



UNIVERSAL MUSIC GROUP

New UMG

April 2026

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Forward-Looking Statements

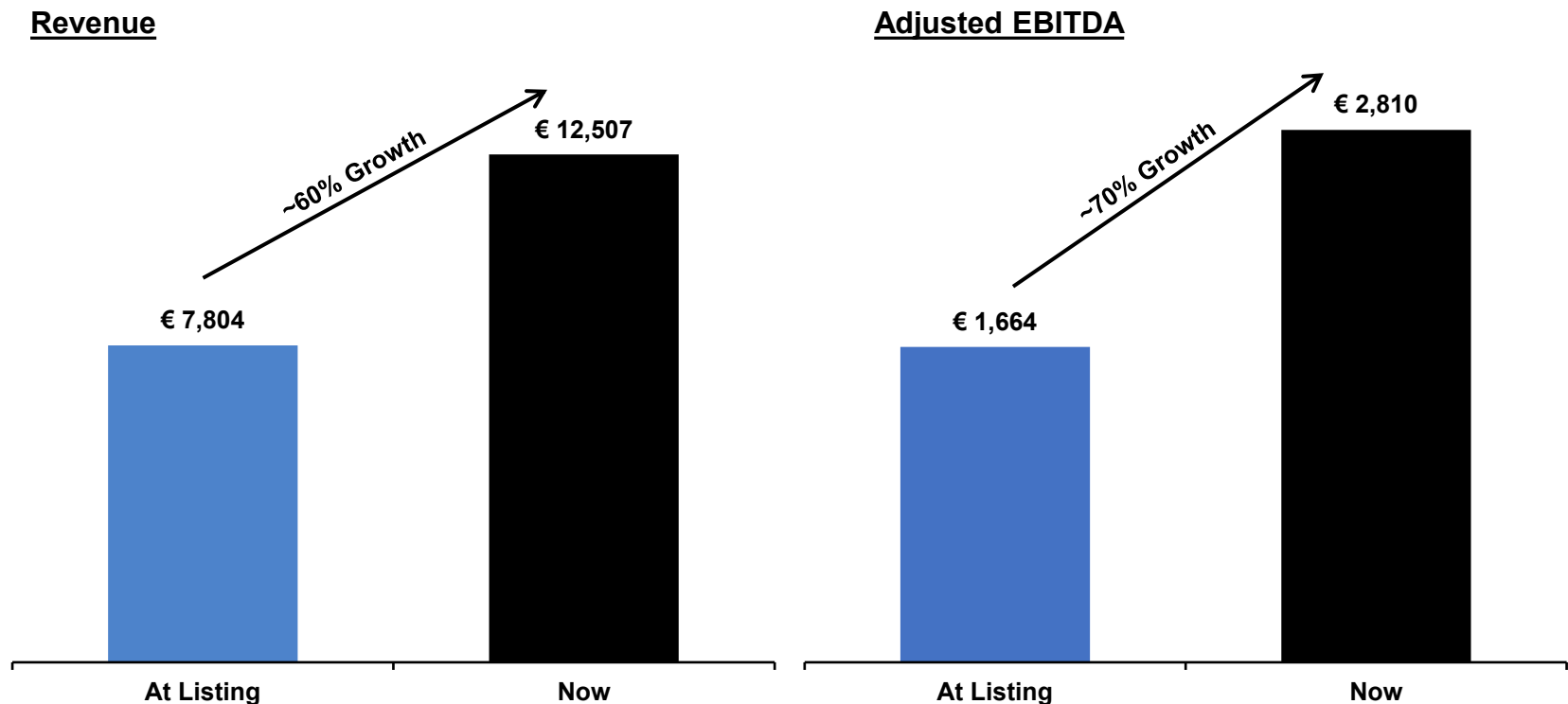
This press release contains certain forward-looking statements within the meaning of the U.S. federal securities laws and other applicable securities laws, including statements relating to the Proposal and UMG's and Pershing Square SPARC Holdings, Ltd.'s ("SPARC") future business strategy and performance. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "possible," "potential," "predict," "may," "might," "should," "will," "would," "will be," "will continue," "will likely result," "continue," "could," and similar expressions, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks and uncertainties. Many factors could cause actual future events to differ materially from the forward-looking statements in this release. You should carefully consider these and the other risks and uncertainties described in SPARC's registration statement on Form S-1 and other documents SPARC has filed with the Securities and Exchange Commission. Those filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Pershing Square and SPARC do not assume any obligation and do not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise. Neither Pershing Square nor SPARC give any assurance that the transaction contemplated by the Proposal will be consummated or that Pershing Square or SPARC will otherwise achieve their expectations. The inclusion of any statement in this press release does not constitute an admission by Pershing Square, SPARC or any other person that the events or circumstances described in such statement are material. Investors can learn more about SPARC by reading SPARC's Form 10-K for the fiscal year ended December 31, 2025 and other filings made with the Securities and Exchange Commission which can be found here:

<https://www.sec.gov/edgar/browse/?CIK=1895582>.

UMG's Business Performance has Been Strong Since the Public Listing

Since becoming a public company, UMG's revenues have grown by ~60% and Adjusted EBITDA has grown by ~70% in approximately four years

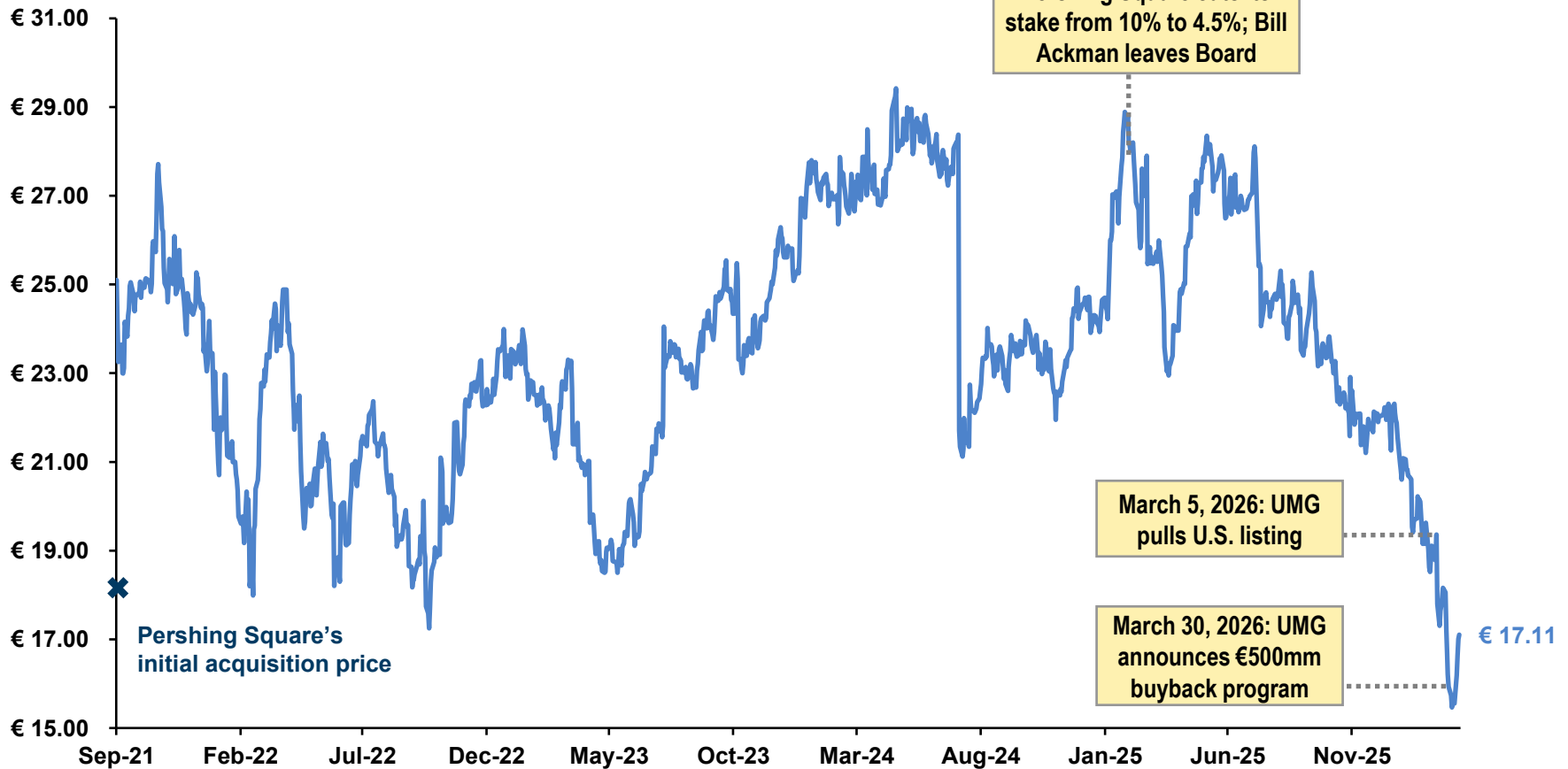
LTM Revenue and Adjusted EBITDA (€mm, At Listing vs. Now)



Yet, UMG's Share Price has Declined Substantially

UMG's share price is down 39% from its peak two years ago, and is down 23% from its listing more than four years ago, despite strong revenue and EBITDA growth

UMG's Share Price (Since Listing)



Source: Capital IQ. Note share price decline accounts for interim dividends

UMG is Trading Near its Lowest Valuation Ever

UMG's valuation has declined to 15.6x earnings and is trading near an all time low

UMG's Forward Price / Adjusted Earnings Ratio (Since Listing)



Adjusted for its stake in Spotify, UMG is currently trading at less than 15x earnings

Why has UMG's Share Price Underperformed?

We believe that UMG's stock price's underperformance is principally due to the following factors:

- ▶ **Uncertainty concerning Bolloré Group's 18% stake in the company**
- ▶ **The postponement of UMG's U.S. listing**
- ▶ **The underutilization of UMG's balance sheet, which has led to reduced returns on equity**
- ▶ **The absence of a publicly disclosed capital allocation plan and earnings algorithm**
- ▶ **The lack of investor credit in UMG's valuation for its €2.7 billion stake in Spotify**
- ▶ **Suboptimal shareholder investor relations, communications, and engagement**

The above issues can be addressed through a business combination transaction, with no impact to UMG's business operations

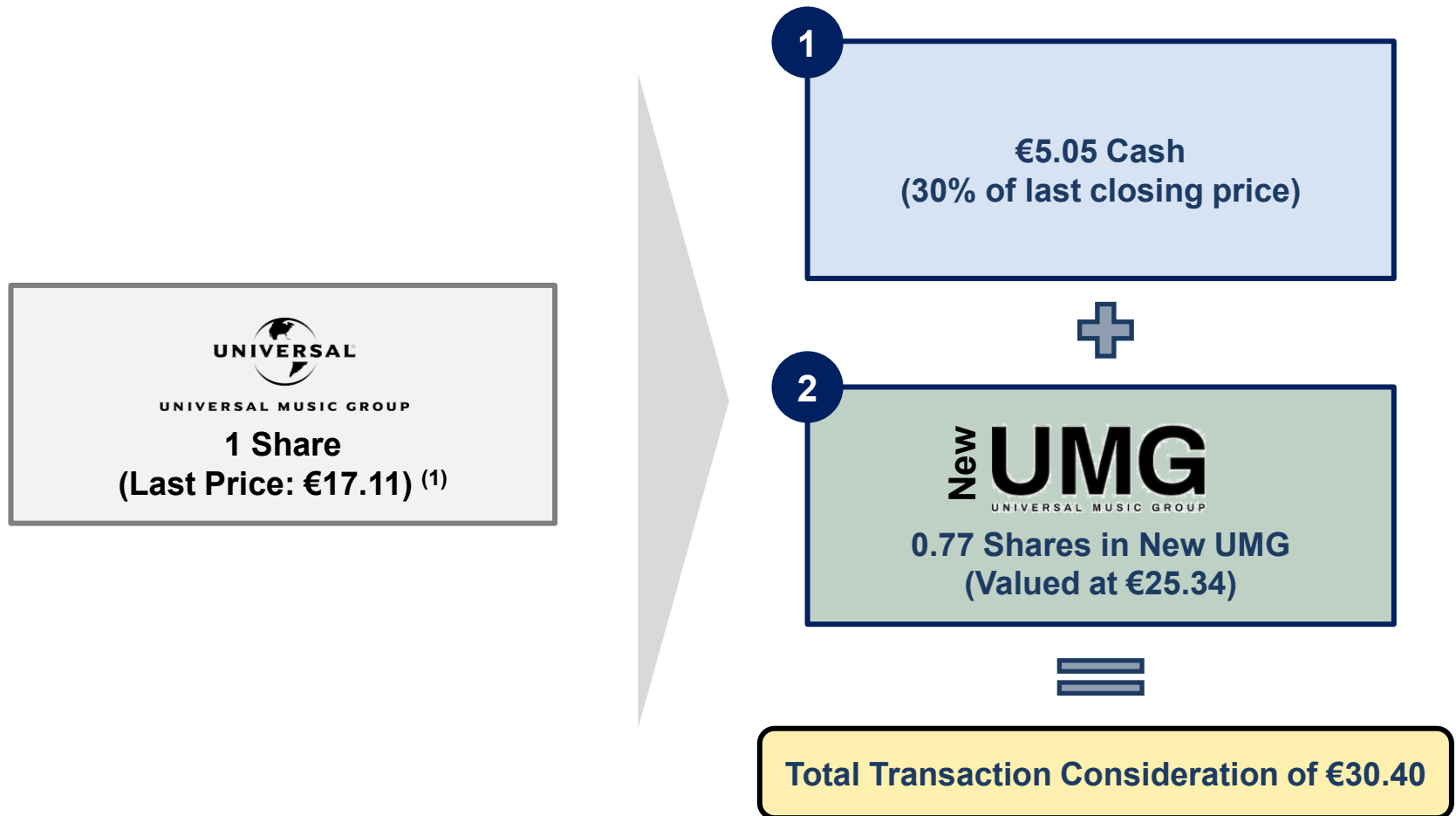
Transaction Overview

- ▶ To facilitate UMG’s transformation, Pershing Square is proposing a business combination between UMG and Pershing Square SPARC Holdings, Ltd. (“SPARC”), creating “New UMG”
- ▶ SPARC is an [SEC-registered acquisition company sponsored by Pershing Square](#), designed to enable a company to raise capital and list on a U.S. exchange
- ▶ Each UMG share will have the opportunity to receive €5.05 of cash and 0.77 shares in New UMG that we value at €32.90, for a combined total value of €30.40, a 78% premium to UMG’s last closing price.⁽¹⁾ New UMG will have 1.541 billion shares outstanding
 - Shareholders may alternatively elect to receive all cash, all stock, or a mix of stock and cash consideration, subject to proration
- ▶ Transaction provides €9.4 billion of cash consideration
 - €2.5bn from Pershing Square funds, SPARC and affiliates, all backstopped by Pershing Square funds and affiliates
 - €5.4bn of committed investment-grade debt issuance
 - €1.5bn from sale of UMG’s ~3% stake in Spotify
- ▶ New UMG will be a Nevada corporation, listed on the NYSE
- ▶ The transaction can be completed by year-end with the support of UMG’s Board and two-thirds of shareholders in attendance at a meeting

(1) UMG closing share price on 4/2/26, the most recent trading day

Transaction Consideration

The transaction package will consist of cash consideration and a fractional share of New UMG

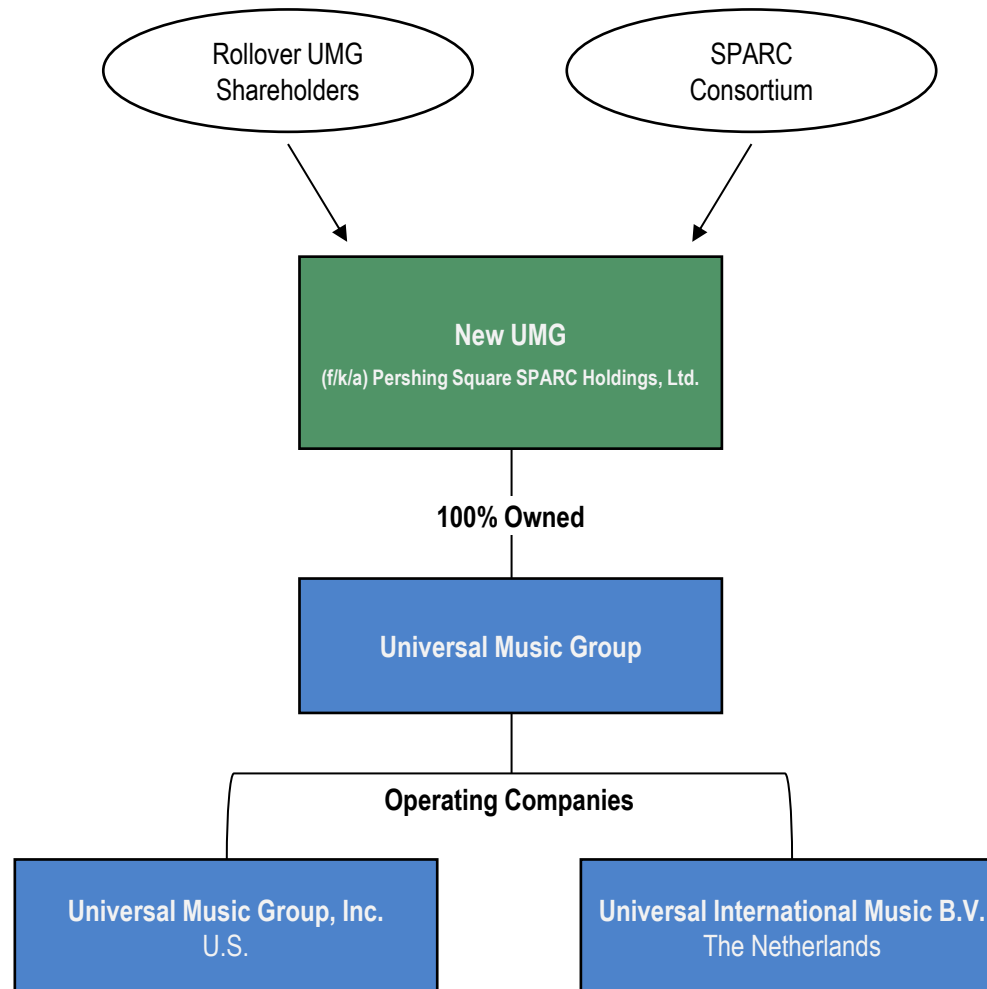


Note: Cash consideration will be subject to customary proration. Visualization above shown for the average shareholder

(1) UMG closing share price on 4/2/26, the most recent trading day

Post Transaction Visualization

SPARC will become “New UMG” as a US-domiciled and US-listed public company with no impact on UMG’s business operations



New UMG Value Creation Plan

New UMG will implement a comprehensive plan to unlock enormous shareholder value, thereby catalyzing a significant earnings uplift and multiple re-rating

1 Capital allocation and balance sheet optimization Optimization of capital allocation with a focus on share buybacks as a major pillar of capital return

2 Shareholder engagement Improve UMG's financial disclosure, transparency, financial commitments, and shareholder engagement

3 Governance Refresh Board of Directors by adding Michael Ovitz as Chairman and two representatives from Pershing Square

4 Listing venue U.S.-based; eligible for S&P 500 and other major indices

Total Transaction Consideration of €30.40

We conservatively value New UMG at €32.90 per share based on a value creation plan that can generate 2027 EPS of €1.32. The total transaction consideration including the cash consideration will be €30.40 per share, a 78% premium to UMG's April 2nd closing price

Pershing Square's View of New UMG's Value at 12/31/26

'27E EPS Under Value Creation Plan (Inc. SBC)	€ 1.32
x NTM Multiple	25.0x
New UMG Share Price at 12/31/26	€ 32.90
% Premium to 4/2/26 Closing Price	92%

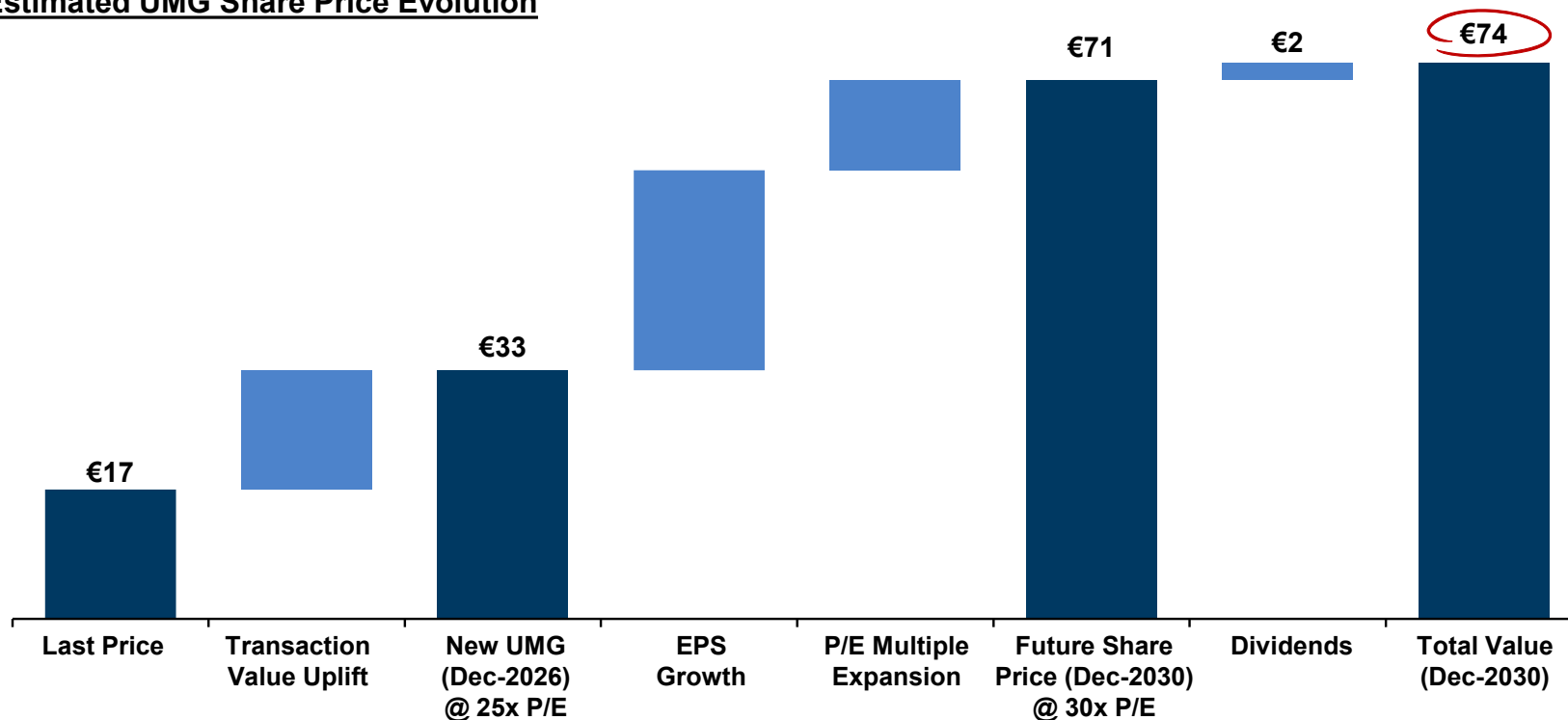
Pershing Square's View of Transaction Value at 12/31/26

Cash	€ 5.05
0.77 Shares in New UMG	€ 25.34
Total Value of Transaction Consideration	€ 30.40
% Premium to 4/2/26 Closing Price	78%

UMG's Share Price Can Increase Substantially

Over the next five years, we believe UMG's share price including dividends could reach €74, 4.3x the last closing price, an IRR of 45%

Estimated UMG Share Price Evolution



Successfully executing the value creation plan will accelerate New UMG's earnings growth and support multiple expansion to a level consistent with the company's underlying growth potential

Source: Pershing Square Estimates

Assumes transaction close date of 12/31/26. 8% organic revenue growth, 25.5% EBITDA Margins (inc. Downtown), 65% Adj. EBITDA to FCF Conversion prior to leverage, acquired EBITDA of €180 million by 2031 assuming €500 million annual M&A spend at 20x EBITDA with 10% underlying growth, 2.5x net debt at inception used to repurchase shares at €22/share, dividend growth of 2% per year, and excess cash going forward is used to repurchase shares

New UMG Value Creation Plan

1

Capital Allocation and Balance Sheet Optimization

New UMG Will Revise its Capital Allocation Policy

New UMG will monetize its stake in Spotify, adopt a constant leverage target, and modestly grow its dividend

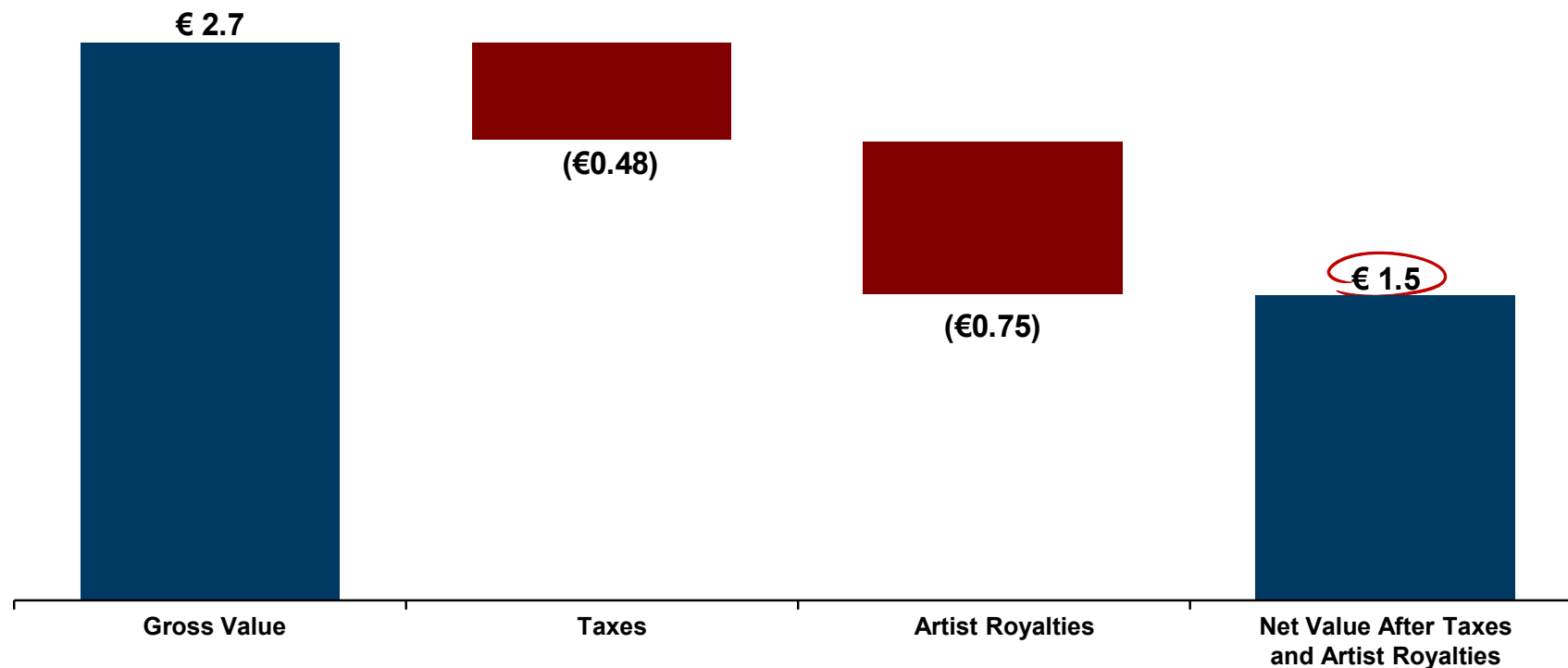
▶ **New UMG's revised capital allocation philosophy will have three pillars:**

- 1 Monetization of UMG's ~3% Spotify stake
- 2 Adoption of a Net Debt / Adjusted EBITDA leverage target of 2.5 times
- 3 Annual dividend increase of 2%, allowing payout ratio to decline over time

UMG Can Monetize its Valuable Stake in Spotify

The after-tax value of UMG's stake in Spotify has appreciated to €2.7 billion. After the artists' share, the value of UMG's stake is at least €1.5 billion

Current Value of UMG's Stake in Spotify (€ bn)

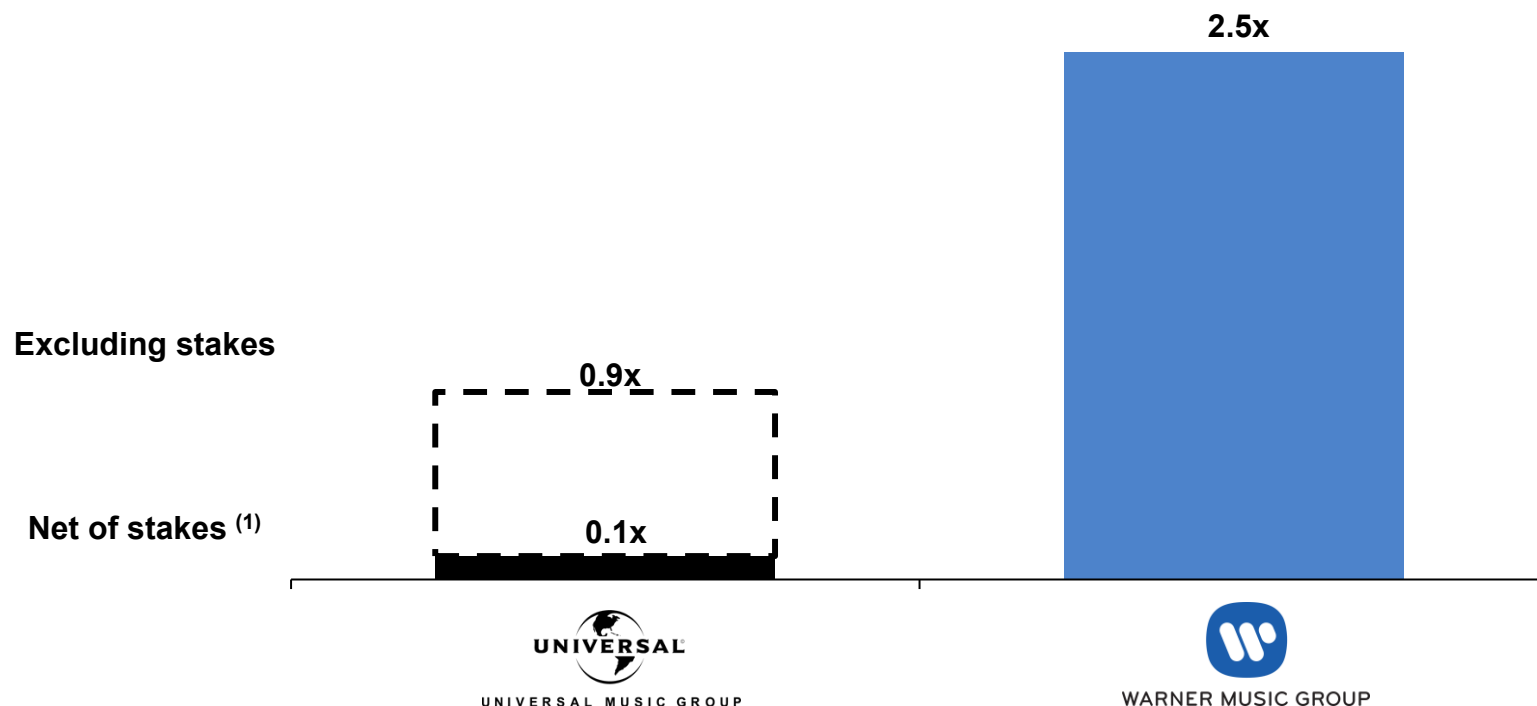


UMG can use these proceeds to create shareholder value and distribute up to €750mm to artists

UMG Has an Underutilized Balance Sheet

WMG is levered at 2.5x Net Debt / EBITDA while UMG's leverage is less than 1.0x today. Net of its investments in Spotify and TME and other equity affiliates, UMG has effectively no debt

Net Debt / LTM EBITDA



(1) Net of assumed 25% capital gains tax and 37% artist royalty rate
Note: Pershing Square estimates

WMG is Investment Grade

In the summer of 2024, WMG was upgraded to investment grade, despite its leverage of 2.7x Net Debt / EBITDA at the time

Bloomberg

**Warner Music Raised to
Investment Grade by S&P**

August 13, 2024

FitchRatings

**Fitch Assigns Warner Music
Group Corp. First-Time 'BBB-'
IDR; Outlook Stable**

September 4, 2024

UMG's superior market position and substantially greater scale should allow it to increase its net leverage to 2.5x and retain its investment grade rating

New UMG's Dividend Policy Will Provide Additional Financial Flexibility

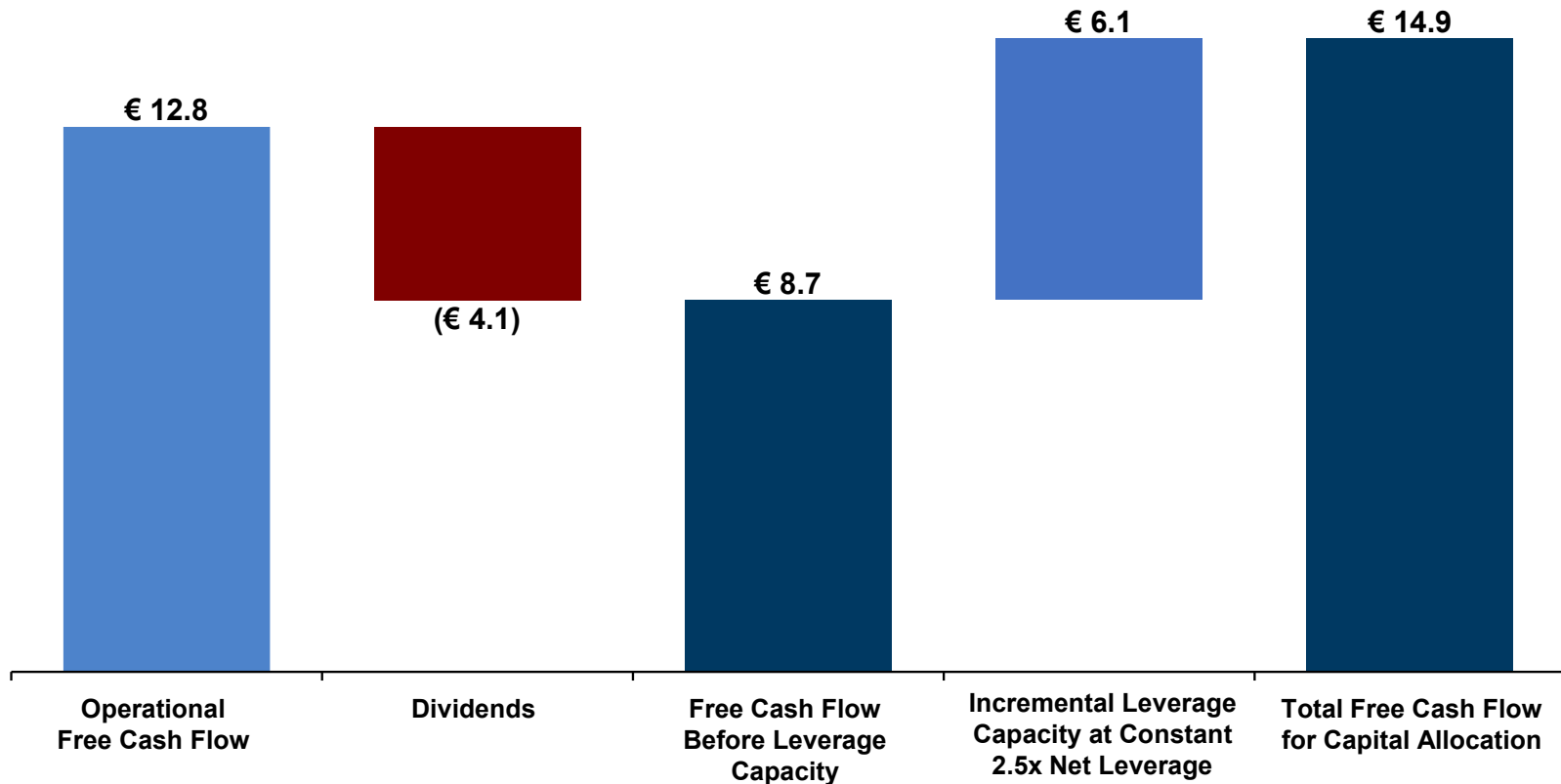
New UMG will lower its payout ratio over time by slowing dividend growth to 2% per annum

- ▶ **UMG's 50% dividend payout ratio policy was originally tied to an agreement with the Bolloré Group and the Tencent-led consortium, which dissolved last year**
- ▶ **Reducing annual dividend growth to 2% would free approximately €3bn of incremental capital over five years, providing New UMG with additional financial flexibility**

New UMG's Capital Allocation Will Preserve Flexibility for Investments and Acquisitions

New UMG's capital allocation policy will preserve substantial financial flexibility for investments, acquisitions, and/or share repurchases

Cumulative Cash Flow Generation 2026E – 2031E (€ bn)



Source: Pershing Square Estimates

Assumes 8% organic revenue growth, 25.5% EBITDA Margins (inc. Downtown), 65% Adj. EBITDA to FCF Conversion prior to leverage, acquired EBITDA of €180 million by 2031 assuming €500 million annual M&A spend at 20x EBITDA with 10% underlying growth, 2.5x net debt at inception used to repurchase shares at €22/share, dividend growth of 2% per year.

2

Shareholder Engagement

UMG Medium-Term Growth Algorithm

UMG has committed to delivering 7%+ revenue growth and 10%+ EBITDA growth. These goals do not reflect the full capabilities of the business and exclude a per-share valuation metric (i.e., EPS)

UMG Capital Markets Day Outlook

Continued High Growth in Revenue and Adjusted EBITDA		
	Mid-term CAGR through 2028	
Total revenue growth	7%+	<ul style="list-style-type: none">• Scaling superfan business• Penetrating high-potential markets• Reinvestment in the business
Subscription revenue growth	8-10%	<ul style="list-style-type: none">• Continued subscriber growth• Improved monetization from price increases and customer segmentation
Adj. EBITDA growth	10%+	<ul style="list-style-type: none">• Fully implementing strategic organizational redesign (~€250M in run-rate savings)• Continued improvements in operating leverage
Free cash flow before investment conversion rate	60-70%	<ul style="list-style-type: none">• Continued investment in both new and established artists• Meaningful free cash flow allows for attractive, operational, non-transformative M&A investment

The medium-term growth outlook lacks (1) a clear capital allocation philosophy and (2) an emphasis on per-share value creation

New UMG Can Deliver an Attractive Long-Term Earnings Growth Algorithm

UMG provides long-term guidance on subscription revenues and Adjusted EBITDA growth, but it does not reflect other costs borne by shareholders. New UMG will provide earnings-per-share targets, as it is the single best measure of per-share and intrinsic value progress

Pershing Square's View of UMG's Long-Term Growth Algorithm

Subscription Revenue Growth	8% to 10%+
Organic Revenue Growth	High-Single-Digits+
Organic EBITDA Growth	Double-Digits+
EPS Growth	Mid-to-High-Teens+
EPS Growth + Dividend Yield	High-Teens+

Pershing Square Will Work with UMG to Improve its Shareholder Communications

Pershing Square will assist the company in improving its external shareholder communications and engagement

▶ **Enhanced disclosure**

- New UMG will be an SEC-registered company and file 10-Ks and 10-Qs
- Provide detailed shorter-term drivers of earnings on calls, not just long-term trends
- Enhance reporting by providing gross profit by segment and organic growth excluding acquisitions

▶ **Expand investor access**

▶ **Publish a long-term algorithm with a focus on per-share earnings growth**

3

Governance

Pershing Square's Proposed Director Candidates Will Add Valuable Skills to UMG's Board

Pershing Square proposed candidates will meaningfully enhance UMG's governance with a fresh perspective on shareholder value creation and succession planning

▶ Michael Ovitz



- Co-Founder and former Chairman of Creative Arts Agency ("CAA")
- Founder of Broad Beach Ventures, a VC fund with a 30+ company portfolio
- Former President of the Walt Disney Company
- Successfully built and sold three major Hollywood studios
- Advisor to Andreessen Horowitz, Palantir and numerous other companies

Broad Beach
Ventures

CAA

ANDREESSEN
HOROWITZ

Disney

▶ Two Pershing Square representatives

- Will bring financial and operational expertise to the Board including capital allocation, operational oversight, compensation, financial communications, and shareholder engagement

4

Listing Venue

New UMG Will be a U.S.-Listed Company

New UMG will be an SEC-registered, U.S.-listed company reporting under U.S. GAAP, with eligibility for inclusion in major indices such as the S&P 500

✓ **The U.S. is the natural primary home for UMG**

- UMG's operational headquarters are in Santa Monica, California
- The U.S. is the largest music market and home to most of UMG's executives and many of its marquee artists
- Peers such as WMG and Spotify are listed on the NASDAQ and NYSE, respectively
- U.S. investors and research analysts are more familiar with analyzing and investing in other music and streaming peers

✓ **A U.S. listing is likely to lead to many benefits, including:**

- Increased liquidity
- Broader investor base
- Broader index inclusion
- U.S. research analyst coverage

Many U.S. Investors Cannot Own UMG Due to its European Listing

Many investors cannot currently own UMG or would increase their investment in UMG if it were listed on a U.S. exchange

Reasons cited include:

- ✗ Non-U.S. listed stocks outside their mandate or limited exposure
- ✗ UMG's lower liquidity relative to its market capitalization
- ✗ Translation risk and volatility of euro
- ✗ Different reporting and governance standards
- ✗ Alternatives available in the U.S. (i.e. Spotify and WMG)

We Believe UMG Can Be Included in Many More Top Indices

We believe UMG can enter 10 of the top 15 indices, greatly increasing demand from index funds and other investors who track these indices

Index Rank	Index Name	Index's % Market Share	% of Index That is Passive	UMG Inclusion in Index	
				Today	Future State
1	S&P 500	24%	53%	×	✓
2	Russell 1000	10%	12%	×	✓
3	MSCI ACWI	6%	5%	✓	✓
4	CRSP U.S. Total Market	4%	100%	×	✓
5	MSCI World	4%	22%	✓	✓
6	MSCI EAFE	3%	22%	✓	×
7	Russell 2000	2%	19%	×	×
8	MSCI ACWI Ex. USA	3%	12%	✓	×
9	MSCI Emerging Markets	2%	18%	×	×
10	Russell 3000	2%	17%	×	✓
11	Russell MidCap	2%	12%	×	✓
12	CRSP US Large Cap	1%	99%	×	✓
13	Russell 2500	1%	2%	×	✓
14	S&P 400	1%	86%	×	×
15	Stoxx Europe 600	0%	59%	✓	?
Top 15 Index Market Share		64%		15%	53%

Due to UMG's size, scale, and importance to the entertainment ecosystem, we believe committee-based indices such as the S&P 500 and CRSP are likely to add UMG as a constituent

Financials and Valuation

Sources and Uses

The €9.4bn of cash consideration will be funded by €2.5bn from SPARC backstopped by the Pershing Square funds and affiliates, €5.4bn from incremental debt, and €1.5bn of net proceeds from the sale of the company's stake in Spotify

	<u>€bn</u>
Sources	
Pershing Square Funds and Affiliates	€ 1.4
Pershing Square SPARC Holdings, Ltd (Backstopped by Pershing Square Funds and Affiliates)	€ 1.1
Pershing Square Funds, SPARC, and Affiliates	€ 2.5
Incremental Debt Proceeds @ 2.5x Net Debt	€ 5.4
Net proceeds from Sale of Spotify Shares	€ 1.5
Total Sources	€ 9.4
Uses	
Cash Consideration to Shareholders	€ 9.4
Total Uses	€ 9.4

Pro-Forma Ownership

The Pershing Square group would become one of the largest owners of New UMG and a major shareholder in support of management and the value creation plan

% Ownership

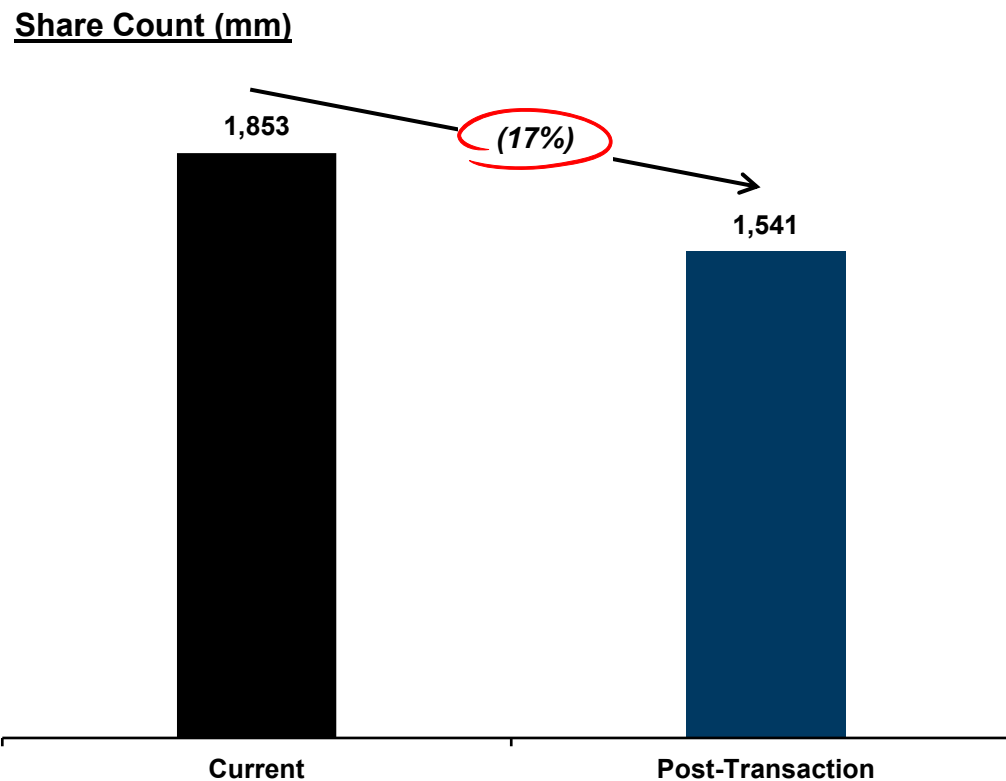
	Current		(+/-)	Post-Transaction	
	Shares	%	Shares	Shares	%
Pershing Square Funds' Existing Shares	86	4.6%	(20)	66	4.3%
Pershing Square Funds' New Investment, SPARC, and Affiliates	-	-	114	114	7.4%
Pershing Square Group	86	4.6%	94	180	11.7%
Other Public Shareholders	1,767	95.4%	(406)	1,362	88.3%
Total	1,853	100.0%	(312)	1,541	100.0%

Memo: Other Major Shareholders

Bolloré	339	18.3%
Vivendi	182	9.8%
Tencent	210	11.3%
GIC	86	4.6%

Reduction in Share Count

New UMG will have 17% fewer shares outstanding



UMG Annual Revenue Growth Can Approach Double-Digits

We believe UMG is likely to grow subscription & streaming revenue at a double-digit rate over the next six years. Subscription & streaming's high rate of growth anchors the company's ability to achieve high-single-digit annual revenue growth

	% of 2025A Revenue	2025A-2031E CAGR		
		Low	Mid	High
Subscription & Streaming	50%	9%	10%	11%
Downloads & Other Digital	2%	(9%)	(8%)	(7%)
Physical	12%	2%	4%	6%
Other	11%	4%	5%	6%
Recorded Music	75%	7%	8%	9%
Publishing	18%	7%	8%	9%
Merchandising and Other	6%	5%	6%	7%
Total Organic Revenue	100%	7%	8%	9%

We Believe UMG Can Achieve Mid-to-High 20s% Adjusted EBITDA Margins by 2031

UMG margins can expand significantly over time driven by revenue mix-shift and operating leverage

UMG's margins have been impacted by mix-shift

- ✓ Higher growth in lower margin revenue streams such as physical and merchandising have negatively impacted margins

Gross margins can expand over time

- ✓ Positive mix-shift to streaming and catalog listening should expand gross margins
- Acquisition of Downtown Music and higher growth in independent services will be a modest headwind to margin expansion

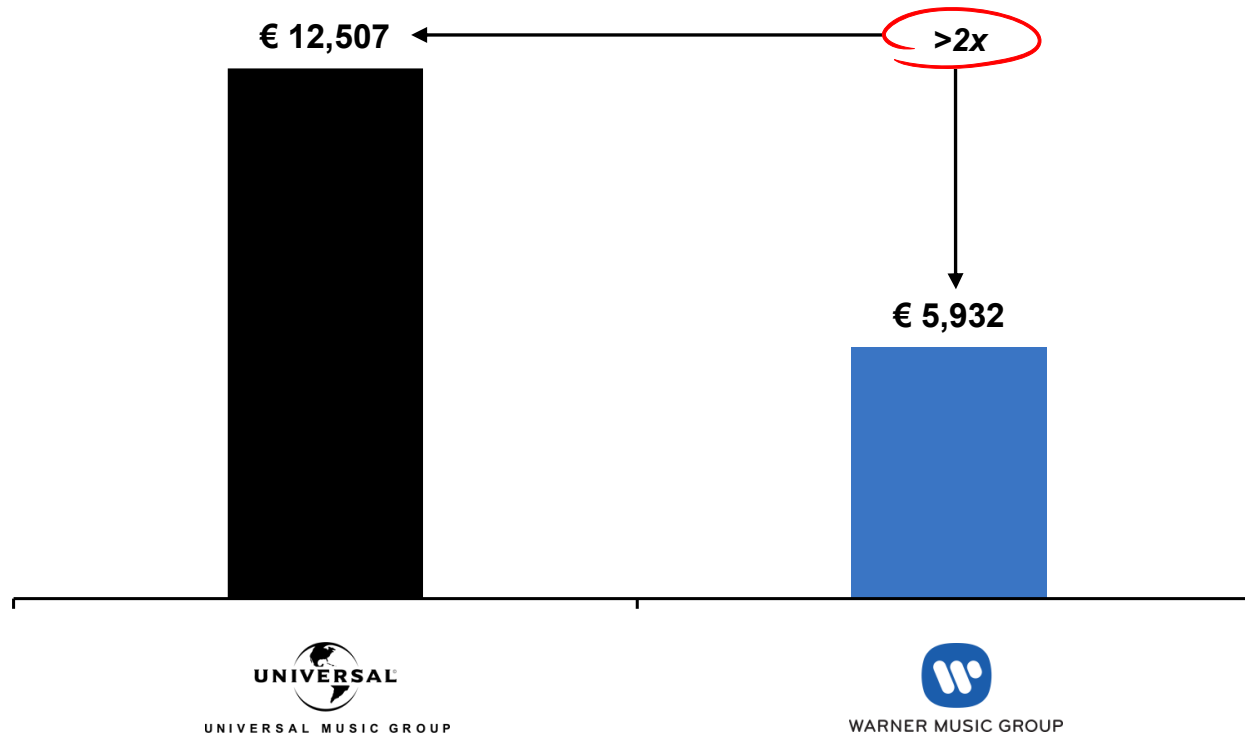
High fixed-cost base should generate significant operating leverage

- ✓ AI should enable greater operational efficiencies driving operating leverage
- ✓ A&R costs do not need to scale proportionally with revenue growth

UMG has a Significant Scale Advantage vs. WMG

UMG is the undisputed market leader with twice the revenue base of WMG in an industry where scale matters

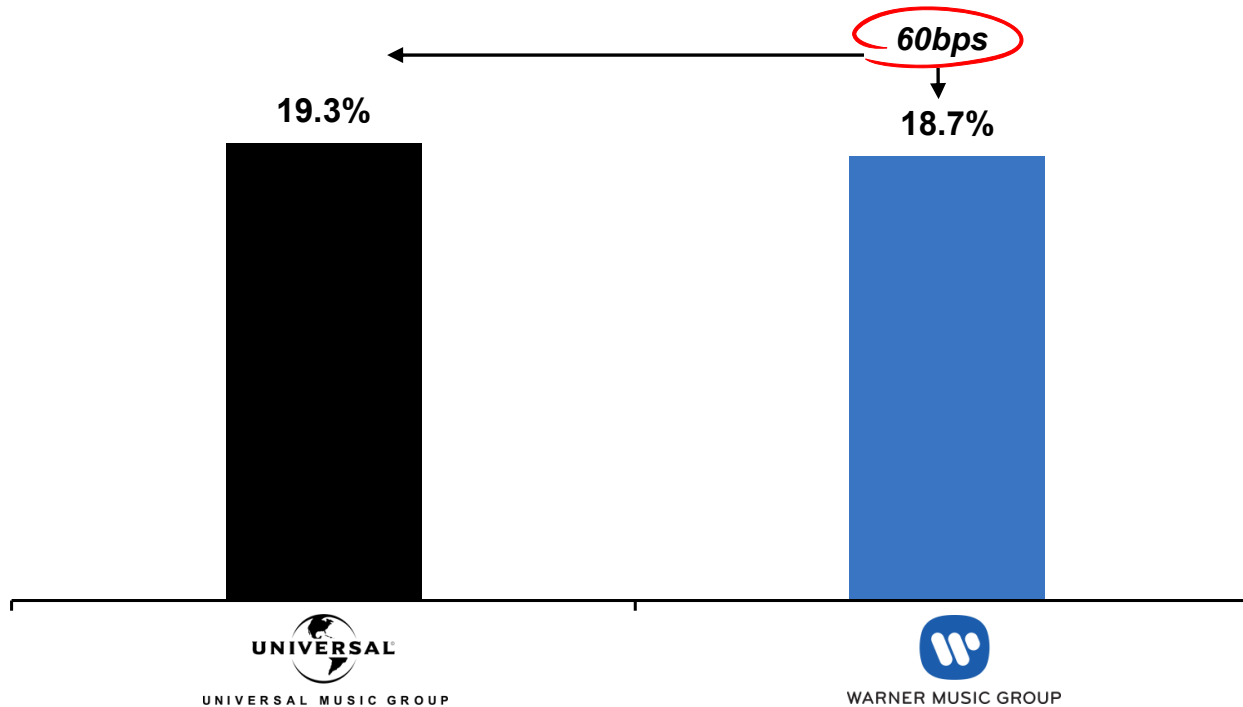
CY 2025 Revenue (€ mm)



Despite Scale, UMG's Operating Margins Are Similar to WMG's

Even though UMG has twice the revenue base of WMG, its margins are similar

CY 2025 Operating Profit Margin



We believe UMG's margins have the potential to expand meaningfully in the future as the company maintains a high level of revenue growth while containing costs

WMG has Committed to Continued Margin Expansion

WMG has a target of high-20s margins and expects continued margin expansion afterwards

“On driving efficiency, I'm pleased that our cost savings plan is delivering on schedule and is on track to contribute 150 to 200 basis points to margin in fiscal '26 as we work to drive even greater efficiency through the use of AI and improving the operating leverage in our business, we believe that the margin in the **mid-20s is achievable in the short term and have a longer-term goal to deliver margins in the high-20s**. We will provide you with an update on our path to meaningful margin expansion as our plans evolve in the upcoming quarters.”

Armin Zerza (WMG CFO), February 5, 2026

Given UMG's scale advantage, we believe UMG has an opportunity to achieve higher structural margins than WMG

UMG Can Grow EBITDA 11% to 14% Annually

If UMG expands margins to 24.5% to 26.5% by 2031, it can achieve organic EBITDA growth of 10% to 13% over the next six years. Acquisitions can augment that growth to 11% to 14%

	2025A-2031E CAGR		
	Low	Mid	High
Organic Revenue Growth	7%	8%	9%
Impact from Mix-Shift and Operating Leverage	3%	3%	4%
Organic Adj. EBITDA Growth	10%	11%	13%
Impact from Acquisitions	1%	1%	1%
Total Adj. EBITDA Growth	11%	12%	14%
2031 Organic Core Adj. EBITDA Margins	26.0%	27.0%	28.0%
2031 Adj. EBITDA Margins Inc. Downtown	24.5%	25.5%	26.5%

While we expect reported margins to be diluted by UMG's acquisition of Downtown Music due to its pre-synergy margins of ~4.5%, we expect core margins to expand each year

Optimizing UMG's Capital Allocation Will Lead to Accelerated Earnings-Per-Share Growth

Optimizing UMG's capital allocation allows for substantial shareholder return and accelerated earnings growth

Category	Current	Post-Transaction
Capital Allocation	Vaguely defined	Formally articulated to shareholders
M&A	Episodic	Assumes continued M&A at €500mm annually at 20x EBITDA
Dividend Policy	50% payout ratio	Grow at 2% annually (Payout ratio to decrease over time)
Share Repurchases	Announced inaugural €500mm program on March 30, 2026	Excess capital for share buybacks
Leverage	Unlevered (Inc. stakes)	Net leverage of 2.5x; remains investment grade rated
Investment in Spotify	UMG receives no credit for its €2.7bn stake in Spotify	Monetization of Spotify stake to accelerate capital return

UMG's EPS Can Grow at 15% to 19% Plus a 1% Annual Dividend

With optimal capital allocation, we believe UMG can grow earnings per share by 15% to 19%, with an additional ~1% dividend yield leading to total return of 16% to 20%

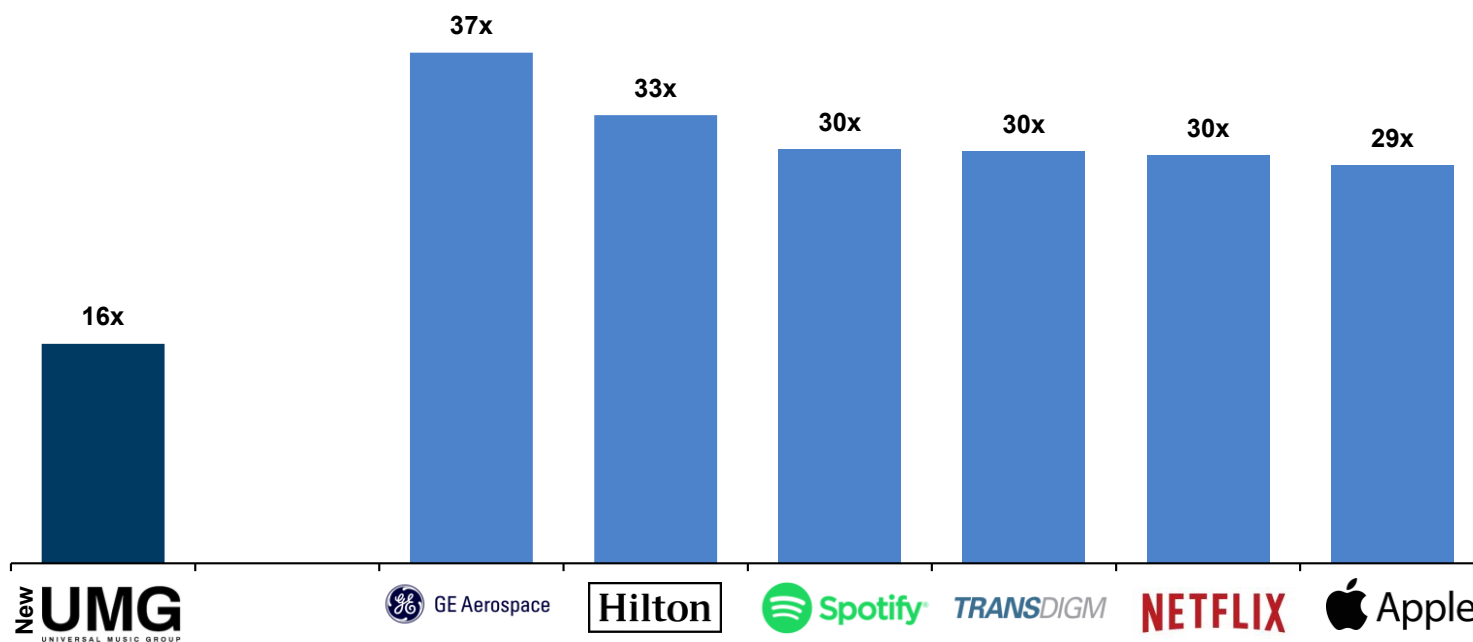
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Impact from Acquisitions	1%	1%	1%
Total Adj. EBITDA Growth	11%	12%	14%
Impact from Capital Allocation and Other	5%	5%	6%
EPS Growth	15%	17%	19%
Dividend Yield	1%	1%	1%
EPS Growth Plus Dividend Yield	16%	18%	20%
2031 EPS (Inc. SBC)	€ 2.15	€ 2.38	€ 2.64

Optimized capital allocation can turbocharge UMG's growth algorithm, supporting both stronger earnings-per-share growth and a higher valuation multiple

UMG Trades at a Meaningful Discount to High-Quality Businesses with Similar Growth Profiles

Large capitalization high-quality, durable growth companies like UMG command robust valuation multiples in the U.S. public markets

Forward Price / Earnings Ratio



Total Return Algorithm:

16% to 20%

15%

16%

21%

17%

19%

11%

New UMG's Value Creation Plan Will Create Enormous Value for All Shareholders

We believe that over the next five years, UMG's share price can reach 3.9x to 4.8x the April 2nd closing price, generating an IRR of 41% to 49%

Pershing Square's View of New UMG's Valuation in Five Years

	Low	Mid	High
'31E EPS (Inc. SBC)	€ 2.15	€ 2.38	€ 2.64
Assumed P/E Multiple	28.0x	30.0x	32.0x
Share Price at 12/31/30	€ 60	€ 71	€ 85
Plus: Dividends	2	2	2
Total Value at 12/31/30	€ 62	€ 74	€ 87
From 4/2/26 Closing Price			
Multiple of Capital	3.9x	4.3x	4.8x
IRR	41%	45%	49%

Successfully executing the value creation plan will allow UMG to re-rate to 28 to 32 times earnings, in-line with other high-quality growth companies which frequently trade at premium multiples

Appendix

SPARC Overview

Overview – Pershing Square SPARC Holdings

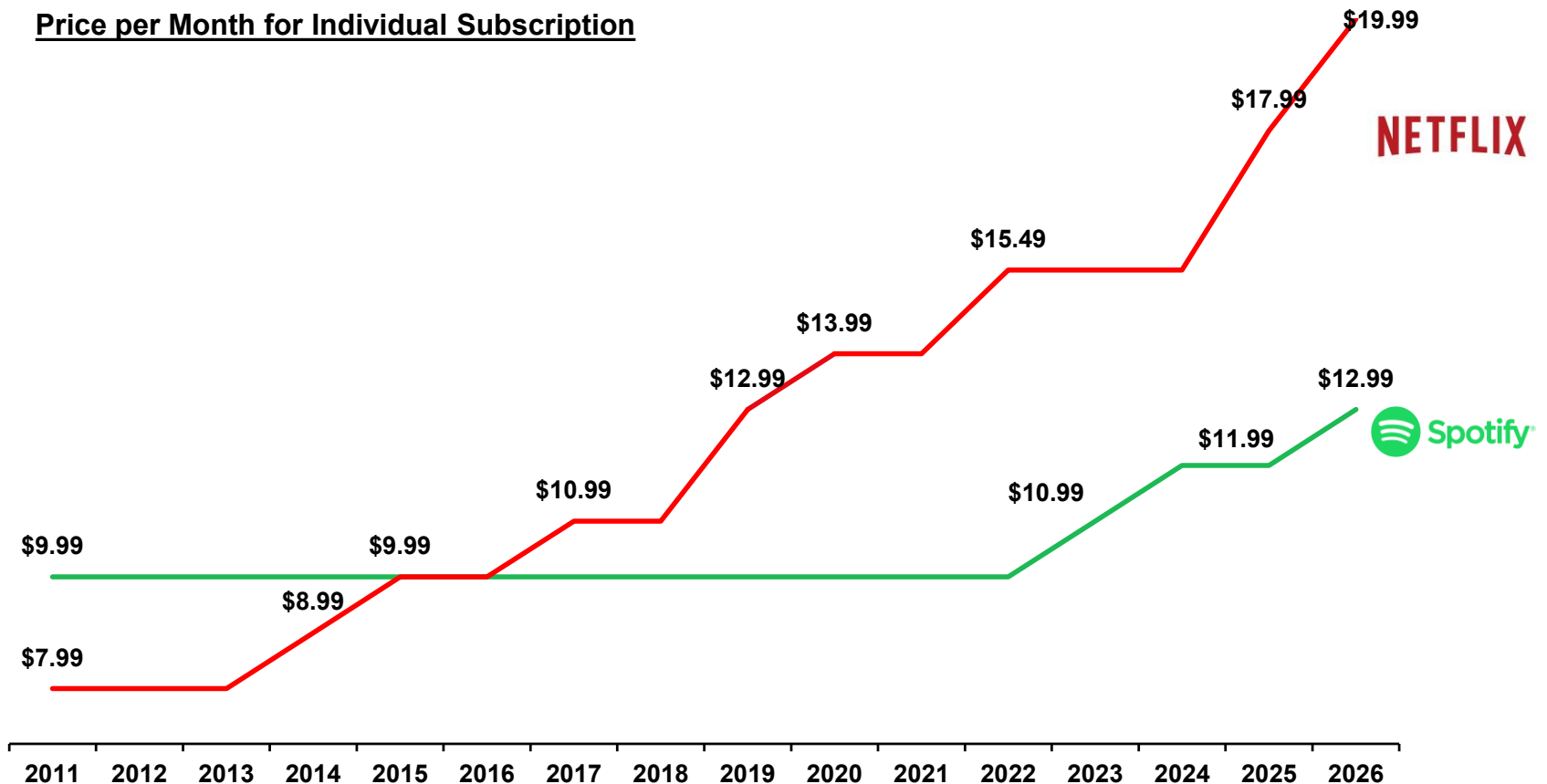
- ▶ **Pershing Square SPARC Holdings, Ltd. (“SPARC”) is an SEC-registered company, formed for the purpose of merging with a high-quality growth company seeking to access the U.S. public markets**
- ▶ **SPARC provides streamlined ability to access the U.S. public markets**
 - Simple and clean shell company controlled by Pershing Square
 - Pershing Square can deliver requisite SPARC shareholder vote in any transaction
 - No underwriting fees, founder stock, or shareholder warrants
- ▶ **SPARC provides for flexible capital raise**
 - SPARs are subscription rights to acquire shares in combined company upon payment of an exercise price
 - The SPAR’s exercise price is determined by Pershing Square, allowing the capital raise to be sized as needed
 - Proposed transaction is not contingent on any minimum SPARC rights offering
 - Pershing Square can invest up to \$3.5bn without Board approval and will backstop the SPARC rights offering
- ▶ **Pershing Square will waive its sponsor warrants in the proposed transaction with UMG**
- ▶ **SPARC’s effective registration statement is available on SEC.gov, available [here](#)**

**UMG's Growth is Poised to Accelerate
and AI Concerns are Misplaced**

Prices for Music Streaming are Beginning to Rise and Have Substantial Room to Increase

Video streaming services have raised prices at a regular cadence since they began raising prices ten years ago

Price per Month for Individual Subscription



UMG's New "Streaming 2.0" Deals Will Lead to Higher Growth

UMG has successfully renegotiated new "Streaming 2.0" deals with each of its major DSP partners over the last year, incorporating both "artist-centric" principles, and introducing wholesale price increases for the first time

Artist-Centric deal terms

- ✓ Successfully pushed through changes which demonetizes the long tail of low quality "noise," concentrating royalty payments amongst professional artists
- ✓ Decreased systemwide fraud and bad-actor gamesmanship, boosting legitimate royalty payments to labels and artists

Wholesale price increases

- Prior industry model based primarily on a revenue-sharing model, with royalty payments limited by the rate of DSP growth, including potential for negative geographic ARPU mix-shift
- ✓ New industry paradigm introduced an additional growth lever – wholesale price increases – which provides for meaningful increases in the wholesale price paid by DSPs on a per-subscriber basis, enhancing the consistency of growth to record labels

Recent changes should cause subscription revenue growth to accelerate in the near-term to the double-digit range, positioning UMG to achieve its medium-term financial targets

AI Further Solidifies Role of Labels and Will Enhance UMG's Growth













While perceived AI threats have weighed on UMG's share price in recent months, we believe these concerns are misguided

- ▶ **AI further solidifies the importance of labels**
 - ✓ As AI floods the market with unlimited supply, the label becomes essential as a curation engine and platform for artists to distinguish themselves from the noise
- ▶ **Most “music” is not listened to and goes unmonetized, and AI only increases this pool**
 - ✓ Despite the massive proliferation of music, UMG has maintained market share
- ▶ **AI is creating new monetization opportunities beyond the traditional DSP model**
 - ✓ UMG is taking all the necessary steps to protect their artists IP while creating revenue-generating partnerships to monetize fan creation
 - ✓ UMG is already using AI to activate its iconic catalog (e.g., stem-splitting to create ‘Now and Then’ by the Beatles)
- ▶ **AI is a tool that enhances creativity and improves human artistry**
 - ✓ Real artists are already using AI to ideate, generate new sounds, melodies, and vocal harmonies that defy traditional music composition
- ▶ **AI offers new tools to improve UMG's business and make it more efficient**

Top Artists are Cultural Superstars

Music is more than mere “sounds.” It is created and performed by human artists that drive connection among fans and advance culture in society

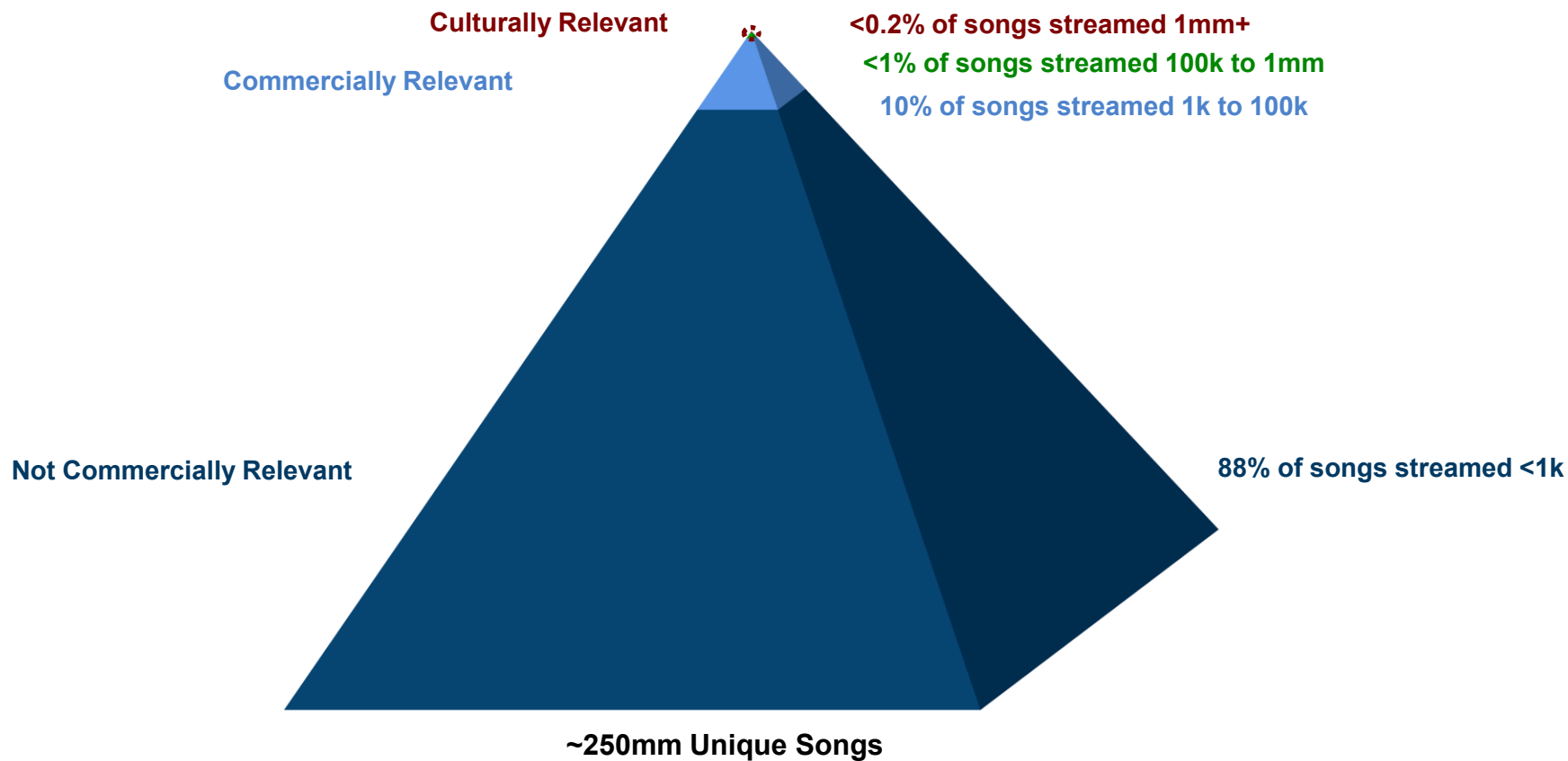
Top artists, their social media reach and record label

Artist	Followers (mm)		Record Label
		 TikTok	
Taylor Swift	283	34	
Bad Bunny	51	40	
Drake	146	-	
The Weeknd	76	10	
Morgan Wallen	9	6	
BTS	78	74	
Billie Eilish	125	74	
SEVENTEEN	16	11	
Harry Styles	47	-	
Sabrina Carpenter	50	37	

While AI-generated music may achieve success, human artistry will always be the most culturally and commercially relevant content

A Small Percentage of Songs are Listened To

The overwhelming majority of music tracks receive zero or minimal engagement. AI is poised to further exacerbate this reality

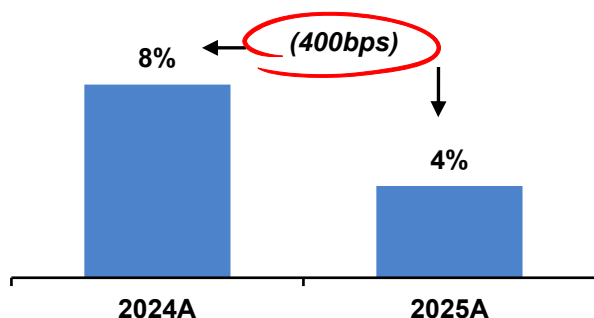


Fewer than 1% of songs are truly commercially relevant and fewer than 0.2% of songs are culturally relevant

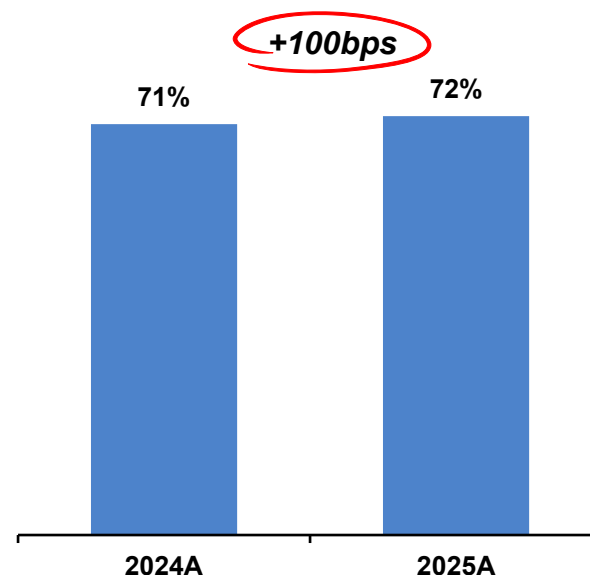
Majors are Gaining Share Despite Content Proliferation

Despite distributing a lower share of all content created in 2025, the major labels' share of listening increased in 2025

Majors as % of Total Content to DSPs ⁽¹⁾



Majors' Market Share as % of Spotify Listening ⁽²⁾



A small minority of real content generates the vast majority of listening hours

(1) Luminate 2025 Year-End Music Report

(2) Spotify Annual Report. Includes UMG, Sony, WMG, and Merlin

Case Study – Xania Monet

2025's breakthrough AI "Artist" Xania Monet – a creation of songwriter Telisha Jones – still chose to sign with a record label, demonstrating the labels' importance in curation, marketing, distribution and commercialization



RECORD LABELS 9/16/2025

AI ARTIST XANIA MONET CLIMBS THE CHARTS – AND SIGNS A MULTIMILLION-DOLLAR RECORD DEAL

Xania Monet is the project of a Mississippi-based design-studio owner, who used Suno to turn her lyrics into music. One label offered \$3 million to sign her.

Like other technologies before it – including the electric synthesizer – AI is broadening the definition of who can now become an “artist”

Record Labels are Partnering with AI-Native Companies as New Sources of Revenue

AI is creating new business model and opportunities for monetization and revenue generation beyond the traditional DSP ecosystem

Select UMG Partnerships



“We also see a clear and tangible opportunity to leverage AI... to increase the value of music by leaning into partnerships with new entrants such as Suno and Udio as well as our digital service providers that provides fans with the opportunity for deeper engagement at higher-price tiers... AI partnerships and initiatives [will result] in a material contribution to revenue and margin in fiscal 2027.”

Warner Music Group (Feb 2026)

AI Offers New Tools to Improve UMG's Business and Make it More Efficient

AI has the potential to make UMG's business materially more efficient

- ▶ **Automated A&R and predictive talent sourcing**
- ▶ **Artist and fan engagement**
- ▶ **Generation of marketing content**
- ▶ **Activation of catalog**
- ▶ **Rationalization of costs and automation of processes**
 - Data analytics
 - Marketing tools
 - Enhanced studio and audio production
 - Royalty collection and distribution
 - Contract negotiation and other legal matters