believe

Distribution services

Full Year 2021 Earnings Presentation

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FY21 Overachievement in Line with Believe's Profitable Growth Strategy as Presented at the IPO

Denis Ladegaillerie

Founder and Chief Executive Officer, Believe

Good day everyone, I am Denis Ladegaillerie. I am very excited to present to you Believe's performance for 2021, and I would say I am even more excited about where we are today as a business and our favourable competitive positioning and our future growth prospects.

Key Achievements in Line with Believe's Profitable Growth Strategy Presented at the IPO

So, to start, what did we achieve in 2021? If you can go to the next slide, please. We focused on, essentially, overdelivering on the profitable growth strategy presented at the IPO in terms of growth, but also in terms of operating leverage.

Once again, in 2021, we proved our ability to drive profitable organic growth faster than the market.

Three elements contributed to faster growth:

- Strong attractivity for artists and labels. We have never signed so many artists and labels in our entire history than we did in 2021. The dynamics have been very strong all year long across all market segments, from entry level all of the way to top artists, and this in all geographies.
- Second main contributor to growth is improvability through digital innovation, technology, team training to deliver higher digital audience development and monetisation for our artists.
- Finally, the positioning, Believe's unique positioning, in the faster growing markets and the largest future digital markets that are now accelerating in Asia and in Europe has contributed to accelerated growth for us.

So very strong organic growth resulting from a very strong sales organisation and performance, and attractivity of the services.

Delivered high-quality M&A

To build on faster growth, second element at the core of the strategy we presented to investors at the time of IPO, high-quality M&A. We delivered four high-quality deals in 2021 in our two core geographies, Jo&Co and Play Two in France and Viva and Think Music in Asia, that have contributed and will be contributing to growth in 2022 and beyond.

Invested in future growth while demonstrating operating leverage

Second characteristic besides growth is we have, once again, demonstrated the operating leverage in our model while continuing to invest in future growth. I want to insist on the fact that these two elements have run in parallel. We have continued investing in future growth. We have invested in sales and marketing teams across all geographies and market segments to build future growth 2023/2024 and beyond. And we have continued to deliver digital and technological innovations through investment in our central platforms to create and, I would say even accentuate competitive advantage in a number of areas. While continuing these investments, we have, nonetheless, increased operating leverage at EBITDA level by 230 basis points in the course of 2021.

Formalised and deploying Shaping Music for Good, Believe's CSR plan

Finally, the last core pillar of our 2021 strategy, as presented, was formalized and deployed Shaping Music for Good, which is our CSR plan, articulated, as you remember, around developing talent, cultivating talent, and we are building with respect, fairness and transparency and building for the long term.

Next slide, please.

Growth: Proved Ability to Drive Organic Growth Faster than the Market

Strong organic growth each quarter in 2021

On growth, as you can see, growth has been very strong throughout the year, including an acceleration in the last quarter of the year, in Q4, with over 32% organic growth in the last quarter of the year, driven by a strong performance geographically as well as by digital music services. Across the board, a very strong release schedule that has driven these results.

Driven by digital revenues

If you look at digital performance, digital revenue growth, which accounts for almost 91% of Believe's revenues, the growth was even stronger, almost at 36% in the last quarter. And we have seen these growth trends in Q4 hold on; similar growth trends holding on in January and February of this year.

Next slide, please.

Growth: Strong Attractivity for Artists and Labels with New Record of Local Signings

Signing/renewing top artists in all regions

That growth has been driven by a record number of new signings across all market segments. As you can see there, Believe has added, with TuneCore, over 150,000 new artists to its roster of music creators leveraging the service during the year, and we have signed and renewed top artists in almost all territories. Some of the examples that you see there in the slide are some very top artists across the territories; from Micro TDH in Brazil to Placebo in Germany. Most of these artists on this picture are artists that were previously signed to one of the traditional labels, which confirms the acceleration, I would say, of our ability to take share not only at entry level but also at mid-level, and more and more at the top level, all of them contributing to growth.

Case Study: Strengthened Our Leadership in the French New Releases Market

If you move on to the next slide, case study for France that is very illustrative of why there is no limit to the level of leadership that Believe that can attain in any country. At the very top in 2021, Believe overperformed two of the three traditional players in the Top 200 albums in the market, with a market share of 41 of the Top 200 albums, including three of the four most-streamed singles in France, the biggest video on YouTube and the biggest artist. That is the result of our growth strategy. Some of the artists, several of the artists, in the top 41 were artists that were signed on TuneCore two or three years ago. Many artists were artists that were signed in the middle segment and that we have now grown to become Top 200 artists, and some of these artists are artists that were signed away from competitors.

So very strong organic contribution that is also further driven by our M&A strategy in France. As you will remember, we started to make an investment a few years ago, and now with Jo&Co, with Play Two, with two more acquisitions now driving additional market share. And that is allowing us to come into a leadership position in this market. We took France as an example as France is a top five global market. We could have taken many more markets where the very same dynamics are playing.

Delivered High-Quality M&A with Four M&A Transactions in Core Geographies

Building on to the next slide, on to the contribution to the M&A strategy. I have just mentioned for France, Jo&Co, Play Two. For Asia, what is our strategy? Our M&A strategy essentially today allows us to expand into new market segments as our markets are expanding.

To take the case of France, why did we invest in Jo&Co and Play Two? Play Two, largest independent music label in France, previously under partnership with one traditional label. Jo&Co, one of the largest independent French labels. French pop music, for both of them is the core focus, previously distributed by traditional labels.

Both of these labels essentially came to us for two reasons. One, their market segments are now becoming digital. They used to be very physical and now they are digital, and they are seeking a partner that can help them accelerate their growth in these market segments.

A very similar opportunity in Asia, where Think Music is a soundtrack label, which is a segment that was much more traditional, that is becoming much more digital. And the label is seeking exactly the same thing, a partner that will help them accelerate growth into their markets.

As we have always said, there is plenty of these opportunities across the markets around the world. Our focus has remained around core geographies for us, Europe, Asia, to help us accelerate to leadership positions in these markets.

Invested in Future Growth while Demonstrating Operating Leverage

If you want to move to the next slide, please. We have invested in growth, organically and through M&A, while demonstrating operating leverage. So, as you can see there, EBITDA level segment is at 14.4%, with an investment, in that case, of almost 2% of revenues invested into new resources, sales and marketing hires in the territories that we made in 2020 and 2021 and that will start generating in 2023 and beyond. So first high segment level of EBITDA, even though at segment level we keep investing very heavily to keep funding future growth for the business.

We have continued investing in the central platform to build digital innovative technological solutions but as you see and exactly as we had communicated, at the time of IPO, investment in the central platform is being made at a rate that is much lower than revenue growth. And that will continue to translate year-after-year into Central Platform costs, representing a lower and lower percentage of revenues over time; two points of gain in 2020/2021.

Invested in Digital and Technological Innovations to Deliver Increased Audience Development and Monetisation for all Artists

Next slide, slide 11. Where did we make these investments? In terms of technology and innovation, in areas of investment in technology, core focus has been how do we help artists and labels at very large scale increase their audiences and increase their monetisation on the video side, which is a very important revenue driver; through tools such as video monetisation optimisers which helps, at very large scale, all of our artists and labels around the world generate more views, more revenues on YouTube in an automated way. Spotify Discovery, which helps artists and labels gain market share through more exposure of their music to new audiences. Or TikTok virality tool. Obviously, continuing to build up teams that are supporting our artists in terms of marketing and promotion opportunities with all of the key digital music stores is a key element.

Next slide, please, slide 12.

Invested in TuneCore through Geographic Expansion and Innovative Services to Increase Market Share of Music Creators

The continued investment in TuneCore to drive growth in two dimensions: geographic dimensions, service was expanded into five new languages to cover new areas and contribute to accelerated market share gain; and into innovative services to increase our market share of music creators with social platforms, which is a service targeting at the tens of millions of new creators that want to make their music available on TikTok, on YouTube, on Facebook, Instagram for discovery and then move on to full distribution once they have generated success.

Many examples of this, most recent example being Lauren Spencer Hill, a TuneCore artist signed on to the social platforms that jumped straight into number five of the Billboard charts in the UK a few weeks ago after distributing through social platforms. So continued investment there.

Formalised and Deploying Shaping Music for Good, Believe's CSR Strategy

Finally, the last element in the next slide about our key drivers of 2021 since the IPO has been the deployment and execution around our CSR strategy that is centred around developing diverse and local talent; training this talent; building trust relationships with respect, fairness and transparency; and empowering our community to have a long-term impact. We have put a few of the elements that we are very focused on: parity, gender equality (where we have made great progress towards our objective), ambassador rate; training rate, with the objective of having local people that are the best trained in the industry to deliver services to our artists and labels in the most respectful, transparent and fair way.

So, as a summary, I would say this was 2021. I am more excited, I think, than I have ever been at Believe about the opportunity that is ahead of us for 2022 because I do think that where we are as a business and the core trends that have played in 2021 are exactly the ones that are going to continue play in 2022. In 2022, our focus is going to remain profitable growth. We have a very large opportunity ahead of us with very strong tailwinds in the digital music market with YouTube, Spotify, all digital music services continuing to drive very strong growth.

We are more and more convinced that we have exactly the right model to take advantage of the transformation of the artist market, capturing more at the top, capturing more artists in the middle, capturing more artists at entry level, with a service model that is adapted. That is making us more and more attractive to artists and labels at all stages, every day, because every day the music market is more digital.

Finally, because we have continued to invest in sales and marketing, because we are continuing to invest in innovation, in 2021 we have created competitive differentiation, which has allowed us to acquire market share. And that differentiation is going to become even more evident in 2022 and I think it is going to play exactly on the same dynamics.

Finally, we have the right values, the right driving forces, with respect, with fairness, with transparency, that are the basis of Believe building trust relations with artists in the long term.

So really excited about where we are as a business and I will pass on the stage to Xavier to tell us the story with the numbers.

FY21 Financials: A Set of Results above IPO Commitment

Xavier Dumont

Chief Operating Officer and Chief Financial Officer, Believe

Delivered Strong Organic Growth While Demonstrating Operating Leverage and Improving Free Cash Flow

Thanks Denis. Hello everybody. So I think financial year 2021 showcased perfectly what Believe stands for, as illustrated by Denis. A key point for us is that we drive profitable organic growth faster than the market, which is a tribute to our capacity to increase monetisation for our artists and labels.

We are a digital focus company and as you can see in slide 15, 91% of our revenue are digital. Our digital growth is at 33.6% so very significant. And at the same time, this is underpinned by a very strong organic growth at almost 30%.

We invest in a very profitable and controlled way. We have increased our EBITDA margin while we are investing significantly to drive future growth, through a mix of technology and services that emphasises the attractivity of our model for artist and label, as well as for strategic partners that we invested in. At the same time, we improved our free cash flow by €7 million while managing our working capital needs to be able to fuel our goal.

DMS and Revenues Growth Driven By Believe's Strong Attractivity for Artists and Labels and Our Capacity to Drive Higher Monetisation

So if we go page 16, we are trading our two business segments. So just as a reminder, our two business segments are the Automated Solutions segment. We are addressing the creators of in that segment. It is a fully automated and mainly a subscription business. And the other segment is the Premium Solutions segment where we address the needs of artists and labels from emerging to top. And the monetisation is through a percent of revenue.

We are following, on that page, the two KPIs. One is the digital music sales that are the receipts we got from the stores, and we are following the revenue. The digital music sales are different from the revenue for the Automated Solutions part, as the revenue are the subscription. And for the Premium Solutions part, the digital music sales are equivalent to the digital revenue. But then we complete our revenue on the Premium Solutions part by ancillary services, being physical distribution, being synchronisation, merchandising, enabling rights, branding, etc.

So what you can see here is that the bulk of our revenue and 60% of our digital music sales come from the Premium segment, with €541 million of revenue, plus 31% versus last year, out of which 35.6% digital growth. That is explained by the favourable market trends in the geographies we are in. The market share gains that we have in almost all geographies and countries. And the expansion of our services across new genres of music and across also new type of artists, specifically the top artist segment.

The Automated part of the business, it is 7% of our revenue. The DMS digital music sales have decreased because of high comp in 2020 due to COVID where we had a very high distribution rate, and also because of the negative exchange rate. We have a very efficient monetisation model, as you can see, on the revenue side, and the revenue have increased by 13.7%. As explained and demonstrated by Denis, we had a very encouraging Q4 new launch of offers on Automated and we are reinforcing that part of the business.

Growth in all Geographies in FY21, emphasised by its strong Positioning in the Most Dynamic Markets

If we go to page 17, it illustrates that we are positioned in the strongest and most dynamic markets in terms of growth. Our positioning is first in Asia, which is the fastest-growing zone, where we are investing, both in organic and through M&A, in the Philippines and India this year. Asia would be, in the next few years, the first zone in the global recording market and our main countries there are India, China, Indonesia and Thailand.

Secondly, in terms of growth, at roughly the same level is America, mainly Latin America, with Mexico and Brazil growing almost 36%. Then our second biggest investment zone is Europe, specifically Europe excluding France and Germany, growing 35%. Eastern Europe, Turkey and Russia is in the zone. And we will get back to Russia in a few minutes.

Last two countries. France, significant market share gain with the 20% growth in digital sales and showcased by Denis just before, on the case studies on our position against incumbent players in that market. And Germany, +5% growth; you will see the figures that we had a better Q4 than we expected, but still, we have the portfolio reorganisation that will have impacts until well into 2022 in that country.

Significant Increase in Group's Adjusted EBITDA Margin Versus FY20, Reflecting Improved Operating Leverage

If we go to page 18, this demonstrates the operating leverage of the group, where our EBITDA margin has almost doubled to reaching 4% as we are still investing. That operating leverage can be divided into the first block, is the EBITDA pre-Central Platform. That includes the investments we made in sales and marketing teams in our markets where we have target ROIs between 18 and 24 months. The EBITDA label in the segment is pretty stable at 14.4%, closer to actually historical levels. It is a high growth EBITDA in the sense that we are, as Denis explained, constantly reinvesting in new teams to be able to drive growth.

The second bucket of profitability is the Central Platform investments we made. So Central Platform is where we have tech and product and support teams, the ones that are very busy developing new team processes, etc., which is a key differentiator for us as illustrated by this presentation. We keep reinvesting in the Central Platform to develop our digital expertise and increase our differentiation, but this investment is made at the lower pace than the revenue growth, leading to a decreased percentage of Central Platform over sales. We went from 12% in financial year 2020 to 10% in financial year 2021.

Free Cash Flow Improvement Thanks To Efficient Control on CAPEX and Working Capital

That leads into page 19, the free cash improvement of almost €7 million between 2021 and 2020. That free cash flow improvement comes from three main drivers. The first one is the higher EBITDA. The second driver is the fact that we are controlling our investment in the platform, translating into lower CAPEX. The third part is the working capital variance which is on par with our IPO guidance. The working capital is driven by the advanced payments that we make to selected labels and artists to fuel our future growth. Our financial policy is still the same year in year out. The advance depends on the value, the duration of the contract and the type of service.

So you may remember that H1 was higher as a percentage of sales because of some renewals with large labels that made a choice to renew with us with a higher contract duration. H2 was more standard versus H1 in that aspect, hence the fact that our working cap is right on target with what we had guided at IPO, with 11% as a percentage of data sales during the year.

A strong Set of Results, Well above IPO Commitments for FY 2021

Page 20, just to recap of the fact that, as we executed largely over the expected objectives that we had, we revised our targets several times during the year, up to the actual performance of 2021.

FY22 Guidance

Page 22, financial year 2022 guidance. So, financial year 2022 guidance, the guiding principles are still same. We plan to continue driving our strong organic growth with tailwind on the market, with market share gains, thanks to the attractivity of the model as described by Dennis. We have an organic performance that is going to be increased by 2% thanks to the service agreements we concluded with our strategic partners in H2 2021. And, of course, the activity in Russia and Ukraine is expected to be penalised by a much lower level of business.

So what is Russia and Ukraine for us? That is illustrated on the right-hand side. So Russia and Ukraine represent 9% of our group revenues. In this 9% of the group revenues, 60% of the revenues are local. And in that local revenue, 65% are made by international digital service providers that stated in the last few days that they suspended monetisation. And so the rest of the monetisation is 40%, it is made outside of Russia and Ukraine. That monetisation is made at 13% EBITDA margin. And on the FOREX side, we have indirect exposure to roubles, as we do not have direct rouble sales, but the DSPs are selling the services in roubles, so we will be impacted there.

The second driver for us is that we are going to continue investing in future growth with very strict control regarding our operating leverage and cash flow. We are going to manage activity on the investment cycle. As we demonstrated, we have been doing for the year. Given the activity in Russian and Ukraine, it is too soon for us to know exactly what's going to happen in Russia and Ukraine. As you know, the situation is very fluid and changing quite a lot. What we are going to do is that we are going to give more precise objectives beginning of May, with our Q1 2022 release, when we will have a better visibility of the situation in Russia and Ukraine.

On Track to Deliver on Mid-Term Objectives

Having said that, page 23, we are confirming or return objectives. 2021 has demonstrated that our model is very resilient, our model is very efficient, and the attractivity is very high. So we are on track to deliver our mid-term objective. We are on track to deliver the 22-25% organic growth on average for the period 2021 to 2025. We are on track to get to the 5-7% EBITDA margin by 2025 and we are on track to a long-term EBITDA margin at 15%.

Denis Ladegaillerie: Super, thank you very much Xavier and we will open up to questions now.

Q&A

Nicolas Langlet (BNP Paribas): Good afternoon everyone. So I have got three questions please. The first one on automated solutions. So we have seen a sequential improvement of the organic growth in Q4 but clearly, it remains at fairly low level. So you mentioned a comparable basis, which was still quite challenging, but are there any other reasons impacting that business? And looking at the coming quarters, do you think the recent initiatives you implemented will permit to return to 15-20+% growth momentum or it is still too soon to look at that?

Second question on the short video platform, so you have announced different partnership with Play Two and TikTok recently. Have you seen any real improvement of the business with those platforms and how big could those platforms be in 2022?

The last question on platform costs. So you said you expect further increase in the coming years and [inaudible] in 2022. So in 2021, the increase year-on-year was €7 million in absolute. Is it the trend we should be looking at for year 2022? Thank you.

Denis Ladegaillerie: Thank you. All right, thank you very much, Nicolas and I will start addressing one and two and then Xavier will address the third one. But just before, I just realised that I made a mistake in the name of Charlotte Spencer Smith, is in reality Lauren Spencer-Smith. I do not know why I mix them up. That is a [inaudible] that went to the UK billboard charts.

On this two core, automated solutions growth, obviously, yes, we want to accelerate growth on automated solutions. The market for music creators, it is very large, it is enlarging. There is two ways that we are addressing that market, one with new solutions like social platform, and we have seen very strong trends in the initial pickup of the new offering, and we expect them to continue to accelerate.

Two, we will be announcing more initiatives at TuneCore to accelerate growth there in 2022 and that is part of the investments that we have made in 2021 that we are continuing to make this year.

And I would say three, to your point, we do have partnerships, like the partnerships that we just announced with TikTok. We had announced one partnership with SoundHound where we are powering distribution for all TikTok-born artists on two of our platforms in partnership with TikTok. The partnerships that we had done earlier with Instagram. We expect all of them to contribute to an acceleration of growth in that business in terms of number of creators.

Question two, with regards to the social platform effect, do we expect revenues coming from platforms such as TikTok to increase in 2022 and beyond? Yes, I think we have already had the opportunity to touch on this. Unlike traditional labels, we have not negotiated any of these deals with minimum guarantees, which means that in the case of Believe, when we renegotiate deals, they do not go down, they go up and we are renegotiating. We are currently engaging renegotiations with a few deals, TikTok being one of them. We expect to see significant increases in revenues in 2022 and beyond, coming from some of these deals.

Do we expect to those platforms to generate or increase significantly in the revenues or be a very large portion of the revenues coming forward? I would say the answer is very different. I would say that some platforms, like ByteDance or TikTok, that are also building streaming services, like TikTok, ByteDance or with Resso in Asia, we are expecting them to become significant revenue drivers. Deuce platforms that are not engaging purely into music, yes, their monetisation will increase but not to the same extent.

Platform cost, I am passing on to Xavier.

Xavier Dumont: Thanks, Denis. On the platform cost, the way we reason is more percentage of sales, because our goal is to be able to invest to increase differentiation and at the same time, increase the operating leverage of the company. So, as you know, the percentage of the Central Platform in overall revenue is going to decrease because Central Platform is a fixed investment. And so what you should expect is that Central Platform investment as a percentage of revenue decreasing to get to a financial target midterm and long term.

Nicholas Langlet Okay, perfect. Thank you very much.

Lisa Yang (Goldman Sachs): Good evening, thanks for taking my questions. I have a few. The first one is obviously on the geopolitical situation. I understand it is a very early days but just wondering, what are you seeing currently? You said January, February, still very strong, but just wondering in March, have you started to see any sort of impact? I think you talked about 3.5% of your revenue basically being gone, given the DSPs have stopped their operations there. But apart from that, are there any other impact you are seeing, for instance, in Eastern Europe or anything like that? That is the first question.

The second one, I was wondering if you can give us a bit of an outlook for the industry as a whole. You talked earlier about the growth from these new platforms, but I am asking more specifically about the streaming services, the more traditional subscription base, or ad-funded streaming services. How do you think they are going to perform in 2022? Do you see an opportunity to raise prices, do you see an opportunity to increase advertising monetisation, or paid subscription penetration to accelerate in your market? That is the second one.

And the third one is on M&A. Obviously, valuations are coming down in the public market; I am wondering if you are also seen that coming through in the private markets. Does it open up more opportunities for you? Do you think it is more interesting M&A to be done this year, given that mismatch between private and public valuation? That is the third one. Thank you.

Denis Ladegaillerie: Thank you very much, Lisa. I will maybe address the first two ones because I think they are part of the same question. So what are we seeing in the web streaming services? What we expect in 2022 and do we see an impact of what is happening globally, from the Russia-Ukraine situation?

So first, on that topic, all of the conversations that we have had – and I was in the US last week and I met with top leadership of all of the streaming services – what we are hearing from them is right now, no impact from the situation in Russia or Ukraine, outside of Russia or Ukraine. So from a paid subscription growth, the trends that we are expecting is continued strong growth in most territories, obviously, as you pointed out, with obviously stronger paid subscription growth in the territories where Believe is positioned in – Europe, Asia, other territories – because the penetration rate is still lower, so we are in the acceleration phase.

So yes, we expect to continue to be benefiting from strong, continued paid subscription growth at Spotify, Apple Music, Amazon in 2022. Two, we expect to see price increases from these services in the very near future and we do think that once some of these services start raising prices, all of them will follow. So yes, we do expect that it could play in 2022.

And on ad-supported monetisation, we have seen very strong increase of ad-supported monetization in 2021 at YouTube, which we expect to continue to see in 2022 at YouTube. But I we are not expecting acceleration there. And what we see from services as Spotify is there is a number of changes that they have done in the way they are organised to improve ad-supported monetisation.

So, these are the three elements we see globally so we anticipate, in short, especially in the markets where we are positioned in, continued strong growth from the services. Xavier, you want to touch on the M&A?

Xavier Dumont: So on the M&A front, I think we are in a specific situation because, as you know, we are doing bolt-on M&A. As you know, we are really into process, we are really targeting and very selective in our targets. And well, so far at least, we haven't seen any price hike or decrease significant in the last few months [inaudible] because of our specific positioning.

So it is hard for me to say whether we are going to see or to benefit from any price adjustment that is going to happen, given that the price we pay, the multiples that we pay for target depends very much on their growth profile, EBITDA profile, the level of also synergies that we need to put on. So I will not make any generalisation at the moment. What I can just say that the targets that we have at the moment, we do not see any big price hike, so no big changes there.

Denis Ladegaillerie: And maybe to complete, Lisa, what Xavier was saying, one more point on this is, we always expected that valuation will start to come off from where they are in the US first, because the US is one market where we have not yet invested a large scale. And our view is always, hey, let us wait until 2023, 2024 because the market will be more mature from an artist standpoint and from a growth standpoint, and there may be a good point of entry there.

And as mentioned, I just spent two weeks in the US and I am exactly starting to see the first sign of this. First one being the digital transformation of a market, of the artists market, that are taking place in Europe is now with artists starting to move away to some extent from copyright deal, starting to move into looking for partnerships, better economics, away from copyright. All of the conversations I have had point in the same direction. We are seeing the early signs of that happening in the US as it has in other territories. And organically, we are investing more in the US than we have before as part of our budget and we are going to accelerate this in 2023 because we do think that the opportunity is opening up there and we do think that for the same reasons, lower growth, slower growth in the US, that might create interesting opportunities.

Lisa Yang (Goldman Sachs): Great. Very clear. Thank you.

Operator: Thank you. Your next question comes from the line of Nicolas Cote-Colisson from HSBC. Please ask your question.

Nicolas Cote-Colisson (HSBC): Oh, hi, thank you. I have got two questions. Just considering the worst case scenario in Russia and Ukraine, let us say what would be the contingency plan if you were to close forever and write off the operations? I was wondering the sort of costs we should consider. And also how much of the business could be done from another country, obviously, still abiding to the restrictions and the law.

And my second question is about an update on the possible consequences of the music right bill in the UK, which could be extended to other countries, why not? I was just wondering if it has any impact on a company like Believe. Thank you.

Xavier Dumont: So, maybe first on Russia, so in Russia, basically, we are operating in Russia as we are in any other countries, which is that we have local teams that are signing and servicing artists and labels using the Central Platform technology. And so all our contracts in Russia are signed outside of Russia and the only thing we have locally are the teams that are servicing.

So to your points, is it possible to service the country from outside of the country? Well, technically, I would say, yes, from a technology standpoint, however, you still need to have a local presence, i.e. to talk to the artists and service the artists on a face-to-face basis.

Having said that, what is unknown today is that, as Denis explained, the business is still continuing, even if there are less monetisation and, of course, the fact that there is a lowest monetisation might mean that we will have to adjust locally. Once again, it was a fast-growing market for us. We have a very strong local team and we will be adjusting according to basically the sanctions, the international recommendations, and of course, the localisation regarding our business.

Denis Ladegaillerie: Okay. Thanks, Xavier. And Nicolas, for your questions with regards to the UK, we do think it is actually long overdue, and a great opportunity that the competition authorities are looking at the UK markets. Our view of the UK market is that it is a weak market because this is a market where in the UK, local UK artists last year represented less than 50% of the market, they only captured 47% market share in the market, slightly only half a percentage above US artists. So the UK is a market that has been used by major record labels as an export market first, and that has been very weak in local artist development.

And so as a result, and very correlated to that, the percentage of the market that is being controlled by independent players is slightly above – I think it is around 15%, so very low compared to what we see in other markets. This is exactly what we have told and what we are currently telling the UK market authorities, which is you need to correct competition in the UK market to strengthen your local market because you are one of the weakest local markets in the world, and you need to get that addressed. And I can tell you, this is resonating quite well, so we do think that if there is action on the back of this, this will create opportunities for us.

Nicolas Cote-Colisson: Okay, that is very clear. Thank you.

Richard Eary (UBS): Yeah, thank you and good evening, everyone. Just a few questions, actually. Just first one is in regard to M&A. You have made four transactions last year, I think, Play Two and Viva, both equity accounted, and then Jo&Co and SPI are both consolidating. And the total amount that was going through the cash flow statement was nearly €50 million. I am just looking through the financial accounts itself, and it looks as though they happened late last year. So I am not sure how much impact they have in the fourth quarter in terms of consolidated revenue. But if you can outline any impact on the FY21 numbers from the four acquisitions and what are the actual pro forma numbers, so we can think about contributions for FY22. It looks as though the SPI is probably the big one out of the four on a consolidation basis. That is the first question.

The second thing is on working capital. I think, what we saw is through the year, particularly the guidance around the third quarter, we had a big step-up in working capital outflows in terms of guidance, which never really materialised. Can you just explain a little bit more why that did not eventuate, what changed, and whether that is something that we now need to factor in for FY22? So yeah, guidance for FY22 and an explanation of what happened in terms of working capital in the second half. That will be great. Those two questions first.

Xavier Dumont: Thanks for your question, Richard. So, impact of M&A in financial year 2021 is very small. Those transactions happened, as you know, very late in the year. Most of the impact would be the distribution contract that did not really kick off before the end of the year, just a bit[?] [inaudible] Play Two, but for the rest, not much. The impact on revenue of the M&A in financial year 2021 is very, very small, so most of the increase is organic.

On the working capital, as you mentioned, there is a difference between H1 and H2. The main difference is the type of deals that that we signed in terms of duration. H2 was much more standout in terms of working capital as a percentage of sales, versus H1. And so this is why we had, at the end of the year, a spike of H1 that was then amortised in H2, leading to an average of the year very close to what we expected at IPO.

Richard Eary: Yeah, no, okay. Can I just ask two follow-up then? One is in terms, if we look at the acquisitions that you made at the end of the year, on a pro forma basis, how much revenues will flow into 2022?

Xavier Dumont: Okay. The main impact is going to be the distribution contracts and distribution contracts are going to represent 2% increase in the organic growth for 2022.

Richard Eary: Okay. And that is mainly from basically Jo&Co and SPI?

Xavier Dumont: From Viva, Play Two, Jo&Co and Think Music, SPI.

Richard Eary: But Play Two and Viva were equity accounted, so they will not go through the revenue number, they will just go through the equity associates.

Xavier Dumont: No, they will because with them, we signed a distribution contract, so, basically, we are going to distribute their music. And so that distribution contract, that will be mostly digital. That distribution contract will flow into our revenue so that is going to be the impact. The sum of those revenues will represent 2% of our increase in revenue, organically, in 2022.

Richard Eary: And then just going back to the working capital numbers for 2022, just to get to where we think about advances, how do we think about working capital for this year?

Xavier Dumont: We have not changed our financial policies. So, for me, what I can see today is that as the financial policy has not changed, we should have, roughly, as a percentage of revenue, the same impact. Because, as I explained, the variant that you can have would depend on whether, under the same financial policy, a label or an artist wants to sign at the longer duration, as it happened in H1. I do not see that today but it may happen because the deals, as you know, are signed pretty quickly, in a matter of a few weeks. So my appreciation would be, as the financial policy of the company has not changed, the working capital impact are going to be roughly the same as a percentage of revenue.

Richard Eary: Okay. So there will still be a negative outflow, so if revenues grow by 20%, we should see a 20% increase in the negative working capital?

Xavier Dumont: Yes.

Richard Eary: Okay. Thank you.

Operator: Your next question comes from the line of Christophe Cherblanc from Société Générale. Please ask your question.

Christophe Cherblanc (Société Générale): Yes. Good evening. Thanks for taking my question. A few on my side. First one is on Russia again, so sorry to come back on the issue. You mentioned 40% share of exports, so just to be clear that, does it mean that it is Russian music consumed outside of Russia and Ukraine? Because I was not aware that there was international consumption for that category of music. So that is my first question.

Still on Russia, I understand that Spotify is not monetising the service but they have not stopped the service and it seems they are still paying some artists pay-outs, so can you confirm that is still the case, at least at this stage?

The second question was about pricing, I think, Denis, you mentioned that you were positive on pricing. We know that Spotify wants to raise prices but as far as I know, Apple Music has never said anything. So you think Apple Music will join the momentum?

And the last one was on YouTube. You had very strong digital growth. Can you just give us a sense of whether the YouTube contribution was above or below the trend? I would assume it was above the trend. And by the way, what is the share of revenues of your top clients at the end of the year? Thank you.

Xavier Dumont: Okay. I will take Russia the question on Russia and let Denis answer for your question on Apple. So on the Russia front, Christophe, I think you should stream Russian artists. Yes, you are absolutely right, the 40% are the exports of the people outside of Russia and Ukraine listening to Russian artist. And yes, as you can see, it is a significant part and actually, it is the digital world that explains that. And so this is what we call by export.

Regarding monetisation, to be fully honest with you, it is very hard to know exactly what is happening on this because there is announcements made by the stores and so, as you said, Spotify has stopped monetising just because they cannot be paid through the credit card bans, etc. How is it going to translate into payments to artists and labels? Hard to say, or for us today, we make the assumption that it might have a negative impact but it is very hard to say at the moment.

Denis Ladegaillerie: Yeah, just maybe to complete on this point is, so to your specific example around Spotify, with Spotify in a number of countries, and that is the case for Russia, we have minimum guarantees, which is even though they're not monetising, they guarantee us a minimum pay-out per stream, even though there is not monetisation. And what they have confirmed to us in that case is that the minimum guarantees will continue being applied, so as long as we continue exploiting, yes, at least in the in the short term, we will continue receiving revenues there. And that is one.

On the pricing, very good question, I am not going to comment on what Apple is going to do but, yes, I do personally think that, given Apple's overall strategy around deriving profitability for Apple Music in 2022, the likeliness of a price hike in the near future is very high.

And you want to comment on YouTube, Xavier, to finish?

Xavier Dumont: Yeah, so YouTube, as you know, we are over-indexing in YouTube and so, the YouTube growth is higher than the overall growth because YouTube is very significant as a monetisation tool in the emerging territories.

Denis Ladegaillerie: And YouTube is also growing very rapidly in terms of market share of paid streaming and subscription. In 2021, they have been the fastest growing, paid subscription streaming in the US and we expect to remain one of the, if not the fastest growing service on paid subscription.

Christophe Cherblanc: Okay. Can I squeeze a very last one just for Xavier? I could not find the net income numbers, so going from the bridge from operating profit to net income with financial and tax. Can you just give us quickly the numbers?

Xavier Dumont: We will get back to you on this specifically because we are going to release the financial statements, Christophe, so you will get all the necessary details.

Christophe Cherblanc: Okay. Thank you.

Tom Singlehurst (Citi): Yeah, thanks. It is Tom here from Citi. Just a couple very quick ones. Firstly, competition in automated solutions, I am just wondering whether that is becoming more intense and whether you think there is any share loss that working into that slightly weaker revenue growth profile, relative to history.

And then secondly, I am interested in your views on the distortion in the market from catalogue sales and big money being spent not only by the established labels, but also by financial institutions. Does those big catalogue acquisition have the potential to disrupt what you are trying to do and just skew the market in terms of how these assets are monetised longer term? Those are the two questions. Thank you.

Denis Ladegaillerie: Thanks very much, Tom. On competition for automated, so I would say no, we are not seeing a stronger competition. I mean, the competition has essentially been in that market segments, technology-based players, Distrokid and CD Baby, so we sell them as competitors in that market. We think that a number of initiatives, the initiatives like social platforms and a few others that we will take in 2022, will allow us to accelerate market share gains in that market segment. And we do not anticipate new players to come into the market there. So I would say, no change anticipated there in the competitive landscape. And I know you state that we are not seeing any tractions from major record labels in that area, these are technology plays for which they do not have a proper skillsets.

With regards to the distortion of catalogue and catalogue sales, the first thing I would say is we see a lot of misleading data in the market about the importance of catalogue and the market share that is actually captured by catalogue. When we analyse data, and we have just done this across a number of territories, what we see is two-thirds to 70% of the consumption in the mass market, is not catalogue but it is frontline. And where the difference is, is, as you know, catalogue – I will give you, we just looked at number of markets, what we see is the structure of the market is essentially one-third, one-third, one-third. One-third is music that is less than 18 months old; one-third is music that is between 18 months and five years old; and then 25% to one-third is older than five years old.

And if you really analyse the investment cycle, especially of new artists, less than five years is really frontline. Because most of our deals, most of the deals that anyone is doing are three, four, five, ten-year deals and to get an artist to the top, it takes about three years – three, four, five, years. So essentially, when we look at some of our top artists, right now, most of their monetisation is being made on two albums that they released one, two, three, four, five, years ago plus the new album that they just released.

So this is why we very, very heavily remain focused on signing frontline artists because we think this is where the value is and this is where the game is. And we want to become better than anyone at breaking success through digital innovation and through digital marketing expertise because this is where the game is.

When you look on the catalogues, I would say on the older catalogues, obviously this is not a market where we want to pay because we think that valuations do not make sense – or at least that for us, capital allocation is much more efficient elsewhere on frontlines. However, we do think that what is happening, especially in the private equity side, is creating opportunities for us, because some of the private equity is buying royalty streams, and some of the private equity is actually buying rights. And they are buying rights without any capability to actually improve the monetisation of those rights. And we have had a number of discussions in the past quarter with some of the private equity who are now holding rights, who have the possibility to find new partners to exploit rights. And that is creating an opportunity for us in that market segments that we think could allow us to gain share in a market where we have mostly not played so far.

So in short, I would say, no change to the strategy, or we do not expect that to be taking share away but creating an opportunity for us on one new market segment that, quite frankly, given when we see like catalogues that are older than 10 years old, representing about 10-15% of the market, is not a huge opportunity but still an interesting one to look at.

Tom Singlehurst: Very clear. Thank you.

Lisa Yang: Hi, again, sorry. Just two more questions. One is on the margin. Obviously, in 2021, we've seen a big margin improvement, so how should we think about the pace of margin growth going forward, especially in 2022, given there might be some moving parts? We saw some cost avoided during Covid coming back but I am just wondering whether you can reach that 5-7% much sooner than then 2025? That is the first one.

The second one is just really quick follow-up. If I basically take into account everything you said, you sounded quite bullish on 2022. With the exception of Russia, is it fair to say your overall digital revenue should be quite close to that 30%+, excluding Russia? Thank you.

Xavier Dumont: So on the margin improvement, I think, as you know, the margin improvement is the sum of two parts. The first part is the margin we make on the segment level and that margin is pretty stable. So it might be improving a bit, but not very significantly, because what we want to do is that we want to reinvest in sales and marketing teams, as long as we can grow our business and demonstrate that we have a good ROI on those teams after 18 to 24 months. And so we do not expect that to be changing in the near future.

The second part is the Central Platform cost as a percentage investment – as a percentage of revenue, and that is going to grow at a less rate than the growth of revenue. And so to your point, are we going to get to the 5-7% EBITDA margin sooner than in 2025? I would say it will depend on the level of revenue growth that we are generating and the level of investment that we make. There is no expectations on our part to drive a much, much faster EBITDA growth as a percentage of revenue because we want to keep investing as long as we can, demonstrate that we are growing our revenue and that we have a good ROI on our investments.

And then the second part on our digital revenue. So I would say you would like me to give you something that I think we are going to give you only at the beginning of May. So if you allow me just to say that beginning of the year has been a good trend for us, but given the situation in Russia and Ukraine, we are going to get back to you with a more precise guidance at the beginning of May.

Lisa Yang: Okay. Thank you, have a good evening.

Emilie Megel, Investor Relations: We have two questions from the webcast. The first one comes from Eric Ravary at CIC. Could you please comment on the launch of SoundOn by TikTok, which looks like a direct competition to your own services?

Denis Ladegaillerie: Eric, the answer is TuneCore is the partner of SoundOn that is powering distributions and it is a co-branding deal that you will see being expanded upon in the coming weeks. All of the artists that are currently being distributed by TikTok and SoundOn are actually distributed by TuneCore. We do think that is going to be one of the drivers of new clients for us in 2022, under a co-branding deal.

Emilie Megel: And we have a last question from Mr Grau, who would like to know if we can give him a figure on the streaming market growth to show how we grow faster than the market.

Denis Ladegaillerie: There is going to be publication in the next few days regarding the growth of the market, both from IFPI and Media. I think the figure I have in mind, but it is not official yet, it is something around 29% just for streaming I think.

Emilie Megel: The report was just published tonight.

Denis Ladegaillerie: Okay, that is even faster than I on this. Yes, I think Media just published 29% streaming market growth for 2021 and we grew at 34% digital music sales and we are expecting the overall organisation that reports as IFPI, which has not been issued yet.

Emilie Megel: We do not have any further questions.

Denis Ladegaillerie: Perfect. Well, thank you very much, everyone. I hope we answered your questions and wish you all a very good rest of your day. Thank you very much.

[END OF TRANSCRIPT]