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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): February 7, 2024

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

Delaware	**001-32502**	**13-4271875**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 7, 2024, Warner Music Group Corp. issued an earnings release announcing its results for the quarter ended December 31, 2023, which is furnished as Exhibit 99.1 hereto.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference to such filing.

ITEM 2.05. COST ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES.

On February 7, 2024, the Company also announced a strategic restructuring plan (the “Plan”) designed to free up more funds to invest in music and accelerate the Company’s growth for the next decade. The Company expects the Plan to generate pre-tax cost savings of approximately $200 million on an annualized run-rate basis by the end of fiscal year 2025 and anticipates allocating a majority of the cost savings to increase investment in the Company’s core Recorded Music and Music Publishing businesses, new skill sets and tech capabilities.

The cost savings under the Plan will be achieved through a combination of the disposal or winding down of certain of the Company’s non-core owned and operated media properties including the Company’s in-house ad sales function (the “O&O Media Properties”), continuing to manage overhead, sharpening focus, expanding shared services, and implementing previously disclosed expected operational efficiencies made possible by the Company’s financial transformation initiative.

The Plan anticipates a reduction in headcount of approximately 600 or 10%, a majority of which will be related to the O&O Media Properties, Corporate and various support functions. The Plan is expected to result in approximately $140 million of total non-recurring pre-tax charges or approximately $105 million of total after-tax charges. The pre-tax charges include approximately $85 million in severance payments and other related termination costs and approximately $55 million in non-cash impairment charges primarily in connection with the disposal or winding down of the O&O Media Properties. The approximately $85 million of severance payments and other termination costs are expected to be paid by the end of fiscal year 2026.

The majority of the charges associated with the Plan will be incurred by the end of fiscal year 2024 and the actions related to those charges will commence immediately. The Company expects those actions will result in a fiscal year 2024 impact of approximately $120 million of total non-recurring pre-tax charges or approximately $90 million of total after-tax charges. The pre-tax charges include approximately $65 million in severance payments and other related termination costs and approximately $55 million in non-cash impairment charges primarily in connection with the disposal or winding down of the O&O Media Properties. The approximately $65 million of severance payments and other termination costs are expected to be paid by the end of fiscal year 2025, with approximately $35 million of those payments and costs expected to be paid by the end of fiscal year 2024. For the remainder of fiscal year 2024, the Company expects the Plan to result in foregone Recorded Music artist services and expanded-rights revenue of approximately $45 million with negligible impact to Adjusted OIBDA.

This Item 2.05 contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements related to expected costs and expected cost savings. These forward-looking statements are based on the Company’s current expectations and inherently involve significant risks and uncertainties. The Company’s actual results and the timing of events, including the expected completion timing of the Plan, could differ materially from those anticipated in such forward-looking statements as a result of these risks and uncertainties, which include, without limitation, risks related to cost reduction efforts. In addition, the Company’s restructuring costs may be greater than anticipated and the headcount reductions may have an adverse impact on the Company’s business. 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 the Company’s expectations. Please refer to the Company’s Form 10-K, Form 10-Qs and other filings with the U.S. Securities and Exchange Commission concerning factors that could cause actual results to differ materially from those described in the Company’s forward-looking statements.

ITEM 7.01. REGULATION FD DISCLOSURE.

In connection with this announcement, the employee communication furnished herewith as Exhibit 99.2 was sent by Robert Kyncl, the Company’s Chief Executive Officer.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

Exhibit No.	Description
99.1	Earnings release issued by Warner Music Group Corp. on February 7, 2024.
99.2	Employee Note from CEO Robert Kyncl.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto duly authorized.

WARNER MUSIC GROUP CORP.

Date: February 7, 2024

By: /s/ Bryan Castellani
Bryan Castellani
Executive Vice President and Chief Financial Officer

WARNER MUSIC GROUP CORP. REPORTS RESULTS FOR FISCAL FIRST QUARTER ENDED DECEMBER 31, 2023

Financial Highlights

- **Double-Digit Growth in Revenue and Adjusted OIBDA as both Recorded Music and Music Publishing Deliver Highest Quarterly Revenue in Company History**
- **Recorded Music Results Bolstered by an Acceleration in Subscription and Ad-Supported Streaming**
- **Music Publishing Momentum Continues with Fifth Consecutive Quarter of Increasing Revenue Growth**
- **Robust Operating Cash Flow Conversion of 65% of Adjusted OIBDA**
- **Launched Plan to Achieve $200 million in Annual Savings to be Reinvested into Growth Opportunities**

For the three months ended December 31, 2023

- **Total revenue increased 17%, or 16% in constant currency**
- **Net income was $193 million versus $124 million in the prior-year quarter**
- **Operating income increased 34% to $354 million versus $265 million in the prior-year quarter**
- **Adjusted OIBDA increased 35% to $451 million versus $335 million in the prior-year quarter or 33% in constant currency**
- **Cash provided by operating activities increased 40% to $293 million versus $209 million in the prior-year quarter**

NEW YORK, New York, February 7, 2024—Warner Music Group Corp. today announced its first-quarter financial results for the period ended December 31, 2023.

"These results reflect the impact of our chart-topping artists, hit-making songwriters, iconic catalog, and laser focus on execution by all our teams," said Robert Kyncl, CEO, Warner Music Group. "As we deliver our plan to accelerate our growth, we are becoming more efficient, increasing operating leverage, and freeing up more funds to invest in music and tech, which in turn will drive further sustainable growth."

"Our strong Q1 results reflect double-digit revenue and Adjusted OIBDA growth, as well as robust operating cash flow conversion," said Bryan Castellani, CFO, Warner Music Group. "The strength and resilience of our business was highlighted by an acceleration in Recorded Music streaming growth and continued momentum in Music Publishing, which saw its fifth consecutive quarter of increasing revenue growth. With a healthy and growing music ecosystem as our backdrop, we're intensifying our focus on the highest-return opportunities while creating efficiencies across our business."

Total WMG

Total WMG Summary Results
(dollars in millions)

	For the Three Months Ended December 31, 2023 (unaudited)	For the Three Months Ended December 31, 2022 (unaudited)	% Change
Revenue	$ 1,748	$ 1,488	17 %
Recorded Music revenue	1,445	1,239	17 %
Music Publishing revenue	304	250	22 %
Operating income	354	265	34 %
Adjusted OIBDA(1)	451	335	35 %
Net income	193	124	56 %
Net cash provided by operating activities	293	209	40 %
Free Cash Flow	264	188	40 %

(1) See "Supplemental Disclosures Regarding Non-GAAP Financial Measures" at the end of this release for details regarding this measure.

Revenue was up 17.5% (or 15.9% in constant currency). As disclosed previously, the quarter included $68 million from a licensing agreement extension for an artist's catalog (the "Licensing Extension") in Recorded Music licensing revenue and the impact of the termination of the distribution agreement with BMG (the "BMG Termination") in Recorded Music digital revenue, which resulted in $13 million less revenue compared to the prior-year quarter. Additionally, the quarter included $27 million of incremental revenue from a renewal with one of the Company's digital partners that resulted in upfront revenue recognition in the quarter (the "Digital License Renewal") in Recorded Music streaming revenue. Excluding the Licensing Extension, the BMG Termination and the Digital License Renewal, total revenue was up 12.1% (or 10.6% in constant currency).

Digital revenue increased 16.0% (or 15.1% in constant currency) and streaming revenue increased 16.6% (or 15.9% in constant currency). Recorded Music streaming revenue increased 13.7% (or 13.1% in constant currency), which includes $27 million from the Digital License Renewal, partially offset by $12 million from the BMG Termination. Adjusted for the Digital License Renewal and the BMG Termination, Recorded Music streaming revenue was up 12.0% (or 11.4% in constant currency). Music Publishing streaming revenue increased 32.2% (or 30.4% in constant currency). Revenue increases in the quarter were also driven by growth in Recorded Music licensing and physical revenue and Music Publishing performance revenue, partially offset by a decline in Recorded Music artist services and expanded-rights revenue.

Operating income increased 33.6% (or 32.1% in constant currency) from $265 million to $354 million primarily due to the factors affecting Adjusted OIBDA discussed below, as well as lower amortization expenses due to certain intangible assets becoming fully amortized, partially offset by a $24 million quarter-over-quarter decrease in net gain on divestitures, higher depreciation expenses due to capital spending and $7 million of incremental expenses related to transformation initiatives and other related costs.

Adjusted OIBDA increased 34.6% from $335 million to $451 million (or 33.0% in constant currency) and Adjusted OIBDA margin increased 3.3 percentage points to 25.8% from 22.5% in the prior-year quarter (the same in constant currency) primarily due to the $67 million impact of the Licensing Extension and the $10 million impact of the Digital License Renewal. The Adjusted OIBDA impact from the BMG Termination was immaterial in the quarter. Excluding the impact from the Licensing Extension and the Digital License Renewal, Adjusted OIBDA increased 11.7% (or 10.4% in constant currency) and Adjusted OIBDA margin decreased 0.1 percentage point from 22.7% to 22.6%, but remained flat on a constant currency basis primarily due to strong operating performance and $12 million of savings from the previously announced restructuring plan (the "Restructuring Plan") of which a portion has been reinvested in the Company's business, partially offset by $11 million of incremental investment in technology in the quarter, and the unfavorable impact of exchange rates.

Net income was $193 million compared to $124 million in the prior-year quarter. The increase in net income was primarily due to the factors described above, the impact of exchange rates on the Company's Euro-denominated debt resulting in a loss of $39 million in the quarter compared to a loss of $68 million in the prior-year quarter, partially offset by an increase in income tax expense due to higher pre-tax income and an increase in interest expense primarily due to increased costs on the Company's variable rate debt.

Basic and Diluted earnings per share were $0.30 for both the Class A and Class B shareholders due to the net income attributable to the Company in the quarter of $193 million.

As of December 31, 2023, the Company reported a cash balance of $754 million, total debt of $4.004 billion and net debt (defined as total debt, net of deferred financing costs, premiums and discounts, minus cash and equivalents) of $3.250 billion.

Cash provided by operating activities increased 40% to $293 million from $209 million in the prior-year quarter. The increase was largely a result of strong operating performance and other movements within working capital. Capital expenditures increased 38% to $29 million from $21 million in the prior-year quarter, mainly due to increased investment in technology. Free Cash Flow, as defined below, increased 40% to $264 million from $188 million in the prior-year quarter.

Recorded Music

Recorded Music Summary Results
(dollars in millions)

	For the Three Months Ended December 31, 2023 (unaudited)	For the Three Months Ended December 31, 2022 (unaudited)	% Change
Revenue	$ 1,445	$ 1,239	17 %
Operating income	374	283	32 %
Adjusted OIBDA(1)	412	299	38 %

(1) See "Supplemental Disclosures Regarding Non-GAAP Financial Measures" at the end of this release for details regarding this measure.

Recorded Music Revenue
(dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022	For the Three Months Ended December 31, 2022
	As reported (unaudited)	As reported (unaudited)	Constant (unaudited)
Digital	$ 908	$ 803	$ 808
Physical	154	133	136
Total Digital and Physical	1,062	936	944
Artist services and expanded-rights	204	206	212
Licensing	179	97	99
Total Recorded Music	**$ 1,445**	**$ 1,239**	**$ 1,255**

Recorded Music revenue was up 16.6% (or 15.1% in constant currency) driven by growth in digital, licensing and physical revenue. Excluding the Licensing Extension, the BMG Termination and the Digital License Renewal, Recorded Music revenue increased 10.1% (or 8.7% in constant currency). Digital revenue was up 13.1% (or 12.4% in constant currency) and streaming revenue was up 13.7% (or 13.1% in constant currency). Adjusted for the Digital License Renewal ($27 million) and the impact of the BMG Termination ($12 million), Recorded Music streaming revenue was up 12.0% (or 11.4% in constant currency). Streaming revenue reflects growth in subscription of 15.2% (or 14.4% in constant currency) and growth in ad-supported of 10.0% (the same in constant currency), which includes the impact of the TikTok renewal executed in Q4 2023. Adjusted for the Digital License Renewal and the BMG Termination, subscription revenue increased 12.8% (or 12.0% in constant currency). Licensing revenue increased 84.5% (or 80.8% in constant currency), primarily due to $68 million from the Licensing Extension and the timing of new licensing deals primarily in the U.S. Physical revenue was up 15.8% (or 13.2% in constant currency) primarily due to strong releases in the U.S., Japan and the UK. Artist services and expanded-rights revenue decreased 1.0% (or 3.8% in constant currency) primarily due to lower merchandising revenue, partially offset by higher concert promotion revenue in France and Japan. Major sellers included Zach Bryan, Ed Sheeran, Bruno Mars, and the *Barbie* soundtrack album.

Recorded Music operating income was $374 million, up from $283 million in the prior-year quarter and operating margin was up 3.1 percentage points to 25.9% versus 22.8% in the prior-year quarter. The increase in operating income was primarily due to the same factors affecting Adjusted OIBDA discussed below, as well as lower amortization expense due to certain intangible assets becoming fully amortized, partially offset by a $24 million quarter-over-quarter decrease in net gain on divestitures and higher non-cash stock-based compensation expense in the quarter of $5 million.

Adjusted OIBDA increased 37.8% from $299 million to $412 million (or 36.4% in constant currency) with Adjusted OIBDA margin up 4.4 percentage points to 28.5% from 24.1% in the prior-year quarter (the same in constant currency). The increases in Adjusted OIBDA and Adjusted OIBDA margin were primarily driven by $67 million from the Licensing Extension and $10 million from the Digital License Renewal. Excluding the Licensing Extension and the Digital License Renewal, Adjusted OIBDA increased 12.1% (or 11.0% in constant currency) and Adjusted OIBDA margin increased 0.5 percentage points to 24.8% from 24.3% in the prior-year quarter (the same in constant currency) primarily due to strong operating performance and $12 million of savings from the Restructuring Plan of which a portion has been reinvested in the Company's business, partially offset by revenue mix and the unfavorable impact of exchange rates.

Music Publishing

Music Publishing Summary Results
(dollars in millions)

	For the Three Months Ended December 31, 2023		For the Three Months Ended December 31, 2022		% Change
	(unaudited)		(unaudited)		
Revenue	$	304	$	250	22 %
Operating income		63		49	29 %
Adjusted OIBDA[1]		86		72	19 %

(1) See "Supplemental Disclosures Regarding Non-GAAP Financial Measures" at the end of this release for details regarding this measure.

Music Publishing Revenue
(dollars in millions)

	For the Three Months Ended December 31, 2023		For the Three Months Ended December 31, 2022		For the Three Months Ended December 31, 2022	
	As reported (unaudited)		As reported (unaudited)		Constant (unaudited)	
Performance	$	51	$	45	$	46
Digital		196		149		151
Mechanical		15		14		15
Synchronization		39		39		39
Other		3		3		3
Total Music Publishing	**$**	**304**	**$**	**250**	**$**	**254**

Music Publishing revenue increased 21.6% (or 19.7% in constant currency). The increase was driven by growth in digital and performance revenue. Digital revenue increased 31.5% (or 29.8% in constant currency) and streaming revenue increased 32.2% (or 30.4% in constant currency), reflecting the continued growth in streaming and the impact of digital deal renewals. Performance revenue increased due to strong artist touring activity in Europe. Mechanical revenue increased on an as-reported basis, but remained flat in constant currency. Synchronization revenue was flat on both an as-reported basis and in constant currency, primarily due to lower commercial licensing activity in the U.S., offset by the timing of legal settlements.

Music Publishing operating income was $63 million compared to $49 million in the prior-year quarter and operating margin increased 1.1 percentage points to 20.7%. The increase in operating income was primarily driven by the same factors affecting Adjusted OIBDA discussed below.

Music Publishing Adjusted OIBDA increased 19.4% to $86 million (or 17.8% in constant currency) and Adjusted OIBDA margin decreased 0.5 percentage points to 28.3% from 28.8% in the prior-year quarter (or decreased 0.4 percentage points to 28.3% from 28.7% in constant currency). The increase in Adjusted OIBDA was primarily driven by increased revenue, however the decrease in Adjusted OIBDA margin was primarily due to the unfavorable impact of exchange rates.

Financial details for the quarter can be found in the Company's current Quarterly Report on Form 10-Q for the period ended December 31, 2023, which will be filed tomorrow morning, February 8, 2024, with the Securities and Exchange Commission.

Tomorrow morning, February 8, 2024, 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 TenThousand Projects, 300 Entertainment, Asylum, Big Beat, Canvasback, East West, Erato, FFRR, Fueled by Ramen, Nonesuch, Reprise, Rhino, Roadrunner, Sire, Spinnin' Records, 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 *http://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 *http://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

Effective for the 2023 fiscal year, the Company's fiscal year was modified from a 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. The Company's fiscal year now begins on October 1 and ends on September 30 each year.

Figure 1. Warner Music Group Corp. - Condensed Consolidated Statements of Operations, Three Months Ended December 31, 2023 versus December 31, 2022 (dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022	% Change
	(unaudited)	(unaudited)	
Revenue	**$ 1,748**	**$ 1,488**	**17 %**
Cost and expenses:			
Cost of revenue	(880)	(761)	16 %
Selling, general and administrative expenses	(476)	(440)	8 %
Amortization expense	(55)	(63)	-13 %
Total costs and expenses	**$ (1,411)**	**$ (1,264)**	**12 %**
Net gain on divestiture	17	41	-59 %
Operating income	**$ 354**	**$ 265**	**34 %**
Interest expense, net	(39)	(32)	22 %
Other expense, net	(50)	(61)	-18 %
Income before income taxes	**$ 265**	**$ 172**	**54 %**
Income tax expense	(72)	(48)	50 %
Net income	**$ 193**	**$ 124**	**56 %**
Less: Income attributable to noncontrolling interest	(34)	(2)	— %
Net income attributable to Warner Music Group Corp.	**$ 159**	**$ 122**	**30 %**
Net income per share attributable to common stockholders:			
Class A – Basic and Diluted	$ 0.30	$ 0.23	
Class B – Basic and Diluted	$ 0.30	$ 0.23	

Figure 2. Warner Music Group Corp. - Condensed Consolidated Balance Sheets at December 31, 2023 versus September 30, 2023
(dollars in millions)

	December 31, 2023 (unaudited)	September 30, 2023	% Change
Assets			
Current assets:			
Cash and equivalents	$ 754	$ 641	18 %
Accounts receivable, net	1,195	1,120	7 %
Inventories	106	126	-16 %
Royalty advances expected to be recouped within one year	453	413	10 %
Prepaid and other current assets	108	102	6 %
Total current assets	**$ 2,616**	**$ 2,402**	**9 %**
Royalty advances expected to be recouped after one year	755	688	10 %
Property, plant and equipment, net	466	458	2 %
Operating lease right-of-use assets, net	242	245	-1 %
Goodwill	2,015	1,993	1 %
Intangible assets subject to amortization, net	2,390	2,353	2 %
Intangible assets not subject to amortization	151	149	1 %
Deferred tax assets, net	31	32	-3 %
Other assets	325	225	44 %
Total assets	**$ 8,991**	**$ 8,545**	**5 %**
Liabilities and Equity			
Current liabilities:			
Accounts payable	$ 246	$ 300	-18 %
Accrued royalties	2,460	2,219	11 %
Accrued liabilities	538	533	1 %
Accrued interest	29	18	61 %
Operating lease liabilities, current	43	41	5 %
Deferred revenue	305	371	-18 %
Other current liabilities	124	57	— %
Total current liabilities	**$ 3,745**	**$ 3,539**	**6 %**
Long-term debt	4,004	3,964	1 %
Operating lease liabilities, noncurrent	249	255	-2 %
Deferred tax liabilities, net	223	216	3 %
Other noncurrent liabilities	154	141	9 %
Total liabilities	**$ 8,375**	**$ 8,115**	**3 %**
Equity:			
Class A common stock	$ —	$ —	— %
Class B common stock	1	1	— %
Additional paid-in capital	2,039	2,015	1 %
Accumulated deficit	(1,317)	(1,387)	-5 %
Accumulated other comprehensive loss, net	(260)	(322)	-19 %
Total Warner Music Group Corp. equity	**$ 463**	**$ 307**	**51 %**
Noncontrolling interest	153	123	24 %
Total equity	**616**	**430**	**43 %**
Total liabilities and equity	**$ 8,991**	**$ 8,545**	**5 %**

Figure 3. Warner Music Group Corp. - Summarized Statements of Cash Flows, Three Months Ended December 31, 2023 versus December 31, 2022
(dollars in millions)

	For the Three Months Ended December 31, 2023 (unaudited)	For the Three Months Ended December 31, 2022 (unaudited)
Net cash provided by operating activities	$ 293	$ 209
Net cash used in investing activities	(92)	(10)
Net cash used in financing activities	(93)	(70)
Effect of foreign currency exchange rates on cash and equivalents	5	7
Net increase in cash and equivalents	**$ 113**	**$ 136**

Figure 4. Warner Music Group Corp. - Digital Revenue Summary, Three Months Ended December 31, 2023 versus December 31, 2022
(dollars in millions)

	For the Three Months Ended December 31, 2023 (unaudited)	For the Three Months Ended December 31, 2022 (unaudited)	% Change
Recorded Music			
Subscription	$ 644	$ 559	15 %
Ad-Supported	243	221	10 %
Streaming	$ 887	$ 780	14 %
Downloads and Other Digital	21	23	-9 %
Total Recorded Music Digital Revenue	**$ 908**	**$ 803**	**13 %**
Music Publishing			
Streaming	$ 193	$ 146	32 %
Downloads and Other Digital	3	3	— %
Total Music Publishing Digital Revenue	**$ 196**	**$ 149**	**32 %**
Consolidated			
Streaming	$ 1,080	$ 926	17 %
Downloads and Other Digital	24	26	-8 %
Intersegment Eliminations	—	—	— %
Total Digital Revenue	**$ 1,104**	**$ 952**	**16 %**

Supplemental Disclosures Regarding Non-GAAP Financial Measures

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

Adjusted OIBDA

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

Figure 5. Warner Music Group Corp. - Reconciliation of Net Income to Adjusted OIBDA, Three Months Ended December 31, 2023 versus December 31, 2022 (dollars in millions)

	For the Three Months Ended December 31, 2023 (unaudited)	For the Three Months Ended December 31, 2022 (unaudited)	% Change
Net income attributable to Warner Music Group Corp.	**$ 159**	**$ 122**	**30 %**
Income attributable to noncontrolling interest	34	2	— %
Net income	**$ 193**	**$ 124**	**56 %**
Income tax expense	72	48	50 %
Income including income taxes	**$ 265**	**$ 172**	**54 %**
Other expense, net	50	61	-18 %
Interest expense, net	39	32	22 %
Operating income	**$ 354**	**$ 265**	**34 %**
Amortization expense	55	63	-13 %
Depreciation expense	26	21	24 %
OIBDA	**$ 435**	**$ 349**	**25 %**
Transformation initiatives and other related costs	19	12	58 %
Gain on divestitures	(17)	(41)	-59 %
Non-cash stock-based compensation and other related costs	14	15	-7 %
Adjusted OIBDA	**$ 451**	**$ 335**	**35 %**
Operating income margin	**20.3 %**	**17.8 %**	
Adjusted OIBDA margin	**25.8 %**	**22.5 %**	

Figure 6. Warner Music Group Corp. - Reconciliation of Segment Operating Income to Adjusted OIBDA, Three Months Ended December 31, 2023 versus December 31, 2022
(dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022	% Change
	(unaudited)	(unaudited)	
Total WMG operating income – GAAP	**$ 354**	**$ 265**	**34 %**
Depreciation and amortization expense	(81)	(84)	-4 %
Total WMG OIBDA	**$ 435**	**$ 349**	**25 %**
Transformation initiatives and other related costs	19	12	58 %
Gain on divestitures	(17)	(41)	-59 %
Non-cash stock-based compensation and other related costs	14	15	-7 %
Total WMG Adjusted OIBDA	**$ 451**	**$ 335**	**35 %**
Total WMG Adjusted OIBDA margin	**25.8 %**	**22.5 %**	
Recorded Music operating income – GAAP	**$ 374**	**$ 283**	**32 %**
Depreciation and amortization expense	(47)	(54)	-13 %
Recorded Music OIBDA	**$ 421**	**$ 337**	**25 %**
Gain on divestitures	$ (17)	$ (41)	-59 %
Non-cash stock-based compensation and other related costs	$ 8	$ 3	— %
Recorded Music Adjusted OIBDA	**$ 412**	**$ 299**	**38 %**
Recorded Music Adjusted OIBDA margin	**28.5 %**	**24.1 %**	
Music Publishing operating income – GAAP	**$ 63**	**$ 49**	**29 %**
Depreciation and amortization expense	(22)	(23)	-4 %
Music Publishing OIBDA	**$ 85**	**$ 72**	**18 %**
Non-cash stock-based compensation and other related costs	$ 1	$ —	— %
Music Publishing Adjusted OIBDA	**$ 86**	**$ 72**	**19 %**
Music Publishing Adjusted OIBDA margin	**28.3 %**	**28.8 %**	

Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of revenue and Adjusted OIBDA on a constant-currency basis in addition to reported results helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares revenue and Adjusted OIBDA between periods as if exchange rates had remained constant period over period. We use revenue and Adjusted OIBDA on a constant-currency basis as one measure to evaluate our performance. We calculate constant-currency by calculating prior-year revenue and Adjusted OIBDA using current-year foreign currency exchange rates. Revenue and Adjusted OIBDA on a constant-currency basis should be considered in addition to, not as a substitute for, revenue and Adjusted OIBDA reported in accordance with U.S. GAAP. Revenue and Adjusted OIBDA on a constant-currency basis, as we present 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.

Figure 7. Warner Music Group Corp. - Revenue by Geography and Segment, Three Months Ended December 31, 2023 versus December 31, 2022 As Reported and Constant Currency
(dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022	For the Three Months Ended December 31, 2022	% Change
	As reported (unaudited)	As reported (unaudited)	Constant (unaudited)	Constant (unaudited)
U.S. revenue				
Recorded Music	$ 627	$ 539	$ 539	16 %
Music Publishing	172	133	133	29 %
International revenue				
Recorded Music	818	700	716	14 %
Music Publishing	132	117	121	9 %
Intersegment eliminations	(1)	(1)	(1)	— %
Total Revenue	**$ 1,748**	**$ 1,488**	**$ 1,508**	**16 %**
Revenue by Segment:				
Recorded Music				
Digital	$ 908	$ 803	$ 808	12 %
Physical	154	133	136	13 %
Total Digital and Physical	1,062	936	944	13 %
Artist services and expanded-rights	204	206	212	(4)%
Licensing	179	97	99	81 %
Total Recorded Music	**1,445**	**1,239**	**1,255**	**15 %**
Music Publishing				
Performance	51	45	46	11 %
Digital	196	149	151	30 %
Mechanical	15	14	15	— %
Synchronization	39	39	39	— %
Other	3	3	3	— %
Total Music Publishing	**304**	**250**	**254**	**20 %**
Intersegment eliminations	(1)	(1)	(1)	— %
Total Revenue	**$ 1,748**	**$ 1,488**	**$ 1,508**	**16 %**
Total Digital Revenue	**$ 1,104**	**$ 952**	**$ 959**	**15 %**

Figure 8. Warner Music Group Corp. - Adjusted OIBDA by Segment, Three Months Ended December 31, 2023 versus December 31, 2022
As Reported and Constant Currency
(dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022	For the Three Months Ended December 31, 2022	Change %
	As reported (unaudited)	As reported (unaudited)	Constant (unaudited)	Constant (unaudited)
Total WMG Adjusted OIBDA	$ 451	$ 335	$ 339	33.0 %
Adjusted OIBDA margin	25.8 %	22.5 %	22.5 %	
Recorded Music Adjusted OIBDA	$ 412	$ 299	$ 302	36.4 %
Recorded Music Adjusted OIBDA margin	28.5 %	24.1 %	24.1 %	
Music Publishing Adjusted OIBDA	$ 86	$ 72	$ 73	17.8 %
Music Publishing Adjusted OIBDA margin	28.3 %	28.8 %	28.7 %	

Free Cash Flow

Our definition of Free Cash Flow is defined as cash flow provided by operating activities less capital expenditures. 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, any repurchases of our common stock 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.

Free Cash Flow is not a measure of performance calculated in accordance with U.S. GAAP and therefore it 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 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.”

Figure 9. Warner Music Group Corp. - Calculation of Free Cash Flow, Three Months Ended December 31, 2023 versus December 31, 2022
(dollars in millions)

	For the Three Months Ended December 31, 2023	For the Three Months Ended December 31, 2022
	(unaudited)	(unaudited)
Net cash provided by operating activities	**$ 293**	**$ 209**
Less: Capital expenditures	29	21
Free Cash Flow	**$ 264**	**$ 188**

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From: RK
To: WMG ALL
Subject: Important Update

Hi everyone,
We just finished our first All Hands of 2024 from LA. If time differences prevented you from watching today, we are going to do two replays tomorrow: 1am ET / 6am GMT / 2pm HKT - and - 9am ET / 2pm GMT / 10pm HKT.
This is a pivotal moment in the evolution of this great company, so I wanted to make sure you heard about it directly from me.
As I outlined in my note last month, 2024 is a year during which we will double down on our core business and move at an increased velocity to seize the incredible opportunities for music in the new world.

This week, our recording artists make up five of the top 10, and our songwriters have six of the Top 10, on the *Billboard* Hot 100. Today, we're revealing our latest quarterly results: we grew 11% in normalized revenue. And with growing momentum in Recorded Music streaming and excellent results in Music Publishing, we hit our highest quarterly revenue ever. We're in a position of strength, and that's the smart time to change, innovate, and lead. Music is constantly morphing, so we need to morph with it.

Today, we're announcing a plan to free up more funds to invest in music and accelerate our growth for the next decade. To do that, we have to make thoughtful choices about where we put our people, resources, and capital. So, as part of that plan, we'll be realizing approximately $200 million in annualized cost savings by the end of September 2025. The majority of these savings will be reinvested, putting more money behind the music.

Our plan includes reducing our workforce by approximately 10%, or 600 people – the majority of which will relate to our Owned & Operated media properties, corporate and various support functions.

We've already begun to inform many of the impacted employees, and the vast majority will be notified by the end of September 2024. I recognize this is unsettling news. To the people who will be leaving us: you deserve a heartfelt *thank you* for your hard work and dedication. We're fortunate that you've been part of the team. We'll be moving as thoughtfully and respectfully as possible, so you have the critical information you need, and we'll support you through this transition.

Earlier today, we began exiting our O&O media properties, as well as our in-house ad sales function. These are dynamic platforms, but they operate outside our core responsibilities to our roster. We're in an exclusive process for the potential sale of the news & entertainment websites Uproxx and HipHopDX, with more to say on that soon. After a thorough exploration of alternatives, we've decided to wind down the podcasting brand Interval Presents and social media publisher IMGN. Maria and I continue to discuss the ongoing evolution of WMX, and how best to further improve our services to artists and labels, and she'll update the team in the coming weeks.

As we carry out our plan, it's important to bear in mind why we're making these difficult choices. We're getting on the front foot to create a sustainable competitive advantage over the next decade. We'll do so by increasing funding behind artists and songwriters, new skill sets, and tech, to help us deliver on our three strategic priorities:

Grow the engagement with Music
Discovering and developing artists and songwriters is at the heart of everything we do. We'll turbocharge our efforts and investments, with additional focus on high growth geographies and vibrant genres, as well as using our data and insights to help original talents cut through the increasing noise, and taking a holistic global approach to maximizing the potential of their catalogs.

Increase the value of Music
This is one of our industry's largest and most complex opportunities and one that we're working on diligently, whether it's new DSP deal structures or building superfan experiences to help artists connect directly with their most passionate followers.

Evolve how we work together
In order to grow at an accelerated pace, we need to structure our organization so that we can grow efficiently and continue to invest more into music at the same time. That requires being intentional about where centralized shared functions make sense, versus where they are best fully dedicated. This will empower subject matter experts, while scaling our resources. We already made moves in this direction by centralizing our technology, finance and business development teams last year.

Above all, we're positioning ourselves to be first, to be different, and to be exceptional. I – and the entire leadership team – will be keeping you updated as we make progress. In May, we'll hold our next All Hands meeting, which we'll devote to our best new music, as well as our most promising projects.

Thank you for your understanding, passion, and determination. We're in an amazing industry, we're partnered with many extraordinary artists and songwriters, and now is the time for us to pioneer the future.

Robert