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Background Information

On February 6, 2025, Spotify and Warner Music Group made a new multi-year agreement. This agreement allows Spotify to have a direct license from WMG's music publishing arm, Warner Chappell Music (Warner Music Group 2025). With this agreement, the two companies hope to shape the future of audio-visual streaming, deliver new experiences catered to fans, expand Spotify's music and video catalog, and create different subscription packages that provide content that is only available when subscribed to (Spotify 2025). With this agreement, artists are also able to benefit from this agreement as it helps them reach broader audiences (Spotify 2025).

After the announcement about WMG's and Spotify's agreement, on February 14, 2025, Warner Music Group made an announcement that it will pay a dividend of $0.18 per share on March 4 (SimplyWallSt 2025). When this announcement was made, WMG's stock prices increased to $36.30 on February 14. The reason why this caused WMG's stock price to increase was because of how the dividend creates "an annual payment of 2.0% of the current stock price, which is above the average for the [music] industry" (SimplyWallSt 2025).

Business Analyses

The announcement of Warner Music Group's agreement with Spotify has led to WMG's stock to be worth $31.10 that day and has risen after in just a couple of days to $34.74. This new agreement creates opportunities for WMG as it is a new type of business model for them and promises more income to come in the future. As previously mentioned, this agreement with Spotify will feature content that can only be accessed through paid subscription tiers (Warner Music Group 2025). This would lead the company in the future to gain more sales once this agreement goes into effect. As of now, it is unsure just how effective this new agreement will be towards consumers and stakeholders, but based on the steady climb of WMG's stock from February 6 to February 13, it seems like the announcement had a positive impact.

As for the dividend announcement, it has led Warner Music Group to showcase towards the market that they have a strong dividend yield, compared to other music companies (SimplyWallSt). Having a strong dividend yield can show to investors that they will have a steady and consistent flow of income from the company they're investing in (Baker and Beers 2024).

However, as mentioned in several articles about this dividend and dividends in general, having a necessarily high dividend might not always be good. According to Brian Baker, a Chartered Financial Analyst, having "a high dividend yield could indicate to investors that a company's stock price has significantly declined and that the company has underlying financial troubles. Additionally, there is a risk that the high dividend may not be sustainable, and the company might be forced to cut or eliminate its dividend in the future" (Baker and Beers 2024). This explains how in the article published on Yahoo Finance and written by Simply Wall St. says that before the announcement, WMG "was paying out 75% of earnings, but a comparatively small 75% of free cash flows" and that the dividend will most likely be sustainable (SimplyWallSt 2025). Furthermore, the article continues to estimate that the Earnings Per Share (EPS) will most likely be around 72.6% (SimplyWallSt 2025).

Communication Analyses

Although the Spotify and WMG agreement announcement shares information about the two companies' plans, there hasn't been many advertisements towards consumers. This is most likely because of how this agreement will probably happen in the near future. Both companies have not specified when exactly their new agreement will take effect. One thing to take away is that throughout the announcement, they reiterate that they would like to expand and evolve what the music landscape is like today for communities (Warner Music Group). The constant reiteration of evolving the music industry and catering to different communities aligns with WMG's visions and values, further strengthening their company's branding. With a strong sense of who the company is and what they stand for, this could cause more investors to take the company's stock into consideration.

In the future, the company could start a campaign that advertises the agreement between Spotify and WMG, creating excitement for music fans to anticipate what the agreement has to offer. The agreement provides tons of content that the two companies could advertise about to music fans such as, "new fan experiences, deeper music and video catalogs, differentiated content bundles, and loyalty models that reward and protect the power of artists" (Warner Music Group 2025). If the two were to surround the campaign based on these features and consumers react to those advertisements positively, then there would most likely be an increase in Warner Music Group's stock.

As mentioned before, there can be concerns when it comes to having a high dividend. A couple of articles have pointed out that Warner Music Group does not have a long payment history, making some uncertain if they should fully rely on and be confident in WMG' stock. However, more articles believe WMG is most likely to grow as it has had "an 11% per year increase over the past five years" (SimplyWallSt 2025). As for anything else related to WMG's announcement about their dividend, they have not communicated anything else. The initial announcement was rather professional and informational for stockholders. There wouldn't be much else to say or do for this announcement regarding their dividends.

Results

The following days after the announcement about their dividends has shown their stock to steadily decrease. This slow decline might be because of how the overall stock market has been uncertain with the tariff policies that were being talked about for a while. However, despite the massive decline on March 9, 2025 for the whole U.S. stock market, WMG's stock did not fall drastically (Han and Pound 2025, Yahoo Finance 2025). This is most likely because WMG does not necessarily rely on imported goods and is overall not affected by the tariffs that's constantly being mentioned throughout the month of March.

Warner Music Group has not been in any hot water and has consistently made announcements that have been professional and straightforward. Public media views Warner Music Group to be a good company to invest in the future as it provides opportunities for its stock prices to rise (SimplyWallSt 2025). Articles also point out that WMG is a good company to invest in due to its

fair price and promising future in stocks. However, economic journalists warn readers that WMG's current stock is not worth buying as of now (SimplyWallSt 2025). This can be because of how WMG has not published or put out any other news or media that would be interesting to investors as seen on their website specifically for investors.

Consumer behavior and public perception wise, the company can expect to gain more recognition and support from fans once the agreement with Spotify fully takes place. Once the two companies put out advertising and more information about this agreement, fans would be more likely to be excited and, hopefully, view WMG positively. It can be difficult to fully gauge how the public will react to the agreement with Spotify once the prices go out. The company might see backlash if the public finds the subscription tiers to be too expensive or the bundles that they have talked about in the announcement isn't worth the amount of money the companies are asking for. Lastly, the agreement mentions that it would help artists more when it comes to artist protection and rewarding. If Spotify and WMG were to make sure to keep their promises and treat their artists right, then fans and the media would view WMG extremely positively, especially how it's known that many music labels and distributors sometimes don't have their artist's backs.

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