

April 7, 2026

The Board of Directors  
Universal Music Group N.V.  
2220 Colorado Avenue, Santa Monica, California  
's-Gravelandseweg 80, 1217 EW, Hilversum, Netherlands

Dear Members of the Board,

Four and a half years ago, in a privately negotiated transaction with Vivendi, we acquired 10% of Universal Music Group N.V. (“UMG” or the “company”) just prior to its Euronext Amsterdam listing, and thereafter presented our case ([link](#)) to investors as to why it is a great company. We said then, and we believe even more so today, that UMG is best understood as a high-quality, capital-light royalty on the long-term growth of global music in which streaming penetration and appropriate price increases support long-term, high-single-digit revenue growth for the next decade and likely thereafter.

Since UMG’s listing on Euronext Amsterdam, Sir Lucian Grainge and management have done an excellent job nurturing and continuing to build a world-class artist roster, signing new DSP agreements that will lead to accelerated revenue growth, reshaping the industry through an artist-centric model, and demonstrating the company’s ability to harness growth opportunities from AI while also protecting the company’s and its artists’ intellectual property.

As a result of its strong business and strategic execution, UMG has grown revenues and Adjusted EBITDA by 11% and 13% annually, exceeding our original projections. UMG is expected to generate accelerated growth beginning this calendar year with the benefit of wholesale price increases, while music remains the lowest cost form of media entertainment.

While business performance has been strong, UMG’s share price has languished. Since the public listing in September 2021, revenues and Adjusted EBITDA have grown 60% and 70% respectively, while UMG’s share price has declined 23% from its €25.10 closing price on the first day of its Euronext listing. UMG stock has dramatically underperformed the MSCI World Index and S&P 500 indices, which have increased by 55% and 61% over the same period, representing approximately 7,800 and 8,400 basis points, respectively, of underperformance.<sup>1</sup>

We believe that UMG’s stock price 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

Notably, none of the above issues relate to the company’s execution of its music business, and importantly, all of the above issues can be addressed in a merger transaction.

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<sup>1</sup> Assuming a shareholder bought shares at the open at €25.10 and received all subsequent dividends since then. Pershing Square’s initial purchase price was €18.27.

## The Transaction

We are hereby proposing a merger with Pershing Square SPARC Holdings, Ltd., an SEC-registered acquisition company, in a transaction (“the Transaction”) in which the newly merged company will become a Nevada corporation (“New UMG”) listed on the New York Stock Exchange.

As part of the Transaction, UMG’s board will be refreshed to include Michael Ovitz as Chairman and two representatives from Pershing Square in addition to members from the current UMG board. Michael Ovitz is one of the most recognized global entertainment executives, having represented many of the most important and iconic music, film, and entertainment acts in the world. He also has a 40-year relationship with Sir Lucian Grainge. Going forward, the company will follow governance and capital allocation principles and execute actions that will proactively address the issues that have led to the company’s historical share price underperformance.

In the Transaction, which we expect to close by year end, shareholders will receive a total of €9.4 billion in cash (€5.05 per share) and 0.77 shares in New UMG for each share of UMG owned by a shareholder. New UMG will file financial statements under U.S. GAAP and be eligible for S&P 500 and other index inclusion. The Transaction will facilitate the cancellation of 17% of UMG outstanding shares while preserving the company’s investment grade balance sheet and its long-term financial and strategic flexibility. New UMG will have 1.541 billion shares outstanding.

The cash portion of the consideration will be funded with €2.5 billion from Pershing Square including €1.05 billion from SPARC’s rights holders, €5.4 billion in additional investment grade debt financing at New UMG (resulting in total debt of no more than 2.5 times Net Debt to Adjusted EBITDA) and €1.5 billion of net proceeds from the monetization of the company’s stake in Spotify, after taxes and net of the artists’ share of Spotify proceeds.

All Transaction equity financing will be backstopped by Pershing Square and affiliates; all debt financing will be committed at signing, and the Spotify stake will be sold in the market or in a block transaction. Importantly, UMG artists will also benefit from the Transaction by receiving up to €750 million in proceeds from the sale of Spotify shares. Pershing Square will waive its right to receive SPARC sponsor warrants eliminating this potential source of dilution.

In the Transaction, each share will be exchanged for €5.05 in cash, equal to 30% of the €17.11 closing price on Thursday, April 2<sup>nd</sup>, the last day of trading before the holiday, and 0.77 shares of New UMG. Alternatively, shareholders may elect to receive all cash, all stock, or a mix of stock and cash consideration, subject to proration. We believe that the Transaction’s cash consideration will eliminate the UMG stock overhang by providing shareholders, including the Bolloré Group, with cash sufficient to address their needs.

New UMG will adopt a revised capital allocation policy. In lieu of the current 50% of net income dividend policy, New UMG will target a 2% per annum increase in its dividend above current levels. The company will also target constant leverage of approximately 2.5 times Net Debt to Adjusted EBITDA, preserving financial flexibility. All free cash flow after required investments in the business will be used for share repurchases.

Under the new capital allocation and constant leverage policy, and after dividend payments, we estimate that in 2027 New UMG will generate approximately €2.3 billion of cash from operating cash flow and proceeds from maintaining constant leverage, growing to more than €3.8 billion of cash in 2031 for a total of

approximately €15 billion of cash generation over the next five years that will be available for investments, acquisitions, and/or share repurchases.

The first priority for New UMG's excess cash flow will remain prudent reinvestment in the business and strategic acquisitions that create long-term value for the company and its shareholders. We note that since UMG's public listing in 2021, the company has completed a total of €1.8 billion of acquisitions and strategic investments. The €15 billion of net cash generated over the next five years should provide ample funds for strategic acquisitions and share repurchases.

We estimate that New UMG will earn €1.32 per share in 2027 and will be conservatively valued at approximately 25 times earnings or €32.90 per share at year-end 2026, a 92% premium to the 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
<b>New UMG Share Price at 12/31/26</b>	<b>€ 32.90</b>
<b>% Premium to 4/2/26 Closing Price</b>	<b>92%</b>

If, as we expect, Pershing Square and nearly all other UMG shareholders elect 100% New UMG stock consideration, all shareholders who alternatively desire 100% cash consideration will receive €22 in cash per share, a premium of 29% to the April 2<sup>nd</sup> closing price.

#### **Transaction Value**

Assuming all shareholders elect New UMG stock consideration, the share consideration will be prorated, and each investor will receive €5.05 per share in cash and 0.77 shares of New UMG for each UMG share owned, for a total Transaction value of €30.40, a 78% premium to the April 2<sup>nd</sup> closing price.

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

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

We estimate that in five years, New UMG's P/E multiple will rise to 30 times earnings, in-line with other high-quality businesses which have decades-long growth opportunities, continuously improving margins, and disciplined capital allocation. We estimate that New UMG's share price will reach €71 by year-end 2031 for a total value of €74 per share including dividends, a 45% IRR and more than 4.3 times the April 2<sup>nd</sup> closing price.

<b>Pershing Square's View of New UMG's Value in Five Years</b>	
'25A - '31E EPS Growth	17%
'31E EPS (Inc. SBC)	€ 2.38
Assumed P/E Multiple	30.0x
<b>Share Price at 12/31/30</b>	<b>€ 71</b>
Plus: Dividends	2
<b>Total Value at 12/31/30</b>	<b>€ 74</b>
<b>From 4/2/26 Closing Price</b>	
<b>Multiple of Capital</b>	<b>4.3x</b>
<b>IRR</b>	<b>45%</b>

In light of our deep knowledge of the company, the Transaction will be subject to only a limited number of customary closing conditions, which include: (1) approval of UMG's and SPARC's boards of directors, (2) a two-thirds vote in favor of the Transaction by UMG shareholders in attendance at a meeting, and (3) required regulatory approvals. SPARC common stock is currently 100% owned by Pershing Square who will vote to support the Transaction.

The Transaction will also be subject to a new employment contract and compensation arrangement for Sir Lucian Grainge and the creation of a new board of directors for New UMG that will include Michael Ovitz as Chairman and two Pershing Square affiliates in addition to members from the current UMG board.

We look forward to working expeditiously with the company to consummate this highly value-creating transaction. We have engaged Sullivan & Cromwell, White & Case, and Stibbe as legal advisors, and Jefferies as our financial advisor. We and our advisors are available to discuss next steps for the Transaction.

We will be hosting a conference call for UMG shareholders and other interested parties later this morning at 10:00 a.m. EDT ([link](#)) to provide additional details about the Transaction, with a question-and-answer session to follow.

Sincerely,



William A. Ackman