NEWS RELEASE

# Warner Music Group Corp. Reports Results for Fiscal Fourth Quarter and Full Year Ended September 30, 2019

2019-11-27

- Total revenue for the full year grew 11.7% or 14.7% in constant currency
- Digital revenue for the full year grew 15.9% or 18.7% in constant currency
- Net income for the full year was $258 million versus $312 million in the prior year
- OIBDA for the full year was $625 million versus $478 million in the prior year
- Total revenue for the quarter grew 8.2% or 10.4% in constant currency
- Digital revenue for the quarter grew 13.1% or 15.0% in constant currency
- Net income for the quarter was $91 million versus a loss of $13 million in the prior-year quarter
- OIBDA for the quarter was $95 million versus $72 million in the prior-year quarter

Warner Music Group Corp. today announced its fourth-quarter and full-year financial results for the periods ended September 30, 2019.

“We are passionate champions for our recording artists and songwriters and work tirelessly to help them build

long-term global careers," said Steve Cooper, Warner Music Group's CEO. "Their talent and our focus and dedication made for an excellent fiscal year, and we're excited by the multitude of growth opportunities which lie ahead in 2020 and beyond."

"Our revenue and OIBDA performance was strong," added Eric Levin, Warner Music Group's Executive Vice President and CFO. "With $619 million on our balance sheet at year-end, the cash generating power of our business has never been clearer."

Fourth-Quarter Results

Revenue grew 8.2% (or 10.4% in constant currency). Growth in Recorded Music digital and artist services and expanded-rights revenue and in Music Publishing digital and synchronization revenue was partially offset by declines in Recorded Music physical revenue and Music Publishing performance and mechanical revenue. Recorded Music licensing revenue was flat. Revenue growth included a net two percentage point benefit from M&A resulting from the acquisition of the specialty merchandise e-tailer EMP and the sale of a concert promotion business in Italy. Revenue grew in all regions. Digital revenue grew 13.1% (or 15.0% in constant currency), and represented 60.0% of total revenue, compared to 57.4% in the prior-year quarter.

Operating income was $29 million compared to $16 million in the prior-year quarter. OIBDA was $95 million, up 31.9% from $72 million in the prior-year quarter and OIBDA margin increased 1.6 percentage points to 8.5% from 6.9% in the prior-year quarter. The increase in operating income, OIBDA and OIBDA margin was the result of revenue growth, which was partially offset by higher product costs related to revenue mix and a $17 million impact related to ASC 606. OIBDA in the prior-year quarter included a $11 million benefit from a digital performance underpayment settlement for sound recordings which was fully offset by a $4 million true-up of a prior-quarter advance recovery estimate and a $7 million increase in the management fee to Access as a result of the Company's higher covenant EBITDA. Adjusted OIBDA rose 12.6% to $107 million and Adjusted OIBDA margin increased 0.4 percentage points to 9.5% from 9.1% due to the same factors which impacted operating income, OIBDA and OIBDA margin.

Net income was $91 million compared to a net loss of $13 million in the prior-year quarter and Adjusted net income was $103 million compared to $10 million in the prior-year quarter. The improvement was due to higher operating income, higher other income associated with a gain on the Company's Euro-denominated debt due to changes in exchange rates and a tax benefit due to the release of $59 million of the Company's U.S. deferred tax valuation allowance on foreign tax credit carryforwards in the current quarter.

Adjusted operating income, Adjusted OIBDA and Adjusted net income exclude certain costs related to the Company's Los Angeles office consolidation and restructuring and other related costs in the current quarter, and

certain costs related to the relocation of the Company's U.S. shared service center to Nashville, the Company's Los Angeles office consolidation and restructuring and other related costs in the prior-year quarter. See below for calculations and reconciliations of OIBDA, Adjusted operating income, Adjusted OIBDA and Adjusted net income.

As of September 30, 2019, the Company reported a cash balance of $619 million, total debt of $2.974 billion and net debt (defined as total long-term debt, net of deferred financing costs, minus cash and equivalents) of $2.355 billion. In September 2019, the Company declared a cash dividend of $206.25 million which was paid to stockholders on October 4, 2019.

Cash provided by operating activities was $151 million compared to $160 million in the prior-year quarter. The change was largely a result of higher A&R investment and timing of working capital. Free Cash Flow, defined below, was $115 million compared to $114 million in the prior-year quarter. Capital expenditures were $22 million, down from $34 million in the prior-year quarter due to timing of spend on the Company's Los Angeles office consolidation.

Full-Year Results

Total revenue increased 11.7% (or 14.7% in constant currency). Growth in Recorded Music digital and artist services and expanded-rights revenue and in Music Publishing digital and synchronization revenue was partially offset by declines in Recorded Music physical and licensing revenue and Music Publishing performance and mechanical revenue. Total revenue included $28 million related to the adoption of ASC 606 and $146 million related to net M&A activity. Domestic revenue rose 11.5% and international revenue rose 11.9% (or 17.4% in constant currency). Prior to intersegment eliminations, domestic and international revenue represented 43.6% and 56.4% of total revenue, respectively, compared to 43.7% and 56.3% of total revenue, respectively, in the prior year. Revenue grew in all regions. Digital revenue grew 15.9% (or 18.7% in constant currency), and represented 58.3% of total revenue, compared to 56.2% in the prior year.

Operating income was $356 million, up from $217 million in the prior year and operating margin was 8.0% up from 5.4% in the prior year, driven by higher revenue, lower variable compensation expense and a $15 million benefit from ASC 606 which were partially offset by higher product costs related to revenue mix. OIBDA in the prior year included an $11 million benefit from a digital performance underpayment settlement for sound recordings and a $12 million advance recovery which were partially offset by a $7 million increase in the management fee to Access as a result of the Company's higher covenant EBITDA. Adjusted operating margin increased 1.5 percentage points to 8.8% from 7.3% in the prior year. OIBDA was $625 million, up 30.8% from $478 million in the prior year and OIBDA margin improved 2.1 percentage points to 14.0% from 11.9% in the prior year due to the same factors that impacted operating income and operating margin. Adjusted OIBDA increased 19.9% to $664 million and Adjusted OIBDA margin increased 1.0 percentage point to 14.8% from 13.8% in the prior year due to the same factors that

impacted operating income, OIBDA and OIBDA margin.

Net income was $258 million compared to $312 million in the prior year. Adjusted net income was $297 million compared to $388 million in the prior year, reflecting lower other income in the current year due to a net gain on the Spotify share sale in the prior year, which was partially offset by a gain on the Company's Euro-denominated debt due to changes in exchange rates, a gain on the value of investments and a tax benefit related to the release of $59 million of the Company's U.S. deferred tax valuation allowance on foreign tax credit carryforwards in the current year as well as higher tax expense related to the Spotify share sale in the prior year. Net debt (total long-term debt, net of deferred financing costs, minus cash) at the end of the current year was $2.355 billion compared to $2.305 billion at the end of the prior year.

Adjusted operating income, Adjusted OIBDA and Adjusted net income exclude the impact of certain costs in the current and prior years related to the relocation of the Company's U.S. shared service center to Nashville, the Company's Los Angeles office consolidation and restructuring and other related costs. See below for calculations and reconciliations of Adjusted operating income, Adjusted OIBDA and Adjusted net income.

Cash provided by operating activities was $400 million compared to $425 million in the prior year due to higher A&R investment and timing of working capital. Free Cash Flow was $24 million, compared to $830 million in the prior year, reflecting the acquisition of EMP and higher capital expenditures for the current year as well as the impact of proceeds from the Spotify share sale in the prior year. Capital expenditures were $104 million for the current year as compared to $74 million in the prior year driven by spend related to the Company's Los Angeles office consolidation.

Fourth Quarter Results

Recorded Music revenue grew 10.4% (or 12.4% in constant currency). Revenue included $54 million related to the acquisition of EMP which was partially offset by $31 million related to the sale of a concert promotion business and $4 million related to the adoption of ASC 606. Growth in digital and artist services and expanded-rights revenue was partially offset by a decline in physical revenue. Licensing revenue was flat due to changes in exchange rates, the adoption of ASC 606 and higher broadcast fees. Digital revenue growth reflects the continuing shift to streaming. The increase in artist services and expanded-rights revenue was attributable to the acquisition of EMP and higher touring and merchandising revenue, which was partially offset by the sale of a concert promotion business. The decline in physical revenue reflects industry trends and timing of releases. Recorded Music revenue grew in all regions. Major sellers included Ed Sheeran, Lizzo, Mariya Takeuchi, Slipknot and Cardi B.

Recorded Music operating income was $57 million, up 83.9% from $31 million in the prior-year quarter, and operating margin was up 2.4 percentage points to 6.0% versus 3.6% in the prior-year quarter. OIBDA increased

55.4% to $101 million from $65 million in the prior-year quarter and OIBDA margin increased 3.1 percentage points to 10.6% driven by revenue growth, which was partially offset by an increase in product cost related to revenue mix. OIBDA in the prior-year quarter included an $11 million benefit from a digital performance underpayment settlement for sound recordings which was partially offset by a $4 million true-up of a prior-quarter advance recovery estimate. Adjusted OIBDA was $105 million versus $84 million in the prior-year quarter with Adjusted OIBDA margin up 1.3 percentage points to 11.0%. The increase in Adjusted OIBDA and Adjusted OIBDA margin was driven by the same factors which impacted OIBDA and OIBDA margin.

Full-Year Results

Recorded Music revenue rose 14.3% (or 17.2% in constant currency). Revenue included $240 million associated with the acquisition of EMP and $5 million related to the adoption of ASC 606 which was partially offset by $94 million related to the sale of a concert promotion business. Growth in digital and artist services and expanded-rights revenue was partially offset by a decline in physical revenue attributable to the continuing shift to streaming and a decline in licensing revenue related to changes in exchange rates and the adoption of ASC 606. Digital revenue growth reflects the continuing shift to streaming and timing of releases, which were partially offset by the impact of adopting ASC 606. Artist services and expanded-rights revenue increased due to the acquisition of EMP, higher advertising revenue and merchandising revenue and timing of tours which was partially offset by the sale of a concert promotion business and changes in exchange rates. Recorded Music digital revenue grew 16.0% (or 18.8% in constant currency) and represented 61.0% of total Recorded Music revenue versus 60.1% in the prior year. Domestic Recorded Music digital revenue was $1.228 billion, or 74.2% of total domestic Recorded Music revenue, versus 71.0% in the prior year. Major sellers included Ed Sheeran, Johnny Hallyday, The Greatest Showman soundtrack, Cardi B and Meek Mill.

Recorded Music operating income was $439 million up from $307 million in the prior year due to revenue growth, benefit of revenue mix, lower variable compensation expense and a $3 million benefit from ASC 606. Recorded Music OIBDA increased 29.8% to $623 million and OIBDA margin improved 1.9 percentage points to 16.2%. Recorded Music Adjusted OIBDA improved 18.2% to $642 million and Recorded Music Adjusted OIBDA margin increased 0.5 percentage points to 16.7% due to the same factors that impacted operating income, OIBDA and OIBDA margin.

Fourth-Quarter Results

Music Publishing revenue declined 2.3% (or was up 1.2% in constant currency). The adoption of ASC 606 had a $3 million positive impact on revenue. Growth in digital and synchronization revenue was more than offset by declines in mechanical and performance revenue. Digital revenue growth reflects the continuing shift to

streaming. Synchronization revenue growth relates to changes in exchange rates and the adoption of ASC 606. The decline in mechanical and performance revenue was primarily driven by lower market share and loss of administration rights in certain catalogs.

Music Publishing operating income was $25 million compared to $39 million in the prior-year quarter driven largely by a $12 million negative impact from the adoption of ASC 606. Operating margin declined 7.5 percentage points to 14.5%. Music Publishing OIBDA decreased by $14 million or 24.1% to $44 million, and OIBDA margin declined 7.4 percentage points to 25.4% from 32.8%, due to the same factors which impacted operating income and operating margin.

Full-Year Results

Music Publishing revenue declined 1.5% (or was up 1.7% in constant currency). Revenue included $23 million related to the adoption of ASC 606. Digital and synchronization revenue growth was more than offset by declines in mechanical and performance revenue. Music Publishing digital revenue increased 14.3% (or 17.3% in constant currency) reflecting the continuing shift to streaming, and represented 42.1% of total Music Publishing revenue versus 36.3% in the prior year. Growth in synchronization revenue was largely related to changes in exchange rates. The declines in mechanical and performance revenue primarily relate to lower market share and loss of administration rights in certain catalogs.

Music Publishing operating income was $92 million, up 9.5% from $84 million in the prior year driven largely by a $12 million benefit from the adoption of ASC 606. Operating margin was 14.3%, up 1.4 percentage points from 12.9% in the prior year. Music Publishing OIBDA increased 4.4% to $166 million, and Music Publishing OIBDA margin improved 1.5 percentage points to 25.8%, due to the same factors which impacted operating income and operating margin.

Financial details for the fiscal year can be found in the Company's Annual Report on Form 10-K, for the period ended September 30, 2019, filed today with the Securities and Exchange Commission.

This morning, management will be hosting a conference call to discuss the results at 8:30 A.M. EST. The call will be webcast on www.wmg.com.

About Warner Music Group

With a legacy extending back over 200 years, Warner Music Group today is home to an unparalleled family of creative artists, songwriters, and companies that are moving culture across the globe. At the core of WMG's Recorded Music division are four of the most iconic companies in history: Atlantic, Elektra, Parlophone, and Warner

Records. They are joined by renowned labels such as Asylum, Big Beat, Canvasback, East West, Erato, FFRR, Fueled by Ramen, Nonesuch, Reprise, Rhino, Roadrunner, Sire, Spinnin', Warner Classics, and Warner Music Nashville. Warner Chappell Music – which traces its origins back to the founding of Chappell & Company in 1811 – is one of the world's leading music publishers, with a catalog of more than one million copyrights spanning every musical genre, from the standards of the Great American Songbook to the biggest hits of the 21st century.

"Safe Harbor" Statement under Private Securities Litigation Reform Act of 1995

This communication includes forward-looking statements that reflect the current views of Warner Music Group about future events and financial performance. Words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts" and variations of such words or similar expressions that predict or indicate future events or trends, or that do not relate to historical matters, identify forward-looking statements. All forward-looking statements are made as of today, and we disclaim any duty to update such statements. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that management's expectations, beliefs and projections will result or be achieved. Investors should not rely on forward-looking statements because they are subject to a variety of risks, uncertainties, and other factors that could cause actual results to differ materially from our expectations. Please refer to our Form 10-K, Form 10-Qs and our other filings with the U.S. Securities and Exchange Commission concerning factors that could cause actual results to differ materially from those described in our forward-looking statements.

We maintain an Internet site at www.wmg.com. We use our website as a channel of distribution for material company information. Financial and other material information regarding Warner Music Group is routinely posted on and accessible at https://investors.wmg.com. In addition, you may automatically receive email alerts and other information about Warner Music Group by enrolling your email address through the "email alerts" section at https://investors.wmg.com. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this communication.

Basis of Presentation

The Company maintains a 52-53 week fiscal year ending on the last Friday in each reporting period. As such, all references to September 30, 2019 and September 30, 2018 relate to the periods ended September 27, 2019 and September 28, 2018, respectively. For convenience purposes, the Company continues to date its financial statements as of September 30.

Supplemental Disclosures Regarding Non-GAAP Financial Measures

We evaluate our operating performance based on several factors, including the following non-GAAP financial measures:

OIBDA

OIBDA reflects our operating income before non-cash depreciation of tangible assets and non-cash amortization of intangible assets. We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses, and believe the presentation of OIBDA helps improve the ability to understand our operating performance and evaluate our performance in comparison to comparable periods. 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 revenue in our businesses. Accordingly, OIBDA should be considered in addition to, not as a substitute for, operating income (loss), net income (loss) and other measures of financial performance reported in accordance with U.S. GAAP. In addition, OIBDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies.

Adjusted Operating Income (Loss), Adjusted OIBDA and Adjusted Net Income (Loss)

Adjusted operating income (loss), Adjusted OIBDA and Adjusted net income (loss) is operating income (loss), OIBDA and net income (loss), respectively, adjusted to exclude the impact of certain items that affect comparability. Factors affecting period-to-period comparability of the unadjusted measures in the quarter included the items listed in Figure 7 below. We use Adjusted operating income (loss), Adjusted OIBDA and Adjusted net income (loss) to evaluate our actual operating performance. We believe that the adjusted results provide relevant and useful information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies in our industry and allow investors to review performance in the same way as our management. Since these are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation of, or as a substitute for, operating income (loss), OIBDA and net income (loss) attributable to Warner Music Group Corp. as indicators of operating performance, and they may not be comparable to similarly titled measures employed by other companies.

Constant Currency

Because exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of revenue on a constant-currency basis in addition to reported revenue helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We use results on a constant-currency basis as one measure to evaluate our performance. We calculate constant-

currency results by applying current-year foreign currency exchange rates to prior-year results. However, a limitation of the use of the constant-currency results as a performance measure is that it does not reflect the impact of exchange rates on our revenue. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant-currency basis, as we present them, 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.

Free Cash Flow

Free Cash Flow reflects our cash flow provided by operating activities less capital expenditures and cash paid or received for investments. We use Free Cash Flow, among other measures, to evaluate our operating performance. Management believes Free Cash Flow provides investors with an important perspective on the cash available to fund our debt service requirements, ongoing working capital requirements, capital expenditure requirements, strategic acquisitions and investments, and any dividends, prepayments of debt or repurchases or retirement of our outstanding debt or notes in open market purchases, privately negotiated purchases or otherwise. As a result, Free Cash Flow is a significant measure of our ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of our operating performance. We believe the presentation of Free Cash Flow is relevant and useful for investors because it allows investors to view performance in a manner similar to the method management uses.

Because Free Cash Flow is not a measure of performance calculated in accordance with U.S. GAAP, Free Cash Flow should not be considered in isolation of, or as a substitute for, net income (loss) as an indicator of operating performance or cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Because Free Cash Flow deducts capital expenditures and cash paid or received for investments from “net cash provided by operating activities” (the most directly comparable U.S. GAAP financial measure), users of this information should consider the types of events and transactions that are not reflected. We provide below a reconciliation of Free Cash Flow to the most directly comparable amount reported under U.S. GAAP, which is “net cash provided by operating activities.”