the decision was vacated in part and the case was remanded to the CRB for further proceedings. In 2018, the CRB issued its determination of royalty rates and terms, significantly increasing the~~ royalty rates paid for sound recordings in the United States by SiriusXM from 2018 through 2022, and the MMA extended that increase through 2027. In **2018, the CRB issued its determination of royalty rates and terms, significantly increasing the mechanical royalty rates paid for the streaming of musical compositions in the United States from 10. 5 % in 2018 to 15. 1 % in** 2022 **(the " Phonorecords III Proceeding "). In August 2020** , ~~The~~ **following an appeal of that decision by some digital music services, the decision was vacated in part and the case was remanded to the CRB for further proceedings. In June 2023, the CRB issued its final determination after remand in the Phonorecords III Proceeding, which retroactively upheld the headline royalty rates initially determined in 2018, and those rates were published in the Federal Register in August 2023. In 2022, the CRB commenced the process of determining the royalty rates and terms for the mechanical reproduction of musical compositions in the United States for 2023 through 2027 (the " Phonorecords IV Proceeding "). In advance of trial, the** National Music Publishers' Association (" NMPA "), the Nashville Songwriters Associations International (" NSAI ") and the Digital Media Association (" DiMA ") announced a settlement regarding the U. S. mechanical streaming rates for 2023- 2027. **In December** ~~The agreement sets the headline royalty rate for this period at 15. 35 % of total revenue, which will be introduced gradually over the course of the five- year term. Earlier in~~ 2022, ~~songwriters and~~ **the CRB** ~~publishers~~ **published final regulations adopting** ~~won a raise in streaming headline royalty rates from 10. 5 % to 15. 1 % over the~~ **those** ~~2018- 2022 period. The~~ headline rates **, which** escalate from 15. 1 % of total **music** revenue in 2023 to 15. 2 % in 2024 and then a half **of a tenth of** a percentage point increase in each of the remaining three years, peaking at 15. 35 % in 2027. ~~This settlement will~~ **Other significant components of the rate formulae for digital phonorecords, which serve as alternatives to the percent of revenue rates,** also **increased** ~~change other important factors in U. S. mechanical streaming rates~~ , including **the** ~~increases to~~ per- subscriber minimums and **the percentage of "** Total Content ~~Costs~~ - **Cost** (~~"~~ TCC **)** " **calculations referencing amounts that** ~~). According to the joint announcement of the deal, this also " modernizes " the way~~ music ~~streaming~~ **service licensees pay to record labels. Also as part of the Phonorecords IV Proceeding, beginning on January 1, 2023, the mechanical royalty rates for physical phonorecords and permanent downloads increased to $ 0. 12 per copy or $ 0. 0231 per minute of playing time or fraction thereof, and include inflation** - **based adjustments for subsequent years of the rate period** ~~related product and service bundles are treated and has updated its rules on how streaming services can incentivize potential subscribers~~ . European Union Copyright Directive. In 2019, the European Union (" EU ") passed legislation which will rein in safe harbors from liability for copyright infringement and rebalance the online marketplace to ensure that rightsholders and recording artists are remunerated fairly when their music is shared online by user- uploaded content services such as YouTube. Our Competitive Strengths Well- Positioned to Benefit from Growth in the Global Music Market Driven by Streaming. The music entertainment industry has undergone a transformation in the consumption and monetization of content towards streaming over the last five years. According to the IFPI, from ~~2017~~ **2018** through ~~2021~~ **2022** , global recorded music revenue grew at a CAGR of 11 %, with streaming revenue growing at a CAGR of ~~27~~ **19** % and increasing as a percentage of global recorded music revenue from ~~38~~ **50** % to ~~65~~ **67** % over the same period. By comparison, from fiscal year ~~2017~~ **2018** to fiscal year ~~2021~~ **2022** , our recorded music streaming revenue grew at a CAGR of ~~22~~ **16** % and increased as a percentage of our total recorded music revenues from ~~44~~ **52** % to ~~65~~ **64** %. We believe our innovation- focused operating strategy with an emphasis on genres that over- index on streaming platforms (e. g., hip- hop and pop) has consistently allowed our digital revenue growth to keep pace with the market, highlighted by our becoming the first major music entertainment company to report that our streaming revenue was the largest source of recorded music revenue in 2016. The growth of streaming services has not only improved the discoverability and personalization of music, but has also increased consumer willingness to pay for seamless convenience and access. We believe consumer adoption of paid streaming services still has significant potential for growth. For example, according to Goldman Sachs, in ~~2021~~ **2022**, approximately 58 % of the smartphone users in Sweden, an early adopter market, was paid music subscribers. This illustrates the opportunity to drive long-term growth by increasing penetration of paid subscriptions throughout the world, including important markets such as the United States, Japan, Germany, the United Kingdom and France, where paid subscriber levels are lower. Our catalog and roster of recording artists and songwriters, including our strengths in hip- hop and pop music, position us to benefit as streaming continues to grow. We also believe our diversified catalog of evergreen music amassed over many decades will prove advantageous as demographics evolve from younger early adopters to a wider demographic mix and as digital music services target broader audiences. Established Presence in Growing International Markets, Including China. We believe we will benefit from the growth in international markets due to our local A & R focus, as well as our local and global marketing and distribution infrastructure that includes a network of subsidiaries, affiliates, and non- affiliated licensees and sub- publishers in more than 70 countries. We are developing local talent to achieve regional, national and international success. We have expanded our global footprint over time by acquiring independent recorded music and music publishing businesses, catalogs and recording artist and songwriter rosters in China, Indonesia, Poland, ~~Russia~~ and South Africa, among other markets. In addition, we have increased organic investment in heavily populated emerging markets by, for example, launching Warner Music Middle East, our recorded music affiliate covering ~~17~~ **multiple** markets across the Middle East and North Africa (" MENA ") with a total population of ~~472~~ **493** million people, by acquiring Qanawat, one of the largest independent distributors in MENA, and by investing in Rotana, one of the leading independent labels in MENA. We have also strengthened our Warner Music Asia executive team with new appointments and promotions. With every region around the world at different stages in transitioning to digital formats, we believe establishing creative hubs by opening new regional offices and partnering with local players will achieve our objective of building local expertise while delivering maximum global impact for our recording artists and songwriters. For example, we recently acquired one of South Africa' s leading independent music labels, Coleske, and music from this influential label' s recording artists and songwriters will join our repertoire and receive the support of our wide- ranging global expertise, including distribution and artist services. Differentiated Platform of Scale with Top Industry Position. With over $ 4. 9 billion in annual recorded music revenues, over half of which are generated outside of the United States, we believe our platform is differentiated by the scale, reach and broad appeal of our music. Our collection of owned and controlled recordings and musical compositions, spanning a large variety of genres and geographies over many decades, cannot be replicated. ~~As one of three major music entertainment companies, our industry position remains strong and poised for continued growth. As reported in Music & Copyright, our global recorded music market share has increased approximately 8 % from 2011 to 2021, growing from 15. 1 % to 16. 3 %. In addition, according to Nielsen, Atlantic Records was the No. 1 record label on the Billboard 200 in the United States in 2017, 2018 and 2019.~~ Star- Making, Culture- Defining Core Capabilities. For decades, our A & R strategy of identifying and nurturing recording artists and songwriters with the talents to be successful has yielded an extensive catalog of iconic music across a wide breadth of musical genres and marquee brands all over the world. Our marketing and promotion departments provide a comprehensive suite of solutions that are specifically tailored to each of our recording artists and carefully coordinated to create the greatest sales momentum for new and catalog releases alike. The development of our vibrant roster of recording artists has been informed by our significant experience in being able to adapt to changes in consumer trends and sentiment over time. Our creative instincts yield custom strategies for each and every one of our recording artists. In addition, Warner Chappell Music boasts a diversified catalog of timeless classics together with an ever- growing group of contemporary songwriters who are actively contributing to today' s top hits. We believe our longstanding reputation and relationships in the creative community, as well as our historical success in talent development and management, will continue to attract new recording artists and songwriters with staying power and market potential through the strength and scale of our proprietary capabilities. Strong Financial Profile with Robust Growth, Operating Leverage and Free Cash Flow Generation. For fiscal year ~~2020~~ **2021** through fiscal year ~~2022~~ **2023**, we have grown as- reported revenues at a CAGR of ~~15~~ **7** % driven by secular tailwinds, organic reinvestment in A & R and strategic acquisitions, partially offset by the impact of the business disruption resulting from the COVID- 19 pandemic. For our fiscal year ~~2022~~ **2023**, our business generated net income and Adjusted EBITDA of $ ~~555~~ **439** million and $ 1, ~~196~~ **311** million, respectively, implying an Adjusted EBITDA margin of approximately ~~20~~ **22** %. We believe our financial profile provides a strong foundation for our continued growth. Experienced Leadership Team and Committed Strategic Investor. Our management team has successfully designed and implemented our business strategy, delivering strong financial results, releasing an increasing flow of new music and establishing a dynamic culture of innovation. At the same time, our management team has driven an increase in operating margins and cash flow through an improved revenue mix to higher- margin digital platforms and overhead cost management, while maintaining financial flexibility to both organically invest in the business and pursue strategic acquisitions to diversify our revenue mix. **We have recently added key new members to our management team, including our CEO, Robert Kyncl, who joined us from YouTube where he served as Chief Business Officer, and our CFO, Bryan Castellani, who joined us from The Walt Disney Company, most recently serving as CFO for Disney Entertainment & ESPN, who together bring fresh perspectives from their tech and entertainment backgrounds to further enhance and evolve our business strategy.** Our Recorded Music and Music Publishing businesses ~~are~~ **continue to be** led by entrepreneurial and creative individuals with extensive experience in discovering and developing recording artists and songwriters and managing their creative output on a global scale. In addition, we have benefited, and expect to continue to benefit, from our acquisition by Access in July 2011, which has provided us with strategic direction, M & A and capital markets expertise and planning support to help us take full advantage of the ongoing transition in the music entertainment industry. Expertise in Strategic Acquisitions and Investments That Extend Our Capabilities. Since 2011 when Access became our controlling shareholder, we have completed ~~more than 15~~ **a**

number of strategic acquisitions. The acquisition of PLG in 2013 significantly strengthened our worldwide roster, global footprint and executive talent, particularly in Europe. The acquisition of 300 Entertainment in 2022 strengthened and diversified Elektra Music Group by adding a hip- hop focused label which led to the subsequent launch of 300 Elektra Entertainment, or 3EE, a frontline label group that brings together the multi- genre power of 300 Entertainment and Elektra. In addition, we have made several smaller strategic acquisitions aimed at expanding our artist services capabilities in our Recorded Music business, including EMP, one of Europe' s leading specialty music and entertainment merchandise e- tailers; Sodatone, a premier A & R insight tool; UPROXX, the youth culture and video production powerhouse; Spinnin' Records, one of the world' s leading independent electronic music companies; and Songkick' s concert discovery application. These transactions showcase the growing breadth of our platform across the music entertainment ecosystem and have increased our direct access to fans of our recording artists and songwriters. In addition to our commercial arrangements with digital music services, we opportunistically invest in some of those services as well as other companies in our industry, including **a** minority equity ~~stakes~~ - **stake** in Deezer, a French digital music service in which Access owns a controlling equity interest ~~, and Tencent Music Entertainment Group, the leading online music entertainment platform in China~~ . Acquiring and investing in businesses that are highly complementary to our existing portfolio further enables us to potentially derive incremental and new revenue streams from different business models in new markets. Our Growth Strategies Attract, Develop and Retain Established and Emerging Recording Artists and Songwriters. A critical component of our global strategy is to produce an increasing flow of new music by finding, developing and retaining recording artists and songwriters who achieve long- term success. Since 2011, our annual new releases have grown significantly and our catalog of musical compositions has increased to more than one million. We expect to enhance the value of our assets by continuing to attract and develop new recording artists and songwriters with staying power and market potential. Our A & R teams seek to sign talented recording artists and songwriters who will generate meaningful revenues and increase the enduring value of our catalog. We have also made meaningful investments in technology to further expand our A & R capabilities in a rapidly changing music environment. In 2018, we acquired Sodatone, an advanced A & R tool that uses streaming, social and touring data to help track early predictors of success. When combined with the strength of our current ability to identify creative talent, we expect this to further enhance our ability to scout and sign breakthrough recording artists and songwriters. In addition, we anticipate that investment in, or commercial relationships with, technology companies will enable us to tailor our marketing efforts for established recording artists and songwriters by gaining valuable insight into consumer reactions to new releases. We regularly evaluate our recording artist and songwriter rosters to ensure that we remain focused on developing the most promising and profitable talent and are committed to maintaining financial discipline in the negotiation of our agreements with recording artists and songwriters. Focus on Growth Markets to Position Us to Realize Upside from Incremental Penetration of Streaming. While the rapid growth of streaming has already transformed the music entertainment industry, streaming is still in relatively early stages, as significant opportunity remains in both developed markets and markets largely untapped by the adoption of paid streaming subscriptions. Some of our largest markets, such as the United States, Germany, United Kingdom and France, still lag Nordic countries in penetration of paid subscriptions and have room for future growth. In these markets, we will continue to increase our output of new releases and use data to more effectively target our marketing efforts. Less mature markets, such as China and Brazil, have large populations with relatively high smartphone penetration, and we are well placed to benefit from streaming tailwinds over the next several years with our local presence and extensive catalog. Expand Global Presence with Investment in Local Music in Nascent Markets. We recognize that music is inherently local in nature, shaped by people and culture. IFPI considers the global recorded music market in seven distinct regions. In ~~2021~~ **2022** , ~~five out of these~~ - - **the** ~~seven~~ **recorded music market saw growth in every region across the globe. Four** regions ~~achieved~~ **posted** double- digit **gains, outpacing the overall** growth ~~with~~ **rate of 9. 0 % and Sub- Saharan Africa overtook** MENA ~~being~~ **as** the fastest growing **area,** ~~region at 35 % revenue growth~~ followed by Latin America at ~~31~~ **25. 9** % revenue growth. One of our vital business functions is to help our recording artists and songwriters solve the complexities associated with a fragmented, global market of mixed musical tastes. We have found that investment in local music provides the best opportunity to understand these nuances, and we have made it a strategic priority to seek out investment opportunities in emerging markets. For example, we opened an office in the MENA region to prepare for the forecasted rise in smartphone penetration and projected uptake in digital music. These investments are made with the purpose of increasing our understanding of local market dynamics and popularizing our current roster of recording artists and songwriters around the world. Embrace Commercial Innovation with New Digital Distributors and Partners. We believe the growth of digital formats will continue to create new and powerful ways to distribute **, engage** and monetize ~~our music~~ . We were the first major music company to strike landmark deals with important companies such as Apple, YouTube, Peloton, Twitch and Tencent Music Entertainment Group, as well as with pure- play music technology companies such as MixCloud, SoundCloud and Audiomack. We believe that the continued development of new digital channels for the consumption of music ~~and increasing access to~~ **as well as evolving** digital ~~music services~~ **asset classes tied to our artists and songwriters** present significant promise and opportunity for the music entertainment industry. We are also ~~focused on investing in emerging~~ **exploring the benefits of Artificial Intelligence (" AI ") for our business. We are working with a network of partners, including both generative AI engines and distribution platforms to explore impactful ways to use AI to benefit us and our artists and songwriters, while ensuring proper protections and monetization. We continue to work with early stage technology companies that are helping us to build** music **' s future and have** ~~technologies, demonstrated by our launch of WMG Boost, a seed- stage investment~~ - **invested resources behind** ~~fund for start- ups in the~~ **these** ~~music entertainment industry and through~~ partnerships **to codify preferred partnerships** ~~with entrepreneurial incubators such as TechStars~~ . We intend to continue to extend our technological reach by executing deals with new partners and developing optimal business models that will enable us to monetize our music across various **formats,** platforms ~~, services~~ and devices. We also intend to continue to support and invest in emerging technologies, including artificial intelligence, artificial reality, virtual reality, high- resolution audio and other technologies to continue to build new revenue streams and position ourselves for long- term growth. Pursue Acquisitions to Enhance Asset Portfolio and Long- Term Growth. We have successfully completed a number of strategic acquisitions, particularly in our Recorded Music business. Strengthening and expanding our global footprint provides us with insights on markets in which we can immediately capitalize on favorable industry trends, as evidenced by our acquisition of PLG in 2013. We also build upon our core competencies with additive and ancillary capabilities. For example, our acquisition of UPROXX, one of the most influential media brands for youth culture, not only provides a platform for short- form music and music- based video content production to market and promote our recording artists, but also includes sales capabilities to monetize advertising inventory on digital audio and video platforms. We plan to continue selectively pursuing acquisition opportunities while maintaining financial discipline to further improve our growth trajectory and drive operating efficiencies with increased free cash flow generation. With respect to our Music Publishing business, we have the opportunity to generate significant value by acquiring other music publishers and extracting cost savings (as acquired catalogs can be administered with little incremental cost), as well as by increasing revenues through more aggressive monetization efforts. We will also continue to evaluate opportunities to add to our catalog or acquire or make investments in companies engaged in businesses that we believe will help to advance our strategies. Recorded Music (**82 %,** 84 % ~~,~~ **and** 86 ~~% and 85~~ % of consolidated revenues, before intersegment eliminations, for each of the fiscal years ended September 30, ~~2022~~ **2023** , September 30, ~~2021~~ **2022** and September 30, ~~2020~~ **2021** , respectively) Our Recorded Music business primarily consists of the discovery and development of recording artists and the related marketing, promotion, distribution, sale and licensing of music created by such recording artists. We play an integral role in virtually all aspects of the recorded music value chain from discovering and developing talent to producing, distributing and selling music to marketing and promoting recording artists and their music. In the United States, our Recorded Music business is conducted principally through our major record labels — Atlantic Records and Warner Records. In October 2018, we launched Elektra Music Group in the United States as a standalone label group, which comprises the Elektra, Fueled by Ramen and Roadrunner labels, and in December 2021, we acquired 300 Entertainment and subsequently launched 300 Elektra Entertainment, or 3EE, a frontline label group that brings together the multi- genre power of 300 Entertainment and Elektra **Music Group** . Our Recorded Music business also includes Rhino Entertainment, a division that specializes in marketing our recorded music catalog ~~primarily~~ through **compilations,** reissuances of previously released music and video titles and releasing previously unreleased material from our vault. We also conduct our Recorded Music business through a collection of additional record labels including Asylum, Big Beat, Canvasback, East West, Erato, FFRR, Nonesuch, Parlophone, Reprise, Sire, Spinnin' Records **, TenThousand Projects** , Warner Classics and Warner Music Nashville. Outside the United States, our Recorded Music business is conducted through various subsidiaries, affiliates and non- affiliated licensees. Internationally, we engage in the same activities as in the United States: discovering and signing artists and distributing, selling, marketing and promoting their music. In most cases, we also market, promote, distribute and sell the music of those recording artists for whom our domestic record labels have international rights. In certain smaller markets, we license the right to distribute and sell our music to non- affiliated third- party record labels. Our Recorded Music business' **operations include WMX, a new generation services division that connects artists with fans and amplifies brands in creative, immersive, and engaging ways. The division includes a rebranded WEA commercial services and marketing network (formerly Warner- Elektra- Atlantic Corporation, or WEA Corp.), which markets, distributes and sells music and video products to retailers and wholesale distributors, as well as acting as the Company' s media and creative content arm. Our business'** distribution operations **also** ~~include~~ **includes** ~~WEA Corp., which markets, distributes and sells music and video products to retailers and wholesale distributors;~~ Alternative Distribution Alliance (" ADA "), which markets, distributes and sells the products of independent labels to retail and wholesale distributors; and various distribution centers and ventures operated internationally. In addition to our music being sold in physical retail outlets, our music is also sold in physical form to online physical retailers, such as amazon. com, barnesandnoble. com and bestbuy. com, and distributed in digital form to an expanded universe of digital partners, including streaming services such as those of Amazon, Apple, Deezer, SoundCloud, Spotify, Tencent Music ~~Entertainment Group~~ and YouTube, radio services such as iHeart Radio and SiriusXM and **other** download services. We have diversified our revenues beyond our traditional businesses by entering into expanded- rights deals with recording artists in order to partner with such artists in other aspects of their careers. Under these agreements, we provide services to and participate in recording artists' activities outside the traditional recorded music business such as touring, merchandising and sponsorships. We have built and acquired artist services capabilities and platforms for marketing and distributing this broader set of music- related rights and participating more widely in the monetization of the artist brands we help create. We believe that entering into expanded- rights deals and enhancing our artist services capabilities in areas such as merchandising, VIP ticketing, fan clubs, concert promotion and management has permitted us to diversify revenue streams and capitalize on other revenue opportunities. This provides for improved long- term relationships with our recording artists and allows us to more effectively connect recording artists and fans. We have a decades- long history of identifying and contracting with recording artists who become commercially successful. Our ability to select recording artists who are likely to be successful is a key element of our Recorded Music business' strategy and spans all music genres and all major geographies and includes recording artists who achieve national, regional and international success. We believe that this success is directly attributable to our experienced global team of A & R executives, to the longstanding reputation and relationships that we have developed in the artistic community and to our effective management of this vital business function. In the United States, our major record labels identify potentially successful recording artists, sign them to recording contracts, collaborate with them to develop recordings of their work and market and sell or license these finished recordings to legitimate digital channels and retail stores. Increasingly, we are also expanding our participation in image and brand rights associated with artists, including merchandising and sponsorships. Our labels scout and sign talent across all major music genres, including pop, rock, jazz, classical, country, R & B, hip- hop, rap, reggae, Latin, alternative, folk, blues, gospel and other Christian music. Internationally, we market and sell U. S. and local repertoire through our network of subsidiaries, affiliates and non- affiliated licensees. With a roster of local recording artists performing in various local languages throughout the world, we have an ongoing commitment to developing local talent aimed at achieving national, regional or international success. Many of our recording artists continue to appeal to audiences long after we cease to release their new music. We have an efficient process for sustaining sales across our catalog releases. Relative to our new releases, we spend lesser amounts on marketing for our catalog. We maximize the value of our catalog of recorded music through our Rhino Entertainment business unit and through activities of each of our record labels. We use our catalog as a source of material for re-releases, box sets and special package releases, which provide consumers with incremental exposure to familiar music and recording artists. Rhino Entertainment also releases new music from legacy recording artists and markets and promotes the name and likeness of certain artist estates and brands. Recording Artists' Contracts Our recording artists' contracts define the commercial relationship between our recording artists and our record labels. We negotiate recording contracts with recording artists that define our rights to use the recording artists' music. In accordance with the terms of the contract, the recording artists receive royalties based on sales and other uses of such recording artists' music. We customarily provide upfront payments to recording artists called advances, which are recoupable by us from future royalties otherwise payable to such recording artists. We also typically pay costs associated with the recording and production of music, which in many countries are treated as advances recoupable by us from future royalties. Our typical contract for a new recording artist covers a sufficient number of master recordings to constitute an extended- play record (known as an EP) or an album and provides us with a series of options to acquire subsequent albums from the artist. Royalty rates and advances are often increased for subsequent albums for which we have exercised our options. Many of our contracts contain a commitment from the record label to fund video production costs, at least a portion of which in certain countries is treated as advances recoupable by us from future royalties. Our recording contracts with established artists generally provide for greater advances and higher royalty rates. Typically, such contracts entitle us to fewer albums, and, of those, fewer are optional albums. In contrast to new artists' contracts, which, with certain territorial or other exceptions, customarily give us ownership in the artist' s work for the full term of the copyright or a long- term exclusive license, established artists' contracts more commonly provide us with an exclusive license for some fixed period of time. It is not unusual for us to renegotiate contract terms with a successful artist during the term of their existing contracts, sometimes in return for an increase in the number of albums that the artist is required to deliver. Many of the recording contracts we currently enter into are expanded- rights deals, in which we share in the touring, merchandising, sponsorship, fan club or other ancillary music revenues associated with those artists. See " — Intellectual Property — Copyrights. " United States copyright law permits authors or their estates to terminate an assignment or license of copyright (for the United States only) after a set period of time in certain circumstances. See " Risk Factors — We face a potential loss of catalog to the extent that our recording artists have a right to recapture rights in their recordings under the U. S. Copyright Act. " Marketing and Promotion Our approach to marketing and promoting our recording artists and their music is comprehensive. Our goal is to maximize the likelihood of success for new releases as well as to stimulate the success of catalog releases. We seek to increase the value of music and help our recording artists connect with their fans. The marketing and promotion of recorded music is carefully coordinated to create the greatest sales momentum, while maintaining financial discipline. We have significant experience in our marketing and promotion departments, which we believe allows us to achieve an optimal balance between our marketing expenditure and the eventual sales of our artists' recordings. We use a budget- based approach to plan marketing and promotions, and we monitor all expenditures related to each release to ensure compliance with the agreed- upon budget. These planning processes are regularly evaluated based on updated sales reports, streaming service data and radio airplay data, so that a promotion plan can be quickly adjusted if necessary. Manufacturing, Packaging and Physical Distribution We have arrangements with various suppliers and distributors as part of our manufacturing, packaging and physical distribution services throughout the world. We believe that our manufacturing, packaging and physical distribution arrangements are sufficient to meet our business needs. Sales and Digital Distribution We generate revenues from the new releases of current artists and our catalog of recordings. In addition, we actively repackage music from our catalog to form new releases. Our revenues are generated in digital formats including streaming and downloads, CD format, as well as through historical formats, such as vinyl albums. In connection with the digital distribution of our music, we currently partner with a broad range of digital music services, such as Amazon, Apple, Deezer, KKBox, Spotify, Telefonica, Tencent Music Entertainment Group and YouTube, and are actively seeking to develop and grow our digital business. We also sell traditional physical formats through both the online distribution arms of traditional retailers such as target. com and walmart. com and traditional online physical retailers such as amazon. com, bestbuy. com and barnesandnoble. com. Streaming services stream our music on an ad- supported or paid subscription basis. In addition, downloading services download our music on a per- album or per- track basis. In digital formats, per- unit costs related directly to physical products such as manufacturing, distribution, inventory and return costs do not apply. While there are some digital- specific variable costs and infrastructure investments needed to produce, market and license digital products, it is reasonable to expect that we will generally derive a higher contribution margin from streaming and downloads than from physical sales. We sell our physical recorded music products through a variety of different retail and wholesale outlets including music specialty stores, general entertainment specialty stores, supermarkets, mass merchants and discounters, independent retailers and other traditional retailers. Although some of our retailers are specialized, many of our customers offer a substantial range of products other than music. Most of our physical sales represent purchases by a wholesale or retail distributor. Our sale and return policies are in accordance with wholesaler and retailer requirements, applicable laws and regulations, territory and customer- specific negotiations and industry practice. We attempt to minimize the return of unsold product by working with retailers to manage inventory and SKU counts as well as by monitoring shipments and sell- through data. We enter into agreements with digital music services to make our music available for access in digital formats (e. g., streaming and downloads). We then provide digital assets for our music to these services in an accessible form. Our agreements with these services establish our fees for the distribution of our music, which vary based on the service. We typically receive accounting from these services on a monthly basis, detailing the distribution activity, with payments rendered on a monthly basis. Our agreements with digital music services generally last one to three years. In fiscal year ~~2022~~ **2023** , Recorded Music revenue earned under our agreements with our top three digital music accounts, Spotify, YouTube and Apple, accounted for approximately ~~43~~ **41** % of our Recorded Music revenues. Since the emergence of digital formats, our business has become less seasonal in nature and driven more by the timing of our releases. Music Publishing (**18 %,** 16 % ~~,~~ **and** 14 ~~% and 15~~ % of consolidated revenues, before intersegment eliminations, for each of the fiscal years ended September 30, ~~2022~~ **2023** , September 30, ~~2021~~ **2022** and September 30, ~~2020~~ **2021** , respectively) While Recorded Music is focused on marketing, promoting, distributing and licensing a particular recording of a musical composition, Music Publishing is an intellectual property business focused on generating revenue from uses of the musical composition itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rightsholders, our Music Publishing business shares the revenues generated from use of the musical compositions with the songwriter or other rightsholders. The operations of our Music Publishing business are conducted principally through Warner Chappell Music, our global music publishing company headquartered in Los Angeles, and through various subsidiaries, affiliates, and non- affiliated licensees and sub- publishers. We own or control rights to more than one million musical compositions, including numerous **global** pop hits, ~~American~~ standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award- winning catalog includes over ~~100~~ **150** , 000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R & B, hip- hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, electronic, alternative and gospel. Warner Chappell Music also administers the music and soundtracks of several third- party television and film producers and studios. We have an extensive production music catalog collectively branded as Warner Chappell Production Music. Music Publishing Royalties Warner Chappell Music, as a copyright owner and administrator of musical compositions, is entitled to receive royalties for the use of musical compositions. We continually add new musical compositions to our catalog and seek to acquire rights in musical compositions that will generate substantial revenue over the long term. Music publishers generally receive royalties pursuant to public performance, digital, mechanical, synchronization and other licenses. In the United States, music publishers collect and administer mechanical royalties, and statutory rates are established pursuant to the U. S. Copyright Act of 1976, as amended, for the royalty rates applicable to musical compositions for sale and licensing of recordings embodying those musical compositions. In the United States, public performance income is administered and collected by music publishers and their performing rights organizations and in most countries outside the United States, collection, administration and allocation of both mechanical and performance income are undertaken and regulated by governmental or quasi- governmental authorities. Throughout the world, each synchronization license is generally subject to negotiation with a prospective licensee and, by contract, music publishers pay a contractually required percentage of synchronization income to the songwriters or their heirs and to any co- publishers **or other rightsholders** . Warner Chappell Music acquires copyrights or portions of copyrights and administration rights from songwriters or other third- party holders of rights in musical compositions. Typically, in either case, the grantor of rights retains a right to receive a percentage of revenues collected by Warner Chappell Music. As an owner and administrator of musical compositions, we promote the use of those musical compositions by others. For example, we encourage recording artists to record and include our musical compositions on their recordings, offer opportunities to include our musical compositions in filmed entertainment, advertisements and digital media and advocate for the use of our musical compositions in live stage productions. Examples of music uses that generate music publishing revenues include: Performance: performance of the song to the general public • Broadcast of musical compositions on television, radio and cable • Live performance at a concert or other venue (e. g., arena concerts, nightclubs) • Broadcast of musical compositions at sporting events, restaurants or bars • Performance of musical compositions in staged theatrical productions Digital: licensing of recorded music in various digital formats and digital performance of musical compositions to the general public • Streaming and download services **• Social media and short- form video platforms • Graphic design and editing software and other creator tools** Mechanical: sale of recorded music in various physical formats • Vinyl, CDs and DVDs Synchronization: use of the musical composition in combination with visual images • Films or television programs • Television commercials • Video games • Merchandising, toys or novelty items Other: • Licensing of copyrights for use in printed sheet music In the United States, mechanical royalties are collected directly by music publishers, from recorded music companies ~~or~~ **,** via The Harry Fox Agency, a non- exclusive licensing agent affiliated with the Society of European Stage Authors and Composers (“ SESAC **”), or The Mechanical Licensing Collective (“ The MLC** ”), while outside the United States, mechanical royalties are collected directly by music publishers or from collecting societies. Once mechanical royalties reach the publisher, percentages of those royalties are paid or credited to the writer or other rightsholder of the copyright in accordance with the underlying rights agreement. **In 2023, U. S.** ~~Mechanical~~ **mechanical** royalties **for physical formats (e. g., CDs and vinyl albums) and permanent digital downloads** are paid at a rate of ~~9~~ **12** . ~~1~~ **0** cents per song per unit ~~in the United States~~ **or 2. 31 cents per minute of playing time (whichever is greater). The current U. S. statutory mechanical royalty rates** for physical **goods** ~~formats (e. g., CDs and vinyl albums)~~ and permanent ~~digital~~ downloads ~~(recordings in excess~~ **will be adjusted annually as** of ~~five minutes attract a higher rate)~~ **January 1 based on the Consumer Price Index** . There are also rates set for interactive streaming and non- permanent downloads based on a formula that takes into account revenues paid by consumers or advertisers with certain minimum royalties that may apply depending on the type of service. **For 2023, the headline mechanical royalty rate for interactive streaming is 15. 1 % of revenue, increasing by annual increments to 15. 35 % in 2027.** “ Controlled composition ” provisions contained in some recording contracts may apply to the rates mentioned above pursuant to which artist / songwriters license their rights to their record companies for as little as 75 % of the statutory rates. ~~The current U. S. statutory mechanical rates will remain in effect through December 31, 2022.~~ In most other territories, mechanical royalties are based on a percentage of wholesale prices for physical formats and based on a percentage of consumer prices for digital formats. In international markets, these rates are **typically** determined by multi- year collective bargaining agreements and rate tribunals.

Throughout the world, performance royalties are collected by publishers directly or on behalf of music publishers and songwriters by performance rights organizations and collecting societies. Key performing rights organizations and collecting societies include: The American Society of Composers, Authors and Publishers (" ASCAP "), SESAC and Broadcast Music, Inc. (" BMI ") in the United States; **PRS for Music Ltd** ~~Mechanical- Copyright Protection Society and The Performing Right Society~~ in the United Kingdom; ~~The German Copyright Society in Germany~~ and **Société des auteurs** ~~the Japanese Society for Rights of Authors~~ , ~~Composers~~ **compositeurs** ~~and Publishers~~ **et édituers de musique (" SACEM ")** in ~~Japan~~ **France** . The societies pay a percentage (which is set in each country) of the performance royalties to the copyright owner (s) or administrators (i. e., the publisher (s)), and a percentage directly to the songwriter (s), of the composition. Thus, the publisher generally retains the performance royalties it receives other than any amounts attributable to co- publishers. Composers' and Lyricists' Contracts Warner Chappell Music derives its rights through contracts with composers, lyricists (songwriters) or their heirs and with third- party music publishers. In some instances, those contracts grant either 100 % or some lesser percentage of copyright ownership in musical compositions and / or administration rights. In other instances, those contracts only convey to Warner Chappell Music rights to administer musical compositions for a period of time without conveying a copyright ownership interest. Our contracts grant us exclusive use rights in the territories concerned excepting any pre- existing arrangements. Many of our contracts grant us rights on a global basis. Warner Chappell Music customarily possesses administration rights for every musical composition created by the writer or composer during the exclusive acquisition term of the contract. While the duration of the administration rights under contracts may vary, some of our contracts grant us ownership and / or administration rights for the duration of copyright. See " — Intellectual Property — Copyrights. " U. S. copyright law permits authors or their estates to terminate an assignment or license of copyright (for the United States only) after a set period of time. See " Risk Factors — We face a potential loss of catalog to the extent that our recording artists have a right to recapture rights in their recordings under the U. S. Copyright Act. " Our Recording Artist and Songwriter Value Proposition Our success is a function of attracting exceptional talent and helping them build long and lucrative careers. In an environment where music entertainment companies often fiercely compete to sign recording artists and songwriters, our ability to differentiate our core capabilities is crucial. We are constantly strengthening our skill sets, as well as evolving and expanding the comprehensive suite of services we provide. Our goal is not to be the biggest music entertainment company, but the best. In the digital world, consumers have more than 100 million tracks at their fingertips, growing at a rate of approximately ~~100~~ **120** , 000 songs per day. The sheer volume of music being released on digital music services is making it harder for recording artists and songwriters to stand out and get noticed. At the same time, music that is fresh and original is currently what resonates most strongly on digital music services. We believe our Recorded Music and Music Publishing businesses remain not just relevant, but essential to the booming music entertainment economy. Our proven ability to cut through the noise is more necessary and valuable than ever. Below is an overview of the many creative and commercial services we provide our recording artists and songwriters. Our interests are aligned with theirs. By creating value for our recording artists and songwriters, we create value for ourselves. That philosophy is behind our current momentum, and we believe it will continue to propel our business into the future. Welcoming Talent We offer recording artists and songwriters numerous pathways into our ecosystem. Whether it is an up- and- coming songwriter making music in his or her bedroom, a breakout superstar recording artist selling out stadiums or an icon looking to curate a legacy, we offer the necessary support and resources. We are not just searching for immediate hits. We scout and sign talent with the market potential for longevity and lasting impact. As a result, we are investing in more new music every year without losing our commitment to each recording artist and songwriter. It is that focus, patience and passion that has built and sustained the reputation that perpetuates our cycle of success. Creative Partnership Our A & R executives both champion and challenge the talent they sign, empowering them to realize their visions and evolve over time. Our longstanding relationships within the creative community also provide our recording artists and songwriters with a wide network of collaborators, which is a vital part of helping them to realize their best work. We provide the investment that gives our recording artists and songwriters the requisite time and space to experiment and flourish. This includes access to a multitude of songwriters' rooms and recording studios around the globe with more to come. Marketing and Promotional Firepower We are experts in the art of amplification, with proven specialties in every aspect of marketing and promotion. From every meaningful digital music service and social media network to radio, press, film, television and retail, we are plugged into the most influential people and platforms for music entertainment. At the same time, by combining our collective experience with billions of transactions each and every week, we gather the insights needed to make meaningful commercial decisions grounded in data- based discipline. Most importantly, we quickly adapt to changes in how music is consumed to maximize the opportunities for our recording artists and songwriters. For example, we quickly honed our expertise in securing placement on playlists and other valuable positioning on digital music services. Global Reach and Local Expertise As of September 30, ~~2022~~ **2023** , we employed approximately ~~6~~ **5** , ~~200~~ **900** persons around the world. This means we can build local fan bases for international recording artists and songwriters, as well as supply the network to deliver worldwide fame. Our local strength fuels our global impact and vice versa. We employ a global priority system to provide as many recording artists as possible a genuine shot at success. Our approach combines a deep understanding of local cultures, with a close- knit, nimble team that is in constant communication around the world. A Broad Universe of Opportunity Albums, singles, videos and songs are still the primary drivers for our business. But as the demand for music has grown, music has been woven into the fabric of our daily lives in new and increasingly sophisticated ways. It is our job to help our recording artists and songwriters capitalize on this expanding universe. In our Recorded Music business, beyond digital and physical revenue streams, we provide a wide array of artist services, including merchandise, e- commerce, VIP ticketing and fan clubs. In our Music Publishing business, we take an active role in expanding the consumption of music, through performance, digital, mechanical, synchronization and, the original music publishing revenue stream, sheet music. Last year, we launched a creative services team that is tasked with finding innovative ways to revitalize catalogs and create new possibilities for our songwriters. In 2017, we launched a film and television unit and subsequently acquired additional video production capabilities in order to offer greater storytelling possibilities for our recording artists and songwriters. The centralization of our technology capabilities and data insights has resulted in increased transparency of our royalty reporting to our recording artists and songwriters. We defend and protect our recording artists' and songwriters' creative output by remaining vigilant in the collection of different types of royalties around the world and defending against illegitimate and illegal uses of our owned and controlled copyrights. Representative Sample of Recording Artists and Songwriters Our Recorded Music business includes music from: • Global superstars such as Ed Sheeran, **Dua Lipa, Coldplay,** Cardi B, Bruno Mars, ~~Lizzo, Coldplay, Dua Lipa,~~ Michael Bublé **, Lizzo** , Kelly Clarkson, David Guetta, Kenny Chesney, Madonna, Neil Young, Red Hot Chili Peppers, Prince **, Green Day, Cher** , Pink Floyd, David Bowie, Fleetwood Mac, Aretha Franklin and The Smiths. • Next- generation talent including **Zach Bryan,** Megan Thee Stallion, Jack Harlow, ~~Roddy Ricch~~ **Lil Uzi Vert** , **Fred Again..** ~~Saweetie, Paulo Londra, Burna Boy, Bebe Rexha, Zach Bryan, Ashnikko~~ , PinkPantheress **, Maria Becerra, Kenya Grace, Gayle** and CKay. • International stars such as ~~Anitta~~ **Burna Boy** , Aya Nakamura, **King,** TWICE, **Ninho** ~~Ava Max, Charlie Puth~~ , Capo Plaza, Pablo Alborán, Udo Lindenberg and Laura Pausini. Our Music Publishing business includes musical compositions by: • Superstars such as Madonna, William Corgan, Belly, Cardi B, Bruno Mars, Anderson Paak, Lizzo, Tones and I, Pablo Alborán, Lin Manuel Miranda, **Lil Uzi Vert, Imagine Dragons,** Chris Stapleton, Dan Shay, Tayla Parx, Damon Albarn, Dave Mustaine, Katy Perry and Kacey Musgraves. • International talent such as Jonathan Lee, Tia ~~Ray~~ , Manuel Medrano, Melendi, Bausa, Shy' m, Tove Lo, Joaquin Sabina ~~and~~ **, Raye, Stromae,** Jack & Coke **, Marco Borreo, Danna Paola and MZMC** . • Songwriting icons like David Bowie, Cole Porter, Grateful Dead, Led Zeppelin, Quincy Jones, George Michael, Marco Antonio Solís, Eric Clapton, Brody Brown, Liz Rose, Justin Tranter, busbee, **Zach Bryan** ~~The- Dream, Dr. Dre~~ , Stephen Sondheim, George & Ira Gershwin and Gamble & Huff. Competition In our Recorded Music and Music Publishing businesses, we compete based on marketing (including both how we allocate our marketing resources as well as how much we spend on a dollar basis) and on recording artist and songwriter signings. We believe we currently compete favorably in these areas. Our Recorded Music business is also dependent on technological development, including access to, selection and viability of new technologies, and is subject to potential pressure from competitors as a result of their technological developments. Additionally, we compete, to a lesser extent, for disposable consumer income with alternative forms of entertainment, content and leisure activities, such as cable and satellite television, motion pictures and video games in physical and digital formats. The recorded music industry is highly competitive based on consumer preferences and is rapidly changing. At its core, the recorded music business relies on artistic talent. As such, competitive strength is predicated upon the ability to continually develop and market new recording artists whose work gains commercial acceptance. According to Music & Copyright, in ~~2021~~ **2022** , the three largest recorded music companies were Universal Music Group, Sony Music Entertainment and us, which collectively accounted for approximately 70 % of global recorded music revenues. There are many mid- sized and smaller players in the industry that accounted for the remaining approximately 30 %, including independent recorded music companies. Universal Music Group was the market leader with an approximately ~~32~~ **31** % global market share in ~~2021~~ **2022** after absorbing the bulk of the recorded music assets of the former EMI in late 2012, followed by Sony Music Entertainment with an approximately ~~21~~ **23** % share. We held an approximately 16 % share of global recorded music revenues in ~~2021~~ **2022** . The music publishing industry is also highly competitive. The three largest music publishing companies collectively accounted for approximately 60 % of the global market in ~~2021~~ **2022** according to Music & Copyright. According to Music & Copyright, Sony Music Publishing was the market leader in music publishing in ~~2021~~ **2022** with an approximately 25 % share (reflecting its ownership of the EMI music publishing assets). Universal Music Publishing was the second- largest music publisher with an approximately 23 % share, followed by us at approximately 12 %. There are many mid- sized and smaller players in the industry that account for the remaining approximately 40 %, including many individual songwriters who publish their own works. Our business, like that of other companies involved in the music entertainment industry, rests on our ability to maintain rights in sound recordings and musical compositions through copyright protection. In the United States, copyright protection for works created as " works made for hire " (e. g., works of employees or certain specially commissioned works) on or after January 1, 1978 generally lasts for 95 years from first publication or 120 years from creation, whichever expires first. The period of copyright protection for works created on or after January 1, 1978 that are not " works made for hire " lasts for the life of the author plus 70 years. Works created and published or registered in the United States prior to January 1, 1978 generally enjoy copyright protection for 95 years, subject to compliance with certain statutory provisions including notice and renewal. Additionally, the MMA extended federal copyright protection in the U. S. to sound recordings created prior to February 15, 1972. The duration of copyright protection for such sound recordings varies based on the year of publication, with all such sound recordings receiving copyright protection for at least 95 years, and sound recordings published between January 1, 1957 and February 15, 1972 receiving copyright protection until February 15, 2067. The term of copyright in the EU for musical compositions in all member states lasts for the life of the author plus 70 years. In the EU, the term of copyright for sound recordings lasts for 70 years from the date of release in respect of sound recordings that were still in copyright on November 1, 2013 and for 50 years from date of release in respect of sound recordings the copyright in which had expired by that date. The EU also harmonized the copyright term for joint musical works. In the case of a musical composition with words that is protected by copyright on or after November 1, 2013, EU member states are required to calculate the life of the author plus 70 years term from the date of death of the last surviving author of the lyrics and the composer of the musical composition, provided that both contributions were specifically created for the musical composition. We are largely dependent on legislation in each territory in which we operate to protect our rights against unauthorized reproduction, distribution, public performance or rental. In all territories where we operate, our intellectual property receives some degree of copyright protection, although the extent of effective protection varies widely. In a number of developing countries, the protection of copyright remains inadequate. Technological changes have focused attention on the need for new legislation that will adequately protect the rights of producers. We actively lobby in favor of industry efforts to increase copyright protection and support the efforts of organizations such as RIAA, IFPI, National Music Publishers' Association, International Confederation of Music Publishers and the World Intellectual Property Organization. Trademarks We consider our trademarks to be valuable assets to our business. Although we cannot assure you that our trademark applications, even for major trademarks, will register, we endeavor to register our major trademarks in every country where we believe the protection of these trademarks is important for our business. Our major trademarks include 300 Entertainment, ADA, Asylum, Atlantic, East West, Elektra, EMP, Erato, Nonesuch, Parlophone, Reprise, Rhino, Roadrunner, Sire, Songkick, SPINNIN' RECORDS **, TenThousand Projects** and Warner Chappell, and their respective logos. We also use certain trademarks pursuant to a royalty- free license agreement. The duration of the license relating to the WARNER, WARNER MUSIC and WARNER RECORDS word marks and " W " logo is perpetual, but may be terminated under certain limited circumstances, including our material breach of the license agreement and certain events of insolvency. We actively monitor and protect against activities that might infringe, dilute or otherwise harm our trademarks. However, the actions we take to protect our trademarks may not be adequate to prevent third parties from infringing, diluting, or otherwise harming our trademarks, and the laws of foreign countries may not protect our trademark rights to the same extent as do the laws of the United States. Joint Ventures We have entered into joint venture arrangements pursuant to which we or our various subsidiary companies distribute, market, promote, license and sell (in most cases, domestically and internationally) recordings and other rights owned by the joint ventures. An example of this arrangement is Frank Sinatra Enterprises, a joint venture established to administer licenses for use of Frank Sinatra' s name and likeness and manage all aspects of his music, film and stage content. Human Capital As of September 30, ~~2022~~ **2023** , we employed approximately ~~6~~ **5** , ~~200~~ **900** persons worldwide, including temporary and part- time employees as well as employees that were added through acquisitions. As of such date, none of our employees in the United States were subject to a collective bargaining agreement, although certain employees in our non- domestic companies were covered by national labor agreements. We believe that our relationship with our employees is good. As a global music entertainment company, we recognize the strength that diversity brings to our teams. The work we do is powered by our diverse, talented and motivated employees, and we are dedicated to cultivating a culture of belonging that supports the ability of every person to grow and thrive. We continually invest in our employees' career growth and provide employees with a wide range of development opportunities, including learning, mentoring, coaching and development programs ~~. To support employee well- being in response to the COVID- 19 pandemic and the transition to full- time work from home, we established a number of programs, including flexible work schedule options, and provided employees with a home office stipend and other benefits and support to care for themselves or family members impacted by COVID- 19~~ . Corporate Information Warner Music Group Corp. is a Delaware corporation. Our principal executive offices are located at 1633 Broadway, New York, New York 10019, and our telephone number is (212) 275- 2000. Our website is www. wmg. com. Information on, or accessible through, our website or any other website is not incorporated by reference herein. All website addresses in this Annual Report are intended to be inactive textual references only. Available Information Our Annual Reports on Form 10- K, our Quarterly Reports on Form 10- Q and our Current Reports on Form 8- K and any amendments to those forms are available free of charge through our website (investors. wmg. com) as soon as reasonably practicable after they are filed with or furnished to the SEC. The U. S. Securities and Exchange Commission (the " SEC ") maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www. sec. gov. None of the information contained on, or that may be accessed through our websites or any other website identified herein, is part of, or incorporated into, this filing. All website addresses in this Annual Report are intended to be inactive textual references only. ITEM 1A. RISK FACTORS In addition to the other information contained in this Annual Report, certain risk factors should be considered carefully in evaluating our business. The risks and uncertainties described below may not be the only ones facing us. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also adversely impact our business operations. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. This Annual Report contains forward- looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. Actual results and the timing of events could differ materially from those projected in forward- looking statements due to a number of factors, including those set forth below and elsewhere in this Annual Report. See " Special Note Regarding Forward- Looking Statements " following this Item 1A. Risk Factors. Risks Related to Our Operations We may be unable to compete successfully in the highly competitive markets in which we operate, and we may suffer reduced profits as a result. The industries in which we operate are highly competitive, have experienced ongoing consolidation among major music entertainment companies and are driven by consumer preferences that are rapidly changing. Additionally, they require substantial human and capital resources. We compete with other recorded music companies and music publishing companies to identify and sign new recording artists and songwriters with the potential to achieve long- term success and to enter into and renew agreements with established recording artists and songwriters. In addition, our competitors may from time to time increase the amounts they spend to discover, or to market and promote, recording artists and songwriters or reduce the prices of their music in an effort to expand market share. We may lose business if we are unable to sign successful recording artists or songwriters or to match the prices offered by our competitors. Our Recorded Music business competes not only with other recorded music companies, but also with recording artists who may choose to distribute their own works (which has become more practicable as music is distributed online rather than physically) and companies in other industries (such as Spotify) that may choose to sign direct deals with recording artists or recorded music companies. Our Music Publishing business competes not only with other music publishing companies, but also with songwriters who publish their own works and companies in other industries that may choose to sign direct deals with songwriters or music publishing companies. In addition to competition from traditional music industry players, we also face competition from new entrants, including investment funds that make acquisitions or investments in recorded music or music publishing catalogs and the income streams derived therefrom. The Recorded Music business also faces competition from other forms of entertainment and leisure activities, such as cable and satellite television, motion pictures and video games in physical and digital formats. Our prospects and financial results may be adversely affected if we fail to identify, sign and retain recording artists and songwriters and by the existence or absence of superstar releases. We are dependent on identifying, signing and retaining recording artists with long- term potential, whose debut music is well received on release, whose subsequent music is anticipated by consumers and whose music will continue to generate sales as part of our catalog for years to come. The competition among record companies for such talent is intense. Competition among record companies to sell and otherwise market and promote music is also intense. We are also dependent on signing and retaining songwriters who will write the hit songs of today and the classics of tomorrow. **The competition to sign songwriters and acquire copyrights to music and then collect fees for the use of the music in various forms of media is also intense.** Our competitive position is dependent on our continuing ability to attract and develop recording artists and songwriters whose work can achieve a high degree of public acceptance and who can timely deliver their music to us. Our financial results may be adversely affected if we are unable to identify, sign and retain such recording artists and songwriters under terms that are economically attractive to us, including with respect to ~~recording~~ **delivery** commitments, advance and royalty obligations and rights retention. Our financial results may also be affected by the existence or absence of superstar recording artist releases during a particular period. Some music entertainment industry observers believe that the number of superstar recording acts with long- term appeal, both in terms of catalog sales and future releases, has declined in recent years. Additionally, our financial results are generally affected by the appeal of our recorded music and music publishing catalogs to consumers. If streaming adoption or revenue grows less rapidly or levels off, our prospects and our results of operations may be adversely affected. Streaming revenue is important because it has offset declines in downloads and physical sales and represents a growing area of our business. According to IFPI, streaming revenue, which includes revenue from ad- supported and subscription services, accounted for approximately ~~94~~ **95** % of digital revenue in ~~2021~~ **2022** , up approximately 2 % year- over- year. There can be no assurance that this growth pattern will persist or that digital revenue will continue to grow at a rate sufficient to offset and exceed declines in downloads and physical sales. If growth in streaming revenue levels off or fails to grow as quickly as it has over the past several years, our business may experience reduced levels of revenue and operating income. We are substantially dependent on a limited number of digital music services for the online distribution and marketing of our music, and they are able to significantly influence the pricing structure for online music stores and may not correctly calculate royalties under license agreements. We derive an increasing portion of our revenue from the licensing of music through digital distribution channels. We are currently dependent on a small number of leading digital music services. In fiscal year ~~2022~~ **2023** , revenue earned under our license agreements with our top three digital music accounts, Spotify, **Google /** YouTube and Apple, accounted for approximately ~~40~~ **41** % of our total revenue. We have limited ability to increase our wholesale prices to digital music services as a small number of digital music services control much of the legitimate digital music business. If these services were to adopt a lower pricing model or if there were structural changes to other pricing models, we could receive substantially less for our music, which could cause a material reduction in our revenue, unless offset by a corresponding increase in the number of subscribers or transactions. We currently enter into short- term license agreements with many digital music services and provide our music on an at- will basis to others. There can be no assurance that we will be able to renew or enter into new license agreements with any digital music service. The terms of these license agreements, including the royalties that we receive pursuant to them, may change as a result of changes in our bargaining power, changes in the industry, changes in the law or for other reasons. Decreases in royalty rates, rates of revenue sharing or changes to other terms of these license agreements may materially impact our business, operating results and financial condition. Digital music services generally accept and make available all of the music that we deliver to them. However, if digital music services in the future decide to limit the types or amount of music they will accept from music entertainment companies like us, our revenue could be significantly reduced. See " Business — Recorded Music — Sales and Digital Distribution. " We are also substantially dependent on a limited number of digital music services for the marketing of our music. A significant proportion of the music streamed on digital music services is from playlists curated by those services or generated from those services' algorithms. If these services were to fail to include our music on playlists, change the position of our music on playlists or give us less marketing space, it could adversely affect our business, results of operations and financial condition. Under our license agreements and relevant statutes, we receive royalties from digital music services in exchange for the rights to stream or otherwise offer our music. The determination of the amount and timing of such payments is complex and subject to a number of variables, including the revenue generated, the type of music offered and the country in which it is sold, identification of the appropriate licensor, and the service tier on which music is made available. As a result, we may not be paid appropriately for our music. Failure to be accurately paid our royalties may adversely affect our business, results of operations and financial condition. Our business operations in some foreign countries subject us to trends, developments or other events which may affect us adversely. We are a global company with strong local presences, which have become increasingly important as the popularity of music originating from a country' s own language and culture has increased in recent years. Our mix of national and international recording artists and songwriters is designed to provide a significant degree of diversification. However, our music does not necessarily enjoy universal appeal and if it does not continue to appeal in various countries, our results of operations could be adversely impacted. As a result, our results can be affected not only by general industry trends, but also by trends, developments or other events in individual countries, including: • limited legal protection and enforcement of intellectual property rights; • restrictions on the repatriation of capital; • fluctuations in interest and foreign exchange rates; • differences and unexpected changes in regulatory environment, including environmental, health and safety, local planning, zoning and labor laws, rules and regulations; • varying tax regimes which could adversely affect our results of operations or cash flows, including regulations relating to transfer pricing and withholding taxes on remittances and other payments by subsidiaries and joint ventures; • **imposition of a global minimum tax rate, including by the Organization of Economic Co- operation and Development (" OECD "); •** exposure to different legal standards and enforcement mechanisms and the associated cost of compliance; • difficulties in attracting and retaining qualified management and employees or rationalizing our workforce; •

tariffs, duties, export controls and other trade barriers; • global economic and retail environment; • longer accounts receivable settlement cycles and difficulties in collecting accounts receivable; • recessionary trends, inflation and instability of the financial markets; • higher interest rates; and • **armed conflicts or** political instability. We may not be able to insure or hedge against these risks, and we may not be able to ensure compliance with all of the applicable regulations without incurring additional costs, or at all. For example, our results of operations could be impacted by fluctuations of the U. S. dollar against most currencies. See " — Unfavorable currency exchange rate fluctuations could adversely affect our results of operations. " Furthermore, financing may not be available in countries with less than investment- grade sovereign credit ratings. As a result, it may be difficult to create or maintain profitable operations in various countries. In addition, our results can be affected by trends, developments and other events in individual countries. There can be no assurance that in the future country- specific trends, developments or other events will not have a significant adverse effect on our business, results of operations or financial condition. Unfavorable conditions can depress revenues in any given market and prompt promotional or other actions that adversely affect our margins. On February 24, 2022, the geopolitical situation in Eastern Europe intensified with Russia' s invasion of Ukraine, and the sanctions and other measures imposed in response to this conflict have increased global economic and political uncertainty. We own Recorded Music and Music Publishing businesses within Russia and, on March 10, 2022, the Company announced a suspension of these operations. **In addition, on October 7, 2023, Hamas led attacks against Israel. In response to the attacks, Israel formally declared war on Hamas and the armed conflict in Israel and Gaza is ongoing.** While our operations in Russia **and Israel** do not constitute a material portion of our business, a **prolonged continuation,** significant escalation or expansion of ~~the~~ **these** ~~conflict~~ **conflicts '** ~~' s~~ current scope, increased or sustained economic disruption, sanctions or countersanctions, further devaluation of ~~the~~ local ~~currency~~ **currencies** or increased cyber- related disruptions **affecting these countries or adjacent territories** could make it difficult to deliver our content, increase costs, and have an adverse effect on our results of operations **in these areas** . As we continue to expand our international operations, we become increasingly exposed to the effects of fluctuations in currency exchange rates. The reporting currency for our financial statements is the U. S. dollar. We have substantial assets, liabilities, revenues and costs denominated in currencies other than U. S. dollars. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenues and expenses into U. S. dollars at then- applicable exchange rates. Consequently, increases and decreases in the value of the U. S. dollar versus other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. Prior to intersegment eliminations, 54 % of our revenues related to operations in foreign territories for the fiscal year ended September 30, ~~2022~~ **2023** . From time to time, we enter into foreign exchange contracts to hedge the risk of unfavorable foreign currency exchange rate movements. During the current fiscal year, we have hedged a portion of our material foreign currency exposures related to royalty payments remitted between our foreign affiliates and our U. S. affiliates. However, these hedging strategies should not be expected to fully eliminate the foreign exchange rate risk to which we are exposed. Our business may be adversely affected by competitive market conditions, and we may not be able to execute our business strategy. We expect to increase revenues and cash flow through a business strategy which requires us, among other things, to continue to maximize the value of our music, to significantly reduce costs to maximize flexibility and adjust to new realities of the market, to continue to act to contain digital piracy and to diversify our revenue streams into growing segments of the music entertainment business by ~~continuing to capitalize~~ **capitalizing** on digital distribution and emerging technologies, entering into expanded- rights deals with recording artists and ~~by~~ operating our artist services businesses. Each of these initiatives requires sustained management focus, organization and coordination over significant periods of time. Each of these initiatives also requires success in building relationships with third parties and in anticipating and keeping up with technological developments and consumer preferences and may involve the implementation of new business models or distribution platforms. The results of our strategy and the success of our implementation of this strategy will not be known for some time in the future. If we are unable to implement our strategy successfully or properly react to changes in market conditions, our financial condition, results of operations and cash flows could be adversely affected. Our business is to a large extent dependent on technological developments, including access to and selection and viability of new technologies, and is subject to potential pressure from competitors as a result of their technological developments. For example, our business may be further adversely affected by technological developments that facilitate the piracy of music, ~~such as Internet peer- to- peer file sharing,~~ by an inability to enforce our intellectual property rights in digital environments and by a failure to further develop successful business models applicable to a digital environment ~~. Our results of operations, cash flows and financial condition are expected to continue to be adversely impacted by the coronavirus pandemic. On March 11, 2020, the COVID- 19 outbreak (also referred to as " COVID ") was declared a global pandemic by the World Health Organization. The pandemic has had and will have an adverse effect on our results of operations, cash flows and financial condition. The virus outbreak resulted in disruptions in manufacturing and physical supply chains, and resulted in mandated closure of physical retailers, requirements that people stay in their homes and delays in the release of new recordings from artists with a more physical consumer base. It temporarily ended and has continued to limit live concert tours, adversely impacting our concert promotion business and our sale of tour merchandise. It made it more difficult for artists to engage in marketing efforts around the release of their new recordings which, in some cases, led to our decision to delay the release of those recordings. It delayed the release of new recordings by impeding the types of collaboration among artists, songwriters, producers, musicians, engineers and studios which are necessary for the delivery of those recordings. We also experienced a decline in licensing revenue and, to a lesser extent, ad- supported digital revenue in our Recorded Music business and synchronization, performance and ad- supported digital revenue in our Music Publishing business. To the extent the COVID- 19 pandemic continues to adversely affect our business, results of operations, cash flows or financial condition, it may also have the effect of heightening other risks described in this section. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the virus and around the imposition or relaxation of protective measures, we~~

~~cannot at this time reasonably estimate the impact to our future results of operations, cash flows and financial condition~~ . Our ability to operate effectively could be impaired if we fail to attract and retain our executive officers. We compete with other music entertainment companies and other companies for top talent, including executive officers. Our success depends, in part, upon the continuing contributions of our executive officers, however, there is no guarantee that they will not leave. **We** ~~In fiscal year 2022, we did not~~ have ~~an~~ **at- will** employment ~~agreement~~ **contracts** with **a number of** our ~~CEO. However, we have an employment agreement with our new CEO and other executive~~ **executives , including our Chief Executive** ~~officers -~~ **Officer** and ~~they~~ **Chief Financial Officer** and ~~other members of management~~ **, therefore, these employees** are ~~participants in our equity plans~~ **free to leave at any time subject to certain notice provisions** . The loss of the services of any of our executive officers or key members of management or the failure to attract and retain other executive officers could have a material adverse effect on our business or our business prospects. A significant portion of our revenue is subject to rate regulation either by government entities or by local third- party collecting societies throughout the world and rates on other income streams may be set by governmental proceedings, which may limit our profitability. Mechanical royalties and performance royalties are two of the main sources of income to our Music Publishing business and mechanical royalties are a significant expense to our Recorded Music business. In the United States, mechanical royalty rates are set every five years pursuant to an administrative process under the U. S. Copyright Act, unless rates are determined through industry negotiations, and performance royalty rates are determined by negotiations with performing rights societies, the largest of which, ASCAP and BMI, are subject to a consent decree rate- setting process if negotiations are unsuccessful. Outside the United States, mechanical and performance royalty rates are typically negotiated on an industry- wide basis. In most territories outside the United States, mechanical royalties are based on a percentage of wholesale prices for physical product and based on a percentage of consumer prices for digital formats. The mechanical and performance royalty rates set pursuant to such processes may adversely affect us by limiting our ability to increase the profitability of our Music Publishing business. If the mechanical and performance royalty rates are set too high it may also adversely affect us by limiting our ability to increase the profitability of our Recorded Music business. In addition, rates our Recorded Music business receives in the United States for webcasting and satellite radio are set every five years by an administrative process under the U. S. Copyright Act unless rates are determined through industry negotiations. It is important as revenue continues to shift from physical to diversified distribution channels that we receive fair value for all of the uses of our intellectual property as our business model now depends upon multiple revenue streams from multiple sources. The rates set for recorded music and music publishing income sources through collecting societies or legally prescribed rate- setting processes could have a material adverse impact on our business prospects. An impairment in the carrying value of goodwill or other intangible and long- lived assets could negatively affect our operating results and equity. As of September 30, ~~2022~~ **2023** , we had $ 1. ~~920~~ **993** billion of goodwill and $ ~~145~~ **149** million of indefinite- lived intangible assets. Financial Accounting Standards Board (" FASB ") Accounting Standards Codification (" ASC ") Topic 350, Intangibles — Goodwill and Other (" ASC 350 ") requires that we test these assets for impairment annually (or more frequently should indications of impairment arise) by first assessing qualitative factors and then by quantitatively estimating the fair value of each of our reporting units (calculated using a discounted cash flow method) and comparing that value to the reporting units' carrying value, if necessary. If the carrying value exceeds the fair value, there is a potential impairment and additional testing must be performed. In performing our annual tests and determining whether indications of impairment exist, we consider numerous factors including actual and projected operating results of each reporting unit, external market factors such as market prices for similar assets and trends in the music entertainment industry. We performed an annual assessment, at July 1, ~~2022~~ **2023** , of the recoverability of our goodwill and indefinite- lived intangibles as of September 30, ~~2022~~ **2023** , noting no instances of impairment. However, future events may occur that could adversely affect the estimated fair value of our reporting units. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions and the impact of the economic environment on our operating results. Failure to achieve sufficient levels of cash flow at our reporting units could also result in impairment charges on goodwill and indefinite- lived intangible assets. If the value of the acquired goodwill or acquired indefinite- lived intangible assets is impaired, our operating results and shareholders' equity could be adversely affected. We also had $ 2. ~~239~~ **353** billion of definite- lived intangible assets as of September 30, ~~2022~~ **2023** . **Financial Accounting Standards Board ("** FASB **")** ASC Topic 360- 10- 35 (" ASC 360- 10- 35 ") requires companies to review these assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. No such events or circumstances were identified during the fiscal year ended September 30, ~~2022~~ **2023** . If similar events occur as enumerated above such that we believe indicators of impairment are present, we would test for recoverability by comparing the carrying value of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, we would perform the next step, which is to determine the fair value of the asset, which could result in an impairment charge. Any impairment charge recorded could negatively affect our operating results and shareholders' equity. If we acquire, combine with or invest in other businesses, we will face risks inherent in such transactions. We have in the past considered and will continue, from time to time, to consider, opportunistic strategic or transformative transactions, which could involve acquisitions, combinations or dispositions of businesses or assets, or strategic alliances or joint ventures with companies engaged in music entertainment, entertainment or other businesses. Any such combination could be material, be difficult to implement, disrupt our business or change our business profile, focus or strategy significantly. Any future transaction could involve numerous risks, including: • potential disruption of our ongoing business and distraction of management; • potential loss of recording artists or songwriters from our rosters; • difficulty integrating the acquired businesses or segregating assets to be disposed of; • exposure to unknown and / or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and / or against any businesses we may acquire; • reputational or other damages to our business as a result of a failure to consummate such a transaction for, among other reasons, failure to gain antitrust approval; and • changing our business profile in ways that could have unintended consequences. If we enter into significant transactions in the future, related accounting charges may affect our business, results of operations and financial condition, particularly in the case of any acquisitions. In addition, the financing of any significant acquisition may result in changes in our capital structure, including the incurrence of additional indebtedness, which may be substantial. Conversely, any material disposition could reduce our indebtedness or require the amendment or refinancing of our outstanding indebtedness or a portion thereof. We may not be successful in addressing these risks or any other problems encountered in connection with any strategic or transformative transactions. We cannot assure you that if we make any future acquisitions, investments, strategic alliances or joint ventures or enter into any business combination that they will be completed in a timely manner, or at all, that they will be structured or financed in a way that will enhance our creditworthiness or that they will meet our strategic objectives or otherwise be successful. We also may not be successful in implementing appropriate operational, financial and management systems and controls to achieve the benefits expected to result from these transactions. Failure to effectively manage any of these transactions could result in material increases in costs or reductions in expected revenues, or both. In addition, if any new business in which we invest or which we attempt to develop does not progress as planned, we may not recover the funds and resources we have expended and this could have a negative impact on our businesses or our company as a whole. We have outsourced certain finance and accounting functions and may outsource other back- office functions, which will make us more dependent upon third parties. In an effort to be more efficient and generate cost savings, we have outsourced certain finance and accounting functions. As a result, we rely on third parties to ensure that our needs are sufficiently met. This reliance subjects us to risks arising from the loss of control over processes, changes in pricing that may affect our operating results, and potentially, termination of these services by our suppliers. A failure of our service providers to perform services in a satisfactory manner may have a significant adverse effect on our business. We may outsource other back- office functions in the future, which would increase our reliance on third parties. We have engaged in substantial restructuring activities in the past, and may need to implement further restructurings in the future and our restructuring efforts may not be successful or generate expected cost savings. Our business is significantly impacted by ongoing changes in the music entertainment industry. In response, we actively seek to adapt our cost structure to the changing economics of the industry. For example, we have shifted and continue to shift resources from our physical sales channels to efforts focused on digital channels, emerging technologies and other new revenue streams, and we continue our efforts to reduce overhead and manage our variable and fixed- cost structure. In fiscal year 2018, we completed the creation of our new center of excellence for U. S. financial shared services in Nashville, Tennessee, which combined our U. S. transactional financial functions in one location. To establish the new center, we moved some of our U. S. departments to Nashville. **We are continuing our** ~~In August 2019, we announced that we were beginning a~~ financial transformation initiative **, launched in August 2019,** to upgrade our information technology and finance infrastructure, including related systems and processes. ~~There~~ -- **The timing of global deployment** has been ~~a delay~~ **delayed** ~~in the timing of the transformation initiative~~ as ~~a result of the disruption from COVID- 19. In addition,~~ the size and scale of this global system implementation requires ~~us to invest more time performing the~~ rigorous system testing and data validation to ensure go- live readiness **. To address these implementation requirements, we are deploying our new technology platform in a wave-based approach. In 2023, we successfully launched certain components of our new technology platform in select territories in two successful waves in April and August and will continue to deploy the platform to remaining territories through fiscal year 2024 and into fiscal year 2025** . We expect to incur material costs in connection with this project, and there can be no assurance that we will be successful in upgrading our systems and processes effectively or on the timetable and at the costs contemplated, or that we will achieve the expected long- term cost savings. **In March 2023, we announced a restructuring plan, primarily consisting of headcount reductions, for which we incurred restructuring charges of approximately $ 40 million.** We cannot be certain that we will not be required to implement further restructuring activities, make additions or other changes to our management or workforce based on other cost reduction measures or changes in the markets and industry in which we compete. Our inability to structure our operations based on evolving market conditions could impact our business. Restructuring activities can create unanticipated consequences and negative impacts on the business, and we cannot be sure that any ongoing or future restructuring efforts will be successful or generate expected cost savings ~~. The enactment of legislation limiting the terms by which an individual can be bound under a " personal services " contract could impair our ability to retain the services of key artists. California Labor Code Section 2855 (" Section 2855 ") limits the duration of time any individual can be bound under a contract for " personal services " to a maximum of seven years. In 1987, Subsection (b) was added, which provides a limited exception to Section 2855 for recording contracts, creating a damages remedy for record companies. Such legislation could result in certain of our existing contracts with artists being declared unenforceable, or may restrict the terms under which we enter into contracts with artists in the future, either of which could adversely affect our business, results of operations and financial condition. In March 2021, a California Assembly Member introduced a bill (AB 1385) that sought to repeal Subsection (b). The bill was withdrawn in April 2021, but a similar bill was reintroduced in February 2022 and was ultimately rejected by the California State Senate in June 2022. The repeal of Subsection (b) and / or the passage of legislation similar to Section 2855 by other states could materially adversely affect our business, results of operations and financial position~~ . We face a potential loss of catalog to the extent that our recording artists or songwriters have a right to recapture rights in their recordings or musical compositions under the U. S. Copyright Act. The U. S. Copyright Act provides authors (or their heirs) a right to terminate U. S. licenses or assignments of rights in their copyrighted works in certain circumstances. This right does not apply to works that are " works made for hire. " Since the enactment of the Sound Recordings Act of 1971, which first accorded federal copyright protection for sound recordings in the U. S., virtually all of our agreements with recording artists provide that such recording artists render services under a work- made- for- hire relationship. A termination right exists under the U. S. Copyright Act for U. S. rights in musical compositions that are not " works made for hire. " If any of our commercially available sound recordings were determined not to be " works made for hire, " then the recording artists (or their heirs) could have the right to terminate the U. S. federal copyright rights they granted to us, generally during a five- year period starting at the end of 35 years from the date of release of a recording under a post- 1977 license or assignment (or, in the case of a pre- 1978 grant in a pre- 1978 recording, generally during a five- year period starting at the end of 56 years from the date of copyright). A termination of U. S. federal copyright rights could have an adverse effect on our Recorded Music business. From time to time, authors (or their heirs) have the opportunity to terminate our U. S. rights in musical compositions. We believe the effect of any potential terminations is already reflected in the financial results of our business. Governments could enact new legislation or could make regulatory determinations that affect the terms of our contracts with recording artists and songwriters. Some **performer** ~~recording artist and songwriter~~ groups, particularly in Europe, are urging governments to intervene in the music streaming business in ways that could affect the terms agreed in our contracts with **artists and songwriters. Governments, including states in** ~~them~~ **the United States, have enacted or considered enacting legislation limiting the duration that an individual can be bound under a " personal services " contract, which could impair our ability to retain the services of key artists and songwriters** . Government intervention in the music streaming business **or enactment of legislation affecting the terms of our contracts with our artists and songwriters** could have an adverse effect on our business, financial condition and results of operations. Fulfilling our obligations incident to being a public company is expensive and time- consuming, and any delays or difficulties in satisfying these obligations could have a material adverse effect on our future results of operations and our stock price. We are subject to the reporting, accounting and corporate governance requirements applicable to issuers of listed equity, including the listing standards of NASDAQ and the Sarbanes- Oxley Act. The expenses associated with being a public company include increases in auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees and listing fees, as well as other expenses. Failure to comply with any of the public company requirements applicable to us could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities. Risks Related to Intellectual Property and Data Security Failure to obtain, maintain, protect and enforce our intellectual property rights could substantially harm our business, operating results and financial condition. The success of our business depends on our ability to obtain, maintain, protect and enforce our trademarks, copyrights and other intellectual property rights. The measures that we take to obtain, maintain, protect and enforce our intellectual property rights, including, if necessary, litigation or proceedings before governmental authorities and administrative bodies, may be ineffective, expensive and time- consuming and, despite such measures, third parties may be able to obtain and use our intellectual property rights without our permission. Additionally, changes in law may be implemented, or changes in interpretation of such laws may occur, that may affect our ability to obtain, maintain, protect or enforce our intellectual property rights. Failure to obtain, maintain, protect or enforce our intellectual property rights could harm our brand or brand recognition and adversely affect our business, results of operations and financial condition. We also in- license certain major trademarks from third parties, including the WARNER, WARNER MUSIC and WARNER RECORDS trademarks and the " W " logo, pursuant to a perpetual, royalty- free license agreement that may be terminated by the licensor under certain circumstances, including our material breach of the license agreement and certain events of insolvency. Upon any such termination, we may be required to either negotiate a new or reinstated agreement with less favorable terms or otherwise lose our rights to use the licensed trademarks, which may require us to change our corporate name and undergo other significant rebranding efforts. Any such rebranding efforts may be disruptive to our business operations, require us to incur significant expenses and have an adverse effect on our business, financial condition and results of operation. Our involvement in intellectual property litigation could adversely affect our business. Our business is highly dependent upon intellectual property, an area that has encountered increased litigation in recent years. If we are alleged to infringe, misappropriate or otherwise violate the intellectual property rights of a third party, any litigation to defend the claim could be costly and would divert the time and resources of management, regardless of the merits of the claim and whether the claim is settled out of court or determined in our favor. There can be no assurance that we would prevail in any such litigation. If we were to lose a litigation relating to intellectual property, we could be forced to pay monetary damages and to cease using certain intellectual property or technologies. Any of the foregoing may adversely affect our business. Digital piracy continues to adversely impact our business. A substantial portion of our revenue comes from the distribution of music which is potentially subject to unauthorized consumer copying and widespread digital dissemination without an economic return to us, including as a result of " stream- ripping. " In its Engaging with Music ~~2021~~ **2022** report, IFPI surveyed ~~43~~ **44** , 000 people to examine the ways in which music consumers engaged with recorded music across ~~21~~ **22** countries. Of those surveyed, 30 % had used illegal or unlicensed methods to listen to or download music, and ~~14~~ **17** % had used unlicensed social media platforms **and mobile apps** for music purposes, the leading form of music piracy. Organized industrial piracy may also lead to decreased revenues. The impact of digital piracy on legitimate music revenues and subscriptions is hard to quantify, but we believe that illegal file sharing and other forms of unauthorized activity, including stream manipulation, have a substantial negative impact on music revenues **. Also, despite the potential benefit of AI, the potential for AI- generated music has also introduced new challenges for protecting our intellectual property and other rights of our artists and songwriters. These challenges include new forms of intellectual property infringement through the unauthorized reproduction of copyrighted works and the name, images, likeness and voices of our artists and songwriters to " train " AI applications and to create unauthorized derivative works** . If we fail to obtain appropriate relief through the judicial process or the complete enforcement of judicial decisions issued in our favor (or if judicial decisions are not in our favor), if we are unsuccessful in our efforts to lobby governments to enact and enforce stronger legal penalties for copyright infringement or if we fail to develop effective means of protecting and enforcing our intellectual property (whether copyrights or other intellectual property rights such as patents, trademarks and trade secrets) or our music entertainment- related products or services, our results of operations, financial position and prospects may suffer. If we or our service providers do not maintain the security of information relating to our customers, employees and vendors and our music, security information breaches through cyber security attacks or otherwise could damage our reputation with customers, employees, vendors and artists, and we could incur substantial additional costs, become subject to litigation and our results of operations and financial condition could be adversely affected. Moreover, even if we or our service providers maintain such security, such breaches remain a possibility due to the fact that no data security system is immune from attacks or other incidents. We receive certain personal information about our customers and potential customers, and we also receive personal information concerning our employees, artists and vendors. In addition, our online operations depend upon the secure transmission of confidential information over public networks. We maintain security measures with respect to such information, but despite these measures, our service providers have experienced security breaches in the past and remain vulnerable to security breaches by computer hackers and others that attempt to penetrate the security measures that we have in place. A compromise of our security systems or our service providers' security systems (through cyber- attacks, which are rapidly evolving and sophisticated, or otherwise) that results in personal information being obtained by unauthorized persons or other bad acts could adversely affect our reputation with our customers, potential customers, employees, artists and vendors, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of governmental penalties. Unauthorized persons have also attempted to redirect payments to or from us. If any such attempt were successful, we could lose and fail to recover the redirected funds, which loss could be material. We may also be subject to cyber- attacks that target our music, including not- yet- released music. The theft and premature release of this music may adversely affect our reputation with current and potential artists and adversely impact our results of operations and financial condition. In addition, a security breach could require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations. We increasingly rely on third- party data storage providers, including cloud storage solution providers, resulting in less direct control over our data. Such third parties may also be vulnerable to security breaches and compromised security systems, which could adversely affect our business. Evolving laws and regulations concerning data privacy may result in increased regulation and different industry standards, which could result in monetary penalties, increase the costs of operations or limit our activities. We engage in a wide array of online activities globally and are thus subject to a broad range of related laws and regulations including, for example, those relating to privacy, consumer protection, data retention and data protection, online behavioral advertising, geo- location tracking, text messaging, e- mail advertising, mobile advertising, content regulation, defamation, age verification, the protection of children online, social media and other Internet, mobile and online- related prohibitions and restrictions. The regulatory framework for privacy and data security issues worldwide has become increasingly burdensome and complex, and is likely to continue to be so for the foreseeable future. Practices regarding the collection, use, storage, transmission, security and disclosure of personal information by companies operating over the Internet and mobile platforms are receiving ever- increasing public and governmental scrutiny. The U. S. government, including Congress, the Federal Trade Commission and the Department of Commerce, has announced that it is reviewing the need for even greater regulation for the collection of information concerning consumer behavior on the Internet and mobile platforms, including regulation aimed at restricting certain targeted advertising practices, the use of location data and disclosures of privacy practices in the online and mobile environments, including with respect to online and mobile applications. State governments are engaged in similar legislative and regulatory activities (including the California Consumer Privacy Act (" CCPA ") effective on January 1, 2020, the California Privacy Rights and Enforcement Act, effective January 1, 2023 (" CPRA ") and other analogous statutes more recently in other states). The effects of CCPA and these other recently adopted laws includes an increased ability of individuals to control the use of their personal data; heightened transparency obligations, increased obligations of companies to maintain the security of data; and increased exposure to fines or damages for companies that do not accord individuals their specified privacy rights, that experience data breaches or that do not maintain cybersecurity at certain levels of quality. In addition, privacy and data security laws and regulations around the world are being implemented rapidly and evolving. These new and evolving laws (including the European Union General Data Protection Regulation effective on May 25, 2018) have resulted in greater compliance burdens for companies with global operations. Globally, many government and consumer agencies have also called for new regulation and changes in industry practices with respect to information collected from consumers, electronic marketing and the use of third- party cookies, web beacons and similar technology for online behavioral advertising. Our business, including our ability to operate and expand internationally, could be adversely affected if laws or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices. Therefore, our business could be harmed by any significant change to applicable laws, regulations or industry practices regarding the collection, use or disclosure of customer data, or regarding the manner in which the express or implied consent of consumers for such collection, use and disclosure is obtained. Such changes may require us to modify our operations, possibly in a material manner, and may limit our ability to develop new products, services, mechanisms, platforms and features that make use of data regarding our customers and potential customers. Any actual or alleged violations of laws and regulations relating to privacy and data security, and any relevant claims, may expose us to potential liability, fines and may require us to expend significant resources in responding to and defending such allegations and claims, regardless of merit. Claims or allegations that we have violated laws and regulations relating to privacy and data security could also result in negative publicity and a loss of confidence in us. Risks Related to Our Leverage Our substantial leverage on a consolidated basis could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under our indebtedness. We are highly leveraged. As of September 30, ~~2022~~ **2023** , our total consolidated indebtedness, net of premiums, discounts and deferred financing costs, was $ 3. ~~732~~ **964** billion. Further, we would have been able to borrow up to $ ~~296~~ **298** million under our Revolving Credit Facility (as defined later in this Annual Report) as of September 30, ~~2022~~ **2023** (after giving effect to approximately $ ~~4~~ **2** million of letters of credit outstanding under our Revolving Credit Facility as of September 30, ~~2022~~ **2023**). On November 1, 2022, Acquisition Corp. borrowed $ 150 million under a new tranche of its term loan facility, the proceeds of which will be used to pay the deferred purchase price of certain music and music- related assets, to pay fees and expenses relating thereto and for general corporate purposes. Our high degree of leverage could have important consequences for our investors. For example, it may make it more difficult for us to make payments on our indebtedness; increase our vulnerability to general economic and industry conditions, including recessions and periods of significant inflation and financial market volatility; expose us to the risk of increased interest rates because any borrowings we make under the Revolving Credit Facility will bear interest at variable rates; require us to use a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing our ability to fund working capital, capital expenditures and other expenses; limit our ability to refinance existing indebtedness on favorable terms or at all or borrow additional funds in the future for, among other things, working capital, acquisitions or debt service requirements; limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate; place us at a competitive disadvantage compared to competitors that have less indebtedness; and limit our ability to borrow additional funds that may be needed to operate and expand our business. We and our subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in the indentures governing our outstanding notes as well as under the Senior Credit Facilities. If new indebtedness is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify. The indentures that govern our outstanding notes and the credit agreements that govern the Senior Credit Facilities (as defined later in this Annual Report) contain restrictive covenants that limit our ability to engage in activities that may be in our long- term best interests. Those covenants include restrictions on our ability to, among other things, create liens and merge or consolidate. In addition, our Revolving Credit Facility includes additional covenants which restrict our ability to, among other things, incur more indebtedness, pay dividends, redeem stock or make other distributions, make investments, transfer or sell assets and enter into certain transactions with our affiliates. These additional covenants are currently suspended. These covenants will be reinstated if Acquisition Corp.' s Total Indebtedness to EBITDA Ratio increases above 3. 50: 1. 00 and the term loans do not achieve an investment grade rating. Should these covenants be reinstated, they would limit our ability to engage in activities that may be in our long- term best interests. Our failure to comply with the restrictive covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of all of our indebtedness. Any such event of default or acceleration could have an adverse effect on the trading price of our common stock. As a holding company, the Company depends on the ability of its subsidiaries to transfer funds to it to meet its obligations. The Company is a holding company for all of our operations and is a legal entity separate from its subsidiaries. Dividends and other distributions from the Company' s subsidiaries are the principal sources of funds available to the Company to pay corporate operating expenses, to pay stockholder dividends, to repurchase stock and to meet its other obligations. The inability to receive dividends from our subsidiaries could have a material adverse effect on our business, financial condition, liquidity or results of operations. The subsidiaries of the Company have no obligation to pay amounts due on any liabilities of the Company or to make funds available to the Company for such payments. The ability of our subsidiaries to pay dividends or other distributions to the Company in the future will depend, among other things, on their earnings, tax considerations and covenants contained in any financing or other agreements. For instance, our Revolving Credit Facility includes covenants restricting the ability of Acquisition Corp. to pay dividends and make distributions. Although these covenants are currently suspended, they will be reinstated if Acquisition Corp.' s Total Indebtedness to EBITDA Ratio increases above 3. 50: 1. 00 and the term loans do not achieve an investment grade rating. In addition, such payments may be limited as a result of claims against our subsidiaries by their creditors, including suppliers, vendors, lessors and employees. If the ability of our subsidiaries to pay dividends or make other distributions or payments to the Company is materially restricted by cash needs, bankruptcy or insolvency, or is limited due to operating results or other factors, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets. However, there is no assurance that we would be able to raise sufficient cash by these means. This could materially and adversely affect our ability to pay our obligations or pay dividends, which could have an adverse effect on the trading price of our common stock. Acquisition Corp. may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under its indebtedness, which may not be successful. Acquisition Corp.' s ability to make scheduled payments on or to refinance its debt obligations depends on its financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. Acquisition Corp. may not maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Acquisition Corp. will rely on its subsidiaries to make payments on its borrowings. If these subsidiaries do not dividend funds to Acquisition Corp. in an amount sufficient to make such payments, if necessary in the future, Acquisition Corp. may default under the indentures or credit agreements governing its borrowings, which would result in all such borrowings becoming due and payable. Our debt agreements contain restrictions that limit our flexibility in operating our business. The indentures governing our outstanding notes and the credit agreements governing the Senior Credit Facilities contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability and the ability of our restricted subsidiaries to, among other things: create liens on certain debt and consolidate, merge, sell or otherwise dispose of all or substantially all of our assets. In addition, our Revolving Credit Facility includes additional covenants that would limit our ability and the ability of our restricted subsidiaries to: • pay dividends on, and redeem and purchase, equity interests; • make other restricted payments; make prepayments on, redeem or repurchase certain debt; • incur certain additional debt; enter into guarantees and hedging arrangements; • enter into acquisitions and asset sales; • enter into transactions with affiliates; • pay dividends or make distributions; • amend the terms of subordinated debt and unsecured bonds; and • make certain capital expenditures. Our ability to borrow additional amounts under the Revolving Credit Facility depends upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants. In addition, under the credit agreement governing the Revolving Credit Facility, a financial maintenance covenant is applicable if at the end of a fiscal quarter the outstanding amount of loans and letters of credit is in excess of $ 105 million. Our failure to comply with obligations under the instruments governing our indebtedness may result in an event of default under such instruments. We cannot be certain that we will have funds available to remedy these defaults. A default, if not cured or waived, may permit acceleration of our indebtedness. If our indebtedness is accelerated, we cannot be certain that we will have sufficient funds available to pay the accelerated indebtedness or will have the ability to refinance the accelerated indebtedness on terms favorable to us or at all. All of these restrictions could affect our ability to operate our business or may limit our ability to take advantage of potential business opportunities as they arise, and may have an adverse effect on the trading price of our common stock. We may, from time to time, refinance our existing indebtedness, which could result in the agreements governing any new indebtedness having fewer or less restrictive covenants. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments in recording artists and songwriters, capital expenditures or dividends, or to sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. In addition, funds used to pay dividends to our shareholders will not be available to service our indebtedness. Despite our indebtedness levels, we may be able to incur substantially more indebtedness, which may increase the risks created by our substantial indebtedness. We may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The indentures governing our outstanding notes and the credit agreements governing the Senior Credit Facilities will not prohibit us, Holdings or our subsidiaries from incurring additional indebtedness under certain circumstances. We, Holdings or our subsidiaries may be able to incur substantial additional indebtedness, which may increase the risks created by our current substantial indebtedness. Our ability to incur secured indebtedness is subject to compliance with certain secured leverage ratios that are calculated as of the date of incurrence. The amount of secured indebtedness that we are able to incur and the timing of any such incurrence under these ratios vary from time to time and are a function of several variables, including our outstanding indebtedness and our results of operations calculated as of specified dates or for certain periods. To the extent that the terms of our current debt agreements would prevent us from incurring additional indebtedness, we may be able to obtain amendments to those agreements that would allow us to incur such additional indebtedness, and such additional indebtedness could be material. We will require a significant amount of cash to service our indebtedness. The ability to generate cash or refinance indebtedness as it becomes due depends on many factors, some of which are beyond our control. Our ability to make scheduled payments on, or to refinance our obligations under, our indebtedness and to fund planned capital expenditures and other corporate expenses will depend on our future operating performance and on economic, financial, competitive, legislative and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. Many of these factors are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to satisfy our obligations under our indebtedness or to fund our other needs. To satisfy our obligations under our indebtedness and to fund planned capital expenditures, we must continue to execute our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or refinance all or a portion of our indebtedness on or before maturity. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, we cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. While limited by the terms of our debt agreements, if we were to pay dividends to our shareholders, the funds used to make such dividend payments would not be available to service our indebtedness. A downgrade, suspension or withdrawal of the rating assigned by a rating agency to us could cause the liquidity or market value of our indebtedness to decline and our cost of capital to increase. Any future downgrade of our ratings may make it more difficult or more expensive for us to obtain additional debt financing. Therefore, although reductions in our debt ratings may not have an immediate impact on the cost of debt or our liquidity, they may impact the cost of debt and liquidity over the medium term and future access at a reasonable rate to the debt markets may be adversely impacted. Access continues to control us and may have conflicts of interest with other stockholders. Conflicts of interest may arise because affiliates of our controlling stockholder have continuing agreements and business relationships with us. Access holds approximately 98 % of the total combined voting power of our outstanding common stock and approximately 73 % of the economic interest of our outstanding common stock. As a result, and in addition to certain other rights granted to Access, Access will continue to be able to control the election of our directors, affect our legal and capital structure, change our management, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. Access also has sufficient voting power to amend our organizational documents. In addition, under the provisions of a stockholder agreement entered into with Access (the " Stockholder Agreement "), the relevant terms of which govern the powers afforded the Company under our organizational documents, Access has consent rights with respect to certain corporate and business activities that we may undertake, including during periods where Access holds less than a majority of the total combined voting power of our outstanding common stock. Specifically, the Stockholder Agreement provides that, until the date on which Access ceases to hold at least 10 % of our outstanding common stock, Access' s prior written consent will be required before we may take certain corporate and business actions, whether directly or indirectly through a subsidiary, including, among others, the following: • any merger, consolidation or similar transaction (or any amendment to or termination of an agreement to enter into such a transaction) with or into any other person whether in a single transaction or a series of transactions, subject to certain specified exceptions; • any acquisition or disposition of securities, assets or liabilities, subject to certain specified exceptions; • any change in our authorized capital stock or the creation of any new class or series of our capital stock; • any issuance or acquisition of capital stock (including stock buy- backs, redemptions or other reductions of capital), or securities convertible into or exchangeable or exercisable for capital stock or equity- linked securities, subject to certain specified exceptions; • any issuance or acquisition of debt securities to or from a third party, subject to certain specified exceptions; and • any amendment (or approval or recommendation of any amendment) to our certificate of incorporation or by- laws. As a result of these consent rights, Access will maintain significant control over our corporate and business activities until such rights cease. Additionally, until Access ceases to hold more than 50 % of the total combined voting power of our outstanding common stock, pursuant to Section 141 (a) of the General Corporation Law of the State of Delaware (" DGCL "), our Executive Committee, as the Company' s governing body, has all of the power and authority (including voting power) of our board of directors. The Executive Committee has the authority to approve any actions of the Company, except for matters that must be approved by the Audit Committee of our board of directors (or both the Executive Committee and the Audit Committee), or by a committee or sub- committee qualified to grant equity to persons subject to Section 16 of the Exchange Act for purposes of exempting transactions pursuant to Section 16b- 3 thereunder, or as required under Delaware law, SEC rules and NASDAQ rules. Access also has the power to direct us to engage in strategic transactions, with or involving other companies in our industry, including acquisitions, combinations or dispositions, and the acquisition of certain assets that may become available for purchase, and any such transaction could be material. Our amended and restated certificate of incorporation and our amended and restated by- laws also include a number of provisions that may discourage, delay or prevent a change in our management or control for so long as Access owns specified percentages of our common stock. See " — Risks Related to Our Common Stock — Anti- takeover provisions in our amended and restated certificate of incorporation and amended and restated by- laws and Delaware law could discourage, delay or prevent a change of control of our company and may affect the trading price of our Class A Common Stock. " These provisions not only could have a negative impact on the trading price of our Class A Common Stock, but could also allow Access to delay or prevent a corporate transaction of which the public stockholders approve. Additionally, Access is in the business of making investments in companies and is actively seeking to acquire interests in businesses that operate in our industry and other industries and may compete, directly or indirectly, with us. Access may also pursue acquisition opportunities that may be complementary to our business, which could have the effect of making such acquisition opportunities unavailable to us. Access could elect to cause us to enter into business combinations or other transactions with any business or businesses in our industry that Access may acquire or control, or we could become part of a group of companies organized under the ultimate common control of Access that may be operated in a manner different from the manner in which we have historically operated. Any such business combination transaction could require that we or such group of companies incur additional indebtedness, and could also require us or any acquired business to make divestitures of assets necessary or desirable to obtain regulatory approval for such transaction. The amounts of such additional indebtedness, and the size of any such divestitures, could be material. Access may also from time to time purchase outstanding debt securities that we issued, and could also subsequently sell any such debt securities. Any such purchase or sale may affect the value of, trading price or liquidity of our debt securities. See " — Under our amended and restated certificate of incorporation, Access and its affiliates, and in some circumstances, any of our directors and officers who is also a director, officer, employee, stockholder, member or partner of Access and its affiliates, have no obligation to offer us corporate opportunities. " Conflicts of interest may arise between our controlling stockholder and us. Affiliates of our controlling stockholder engage in transactions with us. Further, Access may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us, and they may either directly, or through affiliates, also maintain business relationships with companies that may directly compete with us. In general, Access or its affiliates could pursue business interests or exercise their voting power as stockholders in ways that are detrimental to us but beneficial to themselves or to other companies in which they invest or with whom they have a material relationship. In addition, a number of persons who currently are our directors and officers have been and remain otherwise affiliated with Access and, in some cases, such affiliations also involve financial interests. These relationships may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for Access and us. As a result of these relationships, the interests of Access may not coincide with our interests or the interests of the holders of our Class A Common Stock. So long as Access continues to control a significant amount of the total combined voting power of our outstanding common stock, Access will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions. The policies relating to corporate opportunities and transactions with Access and its affiliates set forth in our amended and restated certificate of incorporation, address potential conflicts of interest between the Company, on the one hand, and Access, its affiliates and its directors, officers, employees, stockholders, members or partners who are directors or officers of the Company, on the other hand. Our amended and restated certificate of incorporation provides that we, on our behalf and on behalf of our subsidiaries, renounce any interest or expectancy in, or in being offered an opportunity to participate in, corporate opportunities, that are from time to time presented to Access or any of its affiliates, directors, officers, employees, stockholders, members or partners, even if the opportunity is one that we or our subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. None of Access, its affiliates or any of its directors, officers, employees, stockholders, members or partners will generally be liable to us or any of our subsidiaries for breach of any fiduciary or other duty, as a director or otherwise, by reason of the fact that such person pursues, acquires or participates in such corporate opportunity, directs such corporate opportunity to another person or fails to present such corporate opportunity, or information regarding such corporate opportunity, to us or our subsidiaries unless, in the case of any such person who is a director or officer, such corporate opportunity is expressly offered to such director or officer in writing solely in his or her capacity as a director or officer. To the fullest extent permitted by law, by becoming a stockholder in our company, stockholders will be deemed to have notice of and consented to this provision of our amended and restated certificate of incorporation. Although these provisions are designed to resolve conflicts between us and Access and its affiliates fairly, conflicts may not be resolved in our favor or be resolved at all. If Access sells a controlling interest in our company to a third party in a private transaction, our stockholders may not realize any change of control premium on shares of our Class A Common Stock and we may become subject to the control of a presently unknown third party. Access has the ability, should it choose to do so, to sell some or all of its shares of our common stock in a privately negotiated transaction. If such a transaction were to be sufficient in size, it could result in a change of control of the Company. The ability of Access to privately sell such shares of our common stock, with no requirement for a concurrent offer to be made to acquire all of the shares of our Class A Common Stock, could prevent our stockholders from realizing any change of control premium on their shares of our Class A Common Stock that may otherwise accrue to Access upon its private sale of our common stock. Additionally, if Access privately sells a significant equity interest in us, we may become subject to the control of a presently unknown third party. Such third party may have conflicts of interest with the interests of other stockholders. The dual class structure of our common stock and the existing ownership of Class B Common Stock by Access have the effect of concentrating voting control with Access for the foreseeable future, which will limit or preclude the ability of our other stockholders to influence corporate matters. Our Class A Common Stock has one vote per share and our Class B Common Stock has 20 votes per share. Given the greater number of votes per share attributed to our Class B Common Stock, Access, who is our only Class B Common Stock stockholder, holds approximately 98 % of the total combined voting power of our outstanding common stock. As a result of our dual class ownership structure, Access is able to exert a significant degree of influence or actual control over our management and affairs and over matters requiring stockholder approval, including the election of directors, mergers or acquisitions, asset sales and other significant corporate transactions. Further, Access owns shares representing approximately 73 % of the economic interest of our outstanding common stock. Because of the 20- to- 1 voting ratio between the Class B Common Stock and Class A Common Stock, the holders of Class B Common Stock collectively continue to control a majority of the total combined voting power of our outstanding common stock and therefore be able to control all matters submitted to our stockholders for approval, so long as the outstanding shares of Class B Common Stock represent at least approximately 10 % of the total number of outstanding shares of common stock. This concentrated control will limit the ability of our other stockholders to influence corporate matters for the foreseeable future. For example, Access will be able to control elections of directors, amendments of our certificate of incorporation or by- laws, increases to the number of shares available for issuance under our equity incentive plans or adoption of new equity incentive plans and approval of any merger or sale of assets for the foreseeable future. This control may materially adversely affect the market price of our Class A Common Stock. Additionally, the holders of our Class B Common Stock may cause us to make strategic decisions or pursue acquisitions that could involve risks to our other stockholders or may not be aligned with their interests. The holders of our Class B Common Stock will also be entitled to a separate vote in the event we seek to amend our certificate of incorporation. The difference in the voting rights of our Class A Common Stock and Class B Common Stock may harm the value and liquidity of our Class A Common Stock. The difference in the voting rights of our Class A Common Stock and Class B Common Stock could harm the value of our Class A Common Stock to the extent that any investor or potential future purchaser of our Class A Common Stock ascribes value to the right of holders of our Class B Common Stock to 20 votes per share of Class B Common Stock. The existence of two classes of common stock could also result in less liquidity for our Class A Common Stock than if there were only one class of our common stock. Our dual class structure may depress the trading price of our Class A Common Stock. Our dual class structure may result in a lower or more volatile market price of our Class A Common Stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with dual or multiple class share structures in certain of their indexes. S & P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S & P 500. These changes exclude companies with multiple classes of shares of common stock from being added to these indices. In addition, several stockholder advisory firms have announced their opposition to the use of dual or multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A Common Stock in these indices and may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our Class A Common Stock. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A Common Stock. Future sales of shares by existing stockholders could cause our stock price to decline. Sales of substantial amounts of our Class A Common Stock in the public market, or the perception that these sales could occur, could cause the market price of our Class A Common Stock to decline. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of September 30, ~~2022~~ **2023** , we had ~~137~~ **138** , ~~199~~ **344** , ~~200~~ **724** outstanding shares of Class A Common Stock and 377, 650, 449 outstanding shares of Class B Common Stock. All of the shares of Class A Common Stock sold in the IPO were immediately tradable without restriction under the Securities Act except for any shares held by " affiliates, " as that term is defined in Rule 144 under the Securities Act, or " Rule 144. " The remaining shares of Class B Common Stock outstanding subsequent to the consummation of the IPO are restricted securities within the meaning of Rule 144, but will be eligible for resale subject, in certain cases, to applicable volume, manner of sale, holding period and other limitations of Rule 144 or pursuant to an exception from registration under Rule 701 under the Securities Act, or " Rule 701. " Access has the right to require us to register shares of common stock for resale in some circumstances pursuant to a registration rights agreement we entered into with Access. Access has in the past sold shares of common stock pursuant to Rule 144 and in registered offerings to the public, and depending upon market prices for the Company' s common stock may again do so from time to time. Additionally, shares of Class A Common Stock are registered under our registration statements on Form S- 8 to be issued under our equity compensation plans, including the Plan, and, as a result, all shares of Class A Common Stock acquired upon settlement of deferred equity units granted under the Plan will also be freely tradable under the Securities Act, unless purchased by our affiliates. In addition, 31, 169, 099 shares of our Class A Common Stock were reserved for future issuances under the Omnibus Incentive Plan adopted in connection with the IPO over the 10- year period from the date of adoption. As of

September 30, ~~2022~~ **2023**, the Company has granted members of its Board of Directors a total of ~~248~~ **280**, ~~040~~ **945** shares of restricted and unrestricted common stock pursuant to the Omnibus Incentive Plan. These grants represent compensation for board service for the period from the grant date until the Company' s regularly scheduled annual shareholder meeting, at which time the restricted stock will be vested. Directors are entitled to dividends on this restricted stock during the vesting period. In the future, we may issue additional shares of Class A Common Stock, Class B Common Stock or other equity or debt securities convertible into or exercisable or exchangeable for shares of our Class A Common Stock in connection with a financing, strategic investment, litigation settlement or employee arrangement or otherwise. Any of these issuances could result in substantial dilution to our existing stockholders and could cause the trading price of our Class A Common Stock to decline. The market price of our Class A Common Stock may be volatile and could decline. The market price of our Class A Common Stock may fluctuate significantly. Among the factors that could affect our stock price are: • industry or general market conditions; • domestic and international economic factors unrelated to our performance; • changes in our customers' preferences; • changes in law or regulation; • lawsuits, enforcement actions and other claims by third parties or governmental authorities; • adverse publicity related to us or another industry participant; • actual or anticipated fluctuations in our operating results; • changes in securities analysts' estimates of our financial performance or lack of research coverage and reports by industry analysts; • action by institutional stockholders or other large stockholders (including Access), including future sales of our Class A Common Stock; • failure to meet any guidance given by us or any change in any guidance given by us, or changes by us in our guidance practices; • speculation in the press or investment community; • investor perception of us and our industry; • changes in market valuations or earnings of similar companies; • announcements by us or our competitors of significant contracts, acquisitions, dispositions or strategic partnerships; • war, terrorist acts, epidemic disease and pandemics, including COVID- 19; • any future sales of our Class A Common Stock or other securities; • additions or departures of key personnel; and • misconduct or other improper actions of our employees. Stock markets have experienced extreme volatility in recent years that has been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A Common Stock. In the past, following periods of volatility in the market price of a company' s securities, class action litigation has often been instituted against the affected company. Any litigation of this type brought against us could result in substantial costs and a diversion of our management' s attention and resources, which could materially and adversely affect our business, results of operations and financial condition. Due to the nature of our business, our results of operations, cash flows and the trading price of our common stock may fluctuate significantly from period to period. Our results of operations are affected by the amount and quality of music that we release, the number of releases that include musical compositions published by us, timing of release schedules and, more importantly, the consumer demand for these releases. We also make advance payments to recording artists and songwriters, which impact our results of operations and operating cash flows. The timing of releases and advance payments is largely based on business and other considerations and is made without regard to the impact of the timing of the release on our financial results. In addition, certain of our license agreements with digital music services contain minimum guarantees and / or require that we are paid minimum guarantee payments. Our results of operations and cash flows in any reporting period may be materially affected by the timing of releases and advance payments and minimum guarantees, which may result in significant fluctuations from period to period, which may have an adverse impact on the price of our Class A Common Stock. If securities or industry analysts publish misleading or unfavorable research about our business, our stock price and trading volume could decline. The trading market for our Class A Common Stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts downgrades our stock or publishes misleading or unfavorable research about our business, our stock price would likely decline. If one or more of the analysts ceases coverage of our Class A Common Stock or fails to publish reports on us regularly, demand for our Class A Common Stock could decrease, which could cause our Class A Common Stock price or trading volume to decline. Our existing debt securities do, and future offerings of debt or equity securities may, rank senior to our common stock, which may adversely affect the market price of our Class A Common Stock. As of September 30, ~~2022~~ **2023**, our total consolidated indebtedness, net of premiums, discounts and deferred financing costs, was $ 3. ~~732~~ **964** billion, all of which ranks senior to our Class A Common Stock. On November 1, 2022, Acquisition Corp. borrowed $ 150 million under a new tranche of its term loan facility, the proceeds of which will be used to pay the deferred purchase price of certain music and music- related assets, to pay fees and expenses relating thereto and for general corporate purposes. If, in the future, we decide to issue additional debt or equity securities that rank senior to our Class A Common Stock, it is likely that such securities will also be governed by an indenture or other instrument containing covenants restricting our operating flexibility consistent with our existing debt agreements. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Class A Common Stock and may result in dilution to owners of our Class A Common Stock. We and, indirectly, our stockholders, bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our Class A Common Stock will bear the risk of our future offerings reducing the market price of our Class A Common Stock and diluting the value of their stock holdings in us. Our amended and restated certificate of incorporation and our amended and restated by- laws include a number of provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. For example, our amended and restated certificate of incorporation and amended and restated by- laws collectively: • authorize two classes of common stock with disparate voting power; • permit different treatment of our Class A Common Stock and Class B Common Stock in a change of control transaction if approved by a majority of the voting power of our outstanding Class A Common Stock and a majority of the voting power of our outstanding Class B Common Stock, voting separately; • authorize the issuance of " blank check " preferred stock that could be issued by our board of directors to thwart a takeover attempt; • provide that vacancies on our board of directors, including vacancies resulting from an enlargement of our board of directors, may be filled only by a majority vote of directors then in office once Access ceases to beneficially own more than 50 % of the total combined voting power of the outstanding shares of our common stock; • prohibit stockholders from calling special meetings of stockholders if Access ceases to beneficially own more than 50 % of the total combined voting power of the outstanding shares of our common stock; • prohibit stockholder action by written consent, thereby requiring all actions to be taken at a meeting of the stockholders, if Access ceases to beneficially own more than 50 % of the total combined voting power of the outstanding shares of our common stock; • establish advance notice requirements for nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders; • require the approval of holders of at least 66 2 / 3 % of the total combined voting power of the outstanding shares of our common stock to amend our amended and restated by- laws and certain provisions of our amended and restated certificate of incorporation if Access ceases to beneficially own more than 50 % of the total combined voting power of the outstanding shares of our common stock; and • subject us to Section 203 of the DGCL, which limits the ability of stockholders holding shares representing more than 15 % of the voting power of our outstanding voting stock from engaging in certain business combinations with us, once Access no longer owns at least 5 % of the total combined voting power of our outstanding common stock. These provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our Class A Common Stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our Class A Common Stock if the provisions are viewed as discouraging takeover attempts in the future. Our amended and restated certificate of incorporation and amended and restated by- laws may also make it difficult for stockholders to replace or remove our management. Furthermore, the existence of the foregoing provisions, as well as the significant amount of common stock that Access owns and voting power that Access holds, could limit the price that investors might be willing to pay in the future for shares of our Class A Common Stock. These provisions may facilitate management and board entrenchment that may delay, deter, render more difficult or prevent a change in our control, which may not be in the best interests of our stockholders. We are a " controlled company " within the meaning of NASDAQ rules and, as a result, we qualify for, and intend to rely on, exemptions from certain corporate governance requirements. Access holds approximately 98 % of the total combined voting power of our outstanding common stock. Accordingly, we qualify as a " controlled company " within the meaning of NASDAQ corporate governance standards. Under NASDAQ rules, a company of which more than 50 % of the voting power is held by an individual, group or another company is a " controlled company " and may elect not to comply with certain NASDAQ corporate governance standards, including: • the requirement that a majority of the members of our board of directors be independent directors; • the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; • the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; and • the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We intend to rely on these exemptions. As a result, we are not required to have a majority of independent directors, our compensation and our nominating and corporate governance committees will not consist entirely of independent directors and such committees may not be subject to annual performance evaluations. Consequently, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of NASDAQ corporate governance rules and requirements. Our status as a controlled company could make our Class A Common Stock less attractive to some investors or otherwise harm our stock price. Our amended and restated certificate of incorporation includes provisions limiting the personal liability of our directors for breaches of fiduciary duty under the DGCL. Our amended and restated certificate of incorporation contains provisions permitted under the action asserting a claim arising under the DGCL relating to the liability of directors. These provisions will eliminate a director' s personal liability to the fullest extent permitted by the DGCL for monetary damages resulting from a breach of fiduciary duty, except in circumstances involving: • any breach of the director' s duty of loyalty; • acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; • Section 174 of the DGCL (unlawful dividends); or • any transaction from which the director derives an improper personal benefit. The principal effect of the limitation on liability provision is that a stockholder will be unable to prosecute an action for monetary damages against a director unless the stockholder can demonstrate a basis for liability for which indemnification is not available under the DGCL. These provisions, however, should not limit or eliminate our rights or any stockholder' s rights to seek non- monetary relief, such as an injunction or rescission, in the event of a breach of a director' s fiduciary duty. These provisions will not alter a director' s liability under federal securities laws. The inclusion of this provision in our amended and restated certificate of incorporation may discourage or deter stockholders or management from bringing a lawsuit against directors for a breach of their fiduciary duties, even though such an action, if successful, might otherwise have benefited us and our stockholders. Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or stockholders. Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our stockholders by any of our directors, officers, other employees, agents or stockholders, (iii) any action asserting a claim arising out of or under the DGCL, or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware (including, without limitation, any action asserting a claim arising out of or pursuant to our amended and restated certificate of incorporation or our amended and restated by- laws) or (iv) any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to such Court of Chancery of the State of Delaware having personal jurisdiction over the indispensable parties named as defendants. However, claims subject to exclusive jurisdiction in the federal courts, such as suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act, or the rules and regulations thereunder, need not be brought in the Court of Chancery of the State of Delaware. Stockholders in our company will be deemed to have notice of and have consented to the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or any of our directors, officers, other employees, agents or stockholders, which may discourage lawsuits with respect to such claims. Additionally, a court could determine that the exclusive forum provision is unenforceable, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. If a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, results of operations and financial condition.