**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, 2023**

**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**<br>**(State or other jurisdiction of incorporation or organization)** | **13-4271875**<br>**(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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

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 2, 2023, there were 138,343,011 shares of Class A Common Stock and 377,650,449 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, 2023**

**TABLE OF CONTENTS**

## 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, 2023 | September 30, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 600 | $ 584 |
| Accounts receivable, net of allowances of $19 million and $19 million | 1,113 | 984 |
| Inventories | 116 | 108 |
| Royalty advances expected to be recouped within one year | 390 | 372 |
| Prepaid and other current assets | 98 | 91 |
| Total current assets | 2,317 | 2,139 |
| Royalty advances expected to be recouped after one year | 584 | 503 |
| Property, plant and equipment, net of accumulated depreciation of $523 million and $461 million | 454 | 415 |
| Operating lease right-of-use assets, net | 252 | 226 |
| Goodwill | 1,962 | 1,920 |
| Intangible assets subject to amortization, net | 2,195 | 2,239 |
| Intangible assets not subject to amortization | 150 | 145 |
| Deferred tax assets, net | 27 | 29 |
| Other assets | 209 | 212 |
| Total assets | $ 8,150 | $ 7,828 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 249 | $ 268 |
| Accrued royalties | 2,239 | 1,918 |
| Accrued liabilities | 422 | 457 |
| Accrued interest | 29 | 17 |
| Operating lease liabilities, current | 41 | 40 |
| Deferred revenue | 226 | 423 |
| Other current liabilities | 84 | 245 |
| Total current liabilities | 3,290 | 3,368 |
| Long-term debt | 3,988 | 3,732 |
| Operating lease liabilities, noncurrent | 264 | 241 |
| Deferred tax liabilities, net | 205 | 220 |
| Other noncurrent liabilities | 104 | 99 |
| Total liabilities | $ 7,851 | $ 7,660 |
| Equity: | | |
| Class A common stock, $0.001 par value; 1,000,000 shares authorized, 138,341 and 137,199 shares issued and outstanding as of June 30, 2023 and September 30, 2022, respectively | $ — | $ — |
| Class B common stock, $0.001 par value; 1,000,000 shares authorized, 377,650 and 377,650 issued and outstanding as of June 30, 2023 and September 30, 2022, respectively | 1 | 1 |
| Additional paid-in capital | 2,007 | 1,975 |
| Accumulated deficit | (1,450) | (1,477) |
| Accumulated other comprehensive loss, net | (277) | (347) |
| Total Warner Music Group Corp. equity | 281 | 152 |
| Noncontrolling interest | 18 | 16 |
| Total equity | 299 | 168 |
| Total liabilities and equity | $ 8,150 | $ 7,828 |

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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | $ 1,564 | $ 1,432 | $ 4,451 | $ 4,422 |
| Costs and expenses: | | | | |
| Cost of revenue | (850) | (766) | (2,332) | (2,281) |
| Selling, general and administrative expenses (a) | (461) | (451) | (1,353) | (1,392) |
| Restructuring | — | — | (41) | — |
| Amortization expense | (64) | (69) | (188) | (198) |
| Total costs and expenses | (1,375) | (1,286) | (3,914) | (3,871) |
| Net gain on divestiture | — | — | 41 | — |
| Operating income | 189 | 146 | 578 | 551 |
| Loss on extinguishment of debt | (4) | — | (4) | — |
| Interest expense, net | (38) | (32) | (105) | (94) |
| Other income (expense) | 20 | 50 | (72) | 96 |
| Income before income taxes | 167 | 164 | 397 | 553 |
| Income tax expense | (43) | (39) | (112) | (148) |
| Net income | 124 | 125 | 285 | 405 |
| Less: Income attributable to noncontrolling interest | (2) | (1) | (7) | (2) |
| Net income attributable to Warner Music Group Corp. | $ 122 | $ 124 | $ 278 | $ 403 |
| | | | | |
| Net income per share attributable to common stockholders: | | | | |
| Class A – Basic and Diluted | $ 0.23 | $ 0.24 | $ 0.53 | $ 0.77 |
| Class B – Basic and Diluted | $ 0.23 | $ 0.24 | $ 0.53 | $ 0.77 |
| Weighted average common shares: | | | | |
| Class A – Basic and Diluted | 138,290 | 137,165 | 137,990 | 132,494 |
| Class B – Basic and Diluted | 377,650 | 377,650 | 377,650 | 382,178 |
| | | | | |
| (a) Includes depreciation expense: | $ (22) | $ (18) | $ (65) | $ (59) |

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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income | $ 124 | $ 125 | $ 285 | $ 405 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Foreign currency adjustment | (13) | (52) | 78 | (102) |
| Deferred (loss) gain on derivative financial instruments | (3) | 5 | (8) | 26 |
| Other comprehensive (loss) income, net of tax | (16) | (47) | 70 | (76) |
| Total comprehensive income | 108 | 78 | 355 | 329 |
| Less: Income attributable to noncontrolling interest | (2) | (1) | (7) | (2) |
| Comprehensive income attributable to Warner Music Group Corp. | $ 106 | $ 77 | $ 348 | $ 327 |

See accompanying notes

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

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Cash flows from operating activities** | | |
| Net income | $ 285 | $ 405 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 253 | 257 |
| Unrealized losses (gains) and remeasurement of foreign-denominated loans and foreign currency forward exchange contracts | 71 | (107) |
| Deferred income taxes | (18) | 37 |
| Loss on extinguishment of debt | 4 | — |
| Net (gain) loss on divestitures and investments | (44) | 33 |
| Non-cash interest expense | 2 | 4 |
| Non-cash stock-based compensation expense | 42 | 35 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | (94) | (156) |
| Inventories | — | (2) |
| Royalty advances | (67) | (93) |
| Accounts payable and accrued liabilities | (93) | (103) |
| Royalty payables | 250 | 162 |
| Accrued interest | 12 | 15 |
| Operating lease liabilities | (2) | (6) |
| Deferred revenue | (207) | (145) |
| Other balance sheet changes | (45) | — |
| Net cash provided by operating activities | 349 | 336 |
| **Cash flows from investing activities** | | |
| Acquisition of music publishing rights and music catalogs, net | (53) | (178) |
| Capital expenditures | (89) | (97) |
| Investments and acquisitions of businesses, net of cash received | (26) | (499) |
| Proceeds from the sale of investments | 22 | 11 |
| Proceeds from divestitures | 42 | — |
| Net cash used in investing activities | (104) | (763) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of 3.750% Senior Secured Notes due 2029 | — | 535 |
| Proceeds from Senior Term Loan Facility - Tranche G | 149 | — |
| Proceeds from Senior Term Loan Facility - Tranche H | 147 | — |
| Repayment of Senior Term Loan Facility - Tranche H | (150) | — |
| Proceeds from Term Loan Mortgage | 19 | — |
| Deferred financing costs paid | (3) | (5) |
| Distribution to noncontrolling interest holders | (11) | (5) |
| Dividends paid | (251) | (235) |
| Payment of deferred and contingent consideration | (133) | (4) |
| Taxes paid related to net share settlement of restricted stock units | — | (6) |
| Net cash (used in) provided by financing activities | (233) | 280 |
| Effect of exchange rate changes on cash and equivalents | 4 | (7) |
| Net increase (decrease) in cash and equivalents | 16 | (154) |
| Cash and equivalents at beginning of period | 584 | 499 |
| Cash and equivalents at end of period | $ 600 | $ 345 |

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, 2023**

| | 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, 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 expense | — | — | — | — | 32 | — | — | 32 | — | 32 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (11) | (11) |
| Shares issued under the Plan | 869 | — | — | — | — | — | — | — | — | — |
| Shares issued under Omnibus Incentive Plan | 273 | — | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — | 6 | 6 |
| 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 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, 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 expense | — | — | — | — | 7 | — | — | 7 | — | 7 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (4) | (4) |
| Shares issued under Omnibus Incentive Plan | 17 | — | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — | 6 | 6 |
| Balance at June 30, 2023 | 138,341 | $ — | 377,650 | $ 1 | $ 2,007 | $ (1,450) | $ (277) | $ 281 | $ 18 | $ 299 |

**Nine Months Ended June 30, 2022**

| | 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, 2021 | 122,415 | $ — | 391,971 | $ 1 | $ 1,942 | $ (1,710) | $ (202) | $ 31 | $ 15 | $ 46 |
| Net income | — | — | — | — | — | 403 | — | 403 | 2 | 405 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (76) | (76) | — | (76) |
| Dividends ($0.45 per share) | — | — | — | — | — | (235) | — | (235) | — | (235) |
| Stock-based compensation expense | — | — | — | — | 39 | — | — | 39 | — | 39 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (5) | (5) |
| Vesting of restricted stock units, net of shares withheld for employee taxes | 277 | — | — | — | (6) | — | — | (6) | — | (6) |
| Conversion of Class B shares to Class A shares | 14,320 | — | (14,321) | — | — | — | — | — | — | — |
| Shares issued under Omnibus Incentive Plan | 187 | — | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — | 4 | 4 |
| Balance at June 30, 2022 | 137,199 | $ — | 377,650 | $ 1 | $ 1,975 | $ (1,542) | $ (278) | $ 156 | $ 16 | $ 172 |

**Three Months Ended June 30, 2022**

| | 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, 2022 | 137,198 | $ — | 377,650 | $ 1 | $ 1,971 | $ (1,587) | $ (231) | $ 154 | $ 19 | $ 173 |
| Net income | — | — | — | — | — | 124 | — | 124 | 1 | 125 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (47) | (47) | — | (47) |
| Dividends ($0.15 per share) | — | — | — | — | — | (79) | — | (79) | — | (79) |
| Stock-based compensation expense | — | — | — | — | 4 | — | — | 4 | — | 4 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (4) | (4) |
| Shares issued under Omnibus Incentive Plan | 1 | — | — | — | — | — | — | — | — | — |
| Balance at June 30, 2022 | 137,199 | $ — | 377,650 | $ 1 | $ 1,975 | $ (1,542) | $ (278) | $ 156 | $ 16 | $ 172 |

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, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2023.

The consolidated balance sheet at September 30, 2022 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, 2022 (File No. 001-32502).

**Change in Fiscal Year End**

On September 29, 2022, the Board of Directors approved a change, effective for the 2023 fiscal year, to the Company's fiscal year from a modified 52-53-week calendar, in which reporting periods ended on the last Friday of the calendar quarter, to a reporting calendar in which the reporting periods end on the last day of the calendar quarter. Effective for the 2023 fiscal year, the Company's fiscal year will begin on October 1 and end on September 30 of each year.

Prior to the start of the 2023 fiscal year, the Company maintained a 52-53 week fiscal year ending on the last Friday in each reporting period. The fiscal year ended September 30, 2022 included 53 weeks, with the additional week falling in the fiscal quarter ended December 31, 2021. Accordingly, the results of operations for the nine months ended June 30, 2022 reflect 40 weeks, or 280 days, compared to 273 days for the nine months ended June 30, 2023. For the nine months ended June 30, 2022, the revenue benefit of the additional week was approximately $73 million, primarily reflected in Recorded Music streaming revenue.

**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.

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**

Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). The amendment provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarified that certain optional expedients and exceptions in Topic 848 apply to derivative instruments that are affected by the discounting transition due to reference rate reform. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date*, which extended the period in which Topic 848 may be applied until December 31, 2024. These ASUs were effective upon issuance and may be applied prospectively to contract modifications and hedging relationships entered into or evaluated through December 31, 2024. The Revolving Credit Facility and Senior Term Loan Facility were amended during the nine months ended June 30, 2023 as further described in Note 8. The Company is in the process of evaluating the effect that the adoption of these standards will have on its consolidated financial statements, but does not expect it will have a material effect.

Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements* ("ASU 2023-01"). The amendment clarifies the accounting for leasehold improvements for leases between entities under common control. Specifically, the ASU requires that leasehold improvements associated with common control leases be both: (1) amortized by the lessee over the useful life of the leasehold improvement to the common control group, regardless of the lease term, and (2) accounted for as an adjustment to equity when leasehold improvements are transferred between entities under common control when the lessee no longer controls the leasehold improvements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023. 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 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 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, 2023 and 2022, 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, 2023 and 2022 (in millions, except share amounts, which are reflected in thousands, and per share data):

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Class A | Class B | Class A | Class B |
| Basic and Diluted EPS: | | | | |
| Numerator | | | | |
| Net income attributable to Warner Music Group Corp. | $ 34 | $ 88 | $ 34 | $ 90 |
| Less: Net income attributable to participating securities | (2) | — | (2) | — |
| Net income attributable to common stockholders | $ 32 | $ 88 | $ 32 | $ 90 |
| Denominator | | | | |
| Weighted average shares outstanding | 138,290 | 377,650 | 137,165 | 377,650 |
| Basic and Diluted EPS | $ 0.23 | $ 0.23 | $ 0.24 | $ 0.24 |

| | Nine Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Class A | Class B | Class A | Class B |
| Basic and Diluted EPS: | | | | |
| Numerator | | | | |
| Net income attributable to Warner Music Group Corp. | $ 77 | $ 201 | $ 108 | $ 295 |
| Less: Net income attributable to participating securities | (4) | — | (5) | — |
| Net income attributable to common stockholders | $ 73 | $ 201 | $ 103 | $ 295 |
| Denominator | | | | |
| Weighted average shares outstanding | 137,990 | 377,650 | 132,494 | 382,178 |
| Basic and Diluted EPS | $ 0.53 | $ 0.53 | $ 0.77 | $ 0.77 |

## 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, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (in millions) | | | |
| **Revenue by Type** | | | | |
| Digital | $ 846 | $ 801 | $ 2,445 | $ 2,475 |
| Physical | 126 | 123 | 377 | 440 |
| Total Digital and Physical | 972 | 924 | 2,822 | 2,915 |
| Artist services and expanded-rights | 218 | 190 | 555 | 563 |
| Licensing | 92 | 75 | 287 | 244 |
| Total Recorded Music | 1,282 | 1,189 | 3,664 | 3,722 |
| Performance | 40 | 45 | 130 | 119 |
| Digital | 182 | 144 | 477 | 404 |
| Mechanical | 16 | 10 | 46 | 37 |
| Synchronization | 41 | 41 | 126 | 133 |
| Other | 4 | 5 | 11 | 11 |
| Total Music Publishing | 283 | 245 | 790 | 704 |
| Intersegment eliminations | (1) | (2) | (3) | (4) |
| Total Revenues | $ 1,564 | $ 1,432 | $ 4,451 | $ 4,422 |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 557 | $ 515 | $ 1,618 | $ 1,641 |
| U.S. Music Publishing | 147 | 137 | 415 | 369 |
| Total U.S. | 704 | 652 | 2,033 | 2,010 |
| International Recorded Music | 725 | 674 | 2,046 | 2,081 |
| International Music Publishing | 136 | 108 | 375 | 335 |
| Total International | 861 | 782 | 2,421 | 2,416 |
| Intersegment eliminations | (1) | (2) | (3) | (4) |
| Total Revenues | $ 1,564 | $ 1,432 | $ 4,451 | $ 4,422 |

### Sales Returns and Uncollectible Accounts

Based on management’s analysis of sales returns, refund liabilities of $22 million and $19 million were established at June 30, 2023 and September 30, 2022, respectively.

Based on management’s analysis of estimated credit losses, reserves of $19 million and $19 million were established at June 30, 2023 and September 30, 2022, respectively.

### Deferred Revenue

Deferred revenue increased by $323 million during the nine months ended June 30, 2023 related to cash received from customers for fixed fees and minimum guarantees in advance of performance, including amounts recognized in the period. Revenues of $350 million were recognized during the nine months ended June 30, 2023 related to the balance of deferred revenue at September 30, 2022. There were no other significant changes to deferred revenue during the reporting period.

### Performance Obligations

For the nine months ended June 30, 2023 and June 30, 2022, the Company recognized revenue of $68 million and $55 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, 2023 are as follows:

| | Rest of FY23 | FY24 | FY25 | Thereafter | Total |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| Remaining performance obligations | $ 156 | $ 457 | $ 11 | $ 2 | $ 626 |
| Total | $ 156 | $ 457 | $ 11 | $ 2 | $ 626 |

**5. Acquisition of 300 Entertainment**

On December 16, 2021, the Company purchased all outstanding shares of Theory Entertainment LLC d/b/a 300 Entertainment ("300 Entertainment"), an independent U.S. record label. The final consideration paid was determined to be $394 million, which reflects the base purchase price of $400 million, adjusted for, among other items, working capital. During the three months ended December 31, 2022, the Company updated and finalized the purchase price allocation recorded at September 30, 2022, which resulted in a decrease to intangible assets of approximately $1 million and a net decrease to other acquired assets and liabilities of approximately $2 million, with a corresponding net increase to goodwill of approximately $3 million.

See Note 5, "Acquisition of 300 Entertainment," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022 for the preliminary purchase price allocation, valuation methodology, and other information related to the 300 Entertainment 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 $3 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, 2022 | $ (358) | $ (2) | $ 13 | $ (347) |
| Other comprehensive income (loss) | 78 | — | (8) | 70 |
| Balances at June 30, 2023 | $ (280) | $ (2) | $ 5 | $ (277) |

(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, 2022 | $ 1,456 | $ 464 | $ 1,920 |
| Acquisitions | 8 | — | 8 |
| Other adjustments (a) | 34 | — | 34 |
| Balances at June 30, 2023 | $ 1,498 | $ 464 | $ 1,962 |

(a) Other adjustments during the nine months ended June 30, 2023 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, 2023 | September 30, 2022 |
|---|---|---|---|
| | | (in millions) | |
| Intangible assets subject to amortization: | | | |
| Recorded music catalog | 12 years | $ 1,397 | $ 1,316 |
| Music publishing copyrights | 25 years | 1,995 | 1,889 |
| Artist and songwriter contracts | 13 years | 1,056 | 1,014 |
| Trademarks | 14 years | 109 | 103 |
| Other intangible assets | 6 years | 103 | 89 |
| Total gross intangible assets subject to amortization | | 4,660 | 4,411 |
| Accumulated amortization | | (2,465) | (2,172) |
| Total net intangible assets subject to amortization | | 2,195 | 2,239 |
| Intangible assets not subject to amortization: | | | |
| Trademarks and tradenames | Indefinite | 150 | 145 |
| Total net intangible assets | | $ 2,345 | $ 2,384 |

**8. Debt**

**Debt Capitalization**

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

| | June 30, 2023 | September 30, 2022 |
|---|---|---|
| | (in millions) | |
| Revolving Credit Facility (a) | $ — | $ — |
| Senior Term Loan Facility due 2028 | 1,295 | 1,145 |
| 2.750% Senior Secured Notes due 2028 (€325 face amount) | 354 | 318 |
| 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) | 485 | 435 |
| 3.000% Senior Secured Notes due 2031 | 800 | 800 |
| Term Loan Mortgage | 19 | — |
| Total long-term debt, including the current portion | $ 4,028 | $ 3,773 |
| Issuance premium less unamortized discount and unamortized deferred financing costs | (40) | (41) |
| Total long-term debt, including the current portion, net | $ 3,988 | $ 3,732 |

(a) Reflects $300 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $4 million at both June 30, 2023 and September 30, 2022. There were no loans outstanding under the Revolving Credit Facility at June 30, 2023 or September 30, 2022.

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. As of June 30, 2023, 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 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, 2023.

**Fiscal 2023 Transactions**

***Senior Term Loan Facility Amendment***

On November 1, 2022, Acquisition Corp. entered into a Seventh Incremental Commitment Amendment (the "Seventh Incremental Commitment Amendment"), with Credit Suisse AG, New York Branch, as Tranche H term lender, and Credit Suisse AG, as administrative agent, and acknowledged by the guarantors party thereto and WMG Holdings Corp., to the Senior Term Loan Credit Agreement, pursuant to which Acquisition Corp. borrowed additional term loans in the amount of $150 million for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Seventh Incremental Commitment Amendment was entered into to fund certain deferred payment obligations owing in respect of certain prior acquisitions, to pay fees and expenses relating thereto and for general corporate purposes.

***Term Loan Mortgage Agreement***

On January 27, 2023, Acquisition Corp., along with Warner Records Inc. and Warner Music Inc., entered into an agreement with Truist Bank, which provides for a term loan of $19 million ("Term Loan Mortgage") secured by the Company's real estate properties in Nashville, Tennessee. Interest on the Term Loan Mortgage will accrue at a rate of 30-day SOFR plus the applicable margin of 1.40% subject to a zero floor. Equal principal installments and interest are due monthly.

***Revolving Credit Agreement Amendment***

On March 23, 2023, Acquisition Corp. entered into an amendment (the "Fourth Revolving Credit Agreement Amendment") to the Revolving Credit Agreement among Acquisition Corp. and Credit Suisse AG, as administrative agent, governing Acquisition Corp.'s revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Fourth Revolving Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate and other rates for alternate currencies, such as EURIBOR and SONIA. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

***May 2023 Senior Term Loan Credit Agreement Amendment***

On May 10, 2023, Acquisition Corp. entered into an amendment (the "Senior Term Loan Credit Agreement Amendment") to the Senior Term Loan Credit Agreement among Acquisition Corp., the guarantors party thereto and Credit Suisse AG, as administrative agent. The Senior Term Loan Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

***June 2023 Senior Term Loan Credit Agreement Amendment***

On June 30, 2023, Acquisition Corp. entered into an increase supplement (the "Third Increase Supplement") to the Senior Term Loan Credit Agreement among Acquisition Corp., the guarantors party thereto, the lender party thereto and Credit Suisse AG, as administrative agent, pursuant to which Acquisition Corp. has borrowed additional Tranche G term loans in an amount equal to $150 million, the proceeds of which have been used to prepay the Tranche H term loans in full (see "Senior Term Loan Facility Amendment"), for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Company recorded a loss on extinguishment of debt of approximately $4 million for the three and nine months ended June 30, 2023, which represents the remaining unamortized discount and deferred financing costs of the Tranche H term loan.

**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 2.97x at June 30, 2023, 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 Tranche G 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 the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Term SOFR") plus an adjustment based on the applicable interest period subject to a zero floor, plus 2.125% 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, 1.125% 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 2.0% 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 Tranche H loans under the Senior Term Loan Facility, which were repaid in full on June 30, 2023, bore interest at Acquisition Corp.'s election at a rate equal to (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 0.50% floor, plus 3.00% 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 1.50% floor, plus, in each case, 2.00% per annum. If there was a payment default at any time, then the interest rate applicable to overdue principal and interest would have been the rate otherwise applicable to such loan plus 2.0% per annum. Default interest was also 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 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 to 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 20, 2028.

**Maturity of Revolving Credit Facility**

The maturity date of the Revolving Credit Facility is April 3, 2025.

**Maturities of Senior Secured Notes**

As of June 30, 2023, there are no scheduled maturities of notes until 2028, when $354 million is scheduled to mature. Thereafter, $2.360 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 $38 million and $32 million for the three months ended June 30, 2023 and 2022, respectively, and $105 million and $94 million for the nine months ended June 30, 2023 and 2022, respectively. Interest expense, net includes interest expense related to our outstanding indebtedness of $41 million and $32 million for the three months ended June 30, 2023 and 2022, respectively, and $115 million and $93 million for the nine months ended June 30, 2023 and 2022, respectively. The weighted-average interest rate of the Company's total debt was 4.1% at June 30, 2023, 3.5% at September 30, 2022 and 3.3% at June 30, 2022.

## 9. Restructuring

In March 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. Under the Restructuring Plan, the Company expects to reduce headcount by approximately 270 people, or approximately 4% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately $41 million for severance costs, all of which is expected to be paid in cash. The Restructuring Plan is substantially complete as of June 30, 2023, with related cash expenditures expected by the end of fiscal 2024.

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 expenses were recorded in the Recorded Music segment.

The following table sets forth the activity in the restructuring accrual included within accrued liabilities in the accompanying condensed consolidated balance sheets:

| | Severance Costs (in millions) |
|---|---|
| Balance at September 30, 2022 | $ — |
| Restructuring charges | 41 |
| Cash payments | (13) |
| Balance at June 30, 2023 | $ 28 |

## 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 13, "Stock-Based Compensation Plans," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022. Stock-based compensation consists primarily of restricted stock units ("RSUs") granted to eligible employees and executives under the Omnibus Incentive Plan.

For the three months ended June 30, 2023, the Company recognized a total of $7 million of non-cash stock-based compensation expense 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. For the nine months ended June 30, 2022, the Company recognized a total of $35 million of non-cash stock-based compensation expense, of which $30 million was recorded to additional paid-in capital and $5 million was recorded as a share-based compensation liability.

Share-based compensation liabilities, which are a component of accrued liabilities on the condensed consolidated balance sheets, are recorded for awards under the Omnibus Incentive Plan where a total value is known and settlement will occur in a variable number of shares of Class A Common Stock and RSUs. During the nine months ended June 30, 2023, $5 million of stock-based compensation liability was reclassified to additional paid-in capital, representing the grant date fair value of RSUs granted which were previously classified as a share-based compensation liability as of September 30, 2022.

During the three and nine months ended June 30, 2023, the Company approved the issuance of RSUs under the Omnibus Incentive Plan to eligible employees and executives. For the three and nine months ended June 30, 2023, non-cash stock-based compensation associated with these RSUs was $2 million and $12 million, respectively, which was recorded to additional paid-in capital.

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 RSUs and common stock as there is no remaining service required for vesting. Such expense was recorded as a share-based compensation liability as of June 30, 2023.

During the nine months ended June 30, 2023, the Company issued market-based performance share units ("PSUs") to our newly appointed Chief Executive Officer whereby the PSU award payout is determined based on the Company's total shareholder return compared to a designated peer group. Non-cash stock-based compensation associated with these PSUs recognized for the three and nine months ended June 30, 2023 was approximately $1 million and $2 million, respectively, which was recorded to additional paid-in capital.

During the nine months ended June 30, 2023, in connection with the Restructuring Plan, the Company recognized $2 million of non-cash stock-based compensation related to the accelerated vesting of certain RSUs. Refer to Note 9 for further discussion.

**Common Stock**

During the nine months ended June 30, 2023, in connection with the Senior Management Free Cash Flow Plan (the "Plan"), the Company issued a total of approximately 869,000 shares of Class A Common Stock to settle a portion of a participant's deferred equity units previously issued under the Plan.

During the three and nine months ended June 30, 2023, the Company issued approximately 17,000 and 273,000 shares of Class A Common Stock, respectively, under the Omnibus Incentive Plan.

## 12. Income Taxes

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 expense at the statutory 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 Research and Development ("R&D") credits, release of U.S. state valuation allowance, and the net impact of GILTI and foreign derived intangible income ("FDII").

For the three and nine months ended June 30, 2022, the Company recorded an income tax expense of $39 million and $148 million, respectively. The income tax expense for the three and nine months ended June 30, 2022 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, and non-deductible executive compensation under IRC Section 162(m). These charges were partially offset by tax benefits associated with the net impact of GILTI and FDII.

The Organization 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 by January 1, 2025. We are currently evaluating the potential impact on our consolidated financial statements and related disclosures.

**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 Company's hedged interest rate transactions as of June 30, 2023 are expected to be recognized within one year. 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 19, "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, 2022. 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, 2023, the Company had outstanding foreign currency forward exchange contracts for the sale of $172 million and the purchase of $98 million of foreign currencies at fixed rates that will be settled by September 2023.

As of June 30, 2023, the Company had outstanding $500 million in a pay-fixed receive-variable interest rate swap with $5 million of unrealized deferred gains in comprehensive income related to the interest rate swap. As of September 30, 2022, the Company had outstanding $820 million in pay-fixed receive-variable interest rate swaps with $13 million of unrealized deferred gains in comprehensive income related to the interest rate swaps.

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 Company recorded realized pre-tax gains of $6 million and unrealized pre-tax gains of $3 million related to its foreign currency forward exchange contracts in the condensed consolidated statement of operations as other income for the nine months ended June 30, 2022.

The 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, 2023 were $11 million. The pre-tax gains 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, 2022 were $34 million.

The following is a summary of amounts recorded in the consolidated balance sheets pertaining to the Company's derivative instruments at June 30, 2023 and September 30, 2022:

| | June 30, 2023 | September 30, 2022 |
|---|---|---|
| | (in millions) | |
| *Other Current Assets:* | | |
| Foreign Currency Forward Exchange Contracts (a) | $ 1 | $ — |
| Interest Rate Swap | 7 | 2 |
| *Other Current Liabilities:* | | |
| Foreign Currency Forward Exchange Contracts (a) | (2) | — |
| *Other Noncurrent Assets:* | | |
| Interest Rate Swap | — | 16 |

(a) Includes $6 million and $7 million of foreign currency forward exchange contracts in asset and liability positions, respectively, which net to $1 million of current assets and $2 million of current liabilities.

**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 ("OIBDA"). The Company has supplemented its analysis of OIBDA results by segment with an analysis of operating income (loss) by segment.

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, 2022. 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.

| Three Months Ended | Recorded Music | Music Publishing | Corporate expenses and eliminations | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **June 30, 2023** | | | | |
| Revenues | $ 1,282 | $ 283 | $ (1) | $ 1,564 |
| Operating income (loss) | 207 | 50 | (68) | 189 |
| Amortization of intangible assets | 41 | 23 | — | 64 |
| Depreciation of property, plant and equipment | 13 | — | 9 | 22 |
| OIBDA | 261 | 73 | (59) | 275 |
| **June 30, 2022** | | | | |
| Revenues | $ 1,189 | $ 245 | $ (2) | $ 1,432 |
| Operating income (loss) | 166 | 33 | (53) | 146 |
| Amortization of intangible assets | 46 | 23 | — | 69 |
| Depreciation of property, plant and equipment | 12 | 1 | 5 | 18 |
| OIBDA | 224 | 57 | (48) | 233 |

| Nine Months Ended | Recorded Music | Music Publishing | Corporate expenses and eliminations | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **June 30, 2023** | | | | |
| Revenues | $ 3,664 | $ 790 | $ (3) | $ 4,451 |
| Operating income (loss) | 641 | 151 | (214) | 578 |
| Amortization of intangible assets | 121 | 67 | — | 188 |
| Depreciation of property, plant and equipment | 39 | 2 | 24 | 65 |
| OIBDA | 801 | 220 | (190) | 831 |
| **June 30, 2022** | | | | |
| Revenues | $ 3,722 | $ 704 | $ (4) | $ 4,422 |
| Operating income (loss) | 631 | 103 | (183) | 551 |
| Amortization of intangible assets | 133 | 65 | — | 198 |
| Depreciation of property, plant and equipment | 40 | 4 | 15 | 59 |
| OIBDA | 804 | 172 | (168) | 808 |

## 15. Additional Financial Information

### Cash Interest and Taxes

The Company made interest payments of approximately $29 million and $21 million during the three months ended June 30, 2023 and 2022, respectively, and approximately $104 million and $78 million during the nine months ended June 30, 2023 and 2022, respectively. The Company paid approximately $49 million and $38 million of income and withholding taxes, net of refunds, for the three months ended June 30, 2023 and 2022, respectively, and approximately $166 million and $104 million of income and withholding taxes, net of refunds, for the nine months ended June 30, 2023 and 2022, respectively.

### Gain on Divestiture

During the nine months ended June 30, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million which was recorded 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 10, 2023, the Company's board of directors declared a cash dividend of $0.16 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 1, 2023. The Company paid an aggregate of approximately $84 million and $251 million, or $0.16 and $0.48 per share, in cash dividends to stockholders and participating security holders for the three and nine months ended June 30, 2023, respectively.

**Noncash Investment Activity**

Noncash investing activities was approximately $125 million related to the acquisition of music publishing rights and music catalogs, net during the nine months ended June 30, 2022.

**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, 2023 and September 30, 2022.

| | Fair Value Measurements as of June 30, 2023 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| | (in millions) | | | |
| *Other Current Assets:* | | | | |
| Foreign Currency Forward Exchange Contracts (a) | $ — | $ 1 | $ — | $ 1 |
| Interest Rate Swap (d) | — | 7 | — | 7 |
| *Other Current Liabilities:* | | | | |
| Foreign Currency Forward Exchange Contracts (a) | — | (2) | — | (2) |
| *Other Noncurrent Assets:* | | | | |
| Equity Investments with Readily Determinable Fair Value (c) | 14 | — | — | 14 |
| *Other Noncurrent Liabilities:* | | | | |
| Contractual Obligations (b) | — | — | (1) | (1) |

| | Fair Value Measurements as of September 30, 2022 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| | (in millions) | | | |
| *Other Current Assets:* | | | | |
| Interest Rate Swap (d) | $ — | $ 2 | $ — | $ 2 |
| *Other Noncurrent Assets:* | | | | |
| Interest Rate Swap (d) | — | 16 | — | 16 |
| Equity Investment with Readily Determinable Fair Value (c) | 36 | — | — | 36 |
| *Other Noncurrent Liabilities:* | | | | |
| 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 June 30, 2023 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<br>(in millions) |
|---|---|
| Balance at September 30, 2022 | $ (1) |
| Additions | — |
| Reductions | — |
| Payments | — |
| Balance at June 30, 2023 | $ (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 and nine months ended June 30, 2023 and 2022. In addition, there were no observable price changes events that were completed during the three and nine months ended June 30, 2023 and 2022.

**Fair Value of Debt**

Based on the level of interest rates prevailing at June 30, 2023, the fair value of the Company's debt was $3.596 billion. Based on the level of interest rates prevailing at September 30, 2022, the fair value of the Company's debt was $3.181 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, 2023 (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 such as COVID-19;
- 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 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, 2022.

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, 2023 and June 30, 2022. 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, 2023 and June 30, 2022, as well as a discussion of our financial condition and liquidity as of June 30, 2023. 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 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 ("OIBDA"). We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses. However, a limitation of the use of 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, 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 OIBDA may differ from similarly titled measures used by other companies. A reconciliation of consolidated 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 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 OIBDA between periods as if exchange rates had remained constant period over period. We use revenue on a constant-currency basis as one measure to evaluate our performance. We calculate constant currency by calculating prior-year revenue 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." This revenue should be considered in addition to, not as a substitute for, revenue reported in accordance with U.S. GAAP. Revenue 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 100,000 songwriters and composers, with a global collection of more than one 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, reissuances of previously released music and video titles and releasing previously unreleased material from our vault. We also conduct our Recorded Music business through a collection of additional record labels including Asylum, Big Beat, Canvasback, East West, Erato, FFRR, Nonesuch, Parlophone, Reprise, Sire, Spinnin' Records, 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 includes 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 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 100,000 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**

***Fiscal Quarter End***

Prior to the start of the 2023 fiscal year, the Company maintained a 52-53 week fiscal year ending on the last Friday in each reporting period. Starting with the 2023 fiscal year, the Company transitioned to a reporting calendar in which the reporting periods end on the last day of the calendar quarter. The fiscal year ended September 30, 2022 included 53 weeks, with the additional week falling in the fiscal quarter ended December 31, 2021. Accordingly, the results of operations for the nine months ended June 30, 2022 reflect 40 weeks, or 280 days, compared to 273 days for the nine months ended June 30, 2023. For the nine months ended June 30, 2022, the revenue benefit of the additional week was approximately $73 million, primarily reflected in Recorded Music streaming revenue.

***Restructuring***

In March 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. Under the Restructuring Plan, the Company expects to reduce headcount by approximately 270 people, or approximately 4% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately $41 million for severance costs, all of which is expected to be paid in cash. The Restructuring Plan is substantially complete as of June 30, 2023, with related cash expenditures expected by the end of fiscal 2024.

The Company expects the headcount reductions to generate pre-tax cost savings of approximately $19 million in fiscal year 2023 and $48 million on an annualized run-rate basis in fiscal year 2024. The Company anticipates investing a portion of the cost savings from the headcount reductions in an amount to be determined for targeted hires, to add new skill sets and for other initiatives intended to position the Company for long-term growth.

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

***Executive Transition Costs***

During the three and nine months ended June 30, 2023, the Company incurred costs associated with the departure of our Chief Executive Officer which occurred in January 2023 and our Chief Financial Officer which is expected to occur by the end of calendar 2023 (the "Executive Transition Costs"). For the three and nine months ended June 30, 2023, the Executive Transition Costs were approximately $1 million and $4 million, respectively, which consisted of severance for our previous CEO and our departing CFO. Such costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

The aforementioned departures of our CEO and CFO resulted in the recognition of $1 million and $13 million of non-cash stock-based compensation expense for the three and nine months ended June 30, 2023, respectively, for RSUs and common stock as there is no remaining service required for vesting. Such costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

***Russia-Ukraine Conflict***

On February 24, 2022, the geopolitical situation in Eastern Europe intensified with Russia's invasion of Ukraine, and the sanctions and other measures imposed in response to this conflict have increased global economic and political uncertainty. WMG operates both its Recorded Music and Music Publishing businesses within Russia and, on March 10, 2022, the Company announced a suspension of these operations in Russia. While our operations in Russia do not constitute a material portion of our business, a significant escalation or expansion of the conflict's current scope, increased or sustained economic disruption, sanctions or countersanctions, further devaluation of the local currency or increased cyber-related disruptions could make it difficult to deliver our content, broaden inflationary costs, and have an adverse effect on our results of operations.

## RESULTS OF OPERATIONS

### Three Months Ended June 30, 2023 Compared with Three Months Ended June 30, 2022

***Consolidated Results***

***Revenues***

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

| | For the Three Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Revenue by Type** | | | | |
| Digital | $ 846 | $ 801 | $ 45 | 6 % |
| Physical | 126 | 123 | 3 | 2 % |
| Total Digital and Physical | 972 | 924 | 48 | 5 % |
| Artist services and expanded-rights | 218 | 190 | 28 | 15 % |
| Licensing | 92 | 75 | 17 | 23 % |
| Total Recorded Music | 1,282 | 1,189 | 93 | 8 % |
| Performance | 40 | 45 | (5) | -11 % |
| Digital | 182 | 144 | 38 | 26 % |
| Mechanical | 16 | 10 | 6 | 60 % |
| Synchronization | 41 | 41 | — | — % |
| Other | 4 | 5 | (1) | -20 % |
| Total Music Publishing | 283 | 245 | 38 | 16 % |
| Intersegment eliminations | (1) | (2) | 1 | -50 % |
| Total Revenues | $ 1,564 | $ 1,432 | $ 132 | 9 % |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 557 | $ 515 | $ 42 | 8 % |
| U.S. Music Publishing | 147 | 137 | 10 | 7 % |
| Total U.S. | 704 | 652 | 52 | 8 % |
| International Recorded Music | 725 | 674 | 51 | 8 % |
| International Music Publishing | 136 | 108 | 28 | 26 % |
| Total International | 861 | 782 | 79 | 10 % |
| Intersegment eliminations | (1) | (2) | 1 | -50 % |
| Total Revenues | $ 1,564 | $ 1,432 | $ 132 | 9 % |

***Total Revenues***

Total revenues increased by $132 million, or 9%, to $1,564 million for the three months ended June 30, 2023 from $1,432 million for the three months ended June 30, 2022. The increase includes $9 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 82% and 18% of total revenue for the three months ended June 30, 2023, respectively, and 83% and 17% of total revenue for the three months ended June 30, 2022, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 45% and 55% of total revenues for each of the three months ended June 30, 2023 and June 30, 2022, respectively.

Total digital revenues after intersegment eliminations increased by $83 million, or 9%, to $1,027 million for the three months ended June 30, 2023 from $944 million for the three months ended June 30, 2022. Total streaming revenue increased 10% driven by growth across Recorded Music and Music Publishing. The growth in Music Publishing includes a benefit in the quarter and the prior-year quarter of $7 million and $17 million, respectively, resulting from a ruling by the Copyright Royalty Board in Phonorecords III upholding higher percentage revenue of U.S. mechanical royalty rates (the “CRB Rate Benefit”). 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. Prior to intersegment eliminations, total digital revenues for the three months ended June 30, 2022 were composed of U.S. revenues of $486 million and international revenues of $459 million, or 51% and 49% of total digital revenues, respectively.

Recorded Music revenues increased by $93 million to $1,282 million for the three months ended June 30, 2023 from $1,189 million for the three months ended June 30, 2022. The increase included $9 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were $557 million and $515 million, or 43% of consolidated Recorded Music revenues for each of the three months ended June 30, 2023 and June 30, 2022, respectively. International Recorded Music revenues were $725 million and $674 million, or 57% of consolidated Recorded Music revenues for each of the three months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Recorded Music revenue was driven by increases in digital, artist services and expanded-rights, licensing and physical revenues. Digital revenue increased by $45 million, which included an unfavorable impact of foreign currency exchange rates of $9 million. Revenue from streaming services increased by $49 million, or 6%, to $822 million for the three months ended June 30, 2023 from $773 million for the three months ended June 30, 2022 and was impacted by unfavorable foreign currency exchange rates of $7 million, or 1%. Growth in streaming revenue increased due to a stronger release schedule and growth in ad-supported revenue recovered due to moderation in a market-related slowdown. The quarter included success from Ed Sheeran, PinkPantheress, Bailey Zimmerman and Dua Lipa. Download and other digital revenues decreased by $4 million, or 14%, to $24 million for the three months ended June 30, 2023 from $28 million for the three months ended June 30, 2022 due to the continued shift to streaming services. Artist services and expanded-rights revenue increased by $28 million due to higher concert promotion and merchandising revenue and a favorable impact of foreign currency exchange rates of $1 million. Licensing revenue increased by $17 million, with growth across synchronization, broadcast fees and other licensing revenue, partially offset by an unfavorable impact of foreign currency exchange rates of $1 million. Physical revenue increased by $3 million primarily due to stronger performance in the United States.

Music Publishing revenues increased by $38 million, or 16%, to $283 million for the three months ended June 30, 2023 from $245 million for the three months ended June 30, 2022. U.S. Music Publishing revenues were $147 million and $137 million, or 52% and 56% of consolidated Music Publishing revenues, for the three months ended June 30, 2023 and June 30, 2022, respectively. International Music Publishing revenues were $136 million and $108 million, or 48% and 44% of consolidated Music Publishing revenues, for the three months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Music Publishing revenue was driven by increases in digital revenue of $38 million, or 26%, and mechanical revenue of $6 million, partially offset by decreases in performance revenue of $5 million. The increase in digital revenue is primarily due to increases in streaming revenue driven by the continued growth in streaming services, the impact of digital deal renewals and a revenue true-up of $9 million, partially offset by a $10 million quarter-over-quarter decrease in the impact of the CRB Rate Benefit and an unfavorable impact of foreign currency exchange rates of $1 million. Revenue from streaming services grew by $38 million, or 27%, to $178 million for the three months ended June 30, 2023 from $140 million for the three months ended June 30, 2022. Mechanical revenue increased from a higher share of physical sales and timing of distributions. Performance revenue decreased due to the timing of payments from collection societies and an unfavorable impact of foreign currency exchange rates of $1 million. Synchronization revenue remained flat primarily due to lower commercial licensing activity, offset by copyright infringement settlements.

***Revenue by Geographical Location***

U.S. revenue increased by $52 million, or 8%, to $704 million for the three months ended June 30, 2023 from $652 million for the three months ended June 30, 2022. U.S. Recorded Music revenue increased by $42 million, or 8%. The primary driver was the increase of U.S. Recorded Music artist services and expanded-rights revenue of $23 million primarily driven by higher merchandising revenue. U.S. Recorded Music licensing revenue increased by $8 million, primarily from synchronization revenue. Digital revenue increased by $7 million, or 2%, due to higher streaming revenue of $9 million, or 2%, partially offset by download and other digital decrease of $2 million. Growth in ad-supported revenue recovered due to moderation in a market-related slowdown. Increases are also attributable to higher U.S. Recorded Music physical revenue of $4 million due to the success of strong U.S. physical releases. U.S. Music Publishing revenue increased by $10 million, or 7%, to $147 million for the three months ended June 30, 2023 from $137 million for the three months ended June 30, 2022. This was primarily driven by an increase in U.S. Music Publishing digital revenue of $13 million due to the continued growth in streaming services and the impact of digital deal renewals, partially offset by a $10 million quarter-over-quarter decrease in the impact of the CRB Rate Benefit. U.S. Music Publishing streaming revenue increased by $14 million, or 16%. Mechanical and synchronization revenue each increased by $1 million. Performance revenue decreased by $6 million driven by the timing of payments from collection societies.

International revenue increased by $79 million to $861 million for the three months ended June 30, 2023 from $782 million for the three months ended June 30, 2022. Excluding the unfavorable impact of foreign currency exchange rates of $10 million, International revenue increased by $89 million, or 12%. International Recorded Music revenue increased by $51 million primarily due to increases in digital revenue of $38 million, licensing revenue of $9 million and artist services and expanded-rights revenue of $5 million, partially offset by a decrease in physical revenue of $1 million. International Recorded Music digital revenue increased due to a $40 million, or 10%, increase in streaming revenue which included an unfavorable impact of foreign currency exchange rates of $7 million. International Recorded Music licensing revenue increased by $9 million, primarily due to higher broadcast fees and other licensing revenue, partially offset by an unfavorable impact of foreign currency exchange rates. International Recorded Music artist services and expanded-rights revenue increased by $5 million due to higher concert promotion revenue and the favorable impact of foreign currency exchange rates of $1 million, partially offset by lower direct-to-consumer merchandising revenue at EMP. International Recorded Music physical revenue decreased by $1 million against higher sales in the prior-year quarter from the success of new releases in Asia. International Music Publishing revenue increased from the prior-year quarter by $28 million, or 26%, to $136 million for the three months ended June 30, 2023 from $108 million for the three months ended June 30, 2022. This was driven by the increase in digital revenue of $25 million, mechanical revenue of $5 million and performance revenue of $1 million, partially offset by a decrease in synchronization revenue of $1 million. International Music Publishing streaming revenue increased by $24 million, or 47%, which includes a revenue true-up of $9 million and download and other digital revenue increased by $1 million. Mechanical revenue increased from a higher share of physical sales and timing of distributions. Performance revenue increase was driven by continued growth from bars, restaurants, concerts and live events, partially offset by an unfavorable impact of foreign currency exchange rates. Lower synchronization revenue is primarily due to lower commercial licensing activity.

***Cost of revenues***

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

| | For the Three Months Ended June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 530 | $ 486 | $ 44 | 9 % |
| Product costs | 320 | 280 | 40 | 14 % |
| Total cost of revenues | $ 850 | $ 766 | $ 84 | 11 % |

Artist and repertoire costs increased by $44 million, to $530 million for the three months ended June 30, 2023 from $486 million for the three months ended June 30, 2022. Artist and repertoire costs as a percentage of revenue remained constant at 34% for each of the three months ended June 30, 2023 and June 30, 2022 due to the favorable impact of foreign currency exchange rates, offset by revenue mix.

Product costs increased by $40 million, to $320 million for the three months ended June 30, 2023 from $280 million for the three months ended June 30, 2022. Product costs as a percentage of revenue remained constant at 20% for each of the three months ended June 30, 2023 and June 30, 2022.

***Selling, general and administrative expenses***

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

| | For the Three Months Ended June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 244 | $ 225 | $ 19 | 8 % |
| Selling and marketing expense | 185 | 198 | (13) | -7 % |
| Distribution expense | 32 | 28 | 4 | 14 % |
| Total selling, general and administrative expense | $ 461 | $ 451 | $ 10 | 2 % |

(1) Includes depreciation expense of $22 million and $18 million for the three months ended June 30, 2023 and June 30, 2022, respectively.

Total selling, general and administrative expense increased by $10 million, or 2%, to $461 million for the three months ended June 30, 2023 from $451 million for the three months ended June 30, 2022. Expressed as a percentage of revenue, total selling, general and administrative expense decreased to 29% for the three months ended June 30, 2023 from 31% for the three months ended June 30, 2022.

General and administrative expense increased by $19 million to $244 million for the three months ended June 30, 2023 from $225 million for the three months ended June 30, 2022. The increase in general and administrative expense was mainly due to increased employee related costs, net of savings from the Restructuring Plan, which includes incremental overhead in technology and higher non-cash stock-based compensation and other related expenses of $2 million, the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior-year quarter related to an acquisition and higher depreciation, partially offset by lower professional services and severance expenses. Expressed as a percentage of revenue, general and administrative expense remained constant at 16% for each of the three months ended June 30, 2023 and June 30, 2022.

Selling and marketing expense decreased by $13 million, or 7%, to $185 million for the three months ended June 30, 2023 from $198 million for the three months ended June 30, 2022 primarily due to lower variable marketing spend and savings from the Restructuring Plan. Expressed as a percentage of revenue, selling and marketing expense decreased to 12% for the three months ended June 30, 2023 from 14% for the three months ended June 30, 2022.

Distribution expense was $32 million for the three months ended June 30, 2023 and $28 million for the three months ended June 30, 2022. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the three months ended June 30, 2023 and June 30, 2022.

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

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles operating income to 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 June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Net income attributable to Warner Music Group Corp. | $ 122 | $ 124 | $ (2) | -2 % |
| Income attributable to noncontrolling interest | 2 | 1 | 1 | 100 % |
| Net income | 124 | 125 | (1) | -1 % |
| Income tax expense | 43 | 39 | 4 | 10 % |
| Income before income taxes | 167 | 164 | 3 | 2 % |
| Other income | (20) | (50) | 30 | -60 % |
| Interest expense, net | 38 | 32 | 6 | 19 % |
| Loss on extinguishment of debt | 4 | — | 4 | — % |
| Operating income | 189 | 146 | 43 | 29 % |
| Amortization expense | 64 | 69 | (5) | -7 % |
| Depreciation expense | 22 | 18 | 4 | 22 % |
| OIBDA | $ 275 | $ 233 | $ 42 | 18 % |

*OIBDA*

OIBDA increased by $42 million to $275 million for the three months ended June 30, 2023 as compared to $233 million for the three months ended June 30, 2022 as a result of higher revenues offset by higher cost of revenues and selling, general and administrative expense. Expressed as a percentage of total revenue, OIBDA margin increased to 18% for the three months ended June 30, 2023 from 16% for the three months ended June 30, 2022 primarily due to strong operating performance, lower variable marketing spend, savings from the Restructuring Plan and the favorable impact of foreign currency exchange rates, partially offset by revenue mix, incremental overhead in technology and the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior-year quarter related to an acquisition.

*Depreciation expense*

Our depreciation expense increased by $4 million to $22 million for the three months ended June 30, 2023 from $18 million for the three months ended June 30, 2022 primarily due to an increase in IT capital spend and assets being placed into service.

*Amortization expense*

Our amortization expense decreased by $5 million, or 7%, to $64 million for the three months ended June 30, 2023 from $69 million for the three months ended June 30, 2022. The decrease is primarily due to certain intangible assets becoming fully amortized.

*Operating income*

Our operating income increased by $43 million to $189 million for the three months ended June 30, 2023 from $146 million for the three months ended June 30, 2022. The increase in operating income was due to the factors that led to the increase in OIBDA and lower amortization, partially offset by higher depreciation as noted above.

*Loss on extinguishment of debt*

We recorded a loss on extinguishment of debt in the amount of $4 million for the three months ended June 30, 2023 which represents the remaining unamortized discount and deferred financing costs in connection with the redemption of Senior Term Loan Facility Tranche H loans. There was no loss on extinguishment of debt for the three months ended June 30, 2022.

*Interest expense, net*

Our interest expense, net, increased to $38 million for the three months ended June 30, 2023 from $32 million for the three months ended June 30, 2022 due to a higher principal balance from the issuance of the incremental Senior Term Loan Facility and higher interest rates on variable rate debt, partially offset by interest income.

*Other income*

Other income for the three months ended June 30, 2023 primarily includes 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 equity investments. This compares to foreign currency gains on our Euro-denominated debt of $46 million and currency exchange gains on the Company’s intercompany loans of $5 million for the three months ended June 30, 2022.

*Income tax expense*

Our income tax expense increased by $4 million to $43 million for the three months ended June 30, 2023 from $39 million for the three months ended June 30, 2022. The increase of $4 million in income tax expense is primarily due to the impact of higher foreign withholding taxes, an increase in unrecognized tax benefit related to uncertain tax positions and an increase in non-deductible executive compensation under IRC Section 162(m) in the current-year quarter. These charges were partially offset by the benefit of R&D credits and release of U.S. state valuation allowance recognized in the current-year quarter.

*Net income*

Net income decreased by $1 million to $124 million for the three months ended June 30, 2023 from $125 million for the three months ended June 30, 2022 as a result of the factors described above.

*Noncontrolling interest*

There was $2 million of income attributable to noncontrolling interest for the three months ended June 30, 2023 and $1 million of income attributable to noncontrolling interest for the three months ended June 30, 2022.

**Business Segment Results**

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

| | For the Three Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Recorded Music** | | | | |
| Revenues | $ 1,282 | $ 1,189 | $ 93 | 8 % |
| Operating income | 207 | 166 | 41 | 25 % |
| OIBDA | 261 | 224 | 37 | 17 % |
| **Music Publishing** | | | | |
| Revenues | 283 | 245 | 38 | 16 % |
| Operating income | 50 | 33 | 17 | 52 % |
| OIBDA | 73 | 57 | 16 | 28 % |
| **Corporate expenses and eliminations** | | | | |
| Revenue eliminations | (1) | (2) | 1 | -50 % |
| Operating loss | (68) | (53) | (15) | 28 % |
| OIBDA loss | (59) | (48) | (11) | 23 % |
| **Total** | | | | |
| Revenues | 1,564 | 1,432 | 132 | 9 % |
| Operating income | 189 | 146 | 43 | 29 % |
| OIBDA | 275 | 233 | 42 | 18 % |

***Recorded Music***

***Revenues***

Recorded Music revenue increased by $93 million to $1,282 million for the three months ended June 30, 2023 from $1,189 million for the three months ended June 30, 2022. U.S. Recorded Music revenues were $557 million and $515 million, or 43% of consolidated Recorded Music revenues, for each of the three months ended June 30, 2023 and June 30, 2022, respectively. International Recorded Music revenues were $725 million and $674 million, or 57% of consolidated Recorded Music revenues, for each of the three months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Recorded Music revenue was driven by increases in digital, artist services and expanded-rights, licensing and physical 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 Three Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 349 | $ 326 | $ 23 | 7 % |
| Product costs | 320 | 280 | 40 | 14 % |
| Total cost of revenues | $ 669 | $ 606 | $ 63 | 10 % |

Recorded Music cost of revenues increased by $63 million, or 10%, to $669 million for the three months ended June 30, 2023 from $606 million for the three months ended June 30, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs remained constant at 27% for each of the three months ended June 30, 2023 and June 30, 2022, due to the favorable impact of foreign currency exchange rates, offset by revenue mix. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs increased to 25% for the three months ended June 30, 2023 from 24% for the three months ended June 30, 2022. The overall increase as a percentage of revenue primarily relates to revenue mix due to higher artist services and expanded-rights and third-party distributed label revenue.

***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 June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 152 | $ 149 | $ 3 | 2 % |
| Selling and marketing expense | 181 | 194 | (13) | -7 % |
| Distribution expense | 32 | 28 | 4 | 14 % |
| Total selling, general and administrative expense | $ 365 | $ 371 | $ (6) | -2 % |

(1) Includes depreciation expense of $13 million and $12 million for the three months ended June 30, 2023 and June 30, 2022, respectively.

Recorded Music selling, general and administrative expense decreased by $6 million, or 2%, to $365 million for the three months ended June 30, 2023 from $371 million for the three months ended June 30, 2022. The increase in general and administrative expense was mainly due to increased employee related costs, net of savings from the Restructuring Plan, and the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior-year quarter related to an acquisition, partially offset by the favorable movements in foreign currency exchanges rates of $4 million, lower severance and professional services expenses. The decrease in selling and marketing expense was primarily due to lower variable marketing spend and savings from the Restructuring Plan. The increase in distribution expense was primarily due to higher artist services and expanded- rights revenue. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 28% for the three months ended June 30, 2023 from 31% for the three months ended June 30, 2022.

***Operating Income and OIBDA***

Recorded Music OIBDA included the following amounts (in millions):

| | For the Three Months Ended June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 207 | $ 166 | $ 41 | 25 % |
| Depreciation and amortization | 54 | 58 | (4) | -7 % |
| OIBDA | $ 261 | $ 224 | $ 37 | 17 % |

Recorded Music operating income increased by $41 million to $207 million for the three months ended June 30, 2023 from $166 million for the three months ended June 30, 2022 as a result of higher revenues, lower selling, general and administrative expense and a decrease in amortizable intangible assets, partially offset by higher cost of revenue.

Recorded Music OIBDA increased by $37 million to $261 million for the three months ended June 30, 2023 from $224 million for the three months ended June 30, 2022 due to the factors that led to the increase in Recorded Music operating income noted above. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA margin increased to 20% for the three months ended June 30, 2023 from 19% for the three months ended June 30, 2022 primarily due to stronger operating performance, lower variable marketing spend, savings from the Restructuring Plan and the favorable impact of foreign currency exchange rates, partially offset by revenue mix resulting from higher artist services and expanded-rights and third-party distributed label revenue and the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior-year quarter related to an acquisition.

***Music Publishing***

***Revenues***

Music Publishing revenues increased by $38 million, or 16%, to $283 million for the three months ended June 30, 2023 from $245 million for the three months ended June 30, 2022. U.S. Music Publishing revenues were $147 million and $137 million, or 52% and 56% of consolidated Music Publishing revenues, for the three months ended June 30, 2023 and June 30, 2022, respectively. International Music Publishing revenues were $136 million and $108 million, or 48% and 44% of consolidated Music Publishing revenues, for the three months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Music Publishing revenue was driven by growth in digital and mechanical revenues, partially offset by lower performance 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 June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 182 | $ 162 | $ 20 | 12 % |
| Total cost of revenues | $ 182 | $ 162 | $ 20 | 12 % |

Music Publishing cost of revenues increased by $20 million, or 12%, to $182 million for the three months ended June 30, 2023 from $162 million for the three months ended June 30, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues decreased to 64% for the three months ended June 30, 2023 from 66% for the three months ended June 30, 2022, primarily due to the favorable impact of foreign currency exchange rates, partially offset by revenue mix.

***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 June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 27 | $ 27 | $ — | — % |
| Selling and marketing expense | 1 | — | 1 | — % |
| Total selling, general and administrative expense | $ 28 | $ 27 | $ 1 | 4 % |

(1) Includes no depreciation expense for the three months ended June 30, 2023 and $1 million of depreciation expense for the three months ended June 30, 2022.

Music Publishing selling, general and administrative expense increased by $1 million, or 4%, to $28 million for the three months ended June 30, 2023 from $27 million for the three months ended June 30, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense decreased to 10% for the three months ended June 30, 2023 from 11% for the three months ended June 30, 2022.

***Operating Income and OIBDA***

Music Publishing OIBDA included the following amounts (in millions):

| | For the Three Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 50 | $ 33 | $ 17 | 52 % |
| Depreciation and amortization | 23 | 24 | (1) | -4 % |
| OIBDA | $ 73 | $ 57 | $ 16 | 28 % |

Music Publishing operating income increased by $17 million to $50 million for the three months ended June 30, 2023 from $33 million for the three months ended June 30, 2022, as a result of higher revenue, partially offset by higher cost of revenue.

Music Publishing OIBDA increased by $16 million, or 28%, to $73 million for the three months ended June 30, 2023 from $57 million for the three months ended June 30, 2022 largely due to the factors that led to the increase in Music Publishing operating income noted above. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA margin increased to 26% for the three months ended June 30, 2023 from 23% for the three months ended June 30, 2022 primarily due to strong operating performance and the favorable impact of foreign currency exchange rates, partially offset by revenue mix.

***Corporate Expenses and Eliminations***

Our operating loss from corporate expenses and eliminations increased by $15 million for the three months ended June 30, 2023 to $68 million from $53 million for the three months ended June 30, 2022, primarily due to higher employee related costs including incremental overhead in technology, higher non-cash stock-based compensation and other related expenses of $1 million, the Executive Transition Costs of $1 million and an increase in depreciation.

Our OIBDA loss from corporate expenses and eliminations increased by $11 million for the three months ended June 30, 2023 to $59 million from $48 million for the three months ended June 30, 2022, primarily due to the operating loss factors noted above.

## RESULTS OF OPERATIONS

### Nine Months Ended June 30, 2023 Compared with Nine Months Ended June 30, 2022

***Consolidated Results***

***Revenues***

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

| | For the Nine Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Revenue by Type** | | | | |
| Digital | $ 2,445 | $ 2,475 | $ (30) | -1 % |
| Physical | 377 | 440 | (63) | -14 % |
| Total Digital and Physical | 2,822 | 2,915 | (93) | -3 % |
| Artist services and expanded-rights | 555 | 563 | (8) | -1 % |
| Licensing | 287 | 244 | 43 | 18 % |
| Total Recorded Music | 3,664 | 3,722 | (58) | -2 % |
| Performance | 130 | 119 | 11 | 9 % |
| Digital | 477 | 404 | 73 | 18 % |
| Mechanical | 46 | 37 | 9 | 24 % |
| Synchronization | 126 | 133 | (7) | -5 % |
| Other | 11 | 11 | — | — % |
| Total Music Publishing | 790 | 704 | 86 | 12 % |
| Intersegment eliminations | (3) | (4) | 1 | -25 % |
| Total Revenues | $ 4,451 | $ 4,422 | $ 29 | 1 % |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 1,618 | $ 1,641 | $ (23) | -1 % |
| U.S. Music Publishing | 415 | 369 | 46 | 12 % |
| Total U.S. | 2,033 | 2,010 | 23 | 1 % |
| International Recorded Music | 2,046 | 2,081 | (35) | -2 % |
| International Music Publishing | 375 | 335 | 40 | 12 % |
| Total International | 2,421 | 2,416 | 5 | — % |
| Intersegment eliminations | (3) | (4) | 1 | -25 % |
| Total Revenues | $ 4,451 | $ 4,422 | $ 29 | 1 % |

***Total Revenues***

Total revenues increased by $29 million, or 1%, to $4,451 million for the nine months ended June 30, 2023 from $4,422 million for the nine months ended June 30, 2022. The prior year included an additional week, primarily reflected in Recorded Music streaming revenue. The increase included $131 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 82% and 18% of total revenues for the nine months ended June 30, 2023, respectively, and 84% and 16% of total revenues for the nine months ended June 30, 2022, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 46% and 54% for the nine months ended June 30, 2023, respectively, and 45% and 55% for the nine months ended June 30, 2022, respectively.

Total digital revenues after intersegment eliminations increased by $44 million, or 2%, to $2,921 million for the nine months ended June 30, 2023 from $2,877 million for the nine months ended June 30, 2022. Total streaming revenue increased 2% with growth in Music Publishing of 19%, partially offset by a decline in Recorded Music streaming revenue of $10 million which included $62 million of unfavorable currency exchange fluctuations. 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% of total digital revenues for each of U.S. and international revenues. Prior to intersegment eliminations, total digital revenues for the nine months ended June 30, 2022 were composed of U.S. revenues of $1,457 million and international revenues of $1,422 million, or 51% and 49% of total digital revenues, respectively.

Recorded Music revenues decreased by $58 million, or 2%, to $3,664 million for the nine months ended June 30, 2023 from $3,722 million for the nine months ended June 30, 2022. The decrease includes $115 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were $1,618 million and $1,641 million, or 44% of consolidated Recorded Music revenues, for each of the nine months ended June 30, 2023 and June 30, 2022, respectively. International Recorded Music revenues were $2,046 million and $2,081 million, or 56% of consolidated Recorded Music revenues, for each the nine months ended June 30, 2023 and June 30, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in physical, digital and artist services and expanded-rights revenues, partially offset by an increase in licensing revenue. Physical revenue decreased by $63 million, or 14%, driven by an unfavorable impact of foreign currency exchange rates of $19 million and a lighter release schedule. Digital revenue decreased by $30 million, or 1%, which includes an unfavorable impact of foreign currency exchange rates of $66 million. Revenue from streaming services decreased by $10 million to $2,375 million for the nine months ended June 30, 2023 from $2,385 million for the nine months ended June 30, 2022 and was impacted by unfavorable foreign currency exchange rates of $62 million, or 3%. Streaming revenue reflects a lighter release schedule and the impact of the additional week in the prior year, as well as the market-related slowdown in ad-supported revenue. The current year included success from Ed Sheeran, Dua Lipa, Zach Bryan and Bailey Zimmerman. Download and other digital revenues decreased by $20 million, or 22%, to $70 million for the nine months ended June 30, 2023 from $90 million for the nine months ended June 30, 2022 due to the continued shift to streaming services. Artist services and expanded-rights revenue decreased by $8 million due to an unfavorable impact of foreign currency exchange rates of $20 million, lower merchandising revenue, primarily direct-to-consumer merchandising revenue at EMP, and lower advertising revenue, partially offset by higher concert promotion. Licensing revenue increased by $43 million, which includes a licensing settlement and growth in brand income, synchronization and broadcast fees revenue, partially offset by an unfavorable impact of foreign currency exchange rates of $10 million.

Music Publishing revenues increased by $86 million, or 12%, to $790 million for the nine months ended June 30, 2023 from $704 million for the nine months ended June 30, 2022. U.S. Music Publishing revenues were $415 million and $369 million, or 53% and 52% of consolidated Music Publishing revenues, for the nine months ended June 30, 2023 and June 30, 2022, respectively. International Music Publishing revenues were $375 million and $335 million, or 47% and 48% of Music Publishing revenues, for the nine months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of $73 million, or 18%, performance revenue of $11 million and mechanical revenue of $9 million, partially offset by a decrease in synchronization revenue of $7 million. The increase in digital revenue is primarily due to increases in streaming revenue driven by the continued growth in streaming services, the impact of digital deal renewals and a revenue true-up of $9 million, partially offset by a $10 million quarter-over-quarter decrease in the impact of the CRB Rate Benefit and an unfavorable impact of foreign currency exchange rates of $8 million. Revenue from streaming services grew by $75 million, or 19%, to $466 million for the nine months ended June 30, 2023 from $391 million for the nine months ended June 30, 2022. Performance revenue increased primarily due to continued recovery from COVID disruption, partially offset by an unfavorable impact of foreign currency exchange rates of $5 million. Mechanical revenue increased from a higher share of physical sales and timing of distributions, partially offset by an unfavorable impact of foreign currency exchange rates of $1 million. The decrease in synchronization revenue is attributable to lower commercial licensing activity and an unfavorable impact of foreign currency exchange rates of $3 million, partially offset by copyright infringement settlements.

***Revenue by Geographical Location***

U.S. revenue increased by $23 million, or 1%, to $2,033 million for the nine months ended June 30, 2023 from $2,010 million for the nine months ended June 30, 2022. U.S. Recorded Music revenue decreased by $23 million, or 1%. The primary driver was the decrease of U.S. Recorded Music digital revenue of $40 million, or 3%. U.S. Recorded Music streaming revenue decreased by $32 million, or 3%, as a result of a lighter release schedule and the impact of the additional week in the prior year, as well as a market-related slowdown in ad-supported revenue. Download and other digital revenues decreased by $8 million. Decreases are also attributable to lower U.S. Recorded Music physical revenue of $13 million due to a lighter release schedule. The increase in licensing revenue of $23 million includes a licensing settlement and higher synchronization revenue. U.S. Recorded Music artist services and expanded-rights revenue increased by $7 million primarily driven by higher merchandising revenues. U.S. Music Publishing revenue increased by $46 million, or 12%, to $415 million for the nine months ended June 30, 2023 from $369 million for the nine months ended June 30, 2022. This was primarily driven by the increase in U.S. Music Publishing of $46 million in digital revenue due to the continued growth in streaming services and the impact of digital deal renewals, partially offset by a $10 million quarter-over-quarter decrease in the impact of the CRB Rate Benefit. U.S. Music Publishing streaming revenue increased by $46 million, or 20%. Performance revenue increased by $3 million driven by continued recovery from COVID disruption. Mechanical revenue increased by $2 million. The decrease in synchronization revenue of $6 million is due to lower commercial licensing activity, partially offset by copyright infringement settlements.

International revenue increased by $5 million to $2,421 million for the nine months ended June 30, 2023 from $2,416 million for the nine months ended June 30, 2022. Excluding the unfavorable impact of foreign currency exchange rates, International revenue increased by $137 million, or 6%. International Recorded Music revenue decreased by $35 million due to decreases in physical revenue of $50 million and artist services and expanded-rights revenue of $15 million, partially offset by increases in licensing revenue of $20 million and digital revenue of $10 million. International Recorded Music physical revenue decreased by $50 million, primarily driven by an unfavorable impact of foreign currency exchange rates and a lighter release schedule. International Recorded Music artist services and expanded-rights revenue decreased by $15 million due to the unfavorable impact of foreign currency exchange rates of $20 million and lower direct-to-consumer merchandising revenue at EMP, partially offset by higher concert promotion revenue. International Recorded Music digital revenue increased due to a $22 million, or 2%, increase in streaming revenue which includes unfavorable impact of foreign currency exchange rates of $62 million. Download and other digital revenues decreased by $12 million. International Recorded Music licensing revenue increased by $20 million, including growth in brand income and broadcast fees revenue, partially offset by the unfavorable impact of foreign currency exchange rates. International Music Publishing revenue increased by $40 million, or 12%, to $375 million for the nine months ended June 30, 2023 from $335 million for the nine months ended June 30, 2022. This was primarily driven by the increase in digital revenue of $27 million, performance revenue of $8 million and mechanical revenue of $7 million. International Music Publishing streaming revenue increased by $29 million, or 18%, which includes a revenue true-up of $9 million, partially offset by an unfavorable impact of foreign currency exchange rates of $7 million. Download and other digital revenue decreased by $2 million. Performance revenue increased driven by continued recovery from COVID disruption. Higher mechanical revenue is primarily driven by a higher share of physical sales and timing of distributions. Synchronization revenue decreased by $1 million primarily due to an unfavorable impact of foreign currency exchange rates, which offset higher television licensing activity.

***Cost of revenues***

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

| | For the Nine Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 1,456 | $ 1,427 | $ 29 | 2 % |
| Product costs | 876 | 854 | 22 | 3 % |
| Total cost of revenues | $ 2,332 | $ 2,281 | $ 51 | 2 % |

Artist and repertoire costs increased by $29 million, to $1,456 million for the nine months ended June 30, 2023 from $1,427 million for the nine months ended June 30, 2022. Artist and repertoire costs as a percentage of revenue increased to 33% for the nine months ended June 30, 2023 from 32% for the nine months ended June 30, 2022, primarily due to revenue mix and the timing of artist and repertoire investments, partially offset by the favorable impact of foreign currency exchange rates.

Product costs increased by $22 million, to $876 million for the nine months ended June 30, 2023 from $854 million for the nine months ended June 30, 2022. Product costs as a percentage of revenue increased to 20% for the nine months ended June 30, 2023 from 19% for the nine months ended June 30, 2022 due to revenue mix from higher 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 Nine Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 718 | $ 696 | $ 22 | 3 % |
| Selling and marketing expense | 545 | 601 | (56) | -9 % |
| Distribution expense | 90 | 95 | (5) | -5 % |
| Total selling, general and administrative expense | $ 1,353 | $ 1,392 | $ (39) | -3 % |

(1) Includes depreciation expense of $65 million and $59 million for the nine months ended June 30, 2023 and June 30, 2022, respectively.

Total selling, general and administrative expense decreased by $39 million, or 3%, to $1,353 million for the nine months ended June 30, 2023 from $1,392 million for the nine months ended June 30, 2022. Expressed as a percentage of revenue, total selling, general and administrative expense decreased to 30% for the nine months ended June 30, 2023 from 31% for the nine months ended June 30, 2022.

General and administrative expense increased by $22 million to $718 million for the nine months ended June 30, 2023 from $696 million for the nine months ended June 30, 2022. The increase in general and administrative expense was mainly due to higher employee related costs, net of savings from the Restructuring Plan, which includes non-cash stock-based compensation and other related expenses of $7 million, the Executive Transition Costs of $4 million, incremental overhead in technology, the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior year related to an acquisition, higher depreciation and expenses related to transformation initiatives, partially offset by higher acquisition transaction costs, the impact of the additional week in the prior year, lower severance costs and favorable movements in foreign currency exchange rates of $12 million. Expressed as a percentage of revenue, general and administrative expense remained constant at 16% for each of the nine months ended June 30, 2023 and June 30, 2022.

Selling and marketing expense decreased by $56 million, or 9%, to $545 million for the nine months ended June 30, 2023 from $601 million for the nine months ended June 30, 2022. Expressed as a percentage of revenue, selling and marketing expense decreased to 12% for the nine months ended June 30, 2023 from 14% for the nine months ended June 30, 2022 due to lower variable marketing spend and savings from the Restructuring Plan.

Distribution expense was $90 million for the nine months ended June 30, 2023 and $95 million for the nine months ended June 30, 2022. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the nine months ended June 30, 2023 and June 30, 2022.

***Restructuring***

For the nine months ended June 30, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

***Net gain on divestiture***

During the nine months ended June 30, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million, which was recorded as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

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

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles operating income to 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 June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| Net income attributable to Warner Music Group Corp. | $ 278 | $ 403 | $ (125) | -31 % |
| Income attributable to noncontrolling interest | 7 | 2 | 5 | — % |
| Net income | 285 | 405 | (120) | -30 % |
| Income tax expense | 112 | 148 | (36) | -24 % |
| Income before income taxes | 397 | 553 | (156) | -28 % |
| Other expense (income) | 72 | (96) | 168 | — % |
| Interest expense, net | 105 | 94 | 11 | 12 % |
| Loss on extinguishment of debt | 4 | — | 4 | — % |
| Operating income | 578 | 551 | 27 | 5 % |
| Amortization expense | 188 | 198 | (10) | -5 % |
| Depreciation expense | 65 | 59 | 6 | 10 % |
| OIBDA | $ 831 | $ 808 | $ 23 | 3 % |

*OIBDA*

OIBDA increased by $23 million to $831 million for the nine months ended June 30, 2023 as compared to $808 million for the nine months ended June 30, 2022 as a result of higher revenues, lower selling, general and administrative expense and the net gain on sale of the Company’s interest in certain sound recording rights, partially offset by the Restructuring Plan costs of $41 million and higher cost of revenues. Expressed as a percentage of total revenue, OIBDA margin increased to 19% for the nine months ended

June 30, 2023 from 18% for the nine months ended June 30, 2022 due to the net gain on sale of the Company's interest in certain sound recording rights, lower variable marketing spend and favorable impact of foreign currency exchange rates, partially offset by the Restructuring Plan costs, the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior year related to an acquisition and the impact of revenue mix.

*Depreciation expense*

Our depreciation expense increased by $6 million to $65 million for the nine months ended June 30, 2023 from $59 million for the nine months ended June 30, 2022. This increase is primarily due to an increase in IT capital spend and assets being placed into service.

*Amortization expense*

Our amortization expense decreased by $10 million, or 5%, to $188 million for the nine months ended June 30, 2023 from $198 million for the nine months ended June 30, 2022. The decrease is primarily due to certain intangible assets becoming fully amortized.

*Operating income*

Our operating income increased by $27 million to $578 million for the nine months ended June 30, 2023 from $551 million for the nine months ended June 30, 2022. The increase in operating income was due to the factors that led to the increase in OIBDA and lower amortization, partially offset by higher depreciation as noted above.

*Loss on extinguishment of debt*

We recorded a loss on extinguishment of debt in the amount of $4 million for the nine months ended June 30, 2023 which represents the remaining unamortized discount and deferred financing costs in connection with the redemption of Senior Term Loan Facility Tranche H loans. There was no loss on extinguishment of debt for the nine months ended June 30, 2022.

*Interest expense, net*

Our interest expense, net, increased to $105 million for the nine months ended June 30, 2023 from $94 million for the nine months ended June 30, 2022 due to a higher principal balance due to the issuance of the incremental Senior Term Loan Facility and higher interest rates, partially offset by interest income.

*Other expense (income)*

Other expense for the nine months ended June 30, 2023 primarily includes 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. This compares to foreign currency gains on our Euro-denominated debt of $96 million, currency exchange gains on the Company's intercompany loans of $23 million and unrealized gains on foreign currency forward exchange contracts of $9 million, partially offset by aggregate realized and unrealized losses of $37 million on the mark-to-market of equity investments for the nine months ended June 30, 2022.

*Income tax expense*

Our income tax expense decreased by $36 million to $112 million for the nine months ended June 30, 2023 from $148 million for the nine months ended June 30, 2022. The decrease of $36 million in income tax expense is primarily due to the impact of lower pre-tax income in the current year, benefit of R&D credits, and release of U.S. state valuation allowance recognized in the current year. These benefits were partially offset by an increase in unrecognized tax benefit related to uncertain tax positions and higher withholding taxes in the current year.

*Net income*

Net income decreased by $120 million to $285 million for the nine months ended June 30, 2023 from $405 million for the nine months ended June 30, 2022 as a result of the factors described above.

*Noncontrolling interest*

There was $7 million of income attributable to noncontrolling interest for the nine months ended June 30, 2023 and $2 million of income attributable to noncontrolling interest for the nine months ended June 30, 2022.

**Business Segment Results**

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

| | For the Nine Months Ended June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Recorded Music** | | | | |
| Revenues | $ 3,664 | $ 3,722 | $ (58) | -2 % |
| Operating income | 641 | 631 | 10 | 2 % |
| OIBDA | 801 | 804 | (3) | — % |
| **Music Publishing** | | | | |
| Revenues | 790 | 704 | 86 | 12 % |
| Operating income | 151 | 103 | 48 | 47 % |
| OIBDA | 220 | 172 | 48 | 28 % |
| **Corporate expenses and eliminations** | | | | |
| Revenue eliminations | (3) | (4) | 1 | -25 % |
| Operating loss | (214) | (183) | (31) | 17 % |
| OIBDA loss | (190) | (168) | (22) | 13 % |
| **Total** | | | | |
| Revenues | 4,451 | 4,422 | 29 | 1 % |
| Operating income | 578 | 551 | 27 | 5 % |
| OIBDA | 831 | 808 | 23 | 3 % |

***Recorded Music***

***Revenues***

Recorded Music revenue decreased by $58 million, or 2%, to $3,664 million for the nine months ended June 30, 2023 from $3,722 million for the nine months ended June 30, 2022. U.S. Recorded Music revenues were $1,618 million and $1,641 million, or 44% of consolidated Recorded Music revenues, for each of the nine months ended June 30, 2023 and June 30, 2022, respectively. International Recorded Music revenues were $2,046 million and $2,081 million, or 56% of consolidated Recorded Music revenues, for each of the nine months ended June 30, 2023 and June 30, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in physical, digital and artist services and expanded-rights revenues, partially offset by licensing revenue growth, 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 June 30, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 969 | $ 974 | $ (5) | -1 % |
| Product costs | 876 | 854 | 22 | 3 % |
| Total cost of revenues | $ 1,845 | $ 1,828 | $ 17 | 1 % |

Recorded Music cost of revenues increased by $17 million, or 1%, to $1,845 million for the nine months ended June 30, 2023 from $1,828 million for the nine months ended June 30, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs remained constant at 26% for each of the nine months ended June 30, 2023 and June 30, 2022, due to the favorable impact of foreign currency exchange rates, offset by revenue mix and the timing of artist and repertoire investments. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs increased to 24% for the nine months ended June 30, 2023 from 23% for the nine months ended June 30, 2022. The overall increase as a percentage of revenue primarily relates to revenue mix due to higher third-party distributed label revenue.

***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 June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| General and administrative expense (1) | $ 434 | $ 446 | $ (12) | -3 % |
| Selling and marketing expense | 533 | 589 | (56) | -10 % |
| Distribution expense | 90 | 95 | (5) | -5 % |
| Total selling, general and administrative expense | $ 1,057 | $ 1,130 | $ (73) | -6 % |

(1) Includes depreciation expense of $39 million and $40 million for the nine months ended June 30, 2023 and June 30, 2022, respectively.

Recorded Music selling, general and administrative expense decreased by $73 million, or 6%, to $1,057 million for the nine months ended June 30, 2023 from $1,130 million for the nine months ended June 30, 2022. The decrease in general and administrative expense was primarily due to the favorable movements in foreign currency exchange rates of $15 million and lower severance costs, expenses related to acquisition transaction costs and employee related costs, including savings from the Restructuring Plan, partially offset by the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior year related to an acquisition. The decrease in selling and marketing expense was primarily due to lower variable marketing spend and savings from the Restructuring Plan. The decrease in distribution expense was primarily due to lower physical and artist services and expanded-rights revenue, partially offset by rising costs. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 29% for the nine months ended June 30, 2023 from 30% for the nine months ended June 30, 2022.

***Restructuring***

For the nine months ended June 30, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

***Net gain on divestiture***

During the nine months ended June 30, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million, which was recorded as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

***Operating Income and OIBDA***

Recorded Music OIBDA included the following amounts (in millions):

| | For the Nine Months Ended June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| Operating income | $ 641 | $ 631 | $ 10 | 2 % |
| Depreciation and amortization | 160 | 173 | (13) | -8 % |
| OIBDA | $ 801 | $ 804 | $ (3) | — % |

Recorded Music operating income increased by $10 million to $641 million for the nine months ended June 30, 2023 from $631 million for the nine months ended June 30, 2022 as a result of lower selling, general and administrative expense, the net gain on sale of the Company’s interest in certain sound recording rights and a decrease in amortization due to certain intangible assets becoming fully amortized, partially offset by lower revenues, higher costs of revenue and the Restructuring Plan costs of $41 million.

Recorded Music OIBDA decreased by $3 million, to $801 million for the nine months ended June 30, 2023 from $804 million for the nine months ended June 30, 2022 due to the factors that led to the increase in Recorded Music operating income noted above, offset by lower depreciation and amortization. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA margin remained constant at 22% for each of the nine months ended June 30, 2023 and June 30, 2022 due to the net gain on sale of the Company’s interest in certain sound recording rights, lower variable marketing spend and favorable impact of foreign currency exchange rates, partially offset by the Restructuring Plan costs and the $10 million impact of the mark-to-market adjustment of an earn-out liability in the prior year related to an acquisition and the impact of revenue mix.

***Music Publishing***

***Revenues***

Music Publishing revenues increased by $86 million, or 12%, to $790 million for the nine months ended June 30, 2023 from $704 million for the nine months ended June 30, 2022. U.S. Music Publishing revenues were $415 million and $369 million, or 53% and 52% of consolidated Music Publishing revenues, for the nine months ended June 30, 2023 and June 30, 2022, respectively. International Music Publishing revenues were $375 million and $335 million, or 47% and 48% of consolidated Music Publishing revenues, for the nine months ended June 30, 2023 and June 30, 2022, respectively.

The overall increase in Music Publishing revenue was driven by growth in digital, performance and mechanical revenue, partially offset by lower synchronization 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, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 491 | $ 457 | $ 34 | 7 % |
| Total cost of revenues | $ 491 | $ 457 | $ 34 | 7 % |

Music Publishing cost of revenues increased by $34 million, or 7%, to $491 million for the nine months ended June 30, 2023 from $457 million for the nine months ended June 30, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues decreased to 62% for the nine months ended June 30, 2023 from 65% for the nine months ended June 30, 2022, primarily attributable to the favorable impact of foreign currency exchange rates, partially offset by revenue mix.

***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, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 79 | $ 78 | $ 1 | 1 % |
| Selling and marketing expense | 2 | 1 | 1 | 100 % |
| Total selling, general and administrative expense | $ 81 | $ 79 | $ 2 | 3 % |

(1) Includes depreciation expense of $2 million and $4 million for the nine months ended June 30, 2023 and June 30, 2022, respectively.

Music Publishing selling, general and administrative expense increased to $81 million for the nine months ended June 30, 2023 from $79 million for the nine months ended June 30, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense decreased to 10% for the nine months ended June 30, 2023 from 11% for the nine months ended June 30, 2022.

***Operating Income and OIBDA***

Music Publishing OIBDA included the following amounts (in millions):

| | For the Nine Months Ended June 30, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | **2023** | **2022** | **$ Change** | **% Change** |
| Operating income | $ 151 | $ 103 | $ 48 | 47 % |
| Depreciation and amortization | 69 | 69 | — | — % |
| OIBDA | $ 220 | $ 172 | $ 48 | 28 % |

Music Publishing operating income increased by $48 million to $151 million for the nine months ended June 30, 2023 from $103 million for the nine months ended June 30, 2022 as a result of higher revenues, partially offset by higher cost of revenues and selling, general and administrative expense.

Music Publishing OIBDA increased by $48 million, or 28%, to $220 million for the nine months ended June 30, 2023 from $172 million for the nine months ended June 30, 2022 largely due to the factors that led to the increase in Music Publishing operating income noted above. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA margin increased to 28% for the nine months ended June 30, 2023 from 24% for the nine months ended June 30, 2022 due to strong operating performance and the favorable impact of foreign currency exchange rates.

***Corporate Expenses and Eliminations***

Our operating loss from corporate expenses and eliminations increased by $31 million to $214 million for the nine months ended June 30, 2023 from $183 million for the nine months ended June 30, 2022, primarily due to higher employee related costs including non-cash stock-based compensation and other related expenses of $7 million, the Executive Transition Costs of $4 million and incremental overhead in technology, higher depreciation and expenses related to transformation initiatives, partially offset by the impact of the additional week in the prior year.

Our OIBDA loss from corporate expenses and eliminations increased by $22 million to $190 million for the nine months ended June 30, 2023 from $168 million for the nine months ended June 30, 2022 due to the operating loss factors noted above.

## FINANCIAL CONDITION AND LIQUIDITY

### Financial Condition at June 30, 2023

At June 30, 2023, we had $3.988 billion of debt (which is net of $40 million of premiums, discounts and deferred financing costs), $600 million of cash and equivalents (net debt of $3.388 billion, defined as total debt, less cash and equivalents and premiums, discounts and deferred financing costs) and $281 million of Warner Music Group Corp. equity. This compares to $3.732 billion of debt (which is net of $41 million of premiums, discounts and deferred financing costs), $584 million of cash and equivalents (net debt of $3.148 billion) and $152 million of Warner Music Group Corp. equity at September 30, 2022.

### Cash Flows

The following table summarizes our historical cash flows (in millions). The financial data for the nine months ended June 30, 2023 and June 30, 2022 are unaudited and have been derived from our condensed consolidated interim financial statements included elsewhere herein.

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash provided by (used in): | | |
| Operating activities | $ 349 | $ 336 |
| Investing activities | (104) | (763) |
| Financing activities | (233) | 280 |

#### *Operating Activities*

Cash provided by operating activities was $349 million for the nine months ended June 30, 2023 as compared with cash provided by operating activities of $336 million for the nine months ended June 30, 2022. The $13 million increase in cash provided by operating activities was primarily due to timing of working capital partially offset by higher cash taxes due to lower available foreign tax credits to shield U.S. taxable income coupled with higher forecasted taxable income.

#### *Investing Activities*

Cash used in investing activities was $104 million for the nine months ended June 30, 2023 as compared with cash used in investing activities of $763 million for the nine months ended June 30, 2022. 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. The $763 million of cash used in investing activities in the nine months ended June 30, 2022 consisted of $499 million relating to investments and acquisitions of businesses, a portion of which was debt-financed, $178 million to acquire music-related assets, a portion of which was debt-financed, and $97 million relating to capital expenditures, partially offset by $11 million of proceeds from the sale of investments.

#### *Financing Activities*

Cash used in financing activities was $233 million for the nine months ended June 30, 2023 as compared with cash provided by financing activities of $280 million for the nine months ended June 30, 2022. 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 prior year acquisitions of music publishing rights and music catalogs of $133 million, repayment of Senior Term Loan Facility Tranche H loans of $150 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 Senior Term Loan Facility Tranche G loans of $149 million, proceeds from the Senior Term Loan Facility Tranche H loans of $147 million and proceeds from the Term Loan Mortgage of $19 million. The $280 million of cash provided by financing activities for the nine months ended June 30, 2022 consisted of proceeds from debt issuance of $535 million which was used to fund the acquisition of a business and music-related assets, partially offset by dividends paid of $235 million, taxes paid related to net share settlement of restricted stock units of $6 million, deferred financing costs of $5 million, cash paid to settle contingent consideration of $4 million and distributions to noncontrolling interest holders of $5 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.

We are continuing our financial transformation initiative, launched in August 2019, to upgrade our information technology and finance infrastructure, including related systems and processes, for which we currently expect upfront costs to be approximately $235 million, which includes capital expenditures of approximately $100 million. The timing of global deployment has been delayed as the size and scale of this global system implementation requires rigorous system testing and data validation to ensure go-live readiness. In April 2023, we successfully launched certain components of our new technology platform in select territories. The Company will continue to deploy our new technology platform to remaining territories in a wave-based approach with additional territories expected to implement during fiscal year 2023, fiscal year 2024 and into fiscal year 2025. Annualized run-rate savings from the financial transformation initiative are expected to be between approximately $35 million and $40 million once fully implemented. We expect that our primary sources of liquidity will be sufficient to fund these expenditures.

**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. In addition, our weighted-average interest rate on our outstanding indebtedness has decreased from 10.5% in 2011 to 4.1% as of June 30, 2023. 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.

***Senior Term Loan Facility Amendment***

On November 1, 2022, Acquisition Corp. entered into a Seventh Incremental Commitment Amendment (the “Seventh Incremental Commitment Amendment”), with Credit Suisse AG, New York Branch, as Tranche H term lender, and Credit Suisse AG, as administrative agent, and acknowledged by the guarantors party thereto and WMG Holdings Corp., to the Senior Term Loan Credit Agreement, pursuant to which Acquisition Corp. borrowed additional term loans in the amount of $150 million for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Seventh Incremental Commitment Amendment was entered into to fund certain deferred payment obligations owing in respect of certain prior acquisitions, to pay fees and expenses relating thereto and for general corporate purposes.

***Term Loan Mortgage Agreement***

On January 27, 2023, Acquisition Corp., along with Warner Records Inc. and Warner Music Inc., entered into an agreement with Truist Bank, which provides for a term loan of $19 million (“Term Loan Mortgage”) secured by the Company’s real estate properties in Nashville, Tennessee. Interest on the Term Loan Mortgage will accrue at a rate of 30-day SOFR plus the applicable margin of 1.40% subject to a zero floor. Equal principal installments and interest are due monthly.

***Revolving Credit Agreement Amendment***

On March 23, 2023, Acquisition Corp. entered into an amendment (the “Fourth Revolving Credit Agreement Amendment”) to the Revolving Credit Agreement among Acquisition Corp. and Credit Suisse AG, as administrative agent, governing Acquisition Corp.’s revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Fourth Revolving Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate and other rates for alternate currencies, such as EURIBOR and SONIA. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

*May 2023 Senior Term Loan Credit Agreement Amendment*

On May 10, 2023, Acquisition Corp. entered into an amendment (the "Senior Term Loan Credit Agreement Amendment") to the Senior Term Loan Credit Agreement among Acquisition Corp., the guarantors party thereto and Credit Suisse AG, as administrative agent. The Senior Term Loan Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

*June 2023 Senior Term Loan Credit Agreement Amendment*

On June 30, 2023, Acquisition Corp. entered into an increase supplement (the "Third Increase Supplement") to the Senior Term Loan Credit Agreement among Acquisition Corp., the guarantors party thereto, the lender party thereto and Credit Suisse AG, as administrative agent, pursuant to which Acquisition Corp. has borrowed additional Tranche G term loans in an amount equal to $150 million, the proceeds of which have been used to prepay the Tranche H term loans in full (see "Senior Term Loan Facility Amendment"), for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Company recorded a loss on extinguishment of debt of approximately $4 million for the three and nine months ended June 30, 2023, which represents the remaining unamortized discount and deferred financing costs of the Tranche H term loan.

*Existing Debt as of June 30, 2023*

As of June 30, 2023, 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 2028 | | 1,295 |
| 2.750% Senior Secured Notes due 2028 (€325 face amount) | | 354 |
| 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) | | 485 |
| 3.000% Senior Secured Notes due 2031 | | 800 |
| Term Loan Mortgage | | 19 |
| Total long-term debt, including the current portion | $ | 4,028 |
| Issuance premium less unamortized discount and unamortized deferred financing costs | | (40) |
| Total long-term debt, including the current portion, net | $ | 3,988 |

(a) Reflects $300 million of commitments under the Revolving Credit Facility available at June 30, 2023, less letters of credit outstanding of approximately $4 million at June 30, 2023. There were no loans outstanding under the Revolving Credit Facility at June 30, 2023.

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, 2022.

**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 10, 2023, the Company's board of directors declared a cash dividend of $0.16 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 1, 2023. The Company paid an aggregate of approximately $84 million and $251 million, or $0.16 and

$0.48 per share, in cash dividends to stockholders and participating security holders for the three and nine months ended June 30, 2023, 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, 2023.

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 interest rate swap transactions or foreign currency forward exchange transactions; (4) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement); (5) transaction expenses; (6) equity-based compensation expense; and (7) 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, 2023, for the twelve months ended June 30, 2022 and for the three months ended June 30, 2023 and June 30, 2022. 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, 2023. 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 June 30, | | Three Months Ended June 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Net Income** | $ 435 | $ 435 | $ 124 | $ 125 |
| Income tax expense | 149 | 170 | 43 | 39 |
| Interest expense, net | 136 | 123 | 38 | 32 |
| Depreciation and amortization | 335 | 336 | 86 | 87 |
| Loss on extinguishment of debt (a) | 4 | 10 | 4 | — |
| Net (gains) losses on divestitures and sale of securities (b) | (42) | 9 | — | — |
| Restructuring costs (c) | 60 | 29 | 1 | 6 |
| Net foreign exchange (gains) losses (d) | 13 | (148) | (12) | (55) |
| Transaction costs (e) | — | 13 | — | 1 |
| Business optimization expenses (f) | 55 | 55 | 15 | 16 |
| Non-cash stock-based compensation expense (g) | 46 | 46 | 7 | 5 |
| Other non-cash charges (h) | 12 | 42 | (5) | (4) |
| Pro forma impact of cost savings initiatives and specified transactions (i) | 57 | 64 | 10 | 11 |
| **Adjusted EBITDA** | **$ 1,260** | **$ 1,184** | **$ 311** | **$ 263** |
| **Senior Secured Indebtedness (j)** | **$ 3,738** | | | |
| **Leverage Ratio (k)** | **2.97x** | | | |

(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 Restructuring Plan as well as the Executive Transition Costs in the twelve months ended June 30, 2023.
(d) Reflects unrealized (gains) losses 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 and mark-to-market adjustments of an earn-out liability related to a transaction in 2021.
(f) Reflects costs associated with our transformation initiatives and IT system updates, which includes costs of $12 million and $43 million related to our finance transformation and other related costs for the three and twelve months ended June 30, 2023, respectively, as well as $11 million and $41 million for the three and twelve months ended June 30, 2022, 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), mark-to-market adjustments of an earn-out liability in 2022 and other non-cash impairments.

(i) Reflects expected savings resulting from transformation initiatives, including the Restructuring Plan, and the pro forma impact of certain specified transactions for the three and twelve months ended June 30, 2023. 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 $15 million increase in the twelve months ended June 30, 2023 Adjusted EBITDA.

(j) Reflects the balance of senior secured debt at Acquisition Corp. of approximately $3.988 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, 2023 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 $105 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 $105 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 such as COVID-19. 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, 2022, 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, 2023, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2022.

### 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, 2023, the Company had outstanding foreign currency forward exchange contracts for the sale of $172 million and the purchase of $98 million of foreign currencies at fixed rates. Subsequent to June 30, 2023, 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, 2023, 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 $4.028 billion of principal debt outstanding at June 30, 2023, of which $1.314 billion was variable-rate debt and $2.714 billion was fixed-rate debt. As such, we are exposed to changes in interest rates. At June 30, 2023, 67% of the Company's debt was at a fixed rate. In addition, as of June 30, 2023, we have the option under the Senior Term Loan Facility to select a one, three or six month Term SOFR. To manage interest rate risk on $1.314 billion of U.S. dollar-denominated variable-rate debt, the Company has entered into an interest rate swap to effectively convert the floating interest rate to a fixed interest rate on a portion of its variable-rate debt. As a result, as of June 30, 2023, 80% of the Company's debt was effectively at a fixed rate. As of June 30, 2023, the Company's interest rate swap is expected to mature within one year.

Based on the level of interest rates prevailing at June 30, 2023, the fair value of the Company's fixed-rate and variable-rate debt was approximately $3.596 billion. Further, as of June 30, 2023, 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 $34 million or increase the fair value of the fixed-rate debt by approximately $35 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.

*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 or other factors that occurred during the three months ended June 30, 2023 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, 2022.

### 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

Not applicable.

## 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 |
|---|---|
| 10.1 | Senior Term Loan Credit Agreement Amendment, dated as of May 10, 2023, among Acquisition Corp., the guarantors party thereto, the lenders party thereto and Credit Suisse AG, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 10, 2023) |
| 10.2 | Third Increase Supplement, dated as of June 30, 2023, among Acquisition Corp., the guarantors party thereto, WMG Holdings Corp., JPMorgan Chase Bank, N.A., as increasing lender, and Credit Suisse AG, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 30, 2023) |
| 10.3* | Indemnification Agreement between Warner Music Group Corp. and Michael Lynton (and Schedule to this Exhibit 10.3) |
| 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.

## 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 8, 2023

WARNER MUSIC GROUP CORP.

| | |
|---|---|
| By: | /s/ ROBERT KYNCL |
| **Name:** | **Robert Kyncl** |
| **Title:** | **Chief Executive Officer<br>(Principal Executive Officer)** |
| By: | /s/ ERIC LEVIN |
| **Name:** | **Eric Levin** |
| **Title:** | **Chief Financial Officer<br>(Principal Financial Officer and<br>Principal Accounting Officer)** |

**DIRECTOR INDEMNIFICATION AGREEMENT**

Indemnification Agreement (this "Agreement"), dated the date set forth on the signature page hereof, between Warner Music Group Corp., a Delaware corporation (the "Company") and the director whose name appears on the signature page hereof ("Indemnitee").

WHEREAS, qualified persons are reluctant to serve corporations as directors or otherwise unless they are provided with appropriate indemnification and insurance against claims arising out of their service to and activities on behalf of the corporations;

WHEREAS, the Company has determined that attracting and retaining such persons is in the best interests of the Company and its stockholders, and the Company desires the benefits of having Indemnitee serve as a director secure in the knowledge that any and all expenses, liability or losses incurred by him or her in his or her good faith service to the Company will be borne by the Company and its successors and assigns;

WHEREAS, the Company has determined that it is reasonable, prudent and necessary for the Company to indemnify Indemnitee to the fullest extent permitted by applicable law and to provide reasonable assurance regarding insurance;

WHEREAS, this Agreement is a supplement to and in furtherance of the bylaws and certificate of incorporation of the Company, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Company's bylaws, certificate of incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as a director without adequate protection and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he or she be so indemnified.

NOW, THEREFORE, in consideration of the Indemnitee's agreement as a director from and after the date hereof, the Company and Indemnitee hereby agree as follows:

1. Defined Terms; Construction.

(a) Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Change in Control" means, and shall be deemed to have occurred if, on or after the date of this Agreement, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries acting in such capacity, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two consecutive years commencing from and after the date hereof, individuals who at the beginning of such period constitute the board of directors of the Company (the "Board") and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation that would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 50% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of related transactions) all or substantially all of its assets, or (v) the Company shall file or have filed against it, and such filing shall not be dismissed, any bankruptcy, insolvency or dissolution proceedings, or a trustee, administrator or creditors committee shall be appointed to manage or supervise the affairs of the Company.

"Corporate Status" means the status of a person who is or was a director (or a member of any committee of a board of directors), officer, employee or agent (including without limitation a manager of a limited liability company) of the Company or any of its Subsidiaries, or of any predecessor thereof, or is or was serving at the request of the Company as a director (or a member of any committee of a board of directors), officer, employee or agent (including without limitation a manager of a limited liability company), of another entity, or of any predecessor thereof, including service with respect to an employee benefit plan (including in a fiduciary or settlor capacity).

"Determination" means a determination that either (x) there is a reasonable basis for the conclusion that indemnification of Indemnitee is proper in the circumstances because Indemnitee met a particular standard of conduct (a "Favorable Determination") or (y) there is no reasonable basis for the conclusion that indemnification of Indemnitee is proper in the circumstances because Indemnitee met a particular standard of conduct (an "Adverse Determination"). An Adverse Determination shall include the decision that a Determination was required in connection with indemnification and the decision as to the applicable standard of conduct.

"DGCL" means the General Corporation Law of the State of Delaware, as amended from time to time.

"Expenses" means all attorneys' fees and expenses, retainers, court, arbitration and mediation costs, transcript costs, fees and expenses of experts, witnesses and public relations consultants, bonds, costs of collecting and producing documents, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, Insolvency Hearing Costs and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in (whether or not a party thereto), appealing or otherwise participating in a Proceeding.

"Independent Legal Counsel" means an attorney or firm of attorneys competent to render an opinion under the applicable law, selected in accordance with the provisions of Section 5(e), who has not performed any services (other than services in connection with a Determination or a determination regarding the rights of indemnitees under other indemnity agreements with the Company) for the Company or any of its Subsidiaries, Indemnitee or any other party to the Proceeding giving rise to the claim for indemnification hereunder within the last three years. Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"Insolvency Hearing Costs" means the reasonable fees, costs and expenses incurred by Indemnitee to retain legal advisors for that Indemnitee's preparation for and attendance at any formal or official hearing in connection with the investigation or inquiry into the affairs of any Company by any bankruptcy trustee or insolvency administrator, receiver, or liquidator or the equivalent under the laws of any jurisdiction where the facts underlying such hearing, investigation or inquiry may be expected to give rise to a Proceeding against such Indemnitee. Insolvency Hearing Costs shall not include any remuneration of any Indemnitee.

"Proceeding" means a threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including without limitation (i) a claim, demand, discovery request, formal or informal investigation, inquiry, administrative hearing, arbitration or other form of alternative dispute resolution, (ii) an appeal from any of the foregoing and (iii) any such action, suit or proceeding brought by or in the right of the Company or a third-party or in which Indemnitee is solely a witness in a proceeding involving the Company.

"Subsidiary" means any corporation, limited liability company, partnership or other entity, a majority of whose outstanding voting securities is owned, directly or indirectly, by a Company.

"Voting Securities" means any securities of the Company that vote generally in the election of directors of the Company.

(b) Construction. For purposes of this Agreement,

(i) References to the Company and any of its Subsidiaries shall include any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise that before or after the date of this Agreement is party to a merger or consolidation with the Company or any such Subsidiary or that is a successor to the Company as contemplated by Section 9(e) (whether or not such successor has executed and delivered the written agreement contemplated by Section 9(e)).

(ii) References to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan.

(iii) References to a "witness" in connection with a Proceeding shall include any interviewee or person called upon to produce documents in connection with such Proceeding.

2. Agreement to Serve.

Indemnitee agrees to serve as a director of the Company or one or more of its Subsidiaries and in such other capacities as Indemnitee may serve at the request of the Company from time to time, and by its execution of this Agreement the Company confirms its request that Indemnitee serve as a director and in such other capacities. Indemnitee shall be entitled to resign or otherwise terminate such service with immediate effect at any time, and neither such resignation or termination nor the length of such service shall affect Indemnitee's rights under this Agreement. This Agreement shall not constitute an employment agreement, supersede any employment agreement to which Indemnitee is a party or create any right of Indemnitee to continued employment or appointment.

3. Indemnification.

(a) Priority of Indemnities. The obligations of the Company hereunder shall be primary, and advancement or indemnification obligations of Access Industries, LLC or any other affiliate of Access Industries, LLC or the Company shall be secondary.

(b) General Indemnification. Subject to Section 3(f), the Company shall indemnify Indemnitee, to the fullest extent permitted by applicable law in effect on the date hereof or as amended to increase the scope of permitted indemnification, against (i) Expenses, losses, liabilities, judgments, fines, penalties and amounts paid in settlement related thereto (including all interest, taxes, assessments and other charges in connection therewith) incurred by Indemnitee or on Indemnitee's behalf in connection with any Proceeding in any way connected with, resulting from or relating to Indemnitee's Corporate Status, or (ii) any claims (including Expenses, losses, liabilities, judgments, fines, penalties and amounts paid in settlement related thereto and professional advisory service fees and expenses incurred in respect thereof (including all interest, taxes, assessments and other charges in connection therewith)) arising due to the Company paying compensation in respect of such Corporate Status other than in accordance with the payment terms otherwise applicable thereto, in each case whether or not Indemnitee is a party to such Proceeding and whether or not Indemnitee is serving in such Indemnitee's Corporate Status at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. Indemnitee shall have the right to choose counsel of his or her own choice.

(c) Additional Indemnification Regarding Expenses. Without limiting the foregoing, in the event any Proceeding is initiated by Indemnitee, the Company, any of the Company's Subsidiaries or any other person to enforce or interpret this Agreement or any rights of Indemnitee to indemnification or advancement of Expenses (or related obligations of Indemnitee) under the Company's or any such Subsidiary's certificate of incorporation, bylaws or other organizational agreement or instrument, any other agreement to which Indemnitee and the Company or any of its Subsidiaries is party, any vote of stockholders, unitholders, members, managers, partners or directors of the Company or any of its Subsidiaries, the DGCL, any other applicable law or any liability insurance policy, to the fullest extent allowable under applicable law, the Company shall indemnify Indemnitee against Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding in proportion to the success achieved by Indemnitee in such Proceeding and the efforts required to obtain such success, as determined by the court presiding over such Proceeding. Indemnitee shall be required to reimburse the Company in the event that a final judicial determination is made that such action brought by Indemnitee was frivolous or made in bad faith.

(d) Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of any Expenses, losses, liabilities, judgments, fines, penalties and amounts paid in settlement incurred by Indemnitee, but not for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for such portion.

(e) Nonexclusivity. The indemnification and advancement rights provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may now or in the future be entitled under the certificate of incorporation, bylaws or other organizational agreement or instrument of the Company or any of its Subsidiaries, any other agreement, any vote of stockholders or directors, the DGCL, any other applicable law or any liability insurance policy. Every other right and remedy shall be cumulative and in addition to every right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the certificate of incorporation, bylaws or other organizational agreement or instrument of the Company or any of its Subsidiaries and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

(f) Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated under this Agreement to indemnify Indemnitee:

(i) For Expenses incurred in connection with Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, application for declaratory relief, counterclaim or crossclaim, except (x) as contemplated by Section 3(c) and Section 3(b)(ii), (y) in specific cases if the Board has approved the initiation or bringing of such Proceeding and (z) if the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law or as may be required by law.

(ii) For an accounting of profits arising from the purchase or sale by the Indemnitee of securities of the Company in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

(iii) If and to the extent that it should ultimately be determined by a court of competent jurisdiction in a final and non-appealable decision that Indemnitee acted in bad faith and in a manner which he or she reasonably believed not to be in or opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed not to be in or opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(g) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute such documents and do such acts as the Company may reasonably request to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

(h) Contribution.

(i) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company (other than Indemnitee) who may be jointly liable with Indemnitee.

(ii) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, Employee Retirement Income Security Act excise taxes or penalties and amounts paid or to be paid in settlement), in connection with any Proceeding, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (x) the relative benefits received by the Company and Indemnitee as a result of the event(s) or transaction(s) giving cause to such Proceeding and (y) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) or transaction(s).

4. Advancement of Expenses.

The Company shall pay all Expenses incurred by Indemnitee in connection with any Proceeding in any way connected with, resulting from or relating to Indemnitee's Corporate Status, other than a Proceeding initiated by Indemnitee for which the Company would not be obligated to indemnify Indemnitee pursuant to Section 3(f)(i), in advance of the final disposition of such Proceeding, without regard to whether (a) Indemnitee will ultimately be entitled to be indemnified for such Expenses, (b) an Adverse Determination has been made, except as contemplated by the last sentence of Section 5(f) or (c) Indemnitee is able to repay the Expenses. Indemnitee shall repay such amounts advanced only if and to the extent that it shall ultimately be determined by a court of competent jurisdiction in a final and non-appealable decision that Indemnitee is not entitled to be indemnified by the Company for such Expenses. Such repayment obligation shall be unsecured and shall not bear interest. The Company shall not impose on Indemnitee additional conditions to advancement or require from Indemnitee additional undertakings regarding repayment. The Company agrees that for purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable.

5. Indemnification Procedure.

(a) Notice of Proceeding; Cooperation. Indemnitee shall give the Company notice in writing as soon as practicable of any Proceeding for which indemnification or advancement of Expenses will or could be sought under this Agreement; provided that any failure or delay in giving such notice shall not relieve the Company of its obligations under this Agreement unless and to the extent that (y) none of the Company and its Subsidiaries are party to or aware of such Proceeding and (z) the Company is materially and adversely prejudiced by such failure. The Company shall be entitled to participate in the defense of any Proceeding entitled to indemnification under this Agreement or to assume the defense thereof, with counsel chosen by the Company and reasonably satisfactory to Indemnitee (not to be unreasonably withheld) upon delivery to Indemnitee of written notice of the Company's election to do so; provided, however, that if Indemnitee believes, after consultation with counsel selected by Indemnitee, that (i) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict of interest, (ii) the named parties in such Proceeding (including any impleaded parties) include both the Company and Indemnitee and the Indemnitee concludes that there may be one or more legal defense available to him that are different from or in addition to those available to the Company or (iii) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee shall be entitled to retain separate counsel that is selected by Indemnitee and approved by the Company (which approval shall not be unreasonably delayed, conditioned or withheld) (but not more than one law firm plus, if applicable, local counsel in respect of any particular Proceeding), and all Expenses related to such separate counsel shall be borne by the Company.

(b) Settlement. The Company will not, without the prior written consent of Indemnitee, which may be provided or withheld in Indemnitee's sole discretion, effect any settlement of any Proceeding against Indemnitee or which could have been brought against Indemnitee unless such settlement solely involves the payment of money by persons other than Indemnitee and includes an unconditional release of Indemnitee from all liability on any matters that are the subject of such Proceeding and an acknowledgment that Indemnitee denies all wrongdoing in connection with such matters. The Company shall not be obligated to indemnify Indemnitee against amounts paid in settlement of a Proceeding against Indemnitee if such settlement is effected by Indemnitee without the Company's prior written consent, which shall not be unreasonably withheld.

(c) Request for Payment; Timing of Payment. To obtain indemnification payments or advances under this Agreement, Indemnitee shall submit to the Company a written request therefor, together with such invoices or other supporting information as may be reasonably requested by the Company and reasonably available to Indemnitee. The Company shall make indemnification payments to Indemnitee no later than 30 days, and advances to Indemnitee no later than 10 days, after receipt of the written request (and such invoices or other supporting information) of Indemnitee.

(d) Determination. The Company intends that Indemnitee shall be indemnified to the fullest extent permitted by law as provided in Section 3 and that no Determination shall be required in connection with such indemnification. In no event shall a Determination be required in connection with advancement of Expenses pursuant to Section 4 or in connection with indemnification for Expenses incurred as a witness or incurred in connection with any Proceeding or portion thereof with respect to which Indemnitee has been successful on the merits or otherwise (including, without limitation, settlement of any Proceeding with or without payment of money or other consideration or the termination of any issue or matter in such Proceeding by dismissal, with or without prejudice). Any decision that a Determination is required by law in connection with any other indemnification of Indemnitee, and any such Determination, shall be made within 30 days after receipt of Indemnitee's written request for indemnification, as follows:

(i) If no Change in Control has occurred, (w) by a majority vote of the directors of the Company who are not, and have never been, parties to such Proceeding, even though less than a quorum, with the advice of Independent Legal Counsel, or (x) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, with the advice of Independent Legal Counsel, or (y) if there are no such directors, or if such directors so direct, by Independent Legal Counsel in a written opinion to the Company and Indemnitee, or (z) by the stockholders of the Company.

(ii) If a Change in Control has occurred, by Independent Legal Counsel in a written opinion to the Company and Indemnitee.

The Company shall pay all Expenses incurred by Indemnitee in connection with a Determination. The Company promptly will advise Indemnitee in writing with respect to any Adverse Determination, including a description of any reason or basis for which indemnification is denied. In the event of a Favorable Determination, payment to Indemnitee shall be made within 10 days after such determination. If the person, persons or entity empowered or selected under this Section 5(d) to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto.

(e) Independent Legal Counsel. If there has not been a Change in Control, Independent Legal Counsel shall be selected by the Board and approved by Indemnitee (which approval shall not be unreasonably withheld or delayed). If there has been a Change in Control, Independent Legal Counsel shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld or delayed). The Company shall pay the fees and expenses of Independent Legal Counsel and indemnify Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to its engagement.

(f) Consequences of Determination; Remedies of Indemnitee. The Company shall be bound by and shall have no right to challenge a Favorable Determination. If an Adverse Determination is made, or if for any other reason the Company does not make timely indemnification payments or advances of Expenses, Indemnitee shall have the right to commence a Proceeding before a court of competent jurisdiction to challenge such Adverse Determination or to require the Company to make such payments or advances (and the Company shall have the right to defend its position in such Proceeding and to appeal any adverse judgment in such Proceeding). Indemnitee shall be entitled to be indemnified for all Expenses incurred in connection with such a Proceeding in accordance with Section 3(c) and to have such Expenses advanced by the Company in accordance with Section 4. If Indemnitee fails to challenge an Adverse Determination within 180 days after the Indemnitee has been notified of such Adverse Determination, or if Indemnitee challenges an Adverse Determination and such Adverse Determination has been upheld by a court of competent jurisdiction in a final and non-appealable decision, then, to the extent and only to the extent required by such Adverse Determination or final decision, the Company shall not be obligated to indemnify or advance Expenses to Indemnitee under this Agreement.

(g) Presumptions; Burden and Standard of Proof. In connection with any Determination, or any review of any Determination, by any person, including a court:

(i) It shall be a presumption that a Determination is not required.

(ii) It shall be a presumption that Indemnitee has met the applicable standard of conduct and has acted in good faith and that indemnification of Indemnitee is proper in the circumstances.

(iii) The burden of proof shall be on the Company to overcome the presumptions set forth in the preceding clauses (i) and (ii), and each such presumption shall only be overcome if the Company establishes that there is no reasonable basis to support it.

(iv) The termination of any Proceeding by judgment, order, finding (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that indemnification is not proper or that Indemnitee did not meet the applicable standard of conduct or that a court has determined that indemnification is not permitted by this Agreement or otherwise.

(v) Neither the failure of any person or persons to have made a Determination nor an Adverse Determination by any person or persons shall be a defense to Indemnitee's claim or create a presumption that Indemnitee did not meet the applicable standard of conduct, and any Proceeding commenced by Indemnitee pursuant to Section 5(f), other than one to enforce a Favorable Determination, shall be *de novo* with respect to all determinations of fact and law.

6. Directors and Officers Liability Insurance.

(a) Maintenance of Insurance. The Company will use commercially reasonable efforts (taking into account the scope and amount of coverage available related to the cost thereof) to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its Subsidiaries from certain liabilities. So long as the Company or any of its Subsidiaries maintains liability insurance for any directors, officers, managers, employees or agents of any such person, the Company shall ensure that Indemnitee is covered by such insurance in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's and its Subsidiaries' then current directors and officers. If at any time (i) such insurance ceases to cover acts and omissions occurring during all or any part of the period of Indemnitee's Corporate Status or (ii) neither the Company nor any of its Subsidiaries maintains any such insurance, the Company shall ensure that Indemnitee is covered, with respect to acts and omissions prior to such date, for at least six years (or such shorter period as is available on commercially reasonable terms) from such time, by other directors and officers liability insurance, in amounts and on terms (including the portion of the period of Indemnitee's Corporate Status covered) no less favorable to Indemnitee than the amounts and terms of the liability insurance maintained by the Company on the date hereof. The Company shall notify Indemnitee of any negative change to coverage or policy terms prior to making any such planned change. Upon request by an Indemnitee, the Company shall provide, at least annually, a certification as to the insurance coverage maintained pursuant to this section. Notwithstanding the foregoing, Indemnitee shall not be obligated to seek recovery under any insurance policies of the Company.

(b) Notice to Insurers. Upon receipt of notice of a Proceeding pursuant to Section 5(a), the Company shall give or cause to be given prompt notice of such Proceeding to all insurers providing liability insurance in accordance with the procedures set forth in all applicable or potentially applicable policies. The Company shall thereafter take all necessary action to cause such insurers to pay all amounts payable in accordance with the terms of such policies, unless the Company shall have paid in full all indemnification, advancement and other obligations payable to Indemnitee under this Agreement.

7. Exculpation, etc.

(a) Limitation of Liability. Indemnitee shall not be personally liable to the Company or any of its Subsidiaries or to the stockholders of the Company or any such Subsidiary for monetary damages for breach of fiduciary duty as a director of the Company or any such Subsidiary; provided, however, that the foregoing shall not eliminate or limit the liability of the Indemnitee (i) for any breach of the Indemnitee's duty of loyalty to the Company or such Subsidiary or the stockholders thereof; (ii) for acts or omissions in bad faith or which involve intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the DGCL or any similar provision of other applicable corporations law; or (iv) for any transaction from which the Indemnitee derived an improper personal benefit as is determined by a court of competent jurisdiction in a final and non-appealable decision. If the DGCL or such other applicable law shall be amended to permit further elimination or limitation of the personal liability of directors, then the liability of the Indemnitee shall, automatically, without any further action, be eliminated or limited to the fullest extent permitted by the DGCL or such other applicable law as so amended.

(b) Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company or any of its Subsidiaries against Indemnitee or Indemnitee's estate, spouses, heirs, executors, personal or legal representatives, administrators or assigns after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company or any of its Subsidiaries shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

8. Miscellaneous.

(a) Non-Circumvention. The Companies shall not seek or agree to any order of any court or other governmental authority that would prohibit or otherwise interfere, and shall not take or fail to take any other action if such action or failure would reasonably be expected to have the effect of prohibiting or otherwise interfering, with the performance of the Company's indemnification, advancement or other obligations under this Agreement.

(b) Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (ii) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (iii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

(c) Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, (ii) on the first business day following the date of dispatch if delivered by a recognized next-day courier service or (iii) on the third business day following the date of mailing if delivered by domestic registered or certified mail, properly addressed, or on the fifth business day following the date of mailing if sent by airmail from a country outside of North America, to Indemnitee at the address shown on the signature page of this Agreement, to the Company at the address shown on the signature page of this Agreement, or in either case as subsequently modified by written notice.

(d) Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by all the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

(e) Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns, including without limitation any acquiror of all or substantially all of the Company's assets or business and any survivor of any merger or consolidation to which the Company is party, and shall inure to the benefit of and be enforceable by Indemnitee and Indemnitee's estate, spouses, heirs, executors, personal or legal representatives, administrators and assigns. The Company shall require and cause any such successor, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement as if it were named as the Company herein, and the Company shall not permit any such purchase of assets or business, acquisition of securities or merger or consolidation to occur until such written agreement has been executed and delivered. No such assumption and agreement shall relieve the Company of its obligations hereunder, and this Agreement shall not otherwise be assignable by the Company.

(f) Duration. All agreements and obligations of the Company contained herein shall continue during the period that Indemnitee is a director or officer of the Company (or is serving at the request of the Company as a director, officer, employee, member, trustee or agent of another company or other entity) as well as for any act performed or omitted to be performed by the Indemnitee in connection with or arising out of or relating to the business of the Company or by virtue of Indemnitee's relationship to the Company and shall continue thereafter (i) so long as Indemnitee may be subject to any possible Proceeding relating to Indemnitee's Corporate Status (including any rights of appeal thereto) and (ii) throughout the pendency of any Proceeding (including any rights of appeal thereto) commenced by Indemnitee to enforce or interpret his or her rights under this Agreement, even if, in either case, he or she may have ceased to serve in such capacity at the time of any such Proceeding.

(g) Choice of Law; Consent to Jurisdiction. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents entered into and to be performed entirely within Delaware, without regard to the conflict of law principles thereof. The Company and Indemnitee each hereby irrevocably consents to the jurisdiction of the courts of the State of Delaware for all purposes in connection with any Proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Delaware.

(h) Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto, provided that the provisions hereof shall be cumulative of (and for the benefit of Indemnitee) and not supersede the provisions of the Company's, or any of its Subsidiaries', certificate of incorporation, bylaws or other organizational agreement or instrument of the Company and its Subsidiaries, any employment or other agreement, any vote of stockholders, unitholders, members, managers, partners or directors, the DGCL or other applicable law. To the extent of any conflict between the terms of this Agreement and any other corporate documents, the terms most favorable to Indemnitee shall apply at the election of Indemnitee.

(i) Counterparts. This Agreement may be executed in one or more counterparts (including facsimile counterparts), each of which shall constitute an original.

*[Remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of June 2, 2020.

WARNER MUSIC GROUP CORP.

By: /s/ Paul Robinson
Name: Paul M. Robinson
Title: Executive Vice President, General Counsel and Secretary

Address: 1633 Broadway
New York, New York 10019

AGREED TO AND ACCEPTED:

INDEMNITEE:

By: /s/ Michael Lynton
Name: Michael Lynton
Title: Chairman of the Board of Directors

Address: c/o Warner Music Group Corp.
1633 Broadway
New York, New York 10019

**Schedule to Exhibit 10.3**

The following directors are each party to an Indemnification Agreement with Warner Music Group Corp., each of which is substantially identical in all material respects to the Indemnification Agreement filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is dated the date listed below across from such director's name. The actual Indemnification Agreements for such directors are omitted pursuant to Instruction 2 to Item 601 of Regulation S-K.

| **Name of Signatory** | **Date of Agreement** |
|---|---|
| Michael Lynton | June 2, 2020 |
| Lincoln Benet | June 2, 2020 |
| Mathias Döpfner | June 2, 2020 |
| Noreena Hertz | June 2, 2020 |
| Ynon Kreiz | June 2, 2020 |
| Len Blavatnik | June 2, 2020 |
| Donald A. Wagner | June 2, 2020 |
| Ceci Kurzman | October 1, 2020 |
| Nancy Dubuc | May 1, 2023 |
| Valentin Blavatnik | May 1, 2023 |
| Robert Kyncl | May 5, 2023 |

**Exhibit 31.1**

## 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, 2023 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 8, 2023

/S/ ROBERT KYNCL

**Chief Executive Officer**
**(Principal Executive Officer)**

Exhibit 31.2

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Eric Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 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 8, 2023

/s/ Eric Levin

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

**Exhibit 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**

In connection with the Quarterly Report of Warner Music Group Corp. (the “Company”) on Form 10-Q for the period ended June 30, 2023 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 8, 2023

/S/ ROBERT KYNCL

**Robert Kyncl**
**Chief Executive Officer**

**Exhibit 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**

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Levin, 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 8, 2023

/S/ ERIC LEVIN

**Eric Levin**
**Chief Financial Officer**