

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-32502

Warner Music Group Corp.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-4271875
(I.R.S. Employer
Identification No.)

1633 Broadway
New York, NY 10019
(Address of principal executive offices)

(212) 275-2000
(Registrant's telephone number, including area
code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.001 par value per share	WMG	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

As of August 1, 2024, there were 141,604,087 shares of Class A Common Stock and 376,314,780 shares of Class B Common Stock of the registrant outstanding.

WARNER MUSIC GROUP CORP.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Warner Music Group Corp. Condensed Consolidated Balance Sheets

(In millions, except share amounts which are reflected in thousands)
(Unaudited)

	June 30, 2024	September 30, 2023
Assets		
Current assets:		
Cash and equivalents	\$ 607	\$ 641
Accounts receivable, net of allowances of \$ 23 million and \$ 19 million	1,222	1,120
Inventories	92	126
Royalty advances expected to be recouped within one year	450	413
Prepaid and other current assets	112	102
Total current assets	2,483	2,402
Royalty advances expected to be recouped after one year	837	688
Property, plant and equipment, net of accumulated depreciation of \$ 594 million and \$ 523 million	464	458
Operating lease right-of-use assets, net	226	245
Goodwill	2,003	1,993
Intangible assets subject to amortization, net	2,309	2,353
Intangible assets not subject to amortization	150	149
Deferred tax assets, net	29	32
Other assets	329	225
Total assets	<u>\$ 8,830</u>	<u>\$ 8,545</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 200	\$ 300
Accrued royalties	2,582	2,219
Accrued liabilities	499	533
Accrued interest	29	18
Operating lease liabilities, current	43	41
Deferred revenue	168	371
Other current liabilities	52	57
Total current liabilities	3,573	3,539
Long-term debt	3,978	3,964
Operating lease liabilities, noncurrent	232	255
Deferred tax liabilities, net	251	216
Other noncurrent liabilities	161	141
Total liabilities	<u>\$ 8,195</u>	<u>\$ 8,115</u>
Equity:		
Class A common stock, \$0.001 par value; 1,000,000 shares authorized, 141,603 and 138,345 shares issued and outstanding as of June 30, 2024 and September 30, 2023, respectively	\$ —	\$ —
Class B common stock, \$0.001 par value; 1,000,000 shares authorized, 376,315 and 377,650 issued and outstanding as of June 30, 2024 and September 30, 2023, respectively	1	1
Additional paid-in capital	2,053	2,015
Accumulated deficit	(1,260)	(1,387)
Accumulated other comprehensive loss, net	(311)	(322)
Total Warner Music Group Corp. equity	483	307
Noncontrolling interest	152	123
Total equity	<u>635</u>	<u>430</u>
Total liabilities and equity	<u>\$ 8,830</u>	<u>\$ 8,545</u>

See accompanying notes

Warner Music Group Corp.
Condensed Consolidated Statements of Operations
(In millions, except share amounts which are reflected in thousands, and per share data)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 1,554	\$ 1,564	\$ 4,796	\$ 4,451
Costs and expenses:				
Cost of revenue	(830)	(850)	(2,501)	(2,332)
Selling, general and administrative expenses (a)	(462)	(461)	(1,384)	(1,353)
Restructuring and impairments	(1)	—	(96)	(41)
Amortization expense	(55)	(64)	(167)	(188)
Total costs and expenses	(1,348)	(1,375)	(4,148)	(3,914)
Net gain on divestitures	1	—	32	41
Operating income	207	189	680	578
Loss on extinguishment of debt	—	(4)	—	(4)
Interest expense, net	(40)	(38)	(121)	(105)
Other income (expense)	4	20	(9)	(72)
Income before income taxes	171	167	550	397
Income tax expense	(30)	(43)	(120)	(112)
Net income	141	124	430	285
Less: Income attributable to noncontrolling interest	(2)	(2)	(36)	(7)
Net income attributable to Warner Music Group Corp.	\$ 139	\$ 122	\$ 394	\$ 278
Net income per share attributable to common stockholders:				
Class A – Basic and Diluted	\$ 0.27	\$ 0.23	\$ 0.75	\$ 0.53
Class B – Basic and Diluted	\$ 0.27	\$ 0.23	\$ 0.75	\$ 0.53
Weighted average common shares:				
Class A – Basic and Diluted	141,568	138,290	140,531	137,990
Class B – Basic and Diluted	376,315	377,650	376,868	377,650
(a) Includes depreciation expense:	\$ (25)	\$ (22)	\$ (77)	\$ (65)

See accompanying notes

Warner Music Group Corp.
Condensed Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 141	\$ 124	\$ 430	\$ 285
Other comprehensive (loss) income, net of tax:				
Foreign currency adjustment	(10)	(13)	13	78
Deferred (loss) gain on derivative financial instruments	—	(3)	(1)	(8)
Minimum pension liability	—	—	(1)	
Other comprehensive (loss) income, net of tax	(10)	(16)	11	70
Total comprehensive income	131	108	441	355
Less: Income attributable to noncontrolling interest	(2)	(2)	(36)	(7)
Comprehensive income attributable to Warner Music Group Corp.	<u>\$ 129</u>	<u>\$ 106</u>	<u>\$ 405</u>	<u>\$ 348</u>

See accompanying notes

Warner Music Group Corp.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Nine Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 430	\$ 285
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	244	253
Unrealized (gains) losses and remeasurement of foreign-denominated loans and foreign currency forward exchange contracts	10	71
Deferred income taxes	29	(18)
Loss on extinguishment of debt	—	4
Net loss (gain) on investments	(4)	(3)
Net loss (gain) on divestitures	(32)	(41)
Non-cash interest expense	5	2
Non-cash stock-based compensation expense	28	42
Non-cash impairments	50	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(95)	(94)
Inventories	34	—
Royalty advances	(183)	(67)
Other noncurrent assets	(85)	(10)
Accounts payable and accrued liabilities	(119)	(93)
Royalty payables	352	250
Accrued interest	8	12
Operating lease liabilities	(4)	(2)
Deferred revenue	(205)	(207)
Other balance sheet changes	(13)	(35)
Net cash provided by operating activities	450	349
Cash flows from investing activities		
Acquisition of music publishing rights and music catalogs, net	(123)	(53)
Capital expenditures	(83)	(89)
Investments and acquisitions of businesses, net of cash received	(26)	(26)
Proceeds from the sale of investments	12	22
Proceeds from divestitures	19	42
Net cash used in investing activities	(201)	(104)
Cash flows from financing activities		
Partial proceeds from Senior Term Loan Facility refinancing	42	146
Partial repayment of Senior Term Loan Facility refinancing	(42)	—
Deferred financing costs paid	(2)	(3)
Distribution to noncontrolling interest holders	(6)	(11)
Dividends paid	(267)	(251)
Taxes paid related to net share settlement of restricted stock units and common stock	(5)	—
Proceeds from Term Loan Mortgage	—	19
Payment of deferred and contingent consideration	—	(133)
Net cash used in financing activities	(280)	(233)
Effect of exchange rate changes on cash and equivalents	(3)	4
Net (decrease) increase in cash and equivalents	(34)	16
Cash and equivalents at beginning of period	641	584
Cash and equivalents at end of period	\$ 607	\$ 600

See accompanying notes

Warner Music Group Corp.
Condensed Consolidated Statements of Equity

(In millions, except share amounts which are reflected in thousands, and per share data)

(Unaudited)

Nine Months Ended June 30, 2024

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Warner Music Group Corp. Equity	Non- controlling Interest	Total Equity
	Shares	Value	Shares	Value						
Balance at September 30, 2023	138,345	\$ —	377,650	\$ 1	\$ 2,015	\$ (1,387)	\$ (322)	\$ 307	\$ 123	\$ 430
Net income	—	—	—	—	—	394	—	394	36	430
Other comprehensive income, net of tax	—	—	—	—	—	—	11	11	—	11
Dividends (\$0.51 per share)	—	—	—	—	—	(267)	—	(267)	—	(267)
Stock-based compensation	—	—	—	—	43	—	—	43	—	43
Distribution to noncontrolling interest holders	—	—	—	—	—	—	—	—	(6)	(6)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	(1)	(1)
Shares issued under the Plan	1,738	—	—	—	—	—	—	—	—	—
Exchange of Class B shares for Class A shares	1,335	—	(1,335)	—	—	—	—	—	—	—
Shares issued under Omnibus Incentive Plan	185	—	—	—	(5)	—	—	(5)	—	(5)
Balance at June 30, 2024	141,603	\$ —	376,315	\$ 1	\$ 2,053	\$ (1,260)	\$ (311)	\$ 483	\$ 152	\$ 635

Three Months Ended June 30, 2024

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Warner Music Group Corp. Equity	Non- controlling Interest	Total Equity
	Shares	Value	Shares	Value						
Balance at March 31, 2024	141,596	\$ —	376,315	\$ 1	\$ 2,043	\$ (1,310)	\$ (301)	\$ 433	\$ 152	\$ 585
Net income	—	—	—	—	—	139	—	139	2	141
Other comprehensive income, net of tax	—	—	—	—	—	—	(10)	(10)	—	(10)
Dividends (\$0.17 per share)	—	—	—	—	—	(89)	—	(89)	—	(89)
Stock-based compensation	—	—	—	—	10	—	—	10	—	10
Distribution to noncontrolling interest holders	—	—	—	—	—	—	—	—	(1)	(1)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	(1)	(1)
Shares issued under Omnibus Incentive Plan	7	—	—	—	—	—	—	—	—	—
Balance at June 30, 2024	141,603	\$ —	376,315	\$ 1	\$ 2,053	\$ (1,260)	\$ (311)	\$ 483	\$ 152	\$ 635

Nine Months Ended June 30, 2023

	Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated	Total	Non- controlling Interest	Total Equity
	Common Stock		Common Stock				Other	Warner Music		
	Shares	Value	Shares	Value			Comprehensive Loss	Group Corp. Equity		
Balance at September 30, 2022	137,199	\$ —	377,650	\$ 1	\$ 1,975	\$ (1,477)	\$ (347)	\$ 152	\$ 16	\$ 168
Net income	—	—	—	—	—	278	—	278	7	285
Other comprehensive income, net of tax	—	—	—	—	—	—	70	70	—	70
Dividends (\$0.48 per share)	—	—	—	—	—	(251)	—	(251)	—	(251)
Stock-based compensation	—	—	—	—	32	—	—	32	—	32
Distribution to noncontrolling interest holders	—	—	—	—	—	—	—	—	(11)	(11)
Shares issued under the Plan	869	—	—	—	—	—	—	—	—	—
Shares issued under Omnibus Incentive Plan	273	—	—	—	—	—	—	—	—	—
Balance at June 30, 2023	138,341	\$ —	377,650	\$ 1	\$ 2,007	\$ (1,450)	\$ (277)	\$ 281	\$ 18	\$ 299

Three Months Ended June 30, 2023

	Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated	Total	Non- controlling Interest	Total Equity
	Common Stock		Common Stock				Other	Warner Music		
	Shares	Value	Shares	Value			Comprehensive Loss	Group Corp. Equity		
Balance at March 31, 2023	138,324	\$ —	377,650	\$ 1	\$ 2,000	\$ (1,488)	\$ (261)	\$ 252	\$ 14	\$ 266
Net income	—	—	—	—	—	122	—	122	2	124
Other comprehensive loss, net of tax	—	—	—	—	—	—	(16)	(16)	—	(16)
Dividends (\$0.16 per share)	—	—	—	—	—	(84)	—	(84)	—	(84)
Stock-based compensation	—	—	—	—	7	—	—	7	—	7
Distribution to noncontrolling interest holders	—	—	—	—	—	—	—	—	(4)	(4)
Shares issued under Omnibus Incentive Plan	17	—	—	—	—	—	—	—	—	—
Balance at June 30, 2023	138,341	\$ —	377,650	\$ 1	\$ 2,007	\$ (1,450)	\$ (277)	\$ 281	\$ 18	\$ 299

See accompanying notes

Warner Music Group Corp.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business

Warner Music Group Corp. (the "Company") was formed on November 21, 2003. The Company is 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. We classify our business interests into two fundamental operations: Recorded Music and Music Publishing.

Recorded Music Operations

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.

Music Publishing Operations

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.

2. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2024.

The consolidated balance sheet at September 30, 2023 has been derived from the audited consolidated financial statements at that date but does not include all the information and notes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 (File No. 001-32502).

Basis of Consolidation

The accompanying financial statements present the consolidated accounts of all entities in which the Company has a controlling voting interest and/or variable interest required to be consolidated in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation* ("ASC 810") requires the Company first evaluate its investments to determine if any investments qualify as a variable interest entity ("VIE"). A VIE is consolidated if the Company is deemed to be the primary beneficiary of the VIE, which is the party involved with the VIE that has both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. If an entity is not deemed to be a VIE, the Company consolidates the entity if the Company has a controlling voting interest. As of June 30, 2024 and September 30, 2023, there were approximately \$72 million and \$5 million of assets and \$2 million and \$2 million of liabilities, respectively, related to VIEs included in our condensed consolidated balance sheets.

The Company has performed a review of all subsequent events through the date the financial statements were issued and has determined that no additional disclosures are necessary.

Income Taxes

The Company uses the estimated annual effective tax rate method in computing its interim tax provision. Certain items, including those deemed to be unusual and infrequent are excluded from the estimated annual effective tax rate. In such cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions, and are recorded in the period in which the change occurs.

Global Intangible Low-Taxed Income ("GILTI") imposes U.S. taxes on the excess of a deemed return on tangible assets of certain foreign subsidiaries. The Company made an election to recognize GILTI tax in the specific period in which it occurs.

New Accounting Pronouncements

Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendment enhances reportable segment disclosure requirements, primarily by requiring enhanced disclosures about significant segment expenses, reporting for interim periods, and Chief Operating Decision Maker ("CODM") related information. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the effect that the adoption of these standards will have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendment enhances income tax disclosure requirements, by requiring enhanced disclosures on the income tax rate reconciliation and income taxes paid. The amendments in this ASU are effective for fiscal years beginning after December 15, 2024. The Company is in the process of evaluating the effect that the adoption of these standards will have on its consolidated financial statements.

3. Earnings per Share

The Company utilizes the two-class method to report earnings per share. Basic earnings per share is computed by dividing net income available to each class of stock, less earnings available to participating securities, divided by the weighted average number of outstanding common shares for each class of stock. Diluted earnings per share is computed by dividing net income available to each class of stock, less earnings available to participating securities, divided by the weighted average number of outstanding common shares, plus dilutive potential common shares, which is calculated using the treasury-stock method. The potentially dilutive common shares did not have a dilutive effect on the Company's EPS calculation for the three and nine months ended June 30, 2024 and 2023, respectively.

The following table sets forth the calculation of basic and diluted net income per common share under the two-class method for the three and nine months ended June 30, 2024 and 2023 (in millions, except share amounts, which are reflected in thousands, and per share data):

	Three Months Ended June 30,			
	2024		2023	
	Class A	Class B	Class A	Class B
Basic and Diluted EPS:				
Numerator				
Net income attributable to Warner Music Group Corp.	\$ 39	\$ 100	\$ 34	\$ 88
Less: Net income attributable to participating securities (a)	(2)	—	(2)	—
Net income attributable to common stockholders	\$ 37	\$ 100	\$ 32	\$ 88
Denominator				
Weighted average shares outstanding	141,568	376,315	138,290	377,650
Basic and Diluted EPS	\$ 0.27	\$ 0.27	\$ 0.23	\$ 0.23
	Nine Months Ended June 30,			
	2024		2023	
	Class A	Class B	Class A	Class B
Basic and Diluted EPS:				
Numerator				
Net income attributable to Warner Music Group Corp.	\$ 111	\$ 283	\$ 77	\$ 201
Less: Net income attributable to participating securities (a)	(5)	—	(4)	—
Net income attributable to common stockholders	\$ 106	\$ 283	\$ 73	\$ 201
Denominator				
Weighted average shares outstanding	140,531	376,868	137,990	377,650
Basic and Diluted EPS	\$ 0.75	\$ 0.75	\$ 0.53	\$ 0.53

(a) Participating securities include unvested restricted stock units, which include the right to receive non-forfeitable dividend equivalents.

4. Revenue Recognition

Disaggregation of Revenue

The Company's revenue consists of the following categories, which aggregate into the segments – Recorded Music and Music Publishing:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
(in millions)				
Revenue by Type				
Digital	\$ 882	\$ 846	\$ 2,638	\$ 2,445
Physical	120	126	385	377
Total digital and physical	1,002	972	3,023	2,822
Artist services and expanded-rights	159	218	489	555
Licensing	90	92	373	287
Total Recorded Music	1,251	1,282	3,885	3,664
Performance	52	40	155	130
Digital	194	182	577	477
Mechanical	13	16	43	46
Synchronization	42	41	129	126
Other	4	4	11	11
Total Music Publishing	305	283	915	790
Intersegment eliminations	(2)	(1)	(4)	(3)
Total revenues	\$ 1,554	\$ 1,564	\$ 4,796	\$ 4,451
Revenue by geographical location				
U.S. Recorded Music	\$ 517	\$ 557	\$ 1,652	\$ 1,618
U.S. Music Publishing	161	147	503	415
Total U.S.	678	704	2,155	2,033
International Recorded Music	734	725	2,233	2,046
International Music Publishing	144	136	412	375
Total international	878	861	2,645	2,421
Intersegment eliminations	(2)	(1)	(4)	(3)
Total revenues	\$ 1,554	\$ 1,564	\$ 4,796	\$ 4,451

Sales Returns and Uncollectible Accounts

Based on management's analysis of sales returns, refund liabilities of \$ 19 million and \$19 million were established at June 30, 2024 and September 30, 2023, respectively.

Based on management's analysis of estimated credit losses, reserves of \$ 23 million and \$19 million were established at June 30, 2024 and September 30, 2023, respectively.

Deferred Revenue

Deferred revenue increased by \$391 million during the nine months ended June 30, 2024 related to cash received from customers for fixed fees and minimum guarantees in advance of performance, including amounts recognized in the period. Revenues of \$314 million were recognized during the nine months ended June 30, 2024 related to the balance of deferred revenue at September 30, 2023. There were no other significant changes to deferred revenue during the reporting period.

Performance Obligations

For the three months ended June 30, 2024 and June 30, 2023, the Company recognized revenue of \$35 million and \$27 million, respectively, from performance obligations satisfied in previous periods. For the nine months ended June 30, 2024 and June 30, 2023, the Company recognized revenue of \$109 million and \$68 million, respectively, from performance obligations satisfied in previous periods.

Revenues expected to be recognized in the future related to performance obligations that are unsatisfied at June 30, 2024 are as follows:

	Rest of FY24	FY25	FY26	Thereafter	Total
	(in millions)				
Remaining performance obligations	\$ 158	\$ 302	\$ 27	\$ 6	\$ 493
Total	\$ 158	\$ 302	\$ 27	\$ 6	\$ 493

5. Acquisitions

On August 25, 2023, the Company purchased 51% of the issued and outstanding equity securities of TenThousand Projects Holdings LLC ("TenThousand Projects"), an independent U.S. record label pursuant to the terms of the unit purchase agreement of the same date among Warner Music Inc., a wholly-owned subsidiary of the Company, TenThousand Projects LLC, and Ten Thousand Projects Holdings LLC. The consideration transferred on the acquisition date was approximately \$98 million which was comprised of the base purchase price of \$102 million and the preliminary working capital adjustments, primarily comprised of cash acquired, net of a deferred purchase price of \$12 million which is payable on or prior to one year from the acquisition date. The deferred purchase was adjusted to \$11 million after the finalization of purchase price adjustments, including working capital and other items.

At June 30, 2024, the Company updated the purchase price allocation recorded at September 30, 2023, which resulted in a net decrease to intangible assets of approximately \$1 million, a net decrease to goodwill of approximately \$1 million, a net increase to other acquired assets and liabilities of \$1 million, and a net decrease to the fair value of noncontrolling interest in the acquiree of \$1 million. The acquisition accounting is subject to revision based on final determinations of fair value and allocations of purchase price to the identifiable assets and liabilities acquired.

See Note 5, "Acquisitions," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023 for the preliminary purchase price allocation, valuation methodology, and other information related to the TenThousand Projects acquisition.

6. Comprehensive Income

Comprehensive income, which is reported in the accompanying condensed consolidated statements of equity, consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. For the Company, the components of other comprehensive income primarily consist of foreign currency translation gains and losses, minimum pension liabilities, and deferred gains and losses on financial instruments designated as hedges under ASC 815, *Derivatives and Hedging*. The following summary sets forth the changes in the components of accumulated other comprehensive loss, net of related tax benefit of less than \$1 million:

	Foreign Currency Translation Loss (a)	Minimum Pension Liability Adjustment	Deferred Gains (Losses) On Derivative Financial Instruments	Accumulated Other Comprehensive Loss, net
	(in millions)			
Balances at September 30, 2023	\$ (322)	\$ (1)	\$ 1	\$ (322)
Other comprehensive income (loss)	13	(1)	(1)	11
Balances at June 30, 2024	\$ (309)	\$ (2)	\$ —	\$ (311)

(a) Includes historical foreign currency translation related to certain intra-entity transactions.

7. Goodwill and Intangible Assets

Goodwill

The following analysis details the changes in goodwill for each reportable segment:

	Recorded Music	Music Publishing	Total
	(in millions)		
Balances at September 30, 2023	\$ 1,529	\$ 464	\$ 1,993
Acquisitions	3	—	3
Other adjustments (a)	7	—	7
Balances at June 30, 2024	<u>\$ 1,539</u>	<u>\$ 464</u>	<u>\$ 2,003</u>

(a) Other adjustments during the nine months ended June 30, 2024 represent foreign currency movements.

The Company performs its annual goodwill impairment test in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350") during the fourth quarter of each fiscal year as of July 1. The Company may conduct an earlier review if events or circumstances occur that would suggest the carrying value of the Company's goodwill may not be recoverable. No indicators of impairment were identified during the current period that required the Company to perform an interim assessment or recoverability test.

Intangible Assets

Intangible assets consist of the following:

	Weighted-Average Useful Life	June 30, 2024	September 30, 2023
		(in millions)	
Intangible assets subject to amortization:			
Recorded music catalog	12 years	\$ 1,549	\$ 1,507
Music publishing copyrights	24 years	2,150	2,026
Artist and songwriter contracts	13 years	1,103	1,091
Trademarks	18 years	67	111
Other intangible assets	7 years	67	104
Total gross intangible assets subject to amortization		4,936	4,839
Accumulated amortization		(2,627)	(2,486)
Total net intangible assets subject to amortization		2,309	2,353
Intangible assets not subject to amortization:			
Trademarks and tradenames	Indefinite	150	149
Total net intangible assets		<u>\$ 2,459</u>	<u>\$ 2,502</u>

The decrease in net intangible assets during the nine months ended June 30, 2024 is partially related to the write off of approximately \$ 35 million of unamortized intangible assets within trademarks and other intangible assets in connection with the winding down of the Company's O&O Media Properties. Please refer to Note 9 of our condensed consolidated financial statements for further discussion.

8. Debt

Debt Capitalization

Long-term debt, all of which was issued by Acquisition Corp., consists of the following:

	June 30, 2024	September 30, 2023
	(in millions)	
Revolving Credit Facility (a)	\$ —	\$ —
Senior Term Loan Facility due 2031	1,295	1,295
2.750% Senior Secured Notes due 2028 (€ 325 face amount)	348	343
3.750% Senior Secured Notes due 2029	540	540
3.875% Senior Secured Notes due 2030	535	535
2.250% Senior Secured Notes due 2031 (€ 445 face amount)	477	471
3.000% Senior Secured Notes due 2031	800	800
Mortgage Term Loan due 2033	18	\$ 18
Total long-term debt, including the current portion	\$ 4,013	\$ 4,002
Issuance premium less unamortized discount and unamortized deferred financing costs	(35)	(38)
Total long-term debt, including the current portion, net	\$ 3,978	\$ 3,964

- (a) Reflects \$350 million and \$300 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately \$ 2 million and \$2 million as of June 30, 2024 and September 30, 2023, respectively. There were no loans outstanding under the Revolving Credit Facility at June 30, 2024 or September 30, 2023.

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. Acquisition Corp. is party to a \$ 1,295 million senior secured term loan credit facility, pursuant to a credit agreement dated November 1, 2012, as amended or supplemented (the "Senior Term Loan Credit Agreement") with JPMorgan Chase Bank NA, as administrative agent and collateral agent, and the other financial institutions and lenders from time to time party thereto (the "Senior Term Loan Facility"). Additionally, as of June 30, 2024 Acquisition Corp. had issued and outstanding the 2.750% Senior Secured Notes due 2028, the 3.750% Senior Secured Notes due 2029, the 3.875% Senior Secured Notes due 2030, the 2.250% Senior Secured Notes due 2031 and the 3.000% Senior Secured Notes due 2031 (together, the "Acquisition Corp. Notes").

All of the Acquisition Corp. Notes are guaranteed by all of Acquisition Corp.'s domestic wholly-owned subsidiaries. The guarantee of the Acquisition Corp. Notes by Acquisition Corp.'s domestic wholly-owned subsidiaries is full, unconditional and joint and several. The secured notes are guaranteed on a senior secured basis.

The Company and Holdings are holding companies that conduct substantially all of their business operations through Acquisition Corp. Accordingly, while Acquisition Corp. and its subsidiaries are not currently restricted from distributing funds to the Company and Holdings under the indentures for the Acquisition Corp. Notes or the credit agreements for the Acquisition Corp. Senior Credit Facilities, including the Revolving Credit Facility (as defined below) and the Senior Term Loan Facility, should Acquisition Corp.'s Total Indebtedness to EBITDA Ratio increase above 3.50:1.00 and the term loans not achieve an investment grade rating, the covenants under the Revolving Credit Facility, which are currently suspended, will be reinstated and the ability of the Company and Holdings to obtain funds from their subsidiaries will be restricted by the Revolving Credit Facility. The Company was in compliance with its covenants under its outstanding notes, the Revolving Credit Facility and the Senior Term Loan Facility as of June 30, 2024.

Fiscal 2024 Transactions

Revolving Credit Agreement Amendment

On November 30, 2023, Acquisition Corp. entered into an amendment (the "Revolving Credit Agreement Amendment") to the revolving credit agreement, dated January 31, 2018, as amended, among Acquisition Corp., the several banks and other financial institutions party thereto and Credit Suisse AG, Cayman Islands Branch, as predecessor administrative agent, governing Acquisition Corp.'s revolving credit facility (the "Revolving Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Revolving Credit Agreement Amendment (among other changes): (i) increased the commitments under the Revolving Credit Facility from an aggregate principal amount of \$300 million to an aggregate principal amount of \$350 million, (ii) extended the final maturity date of the Revolving Credit Facility from April 3, 2025 to November 30, 2028, (iii) appointed JPMorgan Chase Bank, N.A. as administrative agent in the place of Credit Suisse AG, Cayman Islands Branch, (iv) modified the existing springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant by increasing the springing threshold from \$105,000,000 to \$140,000,000, and (v) included provisions that allow Acquisition Corp. to terminate the security interests securing the obligations under the Revolving Credit Facility upon the satisfaction of the Collateral Suspension Conditions (as defined below) and, in the event that the security interests are so terminated, the existing springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant (which is calculated net of up to \$250 million of cash and cash equivalents held by Acquisition Corp. and its restricted subsidiaries) shall automatically be replaced with a new financial maintenance covenant prohibiting Acquisition Corp. from permitting the Total Indebtedness to EBITDA Ratio to be greater than 3.60:1.00 (calculated net of all cash and cash equivalents held by Acquisition Corp. and its restricted subsidiaries) as of the end of any fiscal quarter.

In the event that the security interests securing the obligations under the Facility are reinstated as a result of the occurrence of a Collateral Suspension Reversion Date (as defined below), the Total Indebtedness to EBITDA Ratio financial maintenance covenant shall revert back to a springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant set at 5.00:1.00.

For purposes the Revolving Credit Agreement Amendment, (i) "Collateral Suspension Conditions" means conditions that are satisfied if (x) the investment grade condition has been satisfied and (y) the aggregate outstanding principal amount of senior secured indebtedness incurred by Acquisition Corp. and its restricted subsidiaries is not in excess of \$500,000,000 and (ii) "Collateral Suspension Reversion Date" means, the earlier of (x) the date on which the Collateral Suspension Conditions cease to be satisfied or (y) the date on which Acquisition Corp. delivers a collateral suspension reversion notice to the Administrative Agent.

December 2023 Senior Term Loan Credit Agreement Amendment

On December 29, 2023, Acquisition Corp. entered into an amendment (the "Thirteenth Amendment") to the Senior Term Loan Credit Agreement among Acquisition Corp., the other loan parties, Holdings, each lender party hereto, Credit Suisse AG, Cayman Islands Branch as the resigning administrative agent, and JPMorgan Chase Bank, N.A. as the successor administrative agent. The Thirteenth Amendment appointed JPMorgan Chase Bank, N.A. as administrative agent in the place of Credit Suisse AG, Cayman Islands Branch.

Senior Term Loan Credit Agreement Amendment

On January 24, 2024, Acquisition Corp. entered into an amendment (the "Senior Term Loan Credit Agreement Amendment") to the credit agreement, dated November 1, 2012 (as amended by the amendments dated as of May 9, 2013, July 15, 2016, November 21, 2016, May 22, 2017, December 6, 2017, March 14, 2018, June 7, 2018, January 20, 2021, March 8, 2021, November 1, 2022, May 10, 2023, June 30, 2023 and December 29, 2023), among Acquisition Corp., the guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, governing Acquisition Corp.'s senior secured term loan facility with JPMorgan Chase Bank N.A., as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Senior Term Loan Credit Agreement Amendment (among other changes) extends the maturity date of its outstanding term loans from January 20, 2028 to January 24, 2031 through the issuance of tranche I term loans and refinancing of the existing tranche G term loans. The tranche I term loans shall bear interest at a rate equal to, at Acquisition Corp.'s election (i) the forward-looking term rate based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Term SOFR") subject to a zero floor, plus 2.00% per annum or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) one-month Term SOFR, plus 1.00% per annum, in each case, subject to a 1.00% floor, plus 1.00% per annum. In connection with the Senior Term Loan Credit Agreement Amendment, the Company recognized approximately \$3 million of expenses associated with fees paid to third parties and capitalized approximately \$2 million in fees paid to creditors. Certain participating lenders were repaid and replaced by new lenders. The proceeds and repayments of \$42 million have been presented in the accompanying condensed consolidated statement of cash flows.

Interest Rates

The loans under the Revolving Credit Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Revolving Term SOFR"), and other rates for alternate currencies, such as EURIBOR and SONIA, as provided in the Revolving Credit Agreement, subject to a zero floor, plus 1.75% per annum in the case of Initial Revolving Loans (as defined in the Revolving Credit Agreement), or 1.875% per annum in the case of 2020 Revolving Loans (as defined in the Revolving Credit Agreement), or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month Revolving Term SOFR plus 1.0% per annum, plus, in each case, 0.75% per annum in the case of Initial Revolving Loans, or 0.875% per annum in the case of 2020 Revolving Loans; provided that, in respect of 2020 Revolving Loans, the applicable margin with respect to such loans is subject to adjustment as set forth in the pricing grid in the Revolving Credit Agreement. Based on the Senior Secured Indebtedness to EBITDA Ratio of 2.41x at June 30, 2024, the applicable margin for SOFR loans and RFR loans would be 1.375% instead of 1.875% and the applicable margin for ABR loans would be 0.375% instead of 0.875% in the case of 2020 Revolving Loans. If there is a payment default at any time, then the interest rate applicable to overdue principal will be the rate otherwise applicable to such loan plus 2.0% per annum. Default interest will also be payable on other overdue amounts at a rate of 2.0% per annum above the amount that would apply to an alternative base rate loan.

The loans under the Senior Term Loan Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the forward-looking term rate based on Term SOFR subject to a zero floor, plus 2.00% per annum or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) one-month Term SOFR, plus 1.00% per annum, subject to a 1.00% floor, plus, in each case, 1.00% per annum. If there is a payment default at any time, then the interest rate applicable to overdue principal and interest will be the rate otherwise applicable to such loan plus 2.00% per annum. Default interest will also be payable on other overdue amounts at a rate of 2.00% per annum above the amount that would apply to an alternative base rate loan.

The term loan entered into on January 27, 2023 (the "Term Loan Mortgage") bears interest at a rate of 30-day SOFR plus the applicable margin of 1.40%, subject to a zero floor.

The Company has entered into, and in the future may enter into, interest rate swaps to manage interest rate risk. Please refer to Note 13 of our condensed consolidated financial statements for further discussion.

Maturity of Senior Term Loan Facility

The loans outstanding under the Senior Term Loan Facility mature on January 24, 2031.

Maturity of Revolving Credit Facility

The maturity date of the Revolving Credit Facility is November 30, 2028.

Maturities of Senior Secured Notes

As of June 30, 2024, there are no scheduled maturities of notes until 2028, when \$ 348 million is scheduled to mature. Thereafter, \$ 2.352 billion is scheduled to mature.

Maturity of Term Loan Mortgage

The maturity date of the Term Loan Mortgage is January 27, 2033, subject to a call option exercisable by Truist Bank at any time after January 27, 2028 if certain criteria relating to the Company's creditworthiness are met.

Interest Expense, net

Total interest expense, net was \$ 40 million and \$38 million for the three months ended June 30, 2024 and 2023, respectively, and \$ 121 million and \$105 million for the nine months ended June 30, 2024 and 2023, respectively. Interest expense, net includes interest expense related to our outstanding indebtedness of \$46 million and \$41 million for the three months ended June 30, 2024 and 2023, respectively, and \$ 137 million and \$115 million for the nine months ended June 30, 2024 and 2023, respectively. The weighted-average interest rate of the Company's total debt was 4.5% at June 30, 2024, 4.1% at September 30, 2023, and 4.1% at June 30, 2023.

9. Restructuring and Impairments

Strategic Restructuring Plan

In February 2024, the Company announced a strategic restructuring plan (the "Strategic Restructuring Plan") designed to free up additional funds to invest in music and accelerate the Company's growth for the next decade. Under the Strategic Restructuring Plan, the Company expects a reduction in headcount of approximately 10% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately \$135 million or approximately \$80 million of total non-recurring after tax charges. The expected pre-tax charges include approximately \$85 million of severance costs and approximately \$50 million of non-cash impairment charges primarily in connection with the disposal or winding down of the Company's non-core owned and operated media properties including the Company's in-house advertising sales function (the "O&O Media Properties"). The majority of the Strategic Restructuring Plan is expected to be completed by the end of fiscal year 2025.

For the three months ended June 30, 2024, total severance costs recorded in connection with the Strategic Restructuring Plan were \$ 1 million, all of which was recognized in our Recorded Music segment. For the nine months ended June 30, 2024, total severance costs recorded in connection with the Strategic Restructuring Plan were \$47 million, of which, \$43 million was recognized in our Recorded Music segment and \$ 4 million was recognized in Corporate. The below table sets forth the activity for the nine months ended June 30, 2024 in the restructuring accrual associated with the Strategic Restructuring Plan included within accrued liabilities in the accompanying condensed consolidated balance sheets. Additionally, for the nine months ended June 30, 2024, the Company recognized \$50 million of impairment losses on unamortized intangible assets and other assets of which \$47 million was recognized in our Recorded Music segment and \$ 3 million was recognized in Corporate. Impairment charges recognized primarily relate to the winding down of the Company's O&O Media Properties.

	Severance Costs (in millions)
Balance at September 30, 2023	\$ —
Restructuring charges	47
Cash payments	(9)
Balance at June 30, 2024	<u>\$ 38</u>

2023 Restructuring Plan

In March 2023, the Company announced a restructuring plan (the "2023 Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. The 2023 Restructuring Plan is substantially complete as of June 30, 2024 and the remaining associated cash payments are expected to be made by the end of fiscal year 2024. There was a \$1 million benefit associated with the 2023 Restructuring Plan recorded for the nine months ended June 30, 2024 primarily associated with a change in estimate for costs previously recorded.

The following table sets forth the activity for the nine months ended June 30, 2024 in the restructuring accrual associated with the 2023 Restructuring Plan included within accrued liabilities in the accompanying condensed consolidated balance sheets:

	Severance Costs (in millions)
Balance at September 30, 2023	\$ 19
Restructuring charges	(1)
Cash payments	(15)
Balance at June 30, 2024	<u>\$ 3</u>

10. Commitments and Contingencies

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company is currently subject to several such claims and legal proceedings. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors.

11. Equity

Stock-Based Compensation

The Company's stock-based compensation plans are described in Note 14, "Equity," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Stock-based compensation consists primarily of common stock, restricted stock units and market-based performance share units granted to eligible employees and executives under the Omnibus Incentive Plan.

For the three and nine months ended June 30, 2024, the Company recognized a total of \$ 10 million and \$28 million of non-cash stock-based compensation expense, respectively, which was recorded to additional paid-in capital. For the three months ended June 30, 2023, the Company recognized a total of \$7 million of non-cash stock-based compensation expense, all of which was recorded to additional paid-in capital. For the nine months ended June 30, 2023, the Company recognized a total of \$42 million of non-cash stock-based compensation expense, of which \$27 million was recorded to additional paid-in capital and \$15 million was recorded as a share-based compensation liability. During the nine months ended June 30, 2024, \$15 million of share-based compensation liabilities were reclassified to additional paid-in capital upon a certain number of awards being determinable.

During the nine months ended June 30, 2023, a separation agreement between the Company and our previous Chief Executive Officer was executed. In connection with the separation agreement, the Company recognized \$12 million of non-cash stock-based compensation expense associated with restricted stock units ("RSUs") and common stock as there was no remaining service required for vesting.

During the nine months ended June 30, 2024 and 2023, the Company issued market-based performance share units ("PSUs") to our Chief Executive Officer whereby the PSU award payout is determined based on the Company's total shareholder return compared to a designated peer group. For the three and nine months ended June 30, 2024, non-cash stock-based compensation associated with these PSUs was approximately \$3 million and \$6 million, respectively. For the three and nine months ended June 30, 2023, non-cash stock-based compensation associated with these PSUs was approximately \$1 million and \$2 million, respectively.

During the nine months ended June 30, 2023, in connection with the 2023 Restructuring Plan, the Company recognized \$2 million of non-cash stock-based compensation related to the accelerated vesting of certain RSUs.

Common Stock

During the nine months ended June 30, 2024, in connection with the Senior Management Free Cash Flow Plan (the "Plan"), the Company issued a total of 1,738,016 shares of Class A Common Stock to settle a portion of participants' deferred equity units previously issued under the Plan. Additionally, a Plan participant redeemed a portion of their vested Class B equity units of WMG Management Holdings LLC in exchange for a total of 1,335,169 shares of Class B Common Stock which were converted to shares of Class A Common Stock upon the exchange.

During the three and nine months ended June 30, 2024, the Company issued approximately 7,428 and 185,115 shares of Class A Common Stock, respectively, under the Omnibus Incentive Plan which were net of shares used to settle employee income tax obligations of approximately \$5 million.

12. Income Taxes

For the three and nine months ended June 30, 2024, the Company recorded an income tax expense of \$ 30 million and \$120 million, respectively. The income tax expense for the three months ended June 30, 2024 is lower than the expected tax expense at the statutory rate of 21% primarily due to benefit related to updated allowable costs for reported foreign derived intangible income ("FDII"), non-controlling interest, and the net impact of GILTI and FDII. These benefits were partially offset by foreign income taxed at rates higher than the United States, withholding taxes, and U.S. state and local taxes. The income tax expense for the nine months ended June 30, 2024 is lower than the expected tax expense at the statutory rate of 21% primarily due to the tax benefit from the winding down of the Company's O&O Media Properties, updated allowable costs for FDII, non-controlling interest, the net impact of GILTI and FDII and tax benefits associated with Research and Development ("R&D") credits. These benefits were partially offset by withholding taxes, foreign income taxed at rates higher than the United States, U.S. state and local taxes, non-deductible executive compensation under IRC Section 162(m), and unrecognized tax benefit related to uncertain tax positions.

For the three and nine months ended June 30, 2023, the Company recorded an income tax expense of \$ 43 million and \$112 million, respectively. The income tax expense for the three and nine months ended June 30, 2023 is higher than the expected tax benefit at the statutory tax rate of 21% primarily due to foreign income taxed at rates higher than the United States, including withholding taxes, U.S. state and local taxes, unrecognized tax benefit related to uncertain tax positions, and non-deductible executive

compensation under IRC Section 162(m). These charges were partially offset by tax benefits associated with R&D credits, release of U.S. state valuation allowance, and the net impact of GILTI and FDII.

The Company has determined that it is reasonably possible that the gross unrecognized tax benefits as of June 30, 2024 could decrease by up to approximately \$2 million related to various ongoing audits and settlement discussions in various jurisdictions during the next twelve months.

The Organization for Economic Co-operation and Development ("OECD") introduced Base Erosion and Profit Shifting ("BEPS") Pillar 2 rules that impose a global minimum tax rate of 15%. Numerous countries, including European Union member states, have enacted or are expected to enact legislation to be effective as early as January 1, 2024, with general implementation of a global minimum tax rate by January 1, 2025. The Company is currently evaluating the potential impact of the rules.

The Inflation Reduction Act of 2022 (H.R. 5376) includes a 15% corporate alternative minimum tax ("CAMT") on adjusted financial statement income for corporations with average profits over \$1 billion over a three-year period. Although the U.S. Treasury and Internal Revenue Service issued interim CAMT guidance during 2023, many details and specifics of application of the CAMT remain subject to future guidance. The Company is not expecting to be subject to CAMT for our fiscal year 2024.

13. Derivative Financial Instruments

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts and interest rate swaps, for the purposes of managing foreign currency exchange rate risk and interest rate risk on expected future cash flows.

The fair value of interest rate swaps is based on dealer quotes of market rates (i.e., Level 2 inputs) which is discussed further in Note 20, "Fair Value Measurements," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Interest income or expense related to interest rate swaps is recognized in interest income (expense), net in the same period as the related expense is recognized. The ineffective portions of interest rate swaps are recognized in other income (expense) in the period measured.

As of June 30, 2024, the Company had outstanding foreign currency forward exchange contracts for the sale of \$ 175 million and the purchase of \$108 million of foreign currencies at fixed rates that will be settled by September 2024.

As of June 30, 2024, the Company had no outstanding interest rate swaps and no unrealized deferred gains or losses in comprehensive income related to the interest rate swaps. As of September 30, 2023, the Company had outstanding \$500 million in a pay-fixed receive-variable interest rate swap with \$1 million of unrealized deferred gains in comprehensive income related to the interest rate swaps.

The Company recorded realized pre-tax losses of \$1 million and unrealized pre-tax gains of \$1 million related to its foreign currency forward exchange contracts in the condensed consolidated statement of operations as other expense for the nine months ended June 30, 2024. The Company recorded realized pre-tax losses of \$6 million and unrealized pre-tax losses of \$1 million related to its foreign currency forward exchange contracts in the condensed consolidated statement of operations as other expense for the nine months ended June 30, 2023.

The unrealized pre-tax losses of the Company's derivative interest rate swaps designated as cash flow hedges recorded in other comprehensive income during the nine months ended June 30, 2024 and June 30, 2023 were \$1 million and \$11 million, respectively.

The following is a summary of amounts recorded in the consolidated balance sheets pertaining to the Company's derivative instruments at June 30, 2024 and September 30, 2023:

	June 30, 2024	September 30, 2023
	(in millions)	
Other Current Assets:		
Foreign currency forward exchange contracts (a)	1	—
Interest rate swap	\$ —	\$ 2

(a) Includes \$3 million and \$2 million of foreign exchange derivative contracts in asset and liability positions, respectively, which net to \$ 1 million of current assets.

14. Segment Information

Based on the nature of its products and services, the Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing, which also represent the reportable segments of the Company. Information as to each of these operations is set forth below. The Company evaluates performance based on several factors, of which the primary financial measure is operating income (loss) before non-cash depreciation of tangible assets and non-cash amortization of intangible assets adjusted to exclude the impact of non-cash stock-based compensation and other related expenses and certain items that affect comparability including but not limited to gains or losses on divestitures and expenses related to restructuring and transformation initiatives, which includes costs associated with the Company's financial transformation initiative to design and implement new information technology and upgrade our finance infrastructure ("Adjusted OIBDA"). Items excluded are not viewed to contribute directly to management's evaluation of operating results.

During the three months ended December 31, 2023, the Company changed the measure used to evaluate segment profitability from OIBDA to Adjusted OIBDA which is consistent with how the Company's CODM evaluates the results of operations and makes strategic decisions about the business. For these reasons, the Company believes that Adjusted OIBDA represents the most relevant measure of segment profit and loss. All disclosures relating to segment profitability, including those for the three and nine months ended June 30, 2023, have been revised as a result of this change. Hereafter, the Company will revise other prior quarterly and year-to-date periods for fiscal year 2023 when they are subsequently reported in later filings for comparative purposes.

The accounting policies of the Company's business segments are the same as those described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While intercompany transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses recognized by the segment that is counterparty to the transaction) are eliminated in consolidation, and therefore, do not themselves impact consolidated results.

	Recorded Music	Music Publishing	Corporate expenses and eliminations	Total
Three Months Ended	(in millions)			
June 30, 2024				
Revenues	\$ 1,251	\$ 305	\$ (2)	\$ 1,554
Adjusted OIBDA	281	79	(44)	316
June 30, 2023				
Revenues	\$ 1,282	\$ 283	\$ (1)	\$ 1,564
Adjusted OIBDA	264	74	(41)	297
Nine Months Ended	(in millions)			
June 30, 2024				
Revenues	\$ 3,885	\$ 915	\$ (4)	\$ 4,796
Adjusted OIBDA	965	247	(133)	1,079
June 30, 2023				
Revenues	3,664	790	(3)	4,451
Adjusted OIBDA	812	222	(116)	918

Adjusted OIBDA is not a measure defined by U.S. GAAP but is computed using amounts that are determined in accordance with U.S. GAAP. A reconciliation of the Company's Adjusted OIBDA to operating income is presented below.

	For the Three Months Ended		For the Nine Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Operating income	\$ 207	\$ 189	\$ 680	\$ 578
Amortization expense	55	64	167	188
Depreciation expense	25	22	77	65
Restructuring and impairments	1	—	96	41
Transformation initiatives and other related costs	18	13	56	39
Executive transition costs	—	1	—	4
Net gain on divestitures	(1)	—	(32)	(41)
Non-cash stock-based compensation and other related costs	11	8	35	44
Adjusted OIBDA	\$ 316	\$ 297	\$ 1,079	\$ 918

15. Additional Financial Information

Supplemental Cash Flow Disclosures

The Company made interest payments of approximately \$35 million and \$29 million during the three months ended June 30, 2024 and 2023, respectively, and approximately \$125 million and \$104 million during the nine months ended June 30, 2024 and 2023, respectively. The Company paid approximately \$33 million and \$49 million of income and withholding taxes, net of refunds, for the three months ended June 30, 2024 and 2023, respectively, and approximately \$105 million and \$166 million of income and withholding taxes, net of refunds, for the nine months ended June 30, 2024 and 2023, respectively. Non-cash investing activities was approximately \$18 million related to the acquisition of music publishing rights and music catalogs, net during the nine months ended June 30, 2024.

Net Gain on Divestitures

During the three months ended June 30, 2024 and 2023, the Company recognized a pre-tax gain of \$ 1 million and no pre-tax gains or losses, respectively, in connection with the divestiture of one of its O&O Media Properties. During the nine months ended June 30, 2024 and 2023, the Company recognized a pre-tax gain of \$32 million and \$41 million, respectively, in connection with the divestiture of certain sound recording and publishing rights and one of its O&O Media Properties. For each period, the divestiture has been reflected as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

Dividends

The Company's ability to pay dividends may be restricted by covenants in the credit agreement for the Revolving Credit Facility which are currently suspended but which 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.

The Company intends to pay quarterly cash dividends to holders of its Class A Common Stock and Class B Common Stock. The declaration of each dividend will continue to be at the discretion of the Company's board of directors and will depend on the Company's financial condition, earnings, liquidity and capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by Delaware law, general business conditions and any other factors that the Company's board of directors deems relevant in making such a determination. Therefore, there can be no assurance that the Company will pay any dividends to holders of the Company's common stock, or as to the amount of any such dividends.

On May 13, 2024, the Company's board of directors declared a cash dividend of \$ 0.17 per share on the Company's Class A Common Stock and Class B Common Stock, as well as related payments under certain stock-based compensation plans, which was paid to stockholders on June 3, 2024. The Company paid an aggregate of approximately \$89 million and \$267 million, or \$0.17 and \$0.51 per share, in cash dividends to stockholders and participating security holders for the three and nine months ended June 30, 2024, respectively.

16. Fair Value Measurements

The following tables show the fair value of the Company's financial instruments that are required to be measured at fair value as of June 30, 2024 and September 30, 2023.

Fair Value Measurements as of June 30, 2024				
	(Level 1)	(Level 2)	(Level 3)	Total
(in millions)				
<i>Other Current Assets:</i>				
Foreign Currency Forward Exchange Contracts (a)	\$ —	\$ 1	\$ —	\$ 1
<i>Other noncurrent assets:</i>				
Equity investments with readily determinable fair value (c)	10	—	—	10
<i>Other noncurrent liabilities:</i>				
Contractual obligations (b)	—	—	(1)	(1)

Fair Value Measurements as of September 30, 2023				
	(Level 1)	(Level 2)	(Level 3)	Total
(in millions)				
<i>Other current assets:</i>				
Interest rate swap (d)	\$ —	\$ 2	\$ —	\$ 2
<i>Other noncurrent assets:</i>				
Equity investment with readily determinable fair value (c)	15	—	—	15
<i>Other noncurrent liabilities:</i>				
Contractual obligations (b)	—	—	(1)	(1)

- (a) The fair value of foreign currency forward exchange contracts is based on dealer quotes of market forward rates and reflects the amount that the Company would receive or pay at their maturity dates for contracts involving the same currencies and maturity dates.
- (b) This represents contingent consideration related to acquisitions. This is based on a probability weighted performance approach and it is adjusted to fair value on a recurring basis and any adjustments are typically included as a component of operating income in the condensed consolidated statements of operations. This amount was primarily calculated using unobservable inputs such as future earnings performance of the acquiree and the expected timing of payments.
- (c) These represent equity investments with a readily determinable fair value. The Company has measured its investments to fair value in accordance with ASC 321, *Investments—Equity Securities*, based on quoted prices in active markets.
- (d) The fair value of the interest rate swaps is based on dealer quotes of market forward rates and reflects the amount that the Company would receive or pay as of each reporting period for contracts involving the same attributes and maturity dates.

The following table reconciles the beginning and ending balances of net liabilities classified as Level 3:

	Total
	(in millions)
Balance at September 30, 2023	\$ (1)
Additions	—
Reductions	—
Payments	—
Balance at June 30, 2024	\$ (1)

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories and property, plant and equipment, are not required to be re-measured to fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the asset is written down to its fair value. In addition, an impairment analysis is performed at least annually for goodwill and indefinite-lived intangible assets.

Equity Investments Without Readily Determinable Fair Value

The Company evaluates its equity investments without readily determinable fair values for impairment if factors indicate that a significant decrease in value has occurred. The Company has elected to use the measurement alternative to fair value that will allow these investments to be recorded at cost, less impairment, and adjusted for subsequent observable price changes. The Company did not

record any impairment charges on these investments during the three months ended June 30, 2024 and recorded approximately \$ 1 million of impairment charges on these investments during the nine months ended June 30, 2024. The Company did not record any impairment charges on these investments during the three and nine months ended June 30, 2023. In addition, there were no observable price changes events that were completed during the three and nine months ended June 30, 2024 and 2023.

Fair Value of Debt

Based on the level of interest rates prevailing at June 30, 2024, the fair value of the Company's debt was \$ 3.715 billion. Based on the level of interest rates prevailing at September 30, 2023, the fair value of the Company's debt was \$3.525 billion. The fair value of the Company's debt instruments is determined using quoted market prices from less active markets or by using quoted market prices for instruments with identical terms and maturities; both approaches are considered a Level 2 measurement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition with the unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024 (the "Quarterly Report").

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report includes forward-looking statements and cautionary statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "shall," "should," "would," "could," "seeks," "aims," "projects," "is optimistic," "intends," "plans," "estimates," "anticipates" or other comparable terms or the negative thereof. Forward-looking statements include, without limitation, all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include, without limitation, our ability to compete in the highly competitive markets in which we operate, statements regarding our ability to develop talent and attract future talent, our ability to reduce future capital expenditures, our ability to monetize our music, including through new distribution channels and formats to capitalize on the growth areas of the music entertainment industry, our ability to effectively deploy our capital, the development of digital music and the effect of digital distribution channels on our business, including whether we will be able to achieve higher margins from digital sales, the success of strategic actions we are taking to accelerate our transformation as we redefine our role in the music entertainment industry, the effectiveness of our ongoing efforts to reduce overhead expenditures and manage our variable and fixed cost structure and our ability to generate expected cost savings from such efforts, our success in limiting piracy, the growth of the music entertainment industry and the effect of our and the industry's efforts to combat piracy on the industry, our intention and ability to pay dividends or repurchase or retire our outstanding debt or notes in open market purchases, privately or otherwise, the impact on us of potential strategic transactions, our ability to fund our future capital needs and the effect of litigation on us.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes, including, without limitation, our actual results of operations, financial condition and liquidity, and the development of the market in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and cash flows, and the development of the market in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to accurately predict all of them. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, without limitation:

- our inability to compete successfully in the highly competitive markets in which we operate;
- our ability to identify, sign and retain recording artists and songwriters and the existence or absence of superstar 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;
- 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;
- the popular demand for particular recording artists and/or songwriters and music and the timely delivery to us of music by major recording artists and/or songwriters;
- risks related to the effects of natural or man-made disasters, including pandemics;
- the diversity and quality of our recording artists, songwriters and releases;
- trends, developments or other events in some foreign countries in which we operate;
- risks associated with our non-U.S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital;
- unfavorable currency exchange rate fluctuations;

- the impact of heightened and intensive competition in the recorded music and music publishing industries and our inability to execute our business strategy;
- significant fluctuations in our operations, cash flows and the trading price of our common stock from period to period;
- our failure to attract and retain our executive officers and other key personnel;
- a significant portion of our revenues are 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;
- risks associated with obtaining, maintaining, protecting and enforcing our intellectual property rights;
- our involvement in intellectual property litigation;
- threats to our business associated with digital piracy, including organized industrial piracy;
- an impairment in the carrying value of goodwill or other intangible and long-lived assets;
- the impact of, and risks inherent in, acquisitions or other business combinations;
- risks inherent to our outsourcing certain finance and accounting functions;
- the fact that 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 ability to maintain the security of information relating to our customers, employees and vendors and our music;
- risks related to evolving laws and regulations concerning data privacy which might result in increased regulation and different industry standards;
- legislation limiting the terms by which an individual can be bound under a "personal services" contract;
- new legislation that affects the terms of our contracts with recording artists and songwriters;
- 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;
- any delays and difficulties in satisfying obligations incident to being a public company;
- the impact of our substantial leverage on our ability to raise additional capital to fund our operations, on our ability to react to changes in the economy or our industry and on our ability to meet our obligations under our indebtedness;
- the ability to generate sufficient cash to service all of our indebtedness, and the risk that we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- the fact that our debt agreements contain restrictions that may limit our flexibility in operating our business;
- the significant amount of cash required to service our indebtedness and the ability to generate cash or refinance indebtedness as it becomes due depends on many factors, some of which are beyond our control;
- our indebtedness levels, and the fact that we may be able to incur substantially more indebtedness, which may increase the risks created by our substantial indebtedness;
- risks of downgrade, suspension or withdrawal of the rating assigned by a rating agency to us could impact our cost of capital;
- the dual class structure of our common stock and Access's existing ownership of our Class B Common Stock have the effect of concentrating control over our management and affairs and over matters requiring stockholder approval with Access;
- the fact that we maintain certain cash deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits, which could have an adverse effect on liquidity and financial performance in the event of a bank failure or receivership; and
- risks related to other factors discussed under "Risk Factors" of this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

You should read this Quarterly Report completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this Quarterly Report are qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation,

other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, and changes in future operating results over time or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Other risks, uncertainties and factors, including those discussed in the “Risk Factors” of our Quarterly Reports and our Annual Report on Form 10-K, could cause our actual results to differ materially from those projected in any forward-looking statements we make. You should read carefully the factors described in the “Risk Factors” section of our Quarterly Reports and our Annual Report on Form 10-K to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

INTRODUCTION

Warner Music Group Corp. (the “Company”) was formed on November 21, 2003. The Company is 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, except where otherwise indicated.

Management’s discussion and analysis of financial condition and results of operations (“MD&A”) is provided as a supplement to the unaudited financial statements and related notes thereto included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. MD&A is organized as follows:

- *Business overview.* This section provides a general description of our business, as well as a discussion of factors that we believe are important in understanding our results of operations and comparability and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three and nine months ended June 30, 2024 and June 30, 2023. This analysis is presented on both a consolidated and segment basis.
- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the nine months ended June 30, 2024 and June 30, 2023, as well as a discussion of our financial condition and liquidity as of June 30, 2024. The discussion of our financial condition and liquidity includes recent debt financings and a summary of the key debt covenant compliance measures under our debt agreements.

Use of Adjusted OIBDA

We evaluate our operating performance based on several factors, including our primary financial measure of operating income (loss) before non-cash depreciation of tangible assets and non-cash amortization of intangible assets adjusted to exclude the impact of non-cash stock-based compensation and other related expenses and certain items that affect comparability including but not limited to gains or losses on divestitures and expenses related to restructuring and transformation initiatives (“Adjusted OIBDA”). We consider Adjusted OIBDA to be an important indicator of the operational strengths and performance of our businesses. However, a limitation of the use of Adjusted OIBDA as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Accordingly, Adjusted OIBDA should be considered in addition to, not as a substitute for, operating income (loss), net income (loss) attributable to Warner Music Group Corp. and other measures of financial performance reported in accordance with United States generally accepted accounting principles (“U.S. GAAP”). In addition, our definition of Adjusted OIBDA may differ from similarly titled measures used by other companies. A reconciliation of consolidated Adjusted OIBDA to operating income (loss) and net income (loss) attributable to Warner Music Group Corp. is provided in our “Results of Operations.”

Use of Constant Currency

As exchange rates are an important factor in understanding period to period comparisons, we believe the presentation of revenue and Adjusted OIBDA on a constant-currency basis in addition to reported results helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares revenue and Adjusted OIBDA between periods as if exchange rates had remained constant period over period. We use revenue and Adjusted OIBDA on a constant-currency basis as one measure to evaluate our performance. We calculate constant-currency by calculating prior-year revenue and Adjusted OIBDA using current-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant-currency basis as “excluding the impact of foreign currency exchange rates.” Revenue and Adjusted OIBDA

on a constant-currency basis should be considered in addition to, not as a substitute for, revenue and Adjusted OIBDA reported in accordance with U.S. GAAP. Revenue and Adjusted OIBDA on a constant-currency basis, as we present it, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with U.S. GAAP.

BUSINESS OVERVIEW

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 150,000 songwriters and composers, with a global collection of more than one and a half million musical compositions. We classify our business interests into two fundamental operations: Recorded Music and Music Publishing. A brief description of each of those operations is presented below.

Components of Our Operating Results

Recorded Music Operations

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 through compilations, reissues 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 in more than 70 countries 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 next generation services division that connects artists with fans and amplifies brands in creative, immersive, and engaging ways. This division includes a rebranded WEA commercial services & 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 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 and YouTube, radio services such as iHeart Radio and SiriusXM and other download services.

We have integrated the marketing of digital content into all aspects of our business, including artists and repertoire ("A&R") and distribution. Our business development executives work closely with A&R departments to ensure that while music is being produced, digital assets are also created with all distribution channels in mind, including streaming services, social networking sites, online portals and music-centered destinations. We also work side-by-side with our online and mobile partners to test new concepts. We believe existing and new digital businesses will be a significant source of growth and will provide new opportunities to successfully monetize our assets and create new revenue streams. The proportion of digital revenues attributable to each distribution channel varies by region and proportions may change as the introduction of new technologies continues. As one of the world's largest music entertainment companies, we believe we are well positioned to take advantage of growth in digital distribution and emerging technologies to maximize the value of our assets.

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.

Recorded Music revenues are derived from four main sources:

- *Digital*: the rightsholder receives revenues with respect to streaming and download services;
- *Physical*: the rightsholder receives revenues with respect to sales of physical products such as vinyl, CDs and DVDs;
- *Artist services and expanded-rights*: the rightsholder receives revenues with respect to our artist services businesses and our participation in expanded rights, including advertising, merchandising such as direct-to-consumer sales, touring, concert promotion, ticketing, sponsorship, fan clubs, artist websites, social publishing, and artist and brand management; and
- *Licensing*: the rightsholder receives royalties or fees for the right to use sound recordings in combination with visual images such as in films or television programs, television commercials and video games; the rightsholder also receives royalties if sound recordings are performed publicly through broadcast of music on television, radio and cable, and in public spaces such as shops, workplaces, restaurants, bars and clubs.

The principal costs associated with our Recorded Music business are as follows:

- *A&R costs*: the costs associated with (i) paying royalties to recording artists, producers, songwriters, other copyright holders and trade unions; (ii) signing and developing recording artists; and (iii) creating master recordings in the studio;
- *Product costs*: the costs to manufacture, package and distribute products to wholesale and retail distribution outlets, the royalty costs associated with distributing products of independent labels to wholesale and retail distribution outlets, as well as the costs related to our artist services business;
- *Selling and marketing expenses*: the costs associated with the promotion and marketing of recording artists and music, including costs to produce music videos for promotional purposes and artist tour support; and
- *General and administrative expenses*: the costs associated with general overhead and other administrative expenses.

Music Publishing Operations

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, with operations in over 70 countries through various subsidiaries, affiliates, and non-affiliated licensees and sub-publishers. We own or control rights to more than one and a half million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award-winning catalog includes over 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 revenues are derived from five main sources:

- *Digital*: the rightsholder receives revenues with respect to musical compositions embodied in recordings distributed in streaming services, download services, digital performance and other digital music services;
- *Performance*: the rightsholder receives revenues if the musical composition is performed publicly through broadcast of music on television, radio and cable and in retail locations (e.g., bars and restaurants), live performance at a

concert or other venue (e.g., arena concerts and nightclubs), and performance of music in staged theatrical productions;

- *Mechanical*: the rightsholder receives revenues with respect to musical compositions embodied in recordings sold in any physical format or configuration such as vinyl, CDs and DVDs;
- *Synchronization*: the rightsholder receives revenues for the right to use the musical composition in combination with visual images such as in films or television programs, television commercials and video games as well as from other uses such as in toys or novelty items and merchandise; and
- *Other*: the rightsholder receives revenues for use in sheet music and other uses.

The principal costs associated with our Music Publishing business are as follows:

- *A&R costs*: the costs associated with (i) paying royalties to songwriters, co-publishers and other copyright holders in connection with income generated from the uses of their works and (ii) signing and developing songwriters; and
- *Selling and marketing, general overhead and other administrative expenses* : the costs associated with selling and marketing, general overhead and other administrative expenses.

Recent Events and Factors Affecting Results of Operations and Comparability

Strategic Restructuring Plan

In February 2024, the Company announced a strategic restructuring plan (the "Strategic Restructuring Plan") designed to free up additional funds to invest in music and accelerate the Company's growth for the next decade. Under the Strategic Restructuring Plan, the Company expects a reduction in headcount of approximately 10% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately \$135 million or approximately \$80 million of total non-recurring after tax charges. The expected pre-tax charges include approximately \$85 million of severance costs and approximately \$50 million of non-cash impairment charges primarily in connection with the disposal or winding down of the Company's non-core owned and operated media properties including the Company's in-house advertising sales function (the "O&O Media Properties"). The majority of the Strategic Restructuring Plan is expected to be completed by the end of fiscal year 2025.

The cost savings under the Strategic Restructuring Plan will be achieved through a combination of the disposal or winding down of the O&O Media Properties, continuing to manage overhead, sharpening focus, expanding shared services, and implementing previously disclosed expected operational efficiencies made possible by the Company's financial transformative initiative. The Company expects allocating a majority of the costs savings to increase investment in the Company's core Recorded Music and Music Publishing businesses, new skill sets and tech capabilities.

For the three months ended June 30, 2024, total severance costs recorded in connection with the Strategic Restructuring Plan were \$1 million, all of which was recognized in our Recorded Music segment. For the nine months ended June 30, 2024, total severance costs recorded in connection with the Strategic Restructuring Plan were \$47 million, of which, \$43 million was recognized in our Recorded Music segment and \$4 million was recognized in Corporate. The below table sets forth the activity for the nine months ended June 30, 2024 in the restructuring accrual associated with the Strategic Restructuring Plan included within accrued liabilities in the accompanying condensed consolidated balance sheets. Additionally, for the nine months ended June 30, 2024, the Company recognized \$50 million of impairment losses on unamortized intangible assets and other assets of which \$47 million was recognized in our Recorded Music segment and \$3 million was recognized in Corporate. Impairment charges recognized primarily relate to the winding down of the Company's O&O Media Properties.

2023 Restructuring Plan

In March 2023, the Company announced a restructuring plan (the "2023 Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. There were no restructuring costs incurred in the three months ended June 30, 2023. Total restructuring costs were \$41 million for the nine months ended June 30, 2023, consisting of severance costs. All restructuring costs were recorded in the Recorded Music segment in the prior year.

BMG Termination

In September 2023, the Company terminated its distribution agreement with BMG as BMG began to bring digital distribution in-house and license directly with digital service partners in fiscal 2024 (the “BMG Termination”). Alternative Distribution Alliance (“ADA”), which is part of our Recorded Music business, had previously been distributing BMG’s recorded music catalog and revenues are reported within our Recorded Music segment. The shift to direct deals by BMG will be a phased in-sourcing of distribution during the current fiscal year and we expect BMG to be rolled off in fiscal 2025.

During the three and nine months ended June 30, 2024, in connection with the BMG Termination, the Company reported lower Recorded Music digital revenue of \$26 million and \$61 million, respectively, of which \$25 million and \$57 million was streaming revenue, respectively. The impact to Recorded Music’s Adjusted OIBDA was immaterial for the three and nine months ended June 30, 2024.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2024 Compared with Three Months Ended June 30, 2023

Consolidated Results

Revenues

Our revenues were composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
Revenue by Type				
Digital	\$ 882	\$ 846	\$ 36	4 %
Physical	120	126	(6)	-5 %
Total digital and physical	1,002	972	30	3 %
Artist services and expanded-rights	159	218	(59)	-27 %
Licensing	90	92	(2)	-2 %
Total Recorded Music	1,251	1,282	(31)	-2 %
Performance	52	40	12	30 %
Digital	194	182	12	7 %
Mechanical	13	16	(3)	-19 %
Synchronization	42	41	1	2 %
Other	4	4	—	— %
Total Music Publishing	305	283	22	8 %
Intersegment eliminations	(2)	(1)	(1)	100 %
Total revenues	\$ 1,554	\$ 1,564	\$ (10)	-1 %
Revenue by Geographical Location				
U.S. Recorded Music	\$ 517	\$ 557	\$ (40)	-7 %
U.S. Music Publishing	161	147	14	10 %
Total U.S.	678	704	(26)	-4 %
International Recorded Music	734	725	9	1 %
International Music Publishing	144	136	8	6 %
Total international	878	861	17	2 %
Intersegment eliminations	(2)	(1)	(1)	100 %
Total revenues	\$ 1,554	\$ 1,564	\$ (10)	-1 %

Total Revenues

Total revenues decreased by \$10 million, or 1%, to \$1,554 million for the three months ended June 30, 2024 from \$1,564 million for the three months ended June 30, 2023. Consistent with prior quarter, revenue growth was unfavorably impacted by the BMG Termination in Recorded Music digital revenue, which resulted in \$26 million less revenue compared to the prior-year quarter, and a \$3 million unfavorable impact within Recorded Music streaming revenue due to the renewal with one of the Company's digital partners (the "Digital License Renewal"), which resulted in upfront revenue recognition for the three months ended December 31, 2023. Music Publishing digital revenue growth was also unfavorably impacted by a \$7 million benefit in the prior-year quarter due to a ruling by the Copyright Royalty Board in Phonorecords III upholding higher percentage of revenue U.S. mechanical royalty rates (the "CRB Rate Benefit"). Adjusted for these items, total revenues increased by 2%, which includes \$20 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 80% and 20% of total revenue for the three months ended June 30, 2024, respectively, and 82% and 18% of total revenue for the three months ended June 30, 2023, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 44% and 56% of total revenues for the three months ended June 30, 2024 and 45% and 55% of total revenues for the three months ended June 30, 2023.

Total digital revenues after intersegment eliminations increased by \$48 million, or 5%, to \$1,075 million for the three months ended June 30, 2024 from \$1,027 million for the three months ended June 30, 2023. Excluding the BMG Termination, the Digital License Renewal, and the CRB Rate Benefit, total digital revenues increased 8%, Total streaming revenue increased 6% driven by growth across Recorded Music and Music Publishing. Prior to intersegment eliminations, total digital revenues for the three months ended June 30, 2024 were composed of U.S. revenues of \$504 million and international revenues of \$572 million, or 47% and 53% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the three months ended June 30, 2023 were composed of U.S. revenues of \$506 million and international revenues of \$522 million, or 49% and 51% of total digital revenues, respectively.

Recorded Music revenues decreased by \$31 million, or 2%, to \$1,251 million for the three months ended June 30, 2024 from \$1,282 million for the three months ended June 30, 2023. The decrease includes \$17 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were \$517 million and \$557 million, or 41% and 43% of consolidated Recorded Music revenues for each of the three months ended June 30, 2024 and June 30, 2023, respectively. International Recorded Music revenues were \$734 million and \$725 million, or 59% and 57% of consolidated Recorded Music revenues for each of the three months ended June 30, 2024 and June 30, 2023, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in artist services and expanded-rights, physical, and licensing revenues, partially offset by an increase in digital revenue. Digital revenue increased by \$36 million primarily due to growth in streaming revenue, partially offset by the unfavorable impact of foreign currency exchange rates of \$12 million. Revenue from streaming services increased by \$41 million, or 5%, to \$863 million for the three months ended June 30, 2024 from \$822 million for the three months ended June 30, 2023. The growth in streaming revenue is partially offset by the impacts of the BMG Termination of \$25 million, the Digital License Renewal of \$3 million, and the unfavorable impact of foreign currency exchange rates of \$11 million. Adjusted for the BMG Termination and the Digital License Renewal, streaming revenues increased 9%. The quarter reflects success from new album releases from Benson Boone and Dua Lipa, as well as carryover success from Zach Bryan and Teddy Swims. Download and other digital revenues decreased by \$5 million, or 21%, to \$19 million for the three months ended June 30, 2024 from \$24 million for the three months ended June 30, 2023 due to the unfavorable impact of the BMG Termination of \$1 million compared to the prior-year quarter, the unfavorable impact of foreign currency exchange rates of \$1 million, and the continued shift to streaming services. Artist services and expanded-rights revenue decreased by \$59 million or 27% due to lower merchandising and concert promotion revenue, a decrease in revenue related to the exit of the Company's O&O Media Properties announced as part of the Strategic Restructuring Plan, and the unfavorable impact of foreign currency exchange rates of \$3 million. Licensing revenue decreased by \$2 million, or 2%, primarily driven by the timing of copyright infringement settlements and the unfavorable impact of foreign currency exchange rates of \$1 million. Physical revenue decreased by \$6 million, or 5%, primarily driven by timing of releases and strong U.S. releases in the prior-year quarter, and the unfavorable impact of foreign currency exchange rates of \$1 million.

Music Publishing revenues increased by \$22 million, or 8%, to \$305 million for the three months ended June 30, 2024 from \$283 million for the three months ended June 30, 2023. U.S. Music Publishing revenues were \$161 million and \$147 million, or 53% and 52% of consolidated Music Publishing revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively. International Music Publishing revenues were \$144 million and \$136 million, or 47% and 48% of consolidated Music Publishing revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Music Publishing revenue was driven by increases in digital, performance, and synchronization revenues, partially offset by lower mechanical revenue. Digital revenue grew by \$12 million, or 7%, primarily due to higher streaming revenue driven by the impact of digital deal renewals and continued investment in our publishing catalog, partially offset by the CRB Rate Benefit in the prior-year quarter of \$7 million, and the unfavorable impact of foreign currency exchange rates of \$1 million. Revenue from streaming services grew by \$14 million, or 8%, to \$192 million for the three months ended June 30, 2024 from \$178 million for the three months ended June 30, 2023. Excluding the CRB Rate Benefit of \$7 million in the prior-year quarter, revenue from streaming services grew 12%. Performance revenue increased by \$12 million, or 30%, driven by an increase in touring activity outside the U.S. and U.S. radio activity, partially offset by the unfavorable impact of foreign currency exchange rates of \$1 million. Synchronization revenue increased by \$1 million, or 2%, primarily attributable to higher international commercial licensing activity, partially offset by the timing of copyright infringement settlements in the U.S. Mechanical revenue decreased by \$3 million, or 19%, primarily driven by lower physical sales.

Revenue by Geographical Location

U.S. revenue decreased by \$26 million, or 4%, to \$678 million for the three months ended June 30, 2024 from \$704 million for the three months ended June 30, 2023. U.S. Recorded Music revenue decreased by \$40 million, or 7%. The decrease is driven by lower revenue across artist services and expanded-rights of \$19 million, digital revenue of \$12 million, licensing revenue of \$5 million, and physical revenue of \$4 million. The decrease in artist services and expanded-rights revenue is driven by lower merchandising revenue and a decrease in revenue related to the exit of the Company's O&O Media Properties announced as part of the Strategic Restructuring Plan. The decrease in U.S. Recorded Music digital revenue reflects lower streaming revenue of \$9 million, or 2%, and lower download and other digital revenue of \$3 million, or 23%, primarily attributable to the unfavorable impact of the BMG Termination compared to the prior-year quarter. The decrease in U.S. Recorded Music licensing revenue of \$5 million is driven by timing of copyright infringement settlements in the prior-year quarter, and the decrease in physical revenue of \$4 million is driven by the timing of releases following strong U.S. releases in the prior-year quarter. U.S. Music Publishing revenue increased by \$14 million, or 10%, to \$161 million for the three months ended June 30, 2024 from \$147 million for the three months ended June 30, 2023. This was largely driven by an increase in U.S. Music Publishing digital revenue of \$10 million due to the continued growth in streaming services, resulting in streaming growth of \$9 million, or 9%. The increase in streaming revenue reflects the continued market growth, expansion of our publishing catalog and timing of payments, partially offset by the CRB Rate Benefit of \$7 million in the prior-year quarter. U.S. Music Publishing performance revenue increased by \$7 million due to an increase U.S. radio activity, mechanical revenue increased by \$1 million due to timing of collections, partially offset by a decrease in synchronization revenue of \$3 million driven by the timing of copyright infringement settlements.

International revenue increased by \$17 million, or 2%, to \$878 million for the three months ended June 30, 2024 from \$861 million for the three months ended June 30, 2023. Excluding the unfavorable impact of foreign currency exchange rates of \$20 million, International revenue increased by \$37 million, or 4%. International Recorded Music revenue increased by \$9 million due to increases in digital revenue of \$48 million and licensing revenue of \$3 million, partially offset by decreases in artist services and expanded-rights revenue of \$40 million and physical revenue of \$2 million. The increase in International Recorded Music digital revenue was driven by an increase in streaming revenue of \$50 million, or 12%, partially offset by the unfavorable impact of the Digital License Renewal of \$3 million in the prior-year quarter and the unfavorable impact of foreign currency exchange rates of \$11 million. International Recorded Music licensing revenue increased by \$3 million, driven by the timing of copyright infringement settlements, partially offset by the unfavorable impact of foreign currency exchange rates of \$1 million. International Recorded Music artist services and expanded-rights revenue decreased by \$40 million due to lower direct-to-consumer merchandising revenue at EMP, lower concert promotion revenue primarily in Japan and France, and the unfavorable impact of foreign currency exchange rates of \$3 million. International Recorded Music physical revenue decreased by \$2 million, primarily due to the timing of releases.

International Music Publishing revenue increased from the prior-year quarter by \$8 million, or 6%, to \$144 million for the three months ended June 30, 2024 from \$136 million for the three months ended June 30, 2023. International Music Publishing revenue growth was largely driven by increases in performance revenue of \$5 million due to strong artist touring activity in Europe, synchronization revenue of \$4 million, digital revenue of \$2 million, other revenue of \$1 million, partially offset by a decrease in mechanical revenue of \$4 million. The growth in International Music Publishing digital revenue includes streaming revenue growth of \$5 million or 7%, partially offset by a decrease in download and other digital revenue of \$3 million.

Cost of revenues

Our cost of revenues was composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
Artist and repertoire costs	\$ 548	\$ 530	\$ 18	3 %
Product costs	282	320	(38)	-12 %
Total cost of revenues	\$ 830	\$ 850	\$ (20)	-2 %

Artist and repertoire costs increased by \$18 million, to \$548 million for the three months ended June 30, 2024 from \$530 million for the three months ended June 30, 2023. Artist and repertoire costs as a percentage of revenue increased to 35% during the three months ended June 30, 2024 from 34% for the three months ended June 30, 2023, primarily driven by revenue mix.

Product costs decreased by \$38 million, to \$282 million for the three months ended June 30, 2024 from \$320 million for the three months ended June 30, 2023. Product costs as a percentage of revenue decreased to 18% for the three months ended June 30, 2024 from 20% for the three months ended June 30, 2023, primarily driven by revenue mix due to the BMG Termination and lower artist services and expanded-rights and third-party distributed label revenue.

Selling, general and administrative expenses

Our selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
General and administrative expense (1)	\$ 264	\$ 244	\$ 20	8 %
Selling and marketing expense	173	185	(12)	-6 %
Distribution expense	25	32	(7)	-22 %
Total selling, general and administrative expense	<u>\$ 462</u>	<u>\$ 461</u>	<u>\$ 1</u>	<u>— %</u>

(1) Includes depreciation expense of \$25 million and \$22 million for the three months ended June 30, 2024 and June 30, 2023, respectively.

Total selling, general and administrative expense increased by \$1 million, to \$462 million for the three months ended June 30, 2024 from \$461 million for the three months ended June 30, 2023. Expressed as a percentage of revenue, total selling, general and administrative expense increased to 30% for the three months ended June 30, 2024 from 29% for the three months ended June 30, 2023.

General and administrative expense increased by \$20 million to \$264 million for the three months ended June 30, 2024 from \$244 million for the three months ended June 30, 2023. The increase in general and administrative expense was largely due to incremental expenses related to transformation initiatives and related costs of \$5 million, higher depreciation expense driven by assets placed in service of \$3 million, the unfavorable movements in foreign currency exchange rates of \$3 million, higher non-cash stock-based compensation and other related costs of \$3 million, partially offset by savings from the 2023 Restructuring Plan and the Strategic Restructuring Plan. Expressed as a percentage of revenue, general and administrative expense increased to 17% for the three months ended June 30, 2024 from 16% for the three months ended June 30, 2023.

Selling and marketing expense decreased by \$12 million, or 6%, to \$173 million for the three months ended June 30, 2024 from \$185 million for the three months ended June 30, 2023. Expressed as a percentage of revenue, selling and marketing expense decreased to 11% for the three months ended June 30, 2024 from 12% for the three months ended June 30, 2023 due to lower variable marketing spend and savings from the 2023 Restructuring Plan.

Distribution expense decreased by \$7 million to \$25 million for the three months ended June 30, 2024 from \$32 million for the three months ended June 30, 2023. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the three months ended June 30, 2024 and the three months ended June 30, 2023.

Reconciliation of Net Income Attributable to Warner Music Group Corp. and Operating Income to Consolidated Adjusted OIBDA

As previously described, we use Adjusted OIBDA as our primary measure of financial performance. The following table reconciles operating income to Adjusted OIBDA, and further provides the components from net income attributable to Warner Music Group Corp. to operating income for purposes of the discussion that follows (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
Net income attributable to Warner Music Group Corp.	\$ 139	\$ 122	\$ 17	14 %
Income attributable to noncontrolling interest	2	(2)	—	— %
Net income	141	124	17	14 %
Income tax expense	30	43	(13)	(30) %
Income before income taxes	171	167	4	2 %
Other income	(4)	(20)	16	(80) %
Interest expense, net	40	38	2	5 %
Loss on extinguishment of debt	—	4	(4)	(100) %
Operating income	207	189	18	10 %
Amortization expense	55	64	(9)	(14) %
Depreciation expense	25	22	3	14 %
Restructuring and impairments	1	—	1	— %
Transformation initiatives and other related costs	18	13	5	38 %
Executive transition costs	—	1	(1)	— %
Net gain on divestitures	(1)	—	(1)	(100) %
Non-cash stock-based compensation and other related costs	11	8	3	38 %
Adjusted OIBDA	<u>\$ 316</u>	<u>\$ 297</u>	<u>\$ 19</u>	<u>6 %</u>

Adjusted OIBDA

Adjusted OIBDA increased by \$19 million to \$316 million for the three months ended June 30, 2024 as compared to \$297 million for the three months ended June 30, 2023 primarily due to strong operating performance, savings from the Strategic Restructuring Plan and savings from the 2023 Restructuring Plan, partially offset by the reinvestment of these savings in the Company's business. Expressed as a percentage of total revenue, Adjusted OIBDA margin increased to 20% for the three months ended June 30, 2024 from 19% for the three months ended June 30, 2023 due to the factors noted above.

Non-cash stock-based compensation and other related costs

Our non-cash stock-based compensation and other related costs increased by \$3 million to \$11 million for the three months ended June 30, 2024 from \$8 million for the three months ended June 30, 2023, primarily related to issuance of additional restricted stock units and market-based performance stock units.

Net gain on divestitures

Net gain on divestitures during the three months ended June 30, 2024 includes a pre-tax gain of \$1 million in connection with the divestiture of certain media properties in connection with the Strategic Restructuring Plan.

Executive transition costs

Executive transition costs of \$1 million during the three months ended June 30, 2023, which include costs associated with the departure of our previous Chief Financial Officer in the prior year.

Transformation initiatives and other related costs

Our transformation initiatives and other related costs increased by \$5 million to \$18 million for the three months ended June 30, 2024 from \$13 million for the three months ended June 30, 2023 due to an increase in costs associated with our finance transformation.

Restructuring and Impairments

Our restructuring and impairment charges increased to \$1 million for the three months ended June 30, 2024 related to the Strategic Restructuring Plan. There were no restructuring and impairment charges for the three months ended June 30, 2023.

Depreciation expense

Our depreciation expense increased by \$3 million to \$25 million for the three months ended June 30, 2024 from \$22 million for the three months ended June 30, 2023. This increase is primarily due to IT assets being placed into service.

Amortization expense

Our amortization expense decreased by \$9 million, or 14%, to \$55 million for the three months ended June 30, 2024 from \$64 million for the three months ended June 30, 2023. The decrease is driven by certain intangible assets becoming fully amortized.

Operating income

Our operating income increased by \$18 million to \$207 million for the three months ended June 30, 2024 from \$189 million for the three months ended June 30, 2023. In addition to the factors impacting Adjusted OIBDA described above, the increase in operating income was driven by lower amortization expense of \$9 million and \$1 million net gain on a divestiture in the current quarter, offset by \$5 million of incremental expenses related to transformation initiatives and other related costs, higher non-cash stock-based compensation of \$3 million, and \$1 million of restructuring charges for the three months ended June 30, 2024 related to the Strategic Restructuring Plan.

Loss on extinguishment of debt

There was no loss on extinguishment of debt for the three months ended June 30, 2024. For the three months ended June 30, 2023, we recorded a loss on extinguishment of debt of \$4 million, which represents the remaining unamortized discount and deferred financing costs in connection with the redemption of Senior Term Loan Facility Tranche H loans.

Interest expense, net

Our interest expense, net, increased to \$40 million for the three months ended June 30, 2024 from \$38 million for the three months ended June 30, 2023 due to the maturity of the interest rate swaps and higher interest rates on variable rate debt.

Other income

Other income for the three months ended June 30, 2024 primarily includes foreign currency gains on our Euro-denominated debt of \$7 million, currency exchange losses on our intercompany loans of \$5 million, and unrealized gains on hedging activity of \$1 million. This compares to foreign currency gains on our Euro-denominated debt of \$2 million, currency exchange gains on the Company's intercompany loans of \$11 million and aggregate realized and unrealized gains of \$5 million on the mark-to-market of investments for the three months ended June 30, 2023.

Income tax expense

Our income tax expense decreased by \$13 million to \$30 million for the three months ended June 30, 2024 from \$43 million for the three months ended June 30, 2023. The decrease of \$13 million in income tax expense is primarily due to a current period benefit from the updated allowable costs for reported foreign derived intangible income.

Net income

Net income increased by \$17 million to \$141 million for the three months ended June 30, 2024 from \$124 million for the three months ended June 30, 2023 as a result of the factors described above.

Noncontrolling interest

Income attributable to noncontrolling interest was \$2 million for each of the three months ended June 30, 2024 and the three months ended June 30, 2023.

Business Segment Results

Revenues, operating income (loss) and Adjusted OIBDA by business segment were as follows (in millions):

	For the Three Months Ended June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
Recorded Music				
Revenues	\$ 1,251	\$ 1,282	\$ (31)	-2 %
Operating income	230	207	23	11 %
Adjusted OIBDA	281	264	17	6 %
Music Publishing				
Revenues	305	283	22	8 %
Operating income	53	50	3	6 %
Adjusted OIBDA	79	74	5	7 %
Corporate expenses and eliminations				
Revenue eliminations	(2)	(1)	(1)	100 %
Operating loss	(76)	(68)	(8)	12 %
Adjusted OIBDA loss	(44)	(41)	(3)	7 %
Total				
Revenues	1,554	1,564	(10)	-1 %
Operating income	207	189	18	10 %
Adjusted OIBDA	316	297	19	6 %

Recorded Music

Revenues

Recorded Music revenue decreased by \$31 million, or 2%, to \$1,251 million for the three months ended June 30, 2024 from \$1,282 million for the three months ended June 30, 2023. Excluding the impacts of the BMG Termination of \$26 million, the Digital License Renewal of \$3 million, and the unfavorable foreign currency rates of \$17 million, Recorded Music revenue increased by 1% for the three months ended June 30, 2024. U.S. Recorded Music revenues were \$517 million and \$557 million, or 41% and 43% of consolidated Recorded Music revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively. International Recorded Music revenues were \$734 million and \$725 million, or 59% and 57% of consolidated Recorded Music revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively.

The overall decrease in Recorded Music revenue was driven by lower revenue across artist services and expanded-rights, physical, and licensing revenues, partially offset by an increase in digital revenue, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Recorded Music cost of revenues was composed of the following amounts (in millions):

	For the Three Months Ended June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
Artist and repertoire costs	\$ 354	\$ 349	\$ 5	1 %
Product costs	282	320	(38)	-12 %
Total cost of revenues	\$ 636	\$ 669	\$ (33)	-5 %

Recorded Music cost of revenues decreased by \$33 million, or 5%, to \$636 million for the three months ended June 30, 2024 from \$669 million for the three months ended June 30, 2023. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs increased to 28% for the three months ended June 30, 2024 from 27% for the three months ended June 30, 2023, primarily driven by revenue mix. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs

decreased to 23% for the three months ended June 30, 2024 from 25% for the three months ended June 30, 2023, primarily due to revenue mix due to lower artist services and expanded-rights and third-party distributed label revenue resulting from the BMG Termination.

Selling, general and administrative expense

Recorded Music selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
General and administrative expense (1)	\$ 161	\$ 152	\$ 9	6 %
Selling and marketing expense	167	181	(14)	-8 %
Distribution expense	25	32	(7)	-22 %
Total selling, general and administrative expense	\$ 353	\$ 365	\$ (12)	-3 %

(1) Includes depreciation expense of \$13 million for each of the three months ended June 30, 2024 and June 30, 2023.

Recorded Music selling, general and administrative expense decreased by \$12 million, or 3%, to \$353 million for the three months ended June 30, 2024 from \$365 million for the three months ended June 30, 2023. The increase in general and administrative expense was mainly driven by unfavorable movements in foreign currency exchange rates of \$3 million, the impact of acquisitions and higher non-cash stock-based compensation and other related costs of \$3 million, partially offset by savings from the 2023 Restructuring Plan. The decrease in selling and marketing expense was primarily due to lower variable marketing spend and savings from the 2023 Restructuring Plan. The decrease in distribution expense was primarily driven by revenue mix. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense remained constant at 28% for each of the three months ended June 30, 2024 and the three months ended June 30, 2023.

Operating Income and Adjusted OIBDA

Recorded Music operating income increased by \$23 million to \$230 million for the three months ended June 30, 2024 from \$207 million for the three months ended June 30, 2023. In addition to the factors impacting Adjusted OIBDA described below, the increase in operating income was driven by a decrease in amortization expense of \$11 million due to certain intangible assets becoming fully amortized, partially offset by \$2 million of restructuring and impairment charges primarily due to the Company's Strategic Restructuring Plan and exit of certain non-core O&O Media Properties.

Recorded Music Adjusted OIBDA increased by \$17 million to \$281 million for the three months ended June 30, 2024 from \$264 million for the three months ended June 30, 2023 driven by increased savings from the 2023 Restructuring Plan and savings from the Strategic Restructuring Plan, of which a portion has been reinvested in the Company's business, partially offset by the unfavorable impact of foreign exchange rates. Expressed as a percentage of Recorded Music revenue, Recorded Music Adjusted OIBDA margin increased to 22% for the three months ended June 30, 2024 from 21% for the three months ended June 30, 2023 due to the factors noted above.

Music Publishing

Revenues

Music Publishing revenues increased by \$22 million, or 8%, to \$305 million for the three months ended June 30, 2024 from \$283 million for the three months ended June 30, 2023. U.S. Music Publishing revenues were \$161 million and \$147 million, or 53% and 52% of consolidated Music Publishing revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively. International Music Publishing revenues were \$144 million and \$136 million, or 47% and 48% of consolidated Music Publishing revenues, for the three months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Music Publishing revenue was driven by growth in digital, performance, and synchronization revenues, partially offset by lower mechanical revenue, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Music Publishing cost of revenues were composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
Artist and repertoire costs	\$ 196	\$ 182	\$ 14	8 %
Total cost of revenues	\$ 196	\$ 182	\$ 14	8 %

Music Publishing cost of revenues increased by \$14 million, or 8%, to \$196 million for the three months ended June 30, 2024 from \$182 million for the three months ended June 30, 2023. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues remained constant at 64% for each of the three months ended June 30, 2024 and June 30, 2023.

Selling, general and administrative expense

Music Publishing selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Three Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
General and administrative expense (1)	\$ 30	\$ 27	\$ 3	11 %
Selling and marketing expense	1	1	—	— %
Total selling, general and administrative expense	\$ 31	\$ 28	\$ 3	11 %

(1) Includes no depreciation expense for each of the three months ended June 30, 2024 and June 30, 2023.

Music Publishing selling, general and administrative expense increased by \$3 million, or 11%, to \$31 million for the three months ended June 30, 2024 from \$28 million for the three months ended June 30, 2023. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense remained constant at 10% for each of the three months ended June 30, 2024 and June 30, 2023.

Operating Income and Adjusted OIBDA

Music Publishing operating income increased by \$3 million to \$53 million for the three months ended June 30, 2024 from \$50 million for the three months ended June 30, 2023, driven by the same factors affecting Adjusted OIBDA discussed below, partially offset by higher amortization expense of \$2 million

Music Publishing Adjusted OIBDA increased by \$5 million, or 7%, to \$79 million for the three months ended June 30, 2024 from \$74 million for the three months ended June 30, 2023 largely due to higher revenues. Expressed as a percentage of Music Publishing revenue, Music Publishing Adjusted OIBDA margin remained constant at 26% for each of the three months ended June 30, 2024 and June 30, 2023.

Corporate Expenses and Eliminations

Our operating loss from corporate expenses and eliminations increased by \$8 million for the three months ended June 30, 2024 to \$76 million from \$68 million for the three months ended June 30, 2023, primarily driven by higher expenses related to transformation initiatives and related costs of \$5 million, and an increase in depreciation expense of \$3 million.

Our Adjusted OIBDA loss from corporate expenses and eliminations increased by \$3 million for the three months ended June 30, 2024 to \$44 million from \$41 million for the three months ended June 30, 2023, primarily due to the operating loss factors noted above.

RESULTS OF OPERATIONS

Nine Months Ended June 30, 2024 Compared with Nine Months Ended June 30, 2023

Consolidated Results

Revenues

Our revenues were composed of the following amounts (in millions):

	For the Nine Months Ended June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
Revenue by Type				
Digital	\$ 2,638	\$ 2,445	\$ 193	8 %
Physical	385	377	8	2 %
Total digital and physical	3,023	2,822	201	7 %
Artist services and expanded-rights	489	555	(66)	-12 %
Licensing	373	287	86	30 %
Total Recorded Music	3,885	3,664	221	6 %
Performance	155	130	25	19 %
Digital	577	477	100	21 %
Mechanical	43	46	(3)	-7 %
Synchronization	129	126	3	2 %
Other	11	11	—	— %
Total Music Publishing	915	790	125	16 %
Intersegment eliminations	(4)	(3)	(1)	33 %
Total revenues	\$ 4,796	\$ 4,451	\$ 345	8 %
Revenue by Geographical Location				
U.S. Recorded Music	\$ 1,652	\$ 1,618	\$ 34	2 %
U.S. Music Publishing	503	415	88	21 %
Total U.S.	2,155	2,033	122	6 %
International Recorded Music	2,233	2,046	187	9 %
International Music Publishing	412	375	37	10 %
Total international	2,645	2,421	224	9 %
Intersegment eliminations	(4)	(3)	(1)	33 %
Total revenues	\$ 4,796	\$ 4,451	\$ 345	8 %

Total Revenues

Total revenues increased by \$345 million, or 8%, to \$4,796 million for the nine months ended June 30, 2024 from \$4,451 million for the nine months ended June 30, 2023. The current year included \$68 million from a licensing agreement extension for an artist's catalog (the "Licensing Extension") in Recorded Music licensing revenue. In addition, revenue growth was unfavorably impacted by the BMG Termination which resulted in \$61 million of lower Recorded Music digital revenue, partially offset by \$20 million incremental Recorded Music streaming revenue resulting from the Digital License Renewal in the nine months ended June 30, 2024 compared to the prior year. Music Publishing digital revenue growth was also impacted by \$7 million in the prior year due to the CRB Rate Benefit. Adjusted for these items, total revenues increased by 7%, which includes \$2 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 81% and 19% of total revenues for the nine months ended June 30, 2024, respectively, and 82% and 18% of total revenues for the nine months ended June 30, 2023, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 45% and 55% for the nine months ended June 30, 2024, respectively, and 46% and 54% for the nine months ended June 30, 2023, respectively.

Total digital revenues after intersegment eliminations increased by \$293 million, or 10%, to \$3,214 million for the nine months ended June 30, 2024 from \$2,921 million for the nine months ended June 30, 2023. Excluding the BMG Termination, the Digital License Renewal and the CRB Rate Benefit in the prior year, total digital revenues increased 12%. Total streaming revenue increased 11% driven by growth across Recorded Music and Music Publishing, including revenue from emerging streaming platforms. Total digital revenues represented 67% of consolidated revenues for the nine months ended June 30, 2024, from 66% for the nine months ended June 30, 2023. Prior to intersegment eliminations, total digital revenues for the nine months ended June 30, 2024 were

composed of U.S. revenues of \$1,551 million and international revenues of \$1,664 million, or 48% and 52% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the nine months ended June 30, 2023 were composed of U.S. revenues of \$1,463 million and international revenues of \$1,459 million, or 50% and 50% of total digital revenues, respectively.

Recorded Music revenues increased by \$221 million, or 6%, to \$3,885 million for the nine months ended June 30, 2024 from \$3,664 million for the nine months ended June 30, 2023. The increase includes \$4 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were \$1,652 million and \$1,618 million, or 43% and 44% of consolidated Recorded Music revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively. International Recorded Music revenues were \$2,233 million and \$2,046 million, or 57% and 56% of consolidated Recorded Music revenues for the nine months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Recorded Music revenue was driven by increases in digital, licensing, and physical revenues, partially offset by a decrease in artist services and expanded-rights revenue. Digital revenue increased by \$193 million primarily due to growth in streaming revenue as a result of the continued growth in streaming services, including growth in emerging streaming platforms. Revenue from streaming services grew by \$203 million, or 9%, to \$2,578 million for the nine months ended June 30, 2024 from \$2,375 million for the nine months ended June 30, 2023. Adjusted for the impacts of the BMG Termination and the Digital License Renewal, Recorded Music streaming revenue was up 10%. Download and other digital revenues decreased by \$10 million, or 14%, to \$60 million for the nine months ended June 30, 2024 from \$70 million for the nine months ended June 30, 2023 primarily due to the unfavorable impact of the BMG Termination of \$4 million compared to the prior year. Licensing revenue increased by \$86 million, or 30%, primarily driven by \$68 million from the Licensing Extension, and physical revenue increased by \$8 million, or 2%, driven by growth in international and the favorable impact of foreign currency exchange rates of \$3 million. Artist services and expanded-rights revenue decreased by \$66 million primarily due to lower merchandising revenue, partially offset by higher concert promotion revenue primarily in France.

Music Publishing revenues increased by \$125 million, or 16%, to \$915 million for the nine months ended June 30, 2024 from \$790 million for the nine months ended June 30, 2023. U.S. Music Publishing revenues were \$503 million and \$415 million, or 55% and 53% of consolidated Music Publishing revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively. International Music Publishing revenues were \$412 million and \$375 million, or 45% and 47% of Music Publishing revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of \$100 million, or 21%, performance revenue of \$25 million, or 19%, and synchronization revenue of \$3 million, or 2%, partially offset by a decrease in mechanical revenue of \$3 million or 7% due to lower physical sales. The increase in digital revenue was primarily driven by continued growth in streaming revenue. Revenue from streaming services grew by \$104 million, or 22%, to \$570 million for the nine months ended June 30, 2024 from \$466 million for the nine months ended June 30, 2023, which includes the impact of the CRB Rate Benefit of \$7 million in the prior year. Excluding the impact of the CRB Rate Benefit, Music Publishing revenue from streaming services grew 24%, reflecting the continued market growth, expansion of our publishing catalog and timing of payments. The growth in performance revenue is primarily driven by an increase in international touring activity and U.S. radio activity, and the growth in synchronization revenue is attributable to the timing of copyright infringement settlements and the favorable impact of foreign currency exchange rates of \$1 million.

Revenue by Geographical Location

U.S. revenue increased by \$122 million, or 6%, to \$2,155 million for the nine months ended June 30, 2024 from \$2,033 million for the nine months ended June 30, 2023. U.S. Recorded Music revenue increased by \$34 million, or 2%, primarily driven by growth in licensing revenue of \$73 million due to \$68 million from the Licensing Extension. U.S. Recorded Music growth was also attributable to growth in digital and physical revenues, partially offset by lower U.S. Recorded Music artist services and expanded-rights revenue. U.S. Recorded Music digital revenue grew by \$10 million, or 1%, attributable to the continued growth in streaming services, partially offset by the impact of the BMG Termination. U.S. Recorded Music streaming revenue increased by \$19 million, or 2%, partially offset by a decrease in download and other digital revenue of \$9 million due to the impact of the BMG Termination. U.S. Recorded Music physical revenue remained constant compared to prior year. U.S. Recorded Music artist services and expanded-rights revenue decreased by \$49 million, due to lower merchandising revenue and a decrease in revenue related to the exit of the Company's O&O Media Properties announced as part of the Strategic Restructuring Plan. U.S. Music Publishing revenue increased by \$88 million, or 21%, to \$503 million for the nine months ended June 30, 2024 from \$415 million for the nine months ended June 30, 2023. U.S. Music Publishing digital revenue increased by \$78 million, attributable to growth in streaming revenue and the impact of digital deal renewals. U.S. Music Publishing streaming revenue increased by \$77 million, or 28%. The decrease in U.S. Music Publishing synchronization revenue of \$1 million is primarily driven by the timing of copyright infringement settlements. U.S. Music Publishing performance revenue increased by \$12 million, partially offset by a decrease in U.S. Music Publishing mechanical revenue of \$1 million driven by a lower share of U.S. physical revenue.

International revenue increased by \$224 million, or 9%, to \$2,645 million for the nine months ended June 30, 2024 from \$2,421 million for the nine months ended June 30, 2023. Excluding the unfavorable impact of foreign currency exchange rates, International revenue increased by \$226 million, or 9%. International Recorded Music revenue increased by \$187 million primarily due to increases in digital revenue of \$183 million, licensing revenue of \$13 million, physical revenue of \$8 million, partially offset by lower artist services and expanded-rights revenue of \$17 million. International Recorded Music digital revenue increased by \$183 million, or 15%, driven by growth in streaming revenue and the Digital License Renewal. International Recorded Music artist services and expanded-rights revenue decreased by \$17 million, primarily due to lower direct-to-consumer merchandising revenue at EMP. International Recorded Music licensing revenue increased by \$13 million which includes the impact of copyright infringement settlements and favorable foreign currency exchange rates of \$2 million. International Recorded Music physical revenue increased by \$8 million, driven by strength of new releases primarily in Japan, and a favorable impact of foreign currency exchange rates of \$3 million. International Music Publishing revenue increased by \$37 million, or 10%, to \$412 million for the nine months ended June 30, 2024 from \$375 million for the nine months ended June 30, 2023. This was primarily driven by the increase in digital revenue of \$22 million, performance revenue of \$13 million, and synchronization of \$4 million, partially offset by lower mechanical revenue of \$2 million. International Music Publishing digital growth is primarily driven by streaming revenue growth of \$27 million, or 14%. International Music Publishing performance revenue increased due to strong artist touring activity in Europe, and mechanical revenue decreased by \$2 million, primarily driven by lower physical sales.

Cost of revenues

Our cost of revenues was composed of the following amounts (in millions):

	For the Nine Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
Artist and repertoire costs	\$ 1,627	\$ 1,456	\$ 171	12 %
Product costs	874	876	(2)	— %
Total cost of revenues	<u>\$ 2,501</u>	<u>\$ 2,332</u>	<u>\$ 169</u>	<u>7 %</u>

Artist and repertoire costs increased by \$171 million, to \$1,627 million for the nine months ended June 30, 2024 from \$1,456 million for the nine months ended June 30, 2023. Artist and repertoire costs as a percentage of revenue increased to 34% for the nine months ended June 30, 2024 from 33% for the nine months ended June 30, 2023, primarily due to revenue mix, timing of artist and repertoire investments, and the unfavorable impact of foreign currency change rates, partially offset by the impact of the Licensing Extension.

Product costs decreased by \$2 million, to \$874 million for the nine months ended June 30, 2024 from \$876 million for the nine months ended June 30, 2023. Product costs as a percentage of revenue decreased to 18% for the nine months ended June 30, 2024 from 20% for the nine months ended June 30, 2023, primarily due to the impact of the Licensing Extension, revenue mix and the BMG Termination.

Selling, general and administrative expenses

Our selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Nine Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
General and administrative expense (1)	\$ 791	\$ 718	\$ 73	10 %
Selling and marketing expense	518	545	(27)	-5 %
Distribution expense	75	90	(15)	-17 %
Total selling, general and administrative expense	<u>\$ 1,384</u>	<u>\$ 1,353</u>	<u>\$ 31</u>	<u>2 %</u>

(1) Includes depreciation expense of \$77 million and \$65 million for the nine months ended June 30, 2024 and June 30, 2023, respectively.

Total selling, general and administrative expense increased by \$31 million, or 2%, to \$1,384 million for the nine months ended June 30, 2024 from \$1,353 million for the nine months ended June 30, 2023. Expressed as a percentage of revenue, total selling, general and administrative expense decreased to 29% for the nine months ended June 30, 2024 from 30% for the nine months ended June 30, 2023.

General and administrative expense increased by \$73 million to \$791 million for the nine months ended June 30, 2024 from \$718 million for the nine months ended June 30, 2023. The increase in general and administrative expense was driven by incremental investment in technology of \$18 million, higher expenses related to transformation initiatives and related costs of \$17 million, higher depreciation expense related to IT assets of \$12 million, the impact of acquisitions and unfavorable movements in foreign currency exchange rates of \$8 million. These expenses are partially offset by savings from the 2023 Restructuring Plan and Strategic Restructuring Plan, of which a portion has been reinvested into the business, and lower non-cash stock-based compensation expense of \$9 million related to the separation agreement with our previous Chief Executive Officer in the prior year. Expressed as a percentage of revenue, general and administrative expense remained constant at 16% for each of the nine months ended June 30, 2024 and June 30, 2023.

Selling and marketing expense decreased by \$27 million, or 5%, to \$518 million for the nine months ended June 30, 2024 from \$545 million for the nine months ended June 30, 2023. Expressed as a percentage of revenue, selling and marketing expense decreased to 11% for the nine months ended June 30, 2024, from 12% for the nine months ended June 30, 2023 due to lower variable marketing spend and savings from the 2023 Restructuring Plan.

Distribution expense decreased to \$75 million for the nine months ended June 30, 2024 from \$90 million for the nine months ended June 30, 2023. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the nine months ended June 30, 2024 and June 30, 2023.

Reconciliation of Net Income Attributable to Warner Music Group Corp. and Operating Income to Consolidated Adjusted OIBDA

As previously described, we use Adjusted OIBDA as our primary measure of financial performance. The following table reconciles operating income to Adjusted OIBDA, and further provides the components from net income attributable to Warner Music Group Corp. to operating income for purposes of the discussion that follows (in millions):

	For the Nine Months Ended		2024 vs. 2023	
	June 30,		\$ Change	% Change
	2024	2023		
Net income attributable to Warner Music Group Corp.	\$ 394	\$ 278	\$ 116	42 %
Income attributable to noncontrolling interest	36	7	29	— %
Net income	430	285	145	51 %
Income tax expense	120	112	8	7 %
Income before income taxes	550	397	153	39 %
Other expense	9	72	(63)	-88 %
Interest expense, net	121	105	16	15 %
Loss on extinguishment of debt	—	4	(4)	-100 %
Operating income	680	578	102	18 %
Amortization expense	167	188	(21)	-11 %
Depreciation expense	77	65	12	18 %
Restructuring and impairments	96	41	55	— %
Transformation initiatives and other related costs	56	39	17	44 %
Executive transition costs	—	4	(4)	-100 %
Net gain on divestitures	(32)	(41)	9	-22 %
Non-cash stock-based compensation and other related costs	35	44	(9)	-20 %
Adjusted OIBDA	\$ 1,079	\$ 918	\$ 161	18 %

Adjusted OIBDA

Adjusted OIBDA increased by \$161 million to \$1,079 million for the nine months ended June 30, 2024 as compared to \$918 million for the nine months ended June 30, 2023 as a result of strong operating performance, the favorable impacts of the Licensing Extension of \$67 million and the Digital License Renewal of \$7 million, savings from the 2023 Restructuring Plan and savings from the Strategic Restructuring Plan, partially offset by the reinvestment of these savings in the Company's business including \$18 million of incremental investment in technology for the nine months ended June 30, 2024, and the unfavorable impact of the CRB Rate Benefit of \$2 million. Expressed as a percentage of total revenue, Adjusted OIBDA margin increased to 23% for the nine months ended June 30, 2024 from 21% for the nine months ended June 30, 2023, mainly due to the impact from the Licensing Extension and Digital License Renewal.

Non-cash stock-based compensation and other related costs

Our non-cash stock-based compensation and other related costs decreased by \$9 million to \$35 million for the nine months ended June 30, 2024 from \$44 million for the nine months ended June 30, 2023, primarily related to the separation agreement with our previous Chief Executive Officer in the prior year.

Net gain on divestitures

Net gain on divestitures decreased during the nine months ended June 30, 2024, to a pre-tax gain of \$ 32 million in connection with the divestiture of certain sound recording and publishing rights, including a divestiture of certain non-core O&O Media Properties in the current quarter. This compares to a pre-tax gain of \$41 million in the nine months ended June 30, 2023.

Executive transition costs

Executive transition costs were \$4 million in the nine months ended June 30, 2023, which consisted of severance costs associated with the departure of our previous Chief Executive Officer and Chief Financial Officer in the prior year.

Transformation initiatives and other related costs

Our transformation initiatives and other related costs increased by \$17 million to \$56 million for the nine months ended June 30, 2024 from \$39 million for the nine months ended June 30, 2023 due to an increase in costs associated with our finance transformation and other related costs.

Restructuring and Impairments

Our restructuring and impairment charges increased by \$55 million to \$96 million for the nine months ended June 30, 2024 from \$41 million for the nine months ended June 30, 2023. The current year includes severance costs of approximately \$46 million, and approximately \$50 million of non-cash impairment losses primarily related to the Strategic Restructuring Plan. The nine months ended June 30, 2023 include \$41 million of restructuring charges related to the 2023 Restructuring Plan.

Depreciation expense

Our depreciation expense increased by \$12 million to \$77 million for the nine months ended June 30, 2024 from \$65 million for the nine months ended June 30, 2023. This increase is primarily due to an increase in IT assets being placed into service.

Amortization expense

Our amortization expense decreased by \$21 million, or 11%, to \$167 million for the nine months ended June 30, 2024 from \$188 million for the nine months ended June 30, 2023. The decrease is primarily due to certain intangible assets becoming fully amortized.

Operating income

Our operating income increased by \$102 million to \$680 million for the nine months ended June 30, 2024 from \$578 million for the nine months ended June 30, 2023. The increase in operating income was due to the factors that led to the increase in Adjusted OIBDA, partially offset by higher restructuring and impairment charges, an increase in depreciation and a decrease in net gain on divestitures as noted above.

Loss on extinguishment of debt

There was no loss on extinguishment of debt for the nine months ended June 30, 2024. For the nine months ended June 30, 2023, we recorded a loss on extinguishment of debt of approximately \$4 million, which represents the remaining unamortized discount and deferred financing costs in connection with the redemption of Senior Term Loan Facility Tranche H loans.

Interest expense, net

Our interest expense, net, increased to \$121 million for the nine months ended June 30, 2024 from \$105 million for the nine months ended June 30, 2023 due to the maturity of the interest rate swaps and higher interest rates on variable rate debt.

Other expense

Other expense for the nine months ended June 30, 2024 primarily includes foreign currency losses on our Euro-denominated debt of \$11 million, currency exchange losses on our intercompany loans of \$7 million, partially offset by income earned on equity method investments of \$7 million. This compares to foreign currency losses on our Euro-denominated debt of \$86 million, partially offset by currency exchange gains on the Company's intercompany loans of \$14 million for the nine months ended June 30, 2023.

Income tax expense

Our income tax expense increased by \$8 million to \$120 million for the nine months ended June 30, 2024 from \$112 million for the nine months ended June 30, 2023. The increase of \$8 million in income tax expense is primarily due to the impact of higher pre-tax income in the current year and higher portion of the pre-tax income earned outside of the United States and taxed at rates higher than in the United States, partially offset by the impact from the winding down of the Company's O&O Media Properties and updated allowable costs for reported foreign derived intangible income.

Net income

Net income increased by \$145 million to \$430 million for the nine months ended June 30, 2024 from \$285 million for the nine months ended June 30, 2023 as a result of the factors described above.

Noncontrolling interest

Income attributable to noncontrolling interest increased by \$29 million to \$36 million for the nine months ended June 30, 2024 from \$7 million for the nine months ended June 30, 2023, largely driven by higher income from non-wholly-owned subsidiaries in the current year, primarily due to the impact of the Licensing Extension.

Business Segment Results

Revenues, operating income (loss) and Adjusted OIBDA by business segment were as follows (in millions):

	For the Nine Months Ended			
	June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
Recorded Music				
Revenues	\$ 3,885	\$ 3,664	\$ 221	6 %
Operating income	739	641	98	15 %
Adjusted OIBDA	965	812	153	19 %
Music Publishing				
Revenues	\$ 915	\$ 790	\$ 125	16 %
Operating income	185	151	34	23 %
Adjusted OIBDA	247	222	25	11 %
Corporate expenses and eliminations				
Revenue eliminations	\$ (4)	\$ (3)	\$ (1)	33 %
Operating loss	(244)	(214)	(30)	14 %
Adjusted OIBDA loss	(133)	(116)	(17)	15 %
Total				
Revenues	\$ 4,796	\$ 4,451	\$ 345	8 %
Operating income	680	578	102	18 %
Adjusted OIBDA	1,079	918	161	18 %

Recorded Music

Revenues

Recorded Music revenue increased by \$221 million, or 6%, to \$3,885 million for the nine months ended June 30, 2024 from \$3,664 million for the nine months ended June 30, 2023. U.S. Recorded Music revenues were \$1,652 million and \$1,618 million, or 43% and 44% of consolidated Recorded Music revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively. International Recorded Music revenues were \$2,233 million and \$2,046 million, or 57% and 56% of consolidated Recorded Music revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Recorded Music revenue was driven by increases in digital, licensing and physical revenues, partially offset by lower artist services and expanded-rights revenues, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Recorded Music cost of revenues was composed of the following amounts (in millions):

	For the Nine Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
Artist and repertoire costs	\$ 1,050	\$ 969	\$ 81	8 %
Product costs	874	876	(2)	— %
Total cost of revenues	\$ 1,924	\$ 1,845	\$ 79	4 %

Recorded Music cost of revenues increased by \$79 million, or 4%, to \$1,924 million for the nine months ended June 30, 2024 from \$1,845 million for the nine months ended June 30, 2023. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs increased to 27% for the nine months ended June 30, 2024, from 26% for the nine months ended June 30, 2023. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs decreased to 22% for the nine months ended June 30, 2024 from 24% for the nine months ended June 30, 2023, primarily due to the impact of the Licensing Extension, partially offset by the unfavorable impact of foreign currency exchange rates.

Selling, general and administrative expense

Recorded Music selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Nine Months Ended		2024 vs. 2023	
	June 30,			
	2024	2023	\$ Change	% Change
General and administrative expense (1)	\$ 479	\$ 434	\$ 45	10 %
Selling and marketing expense	500	533	(33)	-6 %
Distribution expense	75	90	(15)	-17 %
Total selling, general and administrative expense	\$ 1,054	\$ 1,057	\$ (3)	— %

(1) Includes depreciation expense of \$39 million for each of the nine months ended June 30, 2024 and June 30, 2023.

Recorded Music selling, general and administrative expense decreased by \$3 million, to \$1,054 million for the nine months ended June 30, 2024 from \$1,057 million for the nine months ended June 30, 2023. The decrease in general and administrative expense was primarily due to incremental investment in technology, unfavorable movements in foreign currency exchange rates of \$9 million, the impact of acquisitions, and higher non-cash stock-based compensation and other related expenses of \$8 million, partially offset by savings from the 2023 Restructuring Plan and the Strategic Restructuring Plan. The decrease in selling and marketing expense was primarily due to lower variable marketing spend and savings from the 2023 Restructuring Plan. The decrease in distribution expense was primarily due to revenue mix. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 27% for the nine months ended June 30, 2024 from 29% for the nine months ended June 30, 2023.

Operating Income and Adjusted OIBDA

Recorded Music operating income increased by \$98 million to \$739 million for the nine months ended June 30, 2024 from \$641 million for the nine months ended June 30, 2023 due to the factors that led to the increase in Recorded Music Adjusted OIBDA noted below, as well as lower amortization expense of \$25 million, partially offset by a \$24 million year-over-year decrease in net gain on divestitures, \$89 million of restructuring and non-cash impairment charges primarily related to the Strategic Restructuring Plan compared to \$41 million of restructuring charges in the prior year, and higher non-cash stock-based compensation expense and other related costs of \$8 million.

Recorded Music Adjusted OIBDA increased by \$153 million, to \$965 million for the nine months ended June 30, 2024 from \$812 million for the nine months ended June 30, 2023, primarily driven by strong operating performance, \$67 million from the Licensing Extension, \$7 million year-over-year increase from the Digital License Renewal, increased savings from the 2023 Restructuring Plan and savings from the Strategic Restructuring Plan, of which a portion has been reinvested in the Company's

business, partially offset by the unfavorable impact of exchange rates. Expressed as a percentage of Recorded Music revenue, Recorded Music Adjusted OIBDA margin increased to 25% for the nine months ended June 30, 2024 from 22% for the nine months ended June 30, 2023, mainly due to the impact from the Licensing Extension and Digital License Renewal.

Music Publishing

Revenues

Music Publishing revenues increased by \$125 million, or 16%, to \$915 million for the nine months ended June 30, 2024 from \$790 million for the nine months ended June 30, 2023. U.S. Music Publishing revenues were \$503 million and \$415 million, or 55% and 53% of consolidated Music Publishing revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively. International Music Publishing revenues were \$412 million and \$375 million, or 45% and 47% of consolidated Music Publishing revenues, for the nine months ended June 30, 2024 and June 30, 2023, respectively.

The overall increase in Music Publishing revenue was driven by growth across digital, performance and synchronization revenues, partially offset by lower mechanical revenue, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Music Publishing cost of revenues were composed of the following amounts (in millions):

	For the Nine Months Ended			
	June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
Artist and repertoire costs	\$ 582	\$ 491	\$ 91	19 %
Total cost of revenues	\$ 582	\$ 491	\$ 91	19 %

Music Publishing cost of revenues increased by \$91 million, or 19%, to \$582 million for the nine months ended June 30, 2024 from \$491 million for the nine months ended June 30, 2023, which includes the unfavorable impact of foreign currency exchange rates of \$2 million. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues increased to 64% for the nine months ended June 30, 2024 from 62% for the nine months ended June 30, 2023.

Selling, general and administrative expense

Music Publishing selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Nine Months Ended			
	June 30,		2024 vs. 2023	
	2024	2023	\$ Change	% Change
General and administrative expense (1)	\$ 90	\$ 79	\$ 11	14 %
Selling and marketing expense	1	2	(1)	-50 %
Total selling, general and administrative expense	\$ 91	\$ 81	\$ 10	12 %

(1) Includes depreciation expense of \$2 million for each of the nine months ended June 30, 2024 and June 30, 2023.

Music Publishing selling, general and administrative expense increased to \$91 million for the nine months ended June 30, 2024 from \$81 million for the nine months ended June 30, 2023. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense remained constant at 10% for each of the nine months ended June 30, 2024 and June 30, 2023.

Operating Income and Adjusted OIBDA

Music Publishing operating income increased by \$34 million to \$185 million for the nine months ended June 30, 2024 from \$151 million operating income for the nine months ended June 30, 2023 largely due to the factors that led to the increase in Music Publishing Adjusted OIBDA noted below, as well as a \$14 million net gain on a divestiture recognized in the current year.

Music Publishing Adjusted OIBDA increased by \$25 million, or 11%, to \$247 million for the nine months ended June 30, 2024 from \$222 million for the nine months ended June 30, 2023. Expressed as a percentage of Music Publishing revenue, Music

Publishing Adjusted OIBDA margin decreased to 27% for the nine months ended June 30, 2024 from 28% for the nine months ended June 30, 2023, primarily driven by revenue mix.

Corporate Expenses and Eliminations

Our operating loss from corporate expenses and eliminations increased by \$30 million to \$244 million for the nine months ended June 30, 2024 from \$214 million for the nine months ended June 30, 2023, primarily due to higher expenses related to transformation initiatives and related costs of \$17 million, higher depreciation expense of \$12 million, restructuring and impairment charges associated with the Strategic Restructuring Plan of \$7 million and incremental investment in technology of \$6 million, partially offset by lower non-cash stock-based compensation and other related expenses of \$18 million.

Our Adjusted OIBDA loss from corporate expenses and eliminations increased by \$17 million to \$133 million for the nine months ended June 30, 2024 from \$116 million for the nine months ended June 30, 2023 primarily due to the operating loss factors noted above.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition at June 30, 2024

At June 30, 2024, we had \$3.978 billion of debt (which is net of \$35 million of premiums, discounts and deferred financing costs), \$607 million of cash and equivalents (net debt of \$3.371 billion, defined as total debt, less cash and equivalents and premiums, discounts and deferred financing costs) and \$483 million of Warner Music Group Corp. equity. This compares to \$3.964 billion of debt (which is net of \$38 million of premiums, discounts and deferred financing costs), \$641 million of cash and equivalents (net debt of \$3.323 billion) and \$307 million of Warner Music Group Corp. equity at September 30, 2023.

Cash Flows

The following table summarizes our historical cash flows (in millions). The financial data for the nine months ended June 30, 2024 and June 30, 2023 are unaudited and have been derived from our condensed consolidated interim financial statements included elsewhere herein.

	Nine Months Ended June 30,	
	2024	2023
Cash provided by (used in):		
Operating activities	\$ 450	\$ 349
Investing activities	(201)	(104)
Financing activities	(280)	(233)

Operating Activities

Cash provided by operating activities was \$450 million for the nine months ended June 30, 2024 as compared with cash provided by operating activities of \$349 million for the nine months ended June 30, 2023. The \$101 million increase in cash provided by operating activities was largely a result of strong operating performance and other movements within working capital.

Investing Activities

Cash used in investing activities was \$201 million for the nine months ended June 30, 2024 as compared with cash used in investing activities of \$104 million for the nine months ended June 30, 2023. The \$201 million of cash used in investing activities in the nine months ended June 30, 2024 consisted of \$26 million relating to investments and acquisitions of businesses, \$123 million to acquire music-related assets and \$83 million relating to capital expenditures, partially offset by \$19 million of proceeds from divestitures and \$12 million of proceeds from the sale of investments. The \$104 million of cash used in investing activities in the nine months ended June 30, 2023 consisted of \$26 million relating to investments and acquisitions of businesses, \$53 million to acquire music-related assets, and \$89 million relating to capital expenditures, partially offset by \$42 million of proceeds from divestitures and \$22 million of proceeds from the sale of investments.

Financing Activities

Cash used in financing activities was \$280 million for the nine months ended June 30, 2024 as compared with cash used in financing activities of \$233 million for the nine months ended June 30, 2023. The \$280 million of cash used in financing activities for the nine months ended June 30, 2024 consisted of dividends paid of \$267 million, distributions to noncontrolling interest holders of \$6 million, taxes paid related to net share settlement of restricted stock units and common stock of \$5 million and deferred financing costs paid of \$2 million. The \$233 million of cash used in financing activities for the nine months ended June 30, 2023 consisted of cash paid to settle deferred consideration related to a fiscal year 2022 acquisition of music publishing rights and music catalogs of \$133 million, dividends paid of \$251 million, deferred financing costs of \$3 million and distributions to noncontrolling interest holders of \$11 million, partially offset by proceeds from the incremental Senior Term Loan Facility of \$146 million and proceeds from the Term Loan Mortgage of \$19 million.

Liquidity

Our primary sources of liquidity are the cash flows generated from our subsidiaries' operations, available cash and equivalents and funds available for drawing under our Revolving Credit Facility. These sources of liquidity are needed to fund our debt service requirements, working capital requirements, capital expenditure requirements, strategic acquisitions and investments, and dividends, prepayments of debt, repurchases or retirement of our outstanding debt or notes or repurchases of our outstanding equity securities in open market purchases, privately negotiated purchases or otherwise, we may elect to pay or make in the future. We maintain our cash in various banks and other financial institutions around the world, and in some cases those cash deposits are in

excess of FDIC or other deposit insurance. In the event of a bank failure or receivership, we may not have access to those cash deposits in excess of the relevant deposit insurance, which could have an adverse effect on our liquidity and financial performance.

We believe that our primary sources of liquidity will be sufficient to support our existing operations over the next twelve months.

Debt Capital Structure

Since Access acquired us in 2011, we have sought to extend the maturity dates on our outstanding indebtedness, reduce interest expense and improve our debt ratings. For example, our S&P corporate credit rating improved from B in 2017 to BB+ in July 2021 with a stable outlook, and our Moody's corporate family rating improved from B1 in 2016 to Ba2 in April 2023 with a positive outlook updated in April 2024. In addition, our weighted-average interest rate on our outstanding indebtedness has decreased from 10.5% in 2011 to 4.5% as of June 30, 2024. Our nearest-term maturity date is in 2028. Subject to market conditions, we expect to continue to take opportunistic steps to extend our maturity dates and reduce related interest expense. From time to time, we may incur additional indebtedness for, among other things, working capital, repurchasing, redeeming or tendering for existing indebtedness and acquisitions or other strategic transactions.

Revolving Credit Agreement Amendment

On November 30, 2023, Acquisition Corp. entered into an amendment (the "Revolving Credit Agreement Amendment") to the revolving credit agreement, dated January 31, 2018, as amended, among Acquisition Corp., the several banks and other financial institutions party thereto and Credit Suisse AG, Cayman Islands Branch, as predecessor administrative agent, governing Acquisition Corp.'s revolving credit facility (the "Facility") with JPMorgan Chase Bank, N.A., as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Revolving Credit Agreement Amendment (among other changes): (i) increases the commitments under the Revolving Credit Facility from an aggregate principal amount of \$300 million to an aggregate principal amount of \$350 million, (ii) extended the final maturity date of the Revolving Credit Facility from April 3, 2025 to November 30, 2028, (iii) appointed JPMorgan Chase Bank, N.A. as administrative agent in the place of Credit Suisse AG, Cayman Islands Branch, (iv) modified the existing springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant by increasing the springing threshold from \$105,000,000 to \$140,000,000, and (v) included provisions that allow Acquisition Corp. to terminate the security interests securing the obligations under the Revolving Credit Facility upon the satisfaction of the Collateral Suspension Conditions (as defined below) and, in the event that the security interests are so terminated, the existing springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant (which is calculated net of up to \$250 million of cash and cash equivalents held by Acquisition Corp. and its restricted subsidiaries) shall automatically be replaced with a new financial maintenance covenant prohibiting Acquisition Corp. from permitting the Total Indebtedness to EBITDA Ratio to be greater than 3.60:1.00 (calculated net of all cash and cash equivalents held by Acquisition Corp. and its restricted subsidiaries) as of the end of any fiscal quarter.

In the event that the security interests securing the obligations under the Facility are reinstated as a result of the occurrence of a Collateral Suspension Reversion Date (as defined below), the Total Indebtedness to EBITDA Ratio financial maintenance covenant shall revert back to a springing Secured Indebtedness to EBITDA Ratio financial maintenance covenant set at 5.00:1.00.

For purposes of the Revolving Credit Agreement Amendment, (i) "Collateral Suspension Conditions" means conditions that are satisfied if (x) the investment grade condition has been satisfied and (y) the aggregate outstanding principal amount of senior secured indebtedness incurred by Acquisition Corp. and its restricted subsidiaries is not in excess of \$500,000,000 and (ii) "Collateral Suspension Reversion Date" means, the earlier of (x) the date on which the Collateral Suspension Conditions cease to be satisfied or (y) the date on which Acquisition Corp. delivers a collateral suspension reversion notice to the Administrative Agent.

December 2023 Senior Term Loan Credit Agreement Amendment

On December 29, 2023, Acquisition Corp. entered into an amendment (the "Thirteenth Amendment") to the Senior Term Loan Credit Agreement among Acquisition Corp., the other loan parties, Holdings, each lender party hereto, Credit Suisse AG, Cayman Islands Branch as the resigning administrative agent, and JPMorgan Chase Bank, N.A. as the successor administrative agent. The Thirteenth Amendment appointed JPMorgan Chase Bank, N.A. as administrative agent in the place of Credit Suisse AG, Cayman Islands Branch.

Senior Term Loan Credit Agreement Amendment

On January 24, 2024, WMG Acquisition Corp. ("Acquisition Corp."), a subsidiary of Warner Music Group Corp., entered into an amendment (the "Senior Term Loan Credit Agreement Amendment") to the credit agreement, dated November 1, 2012 (as amended by the amendments dated as of May 9, 2013, July 15, 2016, November 21, 2016, May 22, 2017, December 6, 2017, March 14, 2018, June 7, 2018, January 20, 2021, March 8, 2021, November 1, 2022, May 10, 2023, June 30, 2023 and December 29, 2023),

among Acquisition Corp., the guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, governing Acquisition Corp.'s senior secured term loan facility with JPMorgan Chase Bank N.A., as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Senior Term Loan Credit Agreement Amendment (among other changes) extends the maturity date of its outstanding term loans from January 20, 2028 to January 24, 2031 through the issuance of tranche I term loans and refinancing of the existing tranche G term loans. The tranche I term loans shall bear interest at a rate equal to, at Acquisition Corp.'s election (i) the forward-looking term rate based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Term SOFR") subject to a zero floor, plus 2.00% per annum or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) one-month Term SOFR, plus 1.00% per annum, in each case, subject to a 1.00% floor, plus 1.00% per annum.

Existing Debt as of June 30, 2024

As of June 30, 2024, our long-term debt, all of which was issued by Acquisition Corp., was as follows (in millions):

Revolving Credit Facility (a)	\$	—
Senior Term Loan Facility due 2031		1,295
2.750% Senior Secured Notes due 2028 (€325 face amount)		348
3.750% Senior Secured Notes due 2029		540
3.875% Senior Secured Notes due 2030		535
2.250% Senior Secured Notes due 2031 (€445 face amount)		477
3.000% Senior Secured Notes due 2031		800
Mortgage Term Loan due 2033		18
Total long-term debt, including the current portion	\$	4,013
Issuance premium less unamortized discount and unamortized deferred financing costs		(35)
Total long-term debt, including the current portion, net	\$	3,978

(a) Reflects \$350 million of commitments under the Revolving Credit Facility available at June 30, 2024, less letters of credit outstanding of approximately \$2 million at June 30, 2024. There were no loans outstanding under the Revolving Credit Facility at June 30, 2024.

For further discussion of our debt agreements, see "Liquidity" in the "Financial Condition and Liquidity" section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Dividends

The Company's ability to pay dividends may be restricted by covenants in the credit agreement for the Revolving Credit Facility which are currently suspended but which 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.

The Company intends to pay quarterly cash dividends to holders of its Class A Common Stock and Class B Common Stock. The declaration of each dividend will continue to be at the discretion of the Company's board of directors and will depend on the Company's financial condition, earnings, liquidity and capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by Delaware law, general business conditions and any other factors that the Company's board of directors deems relevant in making such a determination. Therefore, there can be no assurance that the Company will pay any dividends to holders of the Company's common stock, or as to the amount of any such dividends.

On May 13, 2024, the Company's board of directors declared a cash dividend of \$0.17 per share on the Company's Class A Common Stock and Class B Common Stock, as well as related payments under certain stock-based compensation plans, which was paid to stockholders on June 3, 2024. The Company paid an aggregate of approximately \$89 million and \$267 million, or \$0.17 and \$0.51 per share, in cash dividends to stockholders and participating security holders for the three and nine months ended June 30, 2024, respectively.

Covenant Compliance

The Company was in compliance with its covenants under its outstanding notes, the Revolving Credit Facility and the Senior Term Loan Facility as of June 30, 2024.

On January 18, 2019, we delivered a notice to the trustee under the 2012 Secured Indenture and 2014 Unsecured Indenture changing the Fixed GAAP Date, as defined under the indentures, to October 1, 2018. Under the Senior Term Loan Facility, the Revolving Credit Facility and the Secured Notes Indenture, the Fixed GAAP Date is set for April 3, 2020, other than in respect of capital leases, which are frozen at November 1, 2012.

The Revolving Credit Facility contains a springing leverage ratio that is tied to a ratio based on EBITDA, which is defined under the Revolving Credit Agreement. Our ability to borrow funds under the Revolving Credit Facility may depend upon our ability to meet the leverage ratio test at the end of a fiscal quarter to the extent we have drawn a certain amount of revolving loans. On May 4, 2021, certain covenants set forth in our Revolving Credit Facility were suspended, including the restriction on incurring certain additional indebtedness, based on the determination that the total indebtedness to EBITDA ratio is below the required threshold specified therein. EBITDA as defined in the Revolving Credit Facility is based on Consolidated Net Income (as defined in the Revolving Credit Facility), both of which terms differ from the terms "EBITDA" and "net income" as they are commonly used. For example, the calculation of EBITDA under the Revolving Credit Facility, in addition to adjusting net income to exclude interest expense, income taxes and depreciation and amortization, also adjusts net income by excluding items or expenses such as, among other items, (1) the amount of any restructuring charges or reserves; (2) any non-cash charges (including any impairment charges); (3) any net loss resulting from hedging currency exchange risks; (4) the amount of management, monitoring, consulting and advisory fees paid to Access; (5) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement); (6) transaction expenses; (7) equity-based compensation expense; and (8) certain extraordinary, unusual or non-recurring items. The definition of EBITDA under the Revolving Credit Facility also includes adjustments for the pro forma impact of certain projected cost savings, operating expense reductions and synergies and any quality of earnings analysis prepared by independent certified public accountants in connection with an acquisition, merger, consolidation or other investment. The Senior Term Loan Facility and the Secured Notes Indenture use financial measures called "Consolidated EBITDA" or "EBITDA" and "Consolidated Net Income" that have substantially the same definitions to EBITDA and Consolidated Net Income, each as defined under the Revolving Credit Agreement.

EBITDA as defined in the Revolving Credit Facility (referred to in this section as "Adjusted EBITDA") is presented herein because it is a material component of the leverage ratio contained in the Revolving Credit Agreement. Non-compliance with the leverage ratio could result in the inability to use the Revolving Credit Facility, which could have a material adverse effect on our results of operations, financial position and cash flow. Adjusted EBITDA does not represent net income or cash from operating activities as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Adjusted EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Adjusted EBITDA in the Revolving Credit Agreement allows us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income. However, these are expenses that may recur, vary greatly and are difficult to predict.

Adjusted EBITDA as presented below should not be used by investors as an indicator of performance for any future period. Further, our debt instruments require that it be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four quarter period or any complete fiscal year. In addition, our debt instruments require that the leverage ratio be calculated on a pro forma basis for certain transactions including acquisitions as if such transactions had occurred on the first date of the measurement period and may include expected cost savings and synergies resulting from or related to any such transaction. There can be no assurances that any such cost savings or synergies will be achieved in full.

In addition, Adjusted EBITDA is a key measure used by our management to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of those limitations include: (1) it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue for our business; (2) it does not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our indebtedness; and (3) it does not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments. In particular, this measure adds back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income; however, these are expenses that may recur, vary greatly and are difficult to predict. In addition, Adjusted EBITDA is not the same as net income or cash flow provided by operating activities as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. Accordingly, Adjusted EBITDA should be considered in addition to, not as a substitute for, net income (loss) and other measures of financial performance reported in accordance with U.S. GAAP.

The following is a reconciliation of net income (loss), which is a U.S. GAAP measure of our operating results, to Adjusted EBITDA as defined, for the most recently ended four fiscal quarters, or the twelve months ended June 30, 2024, for the twelve months ended June 30, 2023 and for the three months ended June 30, 2024 and June 30, 2023. In addition, the reconciliation includes the calculation of the Senior Secured Indebtedness to Adjusted EBITDA ratio, which we refer to as the Leverage Ratio, under the Revolving Credit Agreement for the most recently ended four fiscal quarters, or the twelve months ended June 30, 2024. The terms and related calculations are defined in the Revolving Credit Agreement. All amounts in the reconciliation below reflect Acquisition Corp. (in millions, except ratios):

	Twelve Months Ended		Three Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net Income	\$ 584	\$ 435	\$ 141	\$ 124
Income tax expense	178	149	30	43
Interest expense, net	157	136	40	38
Depreciation and amortization	323	335	80	86
Loss on extinguishment of debt (a)	—	4	—	4
Net gains on divestitures and sale of securities (b)	(42)	(42)	(1)	—
Restructuring costs (c)	61	60	2	1
Net foreign exchange losses (gains) (d)	(17)	13	(2)	(12)
Transaction costs (e)	8	—	2	—
Business optimization expenses (f)	98	55	27	15
Non-cash stock-based compensation expense (g)	35	46	10	7
Other non-cash charges (h)	56	12	1	(5)
Pro forma impact of cost savings initiatives and specified transactions (i)	113	57	22	10
Adjusted EBITDA	\$ 1,554	\$ 1,260	\$ 352	\$ 311
Senior Secured Indebtedness (j)	\$ 3,739			
Leverage Ratio (k)	2.41x			

- (a) Reflects loss on extinguishment of debt, primarily including tender fees and unamortized deferred financing costs.
- (b) Reflects net gains on sale of securities and divestitures.
- (c) Reflects severance costs and other restructuring related expenses, including those related to the Strategic Restructuring Plan and 2023 Restructuring Plan as well as the Executive Transition Costs in the prior year.
- (d) Reflects unrealized losses (gains) due to foreign exchange on our Euro-denominated debt, losses (gains) from foreign currency forward exchange contracts and intercompany transactions.
- (e) Reflects mainly transaction related costs.
- (f) Reflects costs associated with our transformation initiatives and IT system updates, which includes costs of \$18 million and \$70 million related to our finance transformation and other transformation related costs for the three and twelve months ended June 30, 2024, respectively, as well as \$13 million and \$50 million for the three and twelve months ended June 30, 2023, respectively.
- (g) Reflects non-cash stock-based compensation expense related to the Omnibus Incentive Plan and the Warner Music Group Corp. Senior Management Free Cash Flow Plan.
- (h) Reflects non-cash activity, including the unrealized losses (gains) on the mark-to-market adjustment of equity investments, investment losses (gains) and \$50 million of non-cash impairment losses resulting from the Strategic Restructuring Plan in the current year.
- (i) Reflects expected savings resulting from transformation initiatives, including the Strategic Restructuring Plan and the March 2023 Restructuring Plan, and the pro forma impact of certain specified transactions for the three and twelve months ended June 30, 2024. Certain of these cost savings initiatives and transactions impacted quarters prior to the quarter during which they were identified within the last twelve-month period. The pro forma impact of these specified transactions and initiatives resulted in a \$49 million increase in the twelve months ended June 30, 2024 Adjusted EBITDA.
- (j) Reflects the balance of senior secured debt at Acquisition Corp. of approximately \$3.978 billion less cash of \$250 million.
- (k) Reflects the ratio of Senior Secured Indebtedness, including Revolving Credit Agreement Indebtedness, to Adjusted EBITDA. This is calculated net of cash and equivalents of the Company as of June 30, 2024 not exceeding \$250 million. If the outstanding aggregate principal amount of borrowings and drawings under letters of credit which have not been reimbursed under our Revolving Credit Facility is greater than \$140 million at the end of a fiscal quarter, the maximum leverage ratio permitted under the Revolving Credit Facility is 5.00:1.00. The Company's Revolving Credit Facility does not impose any "leverage ratio" maintenance requirement on the Company when the aggregate principal amount of borrowings

and drawings under letters of credit, which have not been reimbursed under the Revolving Credit Facility, is less than or equal to \$140 million at the end of a fiscal quarter. On May 4, 2021, certain covenants set forth in our Revolving Credit Facility were suspended, including the restriction on incurring certain additional indebtedness, based on the determination that the total indebtedness to EBITDA ratio is below the required threshold specified therein.

Summary

Management believes that funds generated from our operations and borrowings under the Revolving Credit Facility and available cash and equivalents will be sufficient to fund our debt service requirements, working capital requirements and capital expenditure requirements for the foreseeable future. We also have additional borrowing capacity under our indentures and the Senior Term Loan Facility. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors such as the ability to control music piracy and the continued transition from physical to digital formats in the recorded music and music publishing industries. It could also be affected by the severity and duration of geopolitical conflicts or natural or man-made disasters, including pandemics. We and our affiliates continue to evaluate opportunities to, from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to pay dividends or prepay outstanding debt or repurchase or retire Acquisition Corp.'s outstanding debt or debt securities or repurchase our outstanding equity securities in open market purchases, privately negotiated purchases or otherwise. The amounts involved in any such transactions, individually or in the aggregate, may be material and may be funded from available cash or from additional borrowings. In addition, from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, we may seek to refinance the Senior Credit Facilities or our outstanding debt or debt securities with existing cash and/or with funds provided from additional borrowings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As discussed in Note 16 to our audited consolidated financial statements for the fiscal year ended September 30, 2023, the Company is exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates. As of June 30, 2024, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2023.

Foreign Currency Risk

Within our global business operations, we have transactional exposures that may be adversely affected by changes in foreign currency exchange rates relative to the U.S. dollar. We may at times choose to use foreign exchange currency derivatives, primarily forward contracts, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies, such as unremitted or future royalties and license fees owed to our U.S. companies for the sale or licensing of U.S.-based music and merchandise abroad that may be adversely affected by changes in foreign currency exchange rates. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on major currencies, which can include the Euro, British pound sterling, Japanese yen, Canadian dollar, Swedish krona, Australian dollar, Brazilian real, Korean won and Norwegian krone, and in many cases we have natural hedges where we have expenses associated with local operations that offset the revenue in local currency and our Euro-denominated debt, which can offset declines in the Euro. As of June 30, 2024, the Company had outstanding foreign currency forward exchange contracts for the sale of \$175 million and the purchase of \$108 million of foreign currencies at fixed rates. Subsequent to June 30, 2024, certain of our foreign exchange contracts expired and were not replaced.

The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates. For the purpose of assessing the specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments. For foreign exchange forward contracts outstanding at June 30, 2024, we typically perform a sensitivity analysis assuming a hypothetical 10% depreciation of the U.S. dollar against foreign currencies from prevailing foreign currency exchange rates and assuming no change in interest rates. The fair value of the foreign exchange forward contracts would have decreased by \$7 million based on this analysis. Hypothetically, even if there was a decrease in the fair value of the forward contracts, because our foreign exchange contracts are used to manage foreign currency exchange rate risk, these losses would be largely offset by gains on the underlying transactions.

Interest Rate Risk

We had \$4.013 billion of principal debt outstanding at June 30, 2024, of which \$1.313 billion was variable-rate debt and \$2.700 billion was fixed-rate debt. As such, we are exposed to changes in interest rates. At June 30, 2024, 67% of the Company's debt was at a fixed rate. In addition, as of June 30, 2024, we have the option under our floating rate loans under the Senior Term Loan Facility to select a one, three or six month Term SOFR.

Based on the level of interest rates prevailing at June 30, 2024, the fair value of the Company's fixed-rate and variable-rate debt was approximately \$3.715 billion. Further, as of June 30, 2024, based on the amount of the Company's fixed-rate debt, a 25 basis point increase or decrease in the level of interest rates would decrease the fair value of the fixed-rate debt by approximately \$32 million or increase the fair value of the fixed-rate debt by approximately \$32 million. This potential fluctuation is based on the simplified assumption that the level of fixed-rate debt remains constant with an immediate across the board increase or decrease in the level of interest rates with no subsequent changes in rates for the remainder of the period.

Inflation Risk

Inflationary factors such as increases in overhead costs may adversely affect our results of operations. We do not believe that inflation has had a material effect on our business, financial condition or results of operations to date. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases for services. Our inability or failure to do so could harm our business, financial condition or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Certification

The certifications of the principal executive officer and the principal financial officer (or persons performing similar functions) required by Rules 13a-14(a) and 15d-14(a) of the Exchange Act (the "Certifications") are filed as exhibits to this report. This section of the report contains the information concerning the evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) ("Disclosure Controls") and changes to internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) ("Internal Controls") referred to in the Certifications and this information should be read in conjunction with the Certifications for a more complete understanding of the topics presented.

Introduction

The SEC's rules define "disclosure controls and procedures" as controls and procedures that are designed to ensure that information required to be disclosed by public companies in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by public companies in the reports that they file or submit under the Exchange Act is accumulated and communicated to a company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The SEC's rules define "internal control over financial reporting" as a process designed by, or under the supervision of, a public company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, or U.S. GAAP, including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Company's management, including its principal executive officer and principal financial officer, does not expect that our Disclosure Controls or Internal Controls will prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the limitations in any and all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Further, the design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected even when effective Disclosure Controls and Internal Controls are in place.

The Company previously started a multi-year implementation to upgrade our information technology and finance infrastructure, including related systems and processes. The upgrades are designed to enhance our financial records and the flow of financial information, improve data analysis and accelerate our financial reporting. The deployment of our new technology platform is currently being implemented using a wave-based approach. We have launched certain components onto our new technology platform in select territories and will continue to deploy the technology platform to additional territories over time. As the wave-based implementation of our new technology platform continues, we will change our processes and procedures which, in turn, could result in changes to our internal control over financial reporting. As such changes occur, we will evaluate whether such changes materially affect our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation (with the participation of the Company's principal executive officer and principal financial officer), as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer have concluded that the Company's Disclosure Controls are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act will be recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three and six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company is currently subject to several such claims and legal proceedings. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors.

ITEM 1A. RISK FACTORS

There are no material changes to the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Departure of Named Executive Officer

Max Lousada, Chief Executive Officer, Recorded Music, will be stepping down from his role on September 30, 2024 and will stay on to provide transition and advisory services through January 31, 2025. His departure will be treated in accordance with the terms and conditions of his January 12, 2023 service agreement with Warner Music International Services Limited as if it had occurred pursuant to clause 2.4 thereof. His bonuses earned for the Company's 2024 and 2025 fiscal years will be based on Recorded Music performance measures for such fiscal years as established and determined by the Company's Compensation Committee. The Company is in the process of realigning reporting responsibilities for the Company's Recorded Music division and does not currently intend to replace Mr. Lousada.

ITEM 6. EXHIBITS

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Exhibit Description
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Pursuant to SEC Release No. 33-8212, this certification will be treated as “accompanying” this Quarterly Report on Form 10-Q and not “filed” as part of such report for purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject to the liability of Section 18 of the Securities Exchange Act, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except to the extent that the registrant specifically incorporates it by reference.

† Identifies each management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 7, 2024

WARNER MUSIC GROUP CORP.

By: /s/ ROBERT KYNCL

Name: **Robert Kyncl**

Title: **Chief Executive Officer
(Principal Executive Officer)**

By: /s/ BRYAN CASTELLANI

Name: **Bryan Castellani**

Title: **Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)**

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Robert Kyncl, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2024 of Warner Music Group Corp. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: August 7, 2024

/S/ ROBERT KYNCL

Chief Executive Officer
(Principal Executive Officer)

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Bryan Castellani, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2024 of Warner Music Group Corp. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: August 7, 2024

/s/ BRYAN CASTELLANI

Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Kyncl, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2024

/s/ ROBERT KYNCL

Robert Kyncl
Chief Executive Officer

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bryan Castellani, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2024

/s/ BRYAN CASTELLANI

Bryan Castellani
Chief Financial Officer