

# The Future of Audio

AUDIO MARKET UPDATE Q1 2023

FEBRUARY 2023



**Houlihan Lokey**

# Executive Summary

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- **Disruption is a familiar tune. We are believers that the audio sector is in the early stages of a 10+ year investment cycle that will see great value created and unlock tremendous innovation, creating new opportunities for artists, fans, content owners, and labels alike.**
- Despite the volatility in the economic environment, **macro trends continue to propel growth and opportunity across the audio marketplace.**
  - **The number of audio streaming subscribers is forecasted to nearly double.** According to MIDiA Research's "2022–2030 Global Music Forecasts | The New Era of Growth," global streaming subscribers are anticipated to grow from 670 million (2022) to 1.1 billion (2030E).
  - As developed markets (North America and Europe) have matured, **emerging markets are becoming the key growth engine for the music industry.** According to MIDiA Research, the number of music subscribers in the APAC region is expected to nearly double in size from 2022 to 2030.
  - **Innovative platforms offer compelling new monetization channels.** TikTok is estimated to have monthly active users in excess of 1 billion who average nearly one hour on the platform a day.
  - **Music streamers are considering material subscription price increases in 2023.** In 2022, many of the major music streaming platforms tested smaller price increases. However, in October 2022, Apple announced sweeping subscription price increases, which may provide the necessary motivation for other streamers to follow suit.
  - **Radio remains a critical component of the audio landscape.** It holds the dominant share of audience attention, particularly in the car/ad-supported listening time. According to Edison Research's "Share of Ear" report for Q3 2022, digital radio is becoming an increasingly important component of total AM/FM radio listening time, increasing from 8% in 2017 to 17% in 2022, among audiences aged 25-54.
- Even with a rising interest rate environment, **"The Song as Asset Class" continues to be a hotly pursued investment strategy.**
  - Although the pace of catalog acquisition activity slowed in the latter portion of 2022, **deals continued to get done with valuations roughly in line with 2021.**
  - **2022 marked the re-emergence of the music-royalty-backed security.** Apollo led the largest music royalty securitization ever with a nearly \$2 billion securitization of Concord rights.
- **Generative AI entered the zeitgeist in 2022 with the ascent of ChatGPT.** Although early days, we are already seeing the impact of generative AI in music. According to Tencent Music Entertainment, it created and released more than 1,000 AI-generated songs in 2022, one of which garnered in excess of 100 million streaming views.

## Houlihan Lokey's Global Audio Coverage Team

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Houlihan Lokey is a leading global investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring, and valuation.

### Our Services

-  Corporate Finance
-  Financial Restructuring
-  Financial and Valuation Advisory

### Our Coverage Areas

-  Business Services
-  Healthcare
-  Financial Sponsors Coverage
-  Consumer, Food, and Retail
-  Industrials
-  Equity Capital Markets
-  Energy
-  Real Estate, Lodging, and Leisure
-  Debt Advisory
-  Financial Services
-  Technology

### Key Facts and Figures



**35**

LOCATIONS  
WORLDWIDE

**~2,000**

TOTAL FINANCIAL  
PROFESSIONALS

**300+**

MANAGING  
DIRECTORS<sup>(1)</sup>

**2,000+**

CLIENTS SERVED ANNUALLY

**\$6.5B**

MARKET  
CAPITALIZATION<sup>(2)</sup>

**\$2.3B**

REVENUE

(1) As of January 2023; excludes corporate MDs.

(2) As of January 2023.

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

**2022 M&A Advisory Rankings  
All Global Technology Transactions**

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>116</b>
2	Goldman Sachs & Co	106
3	Morgan Stanley	79
4	Rothschild & Co	76
5	JP Morgan	75

Source: Refinitiv. Excludes accounting firms and brokers.

**2022 M&A Advisory Rankings  
Global Transactions Under \$1 Billion**

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>381</b>
2	Rothschild & Co	369
3	JP Morgan	217
4	Lazard	206
5	Goldman Sachs & Co	203

Source: Refinitiv. Excludes accounting firms and brokers.

**No. 1**

Global M&A Advisor  
for Transactions Under  
\$1 Billion

Global Restructuring  
Advisor

Global M&A Fairness  
Opinion Advisor Over  
the Past 25 Years\*

**Leading**

Capital Markets Advisor

**1,500+**

Transactions Completed Valued at  
More Than \$3.0 Trillion Collectively

**1,000+**

Annual Valuation Engagements

# Our Tech M&A Team Is No. 1 Globally With Unparalleled Reach

## North America

Atlanta  
**Boston**  
Chicago  
Dallas  
Houston  
**Los Angeles**

**Miami**  
Minneapolis  
**New York**  
**San Francisco**  
Washington, D.C.

## Europe and Middle East

Amsterdam  
Dubai  
**Frankfurt**  
**London**  
Madrid  
**Manchester**

**Milan**  
Munich  
**Paris**  
**Stockholm**  
**Tel Aviv**  
Zurich

## Asia-Pacific

Beijing  
Fukuoka  
Gurugram  
Ho Chi Minh City  
Hong Kong SAR  
**Mumbai**

Nagoya  
Osaka  
Shanghai  
Singapore  
Sydney  
**Tokyo**

**No. 1**

TECH M&A  
ADVISOR\*

**14**

LOCATIONS  
WORLDWIDE

**235+**

TECHNOLOGY  
BANKERS

**40+**

MANAGING  
DIRECTORS

**115+**

TECHNOLOGY  
DEALS IN CY22

Local Technology team

\*Source: Refinitiv. Excludes accounting firms and brokers.

Houlihan Lokey is positioned in the large-cap and middle-market/  
growth sectors.

## LARGE-CAP TRANSACTION EXPERTISE

- CEO-level relationships with leading tech companies
- Large senior team with unparalleled transaction experience
- Broad network including Fortune 500 relationships
- Highest quality client service
- M&A advisory and capital-raising expertise
































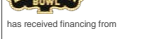












































## MIDDLE-MARKET / GROWTH SECTOR FOCUS

- Unique global access to venture, private equity, and strategic investors
- Growth company focus
- Deep sector expertise and domain knowledge
- Extensive capital markets access
- Late-stage private through public company orientation



# Selected Audio Market Experience






















































 has been merged into  Merger Advisor	 completed an \$80M share/warrant repurchase, representing 100% of the outstanding securities of  Financial Advisor	 has sold a majority stake in  to  Sellside Advisor*	 has acquired  Buy-side Advisor	 has successfully placed a senior secured credit facility in support of an acquisition Placement Agent	 has been acquired by  a portfolio company of  Sellside Advisor	 has made an investment in  Financial Advisor*	 has acquired  Buy-side Advisor*	 has been acquired by  Sellside Advisor
 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor	 has completed a financing transaction in connection with its acquisition of  Fairness Opinion	 has been acquired by EV Events Center, LLC a joint venture between Brooklyn Sports & Entertainment and AEG Presents with its regional partner The Bowery Presents   Sellside Advisor	 parent company of  has received financing from Coran Capshaw Founder of  Sellside Advisor	 has been acquired by  A portfolio company of  Sellside Advisor	 has confirmed a Chapter 11 Plan of Reorganization, restructuring approximately \$450 million of debt Second Lien Noteholder Advisor	 has received a strategic investment from  Sellside Advisor*
 has acquired  Financial Advisor*	 a portfolio investment of  Valuation Opinion	 \$50,000,000 Financing  Financial Advisor*	 has been acquired by  Financial Advisor*	 investment from  Financial Advisor*	 has exchanged stations with  Financial Opinion	 has been acquired by  Financial Advisor*	 has divested its equity stake in  to ColumbusNova Financial Advisor*	 Secured Financing Financial Advisor*
 has raised equity from Wood Creek Capital to acquire  Financial Advisor*	 Beats Electronics, LLC has licensed certain trademarks and trade names to Daisy, LLC Fairness Opinion	 has been acquired by  Financial Advisor*	 has been acquired by  Financial Advisor*	 has been acquired by  Sellside Advisor	 has been acquired by  Sellside Advisor*	 Preferred Stock Offering  Financial Advisor*	 has acquired  Buy-side Advisor*	 \$9,500,000 Series E Preferred Stock   Financial Advisor*

Tombstones included herein represent transactions closed from 2010 forward.

\*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company.

# Selected Media and Entertainment Valuations and Opinions

Houlihan Lokey is a leader in providing valuation and financial opinions in the media and entertainment industry.

 <p>has completed a financing transaction in connection with its acquisition of</p>  <p>Fairness Opinion</p>	 <p>has acquired</p> <p><b>axstv HDNET+MOVIES</b></p> <p>We rendered a valuation opinion for financial reporting purposes to Anthem Sports &amp; Entertainment regarding the acquisition of HDNet LLC a/k/a AXS TV</p> <p>Financial Opinion</p>	 <p>Beats Electronics, LLC</p> <p>has licensed certain trademarks and trade names to</p> <p>Daisy, LLC</p> <p>Fairness Opinion</p>	<p>Melody Holdings, L.P., parent of SESAC Music Group</p>  <p>a portfolio company of</p>  <p>has completed a \$265 million debt recapitalization</p> <p>Financial Opinion</p>	 <p>a portfolio investment of</p>  <p>Valuation Opinion</p>	 <p>has amended its Amended and Restated Exhibitor Services Agreements with</p> <p>Cinemark USA, Inc.</p> <p>and</p> <p>Regal Cinemas, Inc.</p> <p>Fairness Opinion</p>	 <p>We rendered a valuation opinion for financial reporting purposes to Hasbro, Inc. regarding the feature film</p>  <p>Financial Opinion</p>	 <p>d.b.a.</p>  <p>has completed a share repurchase</p> <p>Fairness Opinion</p>	 <p>Valuation of a film library for collateral lending purposes in connection with Sound Point Capital Management's acquisition of Relativity Media.</p>  <p>Collateral Valuation</p>
 <p>Provided financial advisory services and a valuation opinion in connection with the purchase of Tribune Media's 5% interest in Chicago Entertainment Ventures, LLC</p> <p>Financial Opinion</p>	 <p>has successfully completed the spin-off of</p>  <p>Houlihan Lokey provided financial opinions to the Board of Directors of both Twenty-First Century Fox and Fox Corporation.</p> <p>Financial Opinion</p>	 <p>Valuation of a film and television library for collateral lending purposes</p> <p>Collateral Valuation</p>	 <p>Accelerated Global Content, LLC</p> <p>Valuation opinion in connection with strategic initiatives following AGC's launch.</p> <p>Financial Opinion</p>	 <p>We rendered a valuation opinion for financial reporting purposes to MGM regarding its intangible assets including the MGM film and television library</p> <p>Financial Opinion</p>	 <p>We rendered a valuation opinion for tax &amp; financial reporting purposes to The Topps Company regarding its sports &amp; entertainment business</p> <p>Financial Opinion</p>	 <p>has acquired a controlling interest in</p>  <p>Kids Station Inc.</p> <p>We rendered a valuation opinion for financial reporting purposes to Sony Pictures Television Inc. regarding the intangible assets of Kids Station Inc.</p> <p>Financial Opinion</p>	 <p>Valuation of an animated film and television library for collateral lending purposes</p> <p>Collateral Valuation</p>	 <p>has completed a special dividend recapitalization through an add-on to its existing term loan</p> <p>Financial Opinion</p>
 <p>has acquired an interest in</p>  <p>from</p>  <p>Valuation Specialist / Services</p>	 <p>has acquired</p>  <p>Financial &amp; Tax Due Diligence</p>	 <p>We rendered a valuation opinion for financial reporting purposes to Yankee Entertainment &amp; Sports Network</p> <p>Financial Opinion</p>	 <p>Valuation opinion in connection with a potential transaction</p> <p>Financial Opinion</p>	 <p>has completed a spin-off of</p>  <p>Financial Opinion</p>	 <p>We rendered a valuation opinion for corporate planning purposes to Image Entertainment regarding its film and television library</p> <p>IP Valuation</p>	 <p>has completed a recapitalization transaction with</p>  <p>Financial Advisor &amp; Fairness Opinion</p>	 <p>formerly known as</p>  <p>has completed the restructuring of €2.8 billion of debt</p> <p>Financial Opinion</p>	 <p>ValueVision Media, Inc.</p> <p>The Series A Redeemable Convertible Preferred Stock has been exchanged for: 4.9 million shares of 12% Series B Redeemable Preferred Stock due 2014. Warrants to purchase 6.0 million common shares at \$0.75 per share \$3.4 million cash</p> <p>GE Capital Equity Investments, Inc.</p> <p>The Series A Redeemable Convertible Preferred Stock has been exchanged for: 4.9 million shares of 12% Series B Redeemable Preferred Stock due 2014. Warrants to purchase 6.0 million common shares at \$0.75 per share \$3.4 million cash</p> <p>Financial Advisor &amp; Fairness Opinion</p>
<p>Red Envelope Entertainment, LLC</p> <p>a subsidiary of</p>  <p>Netflix, Inc.</p> <p>Financial Opinion</p>	 <p>has been acquired by</p>  <p>Citadel Limited Partnership and NBC Universal, Inc.</p>  <p>Financial Opinions</p>	<p>Planet Acquisitions Ltd.</p> <p>has acquired</p>  <p>for approximately \$247 million</p> <p>Financial Opinion</p>	 <p>has paid a special dividend of \$10 per share on its common stock (approximately \$3 billion in aggregate)</p> <p>Financial Opinion</p>	<p>Providence Equity Partners, 3i Investments plc, and Sparrowhawk Media (the "Consortium")</p> <p>has acquired the international businesses of the</p>  <p>for approximately \$242 million</p> <p>Financial Opinion</p>	 <p>HOB Entertainment, Inc. has completed a \$110 million recapitalization of its preferred and common stock</p> <p>Financial Advisor &amp; Fairness Opinion</p>	 <p>DreamWorks Animation, Inc.</p> <p>has separated from</p>  <p>DreamWorks LLC</p> <p>as a new publicly traded corporation</p> <p>Financial Opinion</p>	<p>Sony Corporation of America, Providence Equity Partners, Texas Pacific Group, DLJ Merchant Banking Partners and Comcast Corporation (the "Consortium")</p> <p>has agreed to acquire</p>  <p>for approximately \$4.85 billion</p> <p>Financial Opinion</p>	 <p>has successfully completed a financial restructuring of its €2.4bn credit facilities</p> <p>Company Advisor</p>



# The Long-Term Bull Case for Audio

There are a number of core themes and data points that support the investment thesis across the sector.



## Digital Subscriber Growth

- ✓ Strong structural drivers of global demand suggest upside opportunity
- ✓ Emergence of podcasting/audiobooks enhancing offerings and user engagement
- ✓ Additional runway within established markets—users, penetration, usage
- ✓ Technology (i.e., 5G) enhancing the rapid ability to capitalize on the emerging market opportunity
- ✓ High barriers to entry with global brand commitment to increase value to consumers and create high switching costs



## New Platforms and Tech

- ✓ Rapidly expanding high-speed broadband internet, smartphone usage, connected vehicles, and smart speakers broaden reach and listening time
- ✓ Social media platforms, health/wellness apps, video games, and the metaverse create new use cases and monetization drive potential for outlier outcomes
- ✓ Distribution opportunities creating greater reach and access to music and all audio products
- ✓ Emergence of creator tools powering a new generation of music/audio creators and content



## Macro Environment

- ✓ Music serves as a valuable hedge against inflation
- ✓ Asset class may be less impacted in a recession
- ✓ Increases in interest rates offset by a similar increase in growth



## Improved Ability to Monetize

- ✓ New technologies are helping to better monitor IP usage and enforce payment
- ✓ Use of data to better understand consumer behaviors; emergence of AI across the value chain from creation to distribution
- ✓ New forms of content beyond music (e.g., podcasts and audiobooks) driving engagement and improved economics to digital service providers (DSP)

# Audio Sector Navigating Turbulent Macro Environment

2023 poses several challenges to the industry with a potential recession and its implications for consumer/advertiser spend.

“It’s no secret that we’ve been challenged on multiple fronts, as we [have] navigated financial volatility, rising interest rates, inflation, declines in online advertising spend, and currency headwinds. In addition, we’ve been navigating the complexities created by the pandemic and dealing with the impact of the war in Ukraine...As we look ahead, there is **tremendous momentum in both the short and long term.**”

Stephen Forbes Cooper, CEO and Director  
WMG Earnings Call, November 2022



“When revenue performance disappoints, what typically follows is a **downward revision of advertising spending**...But, inevitably, history repeats itself and ad budgets get trimmed.”

Media & Internet 2023 Year End Report, January 2023



“Despite a softening of some ad categories in 2022 and perhaps beyond, streaming audio platforms appear positioned for growth as a main source of music and the increasingly popular podcast category. Advancements in advertising efficiency and audience measurement, along with significant content investments, should help **drive the segment’s continued ad revenue growth over the next 10 years.**”

January 2023



“The **global music subscriber market is approaching a pivot point.** It is realistic to assume that the global recession and the organic maturation of the global subscriber market will result in some slowdown of growth in 2023, even if the sector remains otherwise resilient.”

January 2023



“Home entertainment tends to perform well during recessions, not least because people are inclined to cut down on leisure spend (eating out, bars, clubs, etc.) and thus spend more time at home. In previous recessions, lipstick sales boomed, reflecting their role as an affordable luxury that consumers turn to when they can no longer afford the more expensive luxuries. **Music subscriptions have a good chance of playing a similar role in the coming recession.**”

January 2023



“We said that 2022 would be an investment year, and it was. And in light of our recent news on cost and staff reductions, I’m sure some of you are wondering if we believe that that investment was a mistake. And the answer is no and yes...Things change, and the macro environment has changed significantly in the last year. And, in hindsight, **I probably got a little bit carried away and overinvested relative to the uncertainty we saw shaping up in the market.**”

Daniel Ek, CEO  
Earnings Call Q4, January 2023



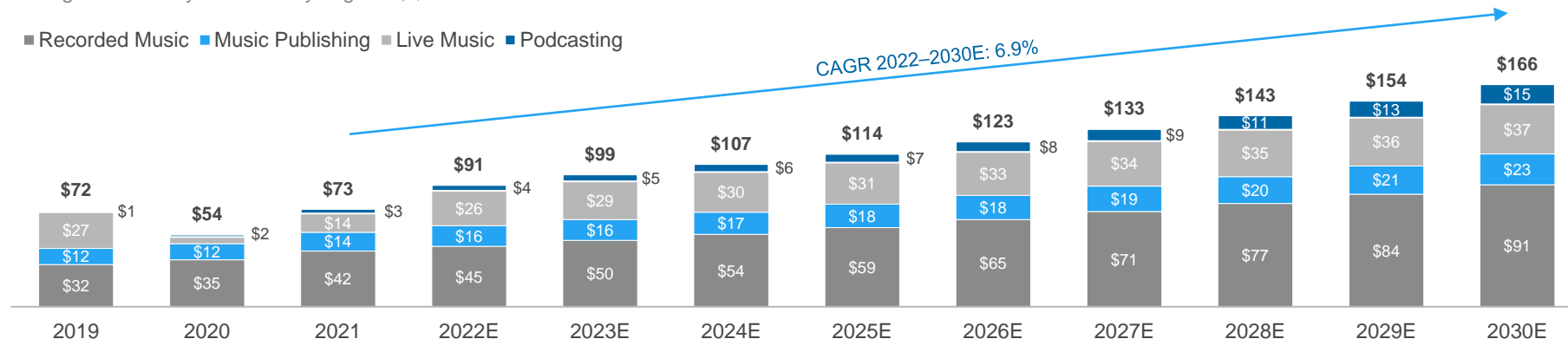
# An Industry on the Move

The audio industry demonstrated resilience during COVID-19 and is poised for considerable growth over the next 10 years.

## Audio Industry Expected to Double by 2030...

Total global industry revenues by segment; \$ in billions<sup>(1)</sup>

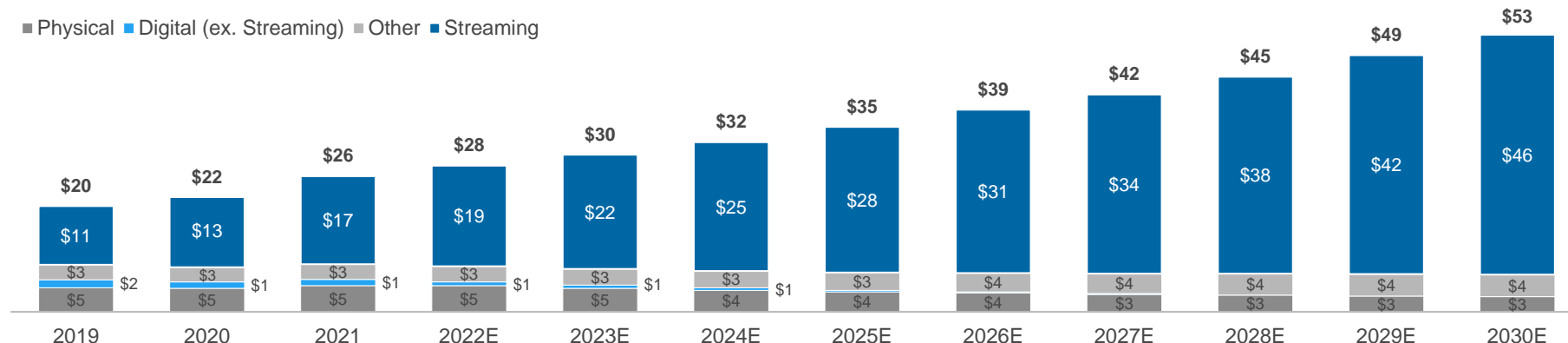
■ Recorded Music ■ Music Publishing ■ Live Music ■ Podcasting



## ...Spurred by the Growth in Recorded Music Revenue, Which Is Driven Mainly by Streaming

Net global recorded music revenue (net refers to amounts after payments to artists/creators); \$ in billions<sup>(1)</sup>

■ Physical ■ Digital (ex. Streaming) ■ Other ■ Streaming



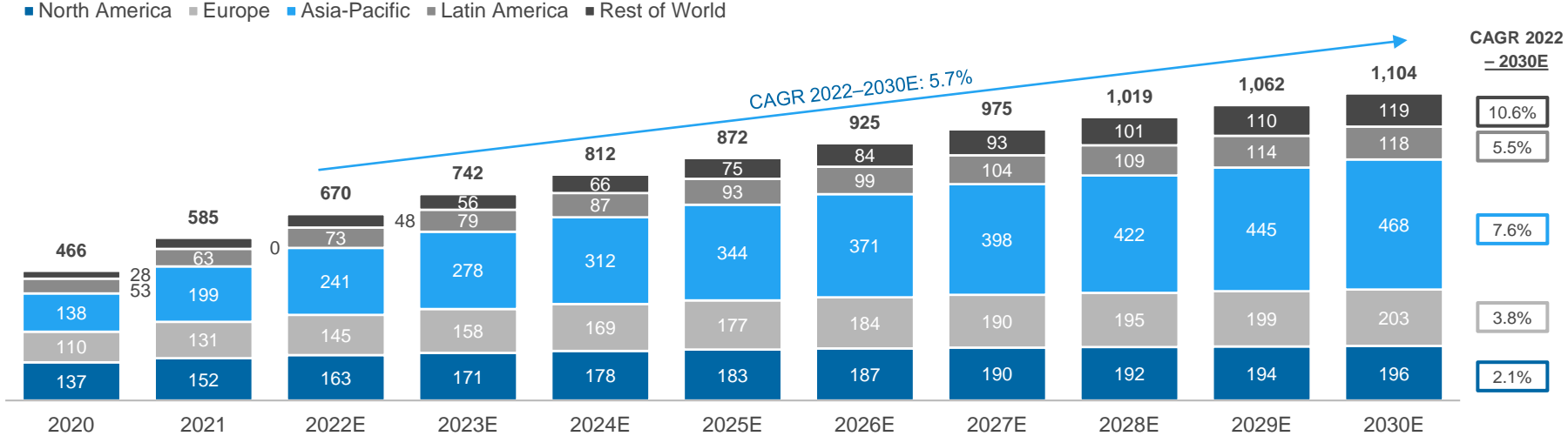
(1) Goldman Sachs, "Music Is in the Air"; Morgan Stanley, "Mic'd Up: Is Podcasting the Next Big Thing?" (July 2021); other publicly available information.

# Music Streamers Look to Emerging Markets for Growth

With North American and European markets maturing, music streamers see less-saturated markets as a key area of growth.

## Much of Anticipated Subscriber Growth Coming From APAC

Global music streaming subscribers<sup>(1)</sup>



**Emerging Markets Represent Big Opportunity:** Today, Spotify has penetrated nearly a third of its ~600 million-person TAM in established markets. While it will likely be at a lower ARPU initially, the emerging markets opportunity is sizeable, representing a large growth engine over the next several years.”

PIPER | SANDLER SPOT Initiating Coverage, October 2022

“Emerging markets will represent the majority of global music subscribers by 2026, and this is going to drive the next wave of evolution for music distribution companies. **[Emerging markets] are going to be the engine room of growth for streaming users and subscriber growth...**The music culture of emerging markets is booming like it has never done before, and that will accelerate over the coming years.”

MIDiA Mark Mulligan, MIDiA Research, January 2022

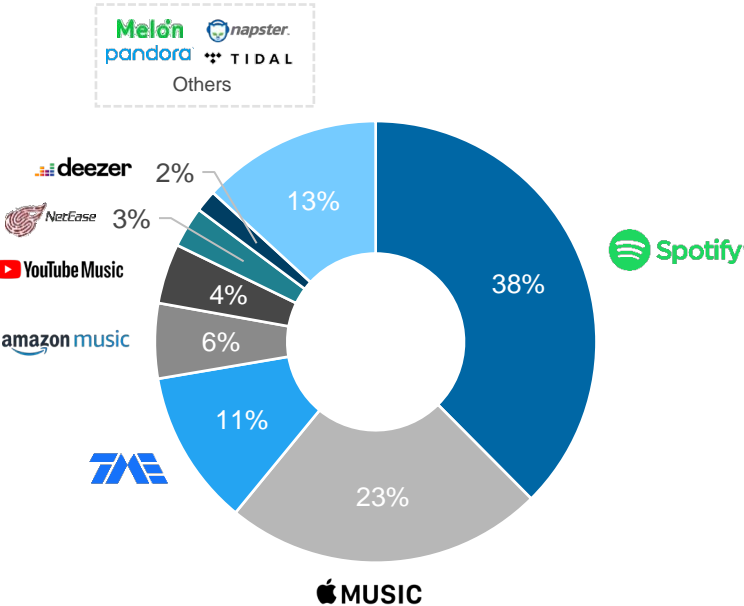
(1) MIDiA Research Music Model.

# Competition Intensified Among Large Global Streamers

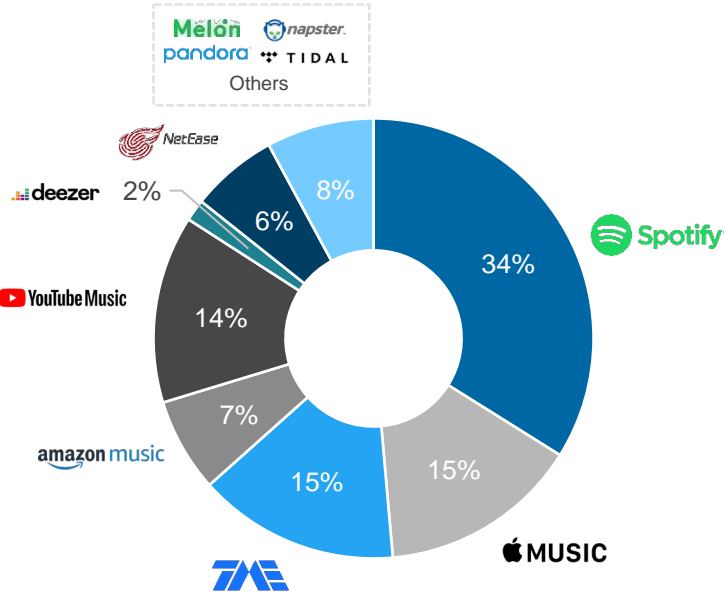
Spotify has lost share to competitors in recent years but is expected to maintain its current position in the coming years.

### DSP Platform Market Share 2018

Global market share %<sup>(1)</sup>



### DSP Platform Market Share 2022



“The slowing [subscriber] growth should be the catalyst for what needs to come next, especially in developed markets, **unlocking growth pockets through differentiation**. Western DSPs have managed to grow with largely undifferentiated product propositions. Music rights holders should explore creative ways in which they can empower their DSP partners with differentiated content assets to enable them to super-serve specific consumer segments and, thus, unlock extra growth within them.”

December 2022 **MIDIA**

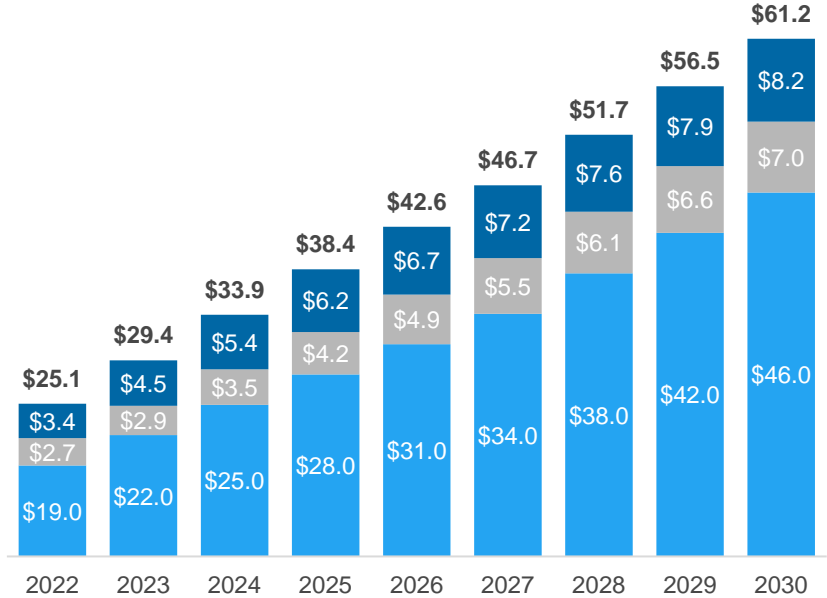
(1) Morgan Stanley, “Media and Entertainment – Has the Streaming Reckoning Arrived?,” December 2022. Percentages may not sum to 100% due to rounding.

# New Platforms Are Driving Music Industry Revenue Expansion

Non-DSP streaming platforms have been a boon to the industry, notwithstanding some growing pains.

## New Platforms Are Driving Global Advertising Revenue to the Music Industry...

Global advertising revenue for DSPs and new platforms (i.e., non-DSP streamers); \$ in billions<sup>(1)</sup>



## ...But Requires New Distribution Methodology to Fairly Compensate Artists

- The value music is bringing to digital platforms is clearly accelerating. UGC revenue was worth \$4 billion in 2022, with \$2.2 billion of that being potential music rights holder income. With the current innovation in social media, this potential income is set to double to \$8 billion by 2028.<sup>(2)</sup>
- MIDiA introduces the idea of a “creator rights framework” as a potential future distribution model, whereby music-making, experiential music (which they define as the emergence of experiential music such as live streaming, fan-funded, fan clubs, and virtual events), and the image rights of artists and their brand can be packaged and licensed at scale.<sup>(2)</sup>
- “The music industry needs a new format for non-DSP environments, one that will ideally pave the way for metaverse monetization also. Non-DSP music behaviors rarely revolve around the full-length song, nor full-length music videos. Instead, they revolve around components and snippets of songs as well as the music creator’s non-music activity. The music industry needs a licensable format that reflects this new usage.”<sup>(3)</sup>

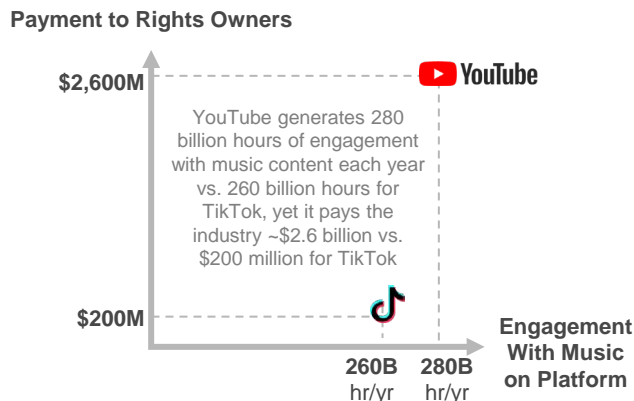
<sup>(1)</sup> MIDiA Research 2022–2030 Global Music.  
<sup>(2)</sup> Music Industry Blog, “The Music Industry Needs a New Format,” October 2022.  
<sup>(3)</sup> MIDiA, “Growth From Transparency—Reframing the Value of Music Through Creator Rights,” November 2021.



# What TikTok Could Mean for the Music Industry

With a realignment of remuneration to rights holders, TikTok could represent a multibillion-dollar opportunity for the music industry.

## The TikTok Value Gap<sup>(1)</sup>



- TikTok's usage continues to increase; MAU total ~1.1 billion, with each user consuming 28 hours of content per month.<sup>(2)</sup>
- TikTok's rapid success has been both a benefit and a challenge for the music industry. TikTok has helped labels identify new artists and cultivate engaged fan bases; however, music royalties paid by TikTok have been an area of acute focus.
- In 2022, the company was expected to generate \$10 billion of revenue.<sup>(3)</sup> It is estimated that music is essential to ~88% of TikTok's user engagement.<sup>(2)</sup> However, only ~\$200 million were paid to rightsholders.<sup>(1)</sup>
- Licensing negotiations are frequent, and many are referencing YouTube as a benchmark for resetting terms.

## TikTok Diversifies Into New Platforms



### March 2020:

TikTok launched a streaming service (currently available in India, Brazil, and Indonesia) to compete with the likes of Spotify and Apple Music. The company is currently in talks with the major labels to expand its service globally but is facing headwinds after failing to renew its contract with Sony Music.<sup>(4)</sup>

"Resso's brand philosophy is extremely unique, and we believe that an offering such as ours doesn't exist in the market. Resso is designed to revolutionize how music is consumed by filling the longstanding gap between music streaming and social networking. We understand our audience and know what they want, and our app gives them the platform to use music as a medium to connect."<sup>(5)</sup>

Hari Nair, Head of Music Content & Partnership, Resso India



### March 2022:

TikTok launched an all-in-one platform for music marketing and distribution. The platform allows artists to upload their music directly to TikTok and begin earning royalties when that music is used on both TikTok and other music platforms.

"New artists and musical creators are a vibrant community within TikTok, and SoundOn is designed to support them as they take the first steps in their career... We're incredibly excited about how this will surface and propel new talent and how SoundOn will contribute to an increasingly diverse and growing global music industry."<sup>(6)</sup>

Ole Obermann, Global Head of Music, TikTok



"TikTok announced that it had struck a deal with Snoop Dogg for a major streaming exclusive... Perhaps of more concern to the majors: Snoop Dogg has inked a go-forward agreement to directly distribute the Death Row catalog to ByteDance products (including TikTok and Resso) via TikTok's SoundOn."<sup>(7)</sup>

(1) Morgan Stanley, *Music Everywhere*, December 2022.

(2) Bank of America, *Year Ahead 2023*, January 2023.

(3) *Financial Times*, November 2022.

(4) *Wall Street Journal*, "TikTok Parent ByteDance Sets Sights on Spotify With

*Music Streaming Expansion*," October 2022.

(5) *Music Plus+*, "Interview of the Week – Hari Nair," March 2022.







(6) *TikTok Press Release*, March 2022.

(7) *Music Business Worldwide*, February 2023.

# Will We See Further Subscription Price Hikes in 2023?

Subscription prices have been stagnant for years; Apple may have paved the way for other streamers to increase prices.

## Selected Recent Price Increase Announcements<sup>(1)</sup>

Platform	Date	Plan / Change	Region
	January 2023	Unlimited / +10%	U.S. / U.K.
	November 2022	Family / +13%	U.K.
	October 2022	Premier / +10% Family / +13% Annual / +10%	Global
	October 2022	Premium / +28% Family	Global
	October 2022	Premium / +10% Premium / +20%	U.S. / France U.K.
	April 2022	Premium / +11%	Global
	April 2022	Student / +20% Family / (varies)	U.S., U.K., 10 European markets

“So, to put things in context, in 2022, we increased our price point in more than 40 markets around the world. So, it’s definitely something that we’re doing, and we’re looking at it as a balanced portfolio approach where in some markets, we’re selectively increasing prices because we’re in a more mature place. In some markets, we’re mostly focused on [subscriber] growth. So that’s our general approach.

SPOT earnings call, January 2023



“Apple Music may have opened the floodgates on Monday when it announced that it will raise prices on its Apple Music subscription service... Apple’s decision to ask subscribers for more money signals a tide change and will likely embolden competitors to follow suit... **Prices for music subscription services have remained stubbornly low for the past decade—to the chagrin of rights holders and creators who want higher royalties from streaming platforms.**”

October 2022



“**We are confident that price increases by platforms will be positively accepted by consumers.** Sweden, one of the most penetrated markets, is an interesting example. It is one of the most mature music markets and provides some clue on the impact of price increases. Spotify increased the price of its core package from SEK99 to SEK109 in Q1 ’21. Subsequently, the Swedish market growth accelerated from 4% in 2020 to 12% in 2021.”

January 2023

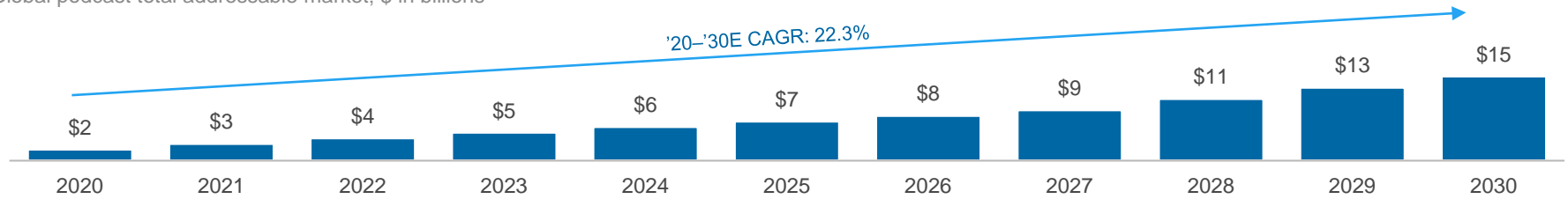


(1) Music Business Worldwide, company releases, other publicly available information.

# Podcasts Growing in Importance, With Daily Listening Increasing Across All Demos

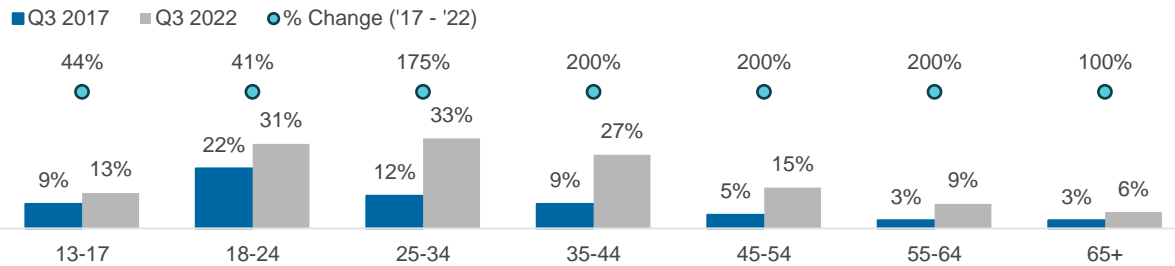
## Podcast Market Growing ~22% YoY

Global podcast total addressable market; \$ in billions<sup>(1)</sup>



## Daily Podcast Listening Has Increased Across All Demographics

% of listeners who listen daily<sup>(2)</sup>

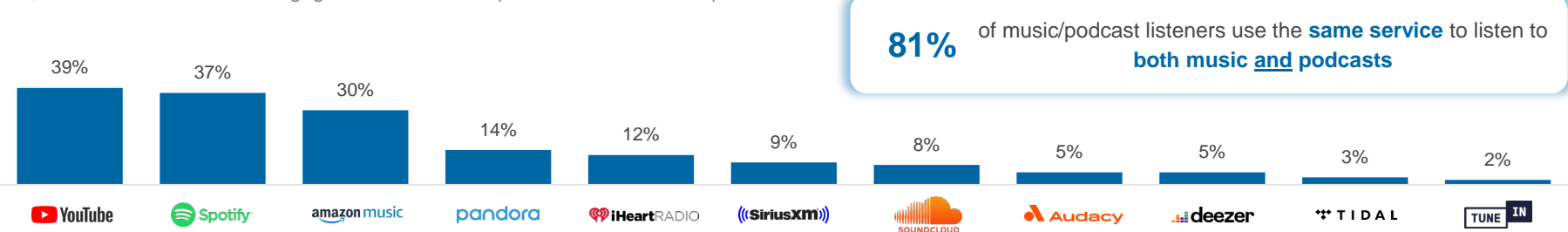


"Millennials and Gen Z represent the biggest demos when it comes to podcast listenership—they remained the primary drivers of podcast streams in 2022—but this trend may not last for much longer. In 2022, it was the **outlying demographics that showed the strongest growth**...Our findings show that both teenagers (ages 13–17) and the 55+ category showed increased engagement, with 42%–49% growth."

Spotify Advertising Team, January 2023

## Most Music/Podcast Listeners Use the Same Service

U.S., 2022 % of listeners that engaged with music and podcasts at least once per month<sup>(3)</sup>



**81%** of music/podcast listeners use the **same service** to listen to **both music and podcasts**




















(1) Morgan Stanley, "Mic'd Up: Is Podcasting the Next Big Thing?" July 2021 and Spotify forecasts.

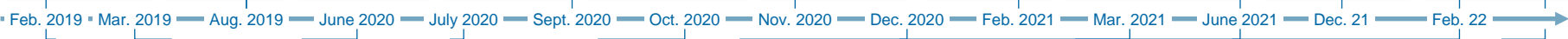
(2) Audio Active Group, Share of Ear, Q3 2022.

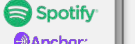




















(3) Activate Consulting, Activate Technology & Media Outlook 2023. "Digital audio" includes audio streamed via mobile and desktop/laptop; "radio" excludes digital radio.

# Podcast Sector Selected Transaction Snapshot

After a frenzy of M&A activity in 2019 and 2020, M&A activity has slowed, with a greater focus on podcast tech companies that support podcasting platforms (via advertising/data and analytics and audience insights).

 <b>GIMLET</b> <b>Feb. 2019:</b> Spotify acquires Gimlet Media, which produces narrative podcasts and enables users to share, subscribe to, and download podcasts.	  <b>Aug. 2019:</b> Audacy acquires creator of premium on-demand audio and podcast content Cadence13.	  <b>Aug. 2019:</b> Audacy acquires creator, distributor, and monetizer of independent podcast content Pineapple Street Media.	  <b>Sept. 2020:</b> Apple acquires Subverse (Scout FM), a startup podcast publisher that creates smart stations for podcast listeners.	  <b>Nov. 2020:</b> Spotify acquires podcast advertising and publishing platform Megaphone, which enables advertisers to scale their reach through the Megaphone Targeted Marketplace.	  <b>Feb. 2021:</b> Audio company and podcast publisher iHeartMedia acquires Triton Digital, a global platform focused on audio, podcasts, and providing industry metrics.	  <b>June 2021:</b> Spotify acquires Podz, a startup providing tools to enhance podcast discovery by users.	  <b>Dec. 2021</b> Spotify acquires Australia-based podcast hosting, distribution, and monetization platform Whooshkaa, including its tech to enable radio broadcasters to turn their existing audio content into on-demand podcasts.	  <b>Feb. 2022:</b> Spotify acquires podcast ad measurement company Podsights to help advertisers more accurately measure the impact and actions driven by their podcast ads.	  <b>Oct. 2022:</b> Spotify acquires content moderation company Kinzen, which uses machine learning to identify disinformation and dangerous content within online communities.
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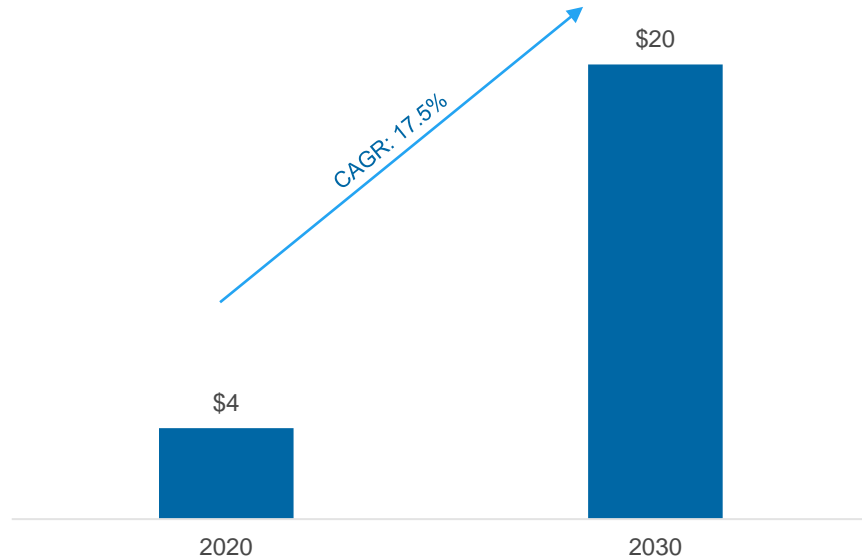
  <b>Feb. 2019:</b> Spotify acquires Anchor FM, a podcast technology platform focused on hosting and distributing podcasts.	  <b>Mar. 2019:</b> Spotify acquires podcast creator Cutler Media.	  <b>June 2020:</b> Audio entertainment company Sirius XM acquires digital media, entertainment, and podcast service provider Audio Ventures.	  <b>July 2020:</b> Audio entertainment company Sirius XM acquires podcast platform and creator of original podcast content Stitcher.	  <b>Oct. 2020:</b> iHeartMedia acquires Voxnest, provider of a suite of advertising capabilities and tools to develop its capabilities in podcast ad tech.	  <b>Dec. 2020:</b> Amazon acquires Wondery, an independent podcast producer and network.	  <b>Mar. 2021:</b> Audio-focused content creator and platform Audacy acquires self-serve podcast marketplace Podcorn, which enables advertisers to connect with podcasters for native sponsorships.	  <b>June 2021:</b> Amazon acquires podcast adtech platform Art19, which provides tools for the hosting, distribution, and monetization of podcasts and detailed measurement metrics for publishers and advertisers.	  <b>Feb. 2022:</b> Spotify acquires podcast analytics platform Chartable, which provides audience insights and promotional tools to podcasters.	  <b>July 2022:</b> Acast acquires Podchaser, an operator of the world's largest podcast database.	 <b>July 2022:</b> Malcolm Gladwell's Pushkin Industries acquires Transmitter Media, a podcast producer. This is Pushkin's first acquisition.
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Sources: Company filings, other publicly available information.

# Audiobook Market Expanding Rapidly

## Audiobook Market TAM

Global audiobook revenues; \$ in billions<sup>(1)</sup>

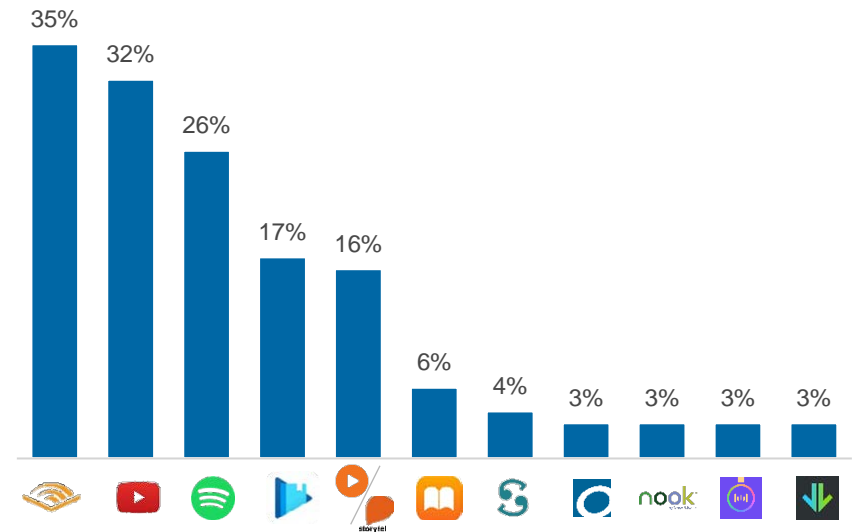


“We’re encouraged because we think fundamentally that **audiobooks have a massive opportunity and that there are very few consumers that are currently participating in the ecosystem**. And if you compare to our other verticals, music and podcasting, we thought pretty much the same thing...Now we’re just heads-down focused on executing. And during 2023, you’ll see a lot of new things roll out in the audiobook category from Spotify.”

Daniel Ek, Founder, CEO  
SPOT earnings call, January 2023 

## Audible Leads the Audiobook Market

Surveyors were asked where they normally access audiobooks, Q3 '22 by segment (U.S., U.K., Australia, Canada, Germany, France, Sweden, South Korea)<sup>(2)</sup>



“As audio formats blur, audiobooks can capitalize on the new attention accruing to podcasts. As **attention inflation** (i.e., people consuming multiple formats simultaneously) leads consumers to multitask entertainment, audiobooks can also occupy the same background listening space as podcasts and music, and multi-entertainment ecosystems, like Apple and Amazon, can cross-promote audiobooks with related content like films and television shows based on books.”<sup>(2)</sup>

January 2023 

(1) Storytel Earnings Call, November 2022.

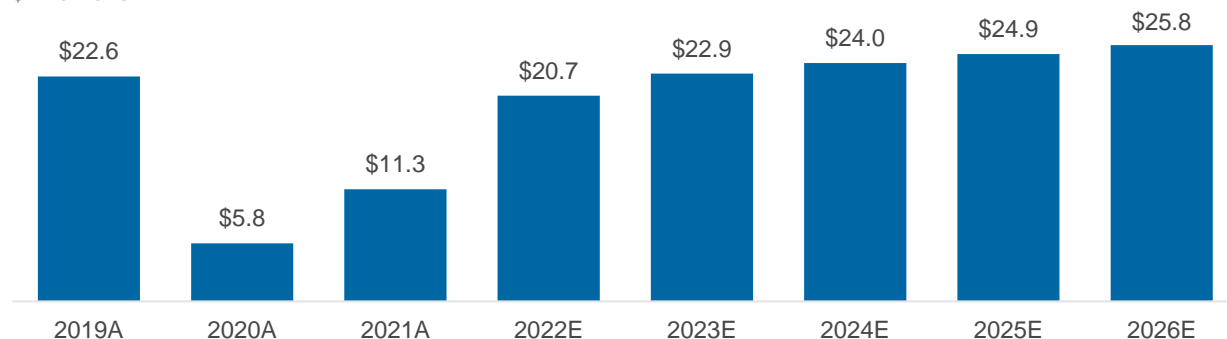
(2) MIDIA, “Audiobook Consumer Profile—Following in Podcasts’ Footsteps,” January 2023.

# Global Music Concert Ticket Sales Expected to be Robust in 2023

Despite recession concerns, 2023 is anticipated to be a strong year for the segment, as concerts and music festivals are a top priority experience for consumers.

## Global Music Ticket Sales

\$ in billions<sup>(1)</sup>

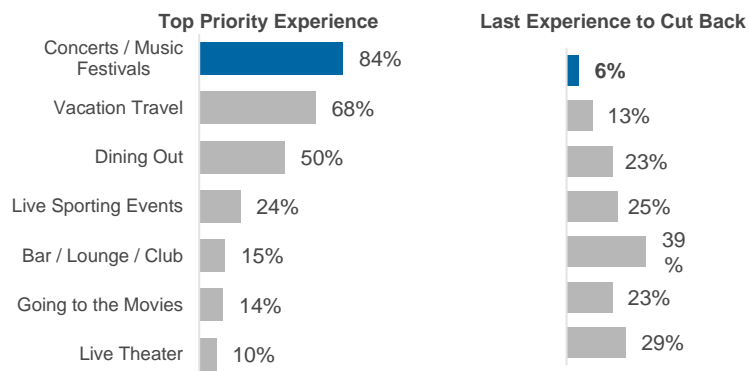


“Less than a year after the final coronavirus restrictions were dropped on concert capacity and attendance, the country’s largest two concert promoters are forecasting record sales in 2023 across a broad swath of building categories and genres...AEG Presents president for North America Rick Mueller says that **ticket sales for shows already on sale in 2023 indicate record revenue and attendance at every capacity level in the concert space.**”

November 2022 **billboard**

## Concerts May Be Less Impacted in a Downturn

% represent the share of individuals who ranked category in top 3<sup>(2)</sup>



## Virtual Concert Attendance Down in 2022

% of U.S. music listeners that attended a live virtual music event<sup>(3)</sup>



“Taking off after the global pandemic, immersive virtual reality concerts seemed, for a moment, **poised to become the music industry’s next big thing.** However, following our collective return to IRL shows, the momentum behind the phenomenon seems to have slowed down significantly. Perhaps Harris’ endorsement will change that—perhaps not.”

January 2023 **musicradar**

(1) Morgan Stanley, “Media & Entertainment—Has the Streaming Reckoning Arrived,” December 2022.

(2) Live Nation Survey, November 2022.

(3) Activate Consulting, Activate Technology & Media Outlook 2023.



# Radio Remains a Critical Component of Audio

Contrary to the common belief that the segment is in a rapid decline, radio's signal still reaches a massive, engaged audience.

## Radio Fundamentals Endure...



**88%**

Of adults listen to the radio weekly<sup>(1)</sup>



**~12 hours**

The average amount of time listeners are tuning in weekly<sup>(1)</sup>



**74%**

Radio's share of all ad-supported audio listening<sup>(2)</sup>

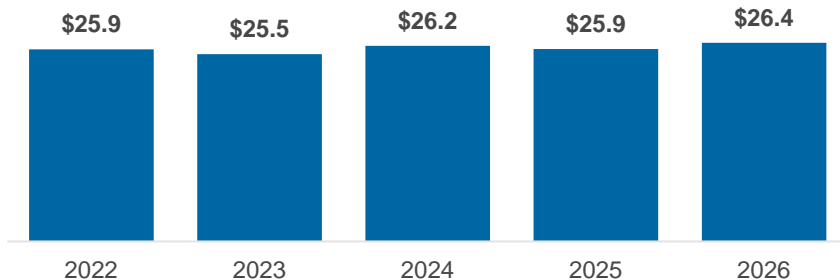


**89%**

Radio's share of all ad-supported listening in the car<sup>(2)</sup>

## ...Supporting a Steady Outlook...

Global broadcast radio revenues; \$ in billions<sup>(3)</sup>



(1) Beyond Words, "Spoken-Word Audio Statistics 2022: Listener Habits & Demographics."

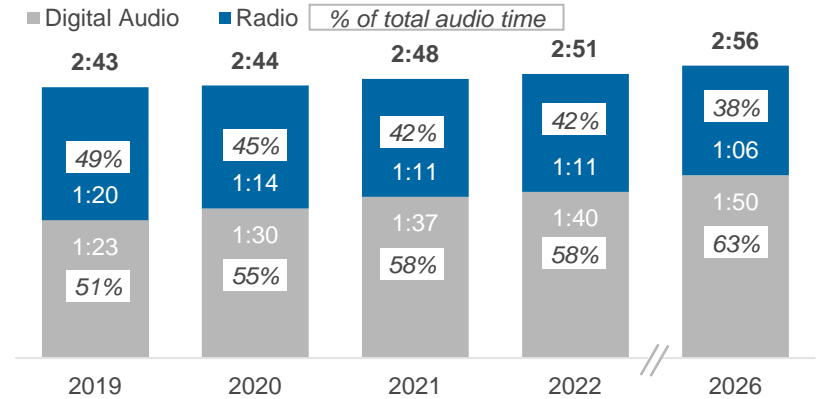
(2) Audio Active Group, "Share of Ear," Q3 2022.

(3) Morgan Stanley, "Media & Entertainment—Has the Streaming Reckoning Arrived," December 2022.

(4) Activate Consulting, Activate Technology & Media Outlook 2023. "Digital audio" includes audio streamed via mobile and desktop/laptop; "radio" excludes digital radio.

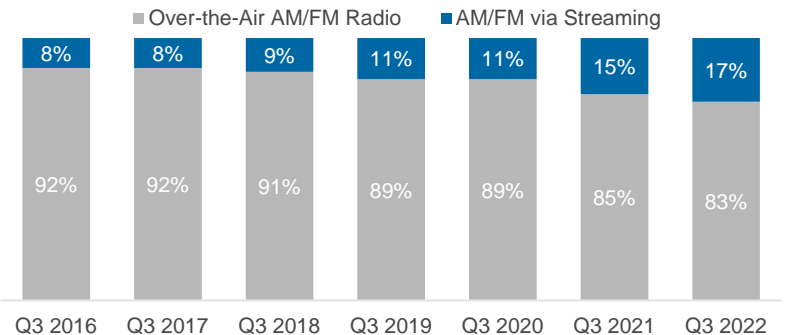
## ...However, Engagement on Streaming Platforms Has Surpassed Radio...

Average daily audio time per adult aged 18+ by type<sup>(4)</sup>



## ...and Streaming is Growing as a % of total AM/FM Listening, Among Persons 25-54

Share of audio time spent between over-the-air AM/FM listening and digital streaming AM/FM radio, persons aged 25-54<sup>(2)</sup>



# Music Catalog Market Update

The pace of deal activity cooled in 2022; however, catalogs that transacted did so at aggregate valuations in line with 2021.

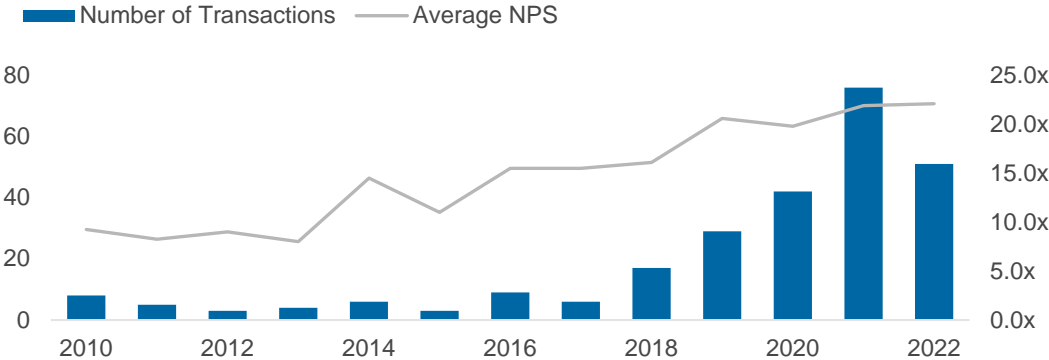
## Capital Costs Have Risen

30Y U.S. Treasury Yield<sup>(1)</sup>



## Catalog Deal Activity Has Cooled

Catalog transaction volume<sup>(2)</sup> and average NPS<sup>(3)</sup>



- The low interest rate environment of the past decade was certainly one factor in rising catalog valuations.
- Following the Federal Reserve's 0.25% rate increase in March 2022, the pace of catalog transactions has slowed.
- However, throughout 2022, catalogs continued to trade at aggregate valuation roughly in line with 2021.
- A few factors are potentially supporting the sustained valuation levels:
  - The influx of capital in recent years earmarked for catalog acquisitions.
  - An upward revision in music industry growth forecasts, supported by stronger than expected sub-growth, new monetization channels (e.g., TikTok, Peloton, metaverse), and the over-indexing of catalogs in streaming.
- In 2020/2021, there were concerns that the Biden administration would amend the treatment of capital gains. With the post-midterm divided government, a revision in capital gains tax treatment seems less likely.

(1) U.S. Department of the Treasury.  
 (2) CNM Lab, Music Business Worldwide, Billboard, Variety.  
 (3) Variety Intelligence, Barclays and J.P. Morgan equity research, other publicly disclosed information.

# Recent Catalog Acquisitions

## Q4 2021

**BMG Acquires Tina Turner Catalog**  
Oct. 2021  
Value: \$300M

**BMG and KKR Acquire ZZ Top Catalog**  
Dec. 2021  
Value: \$50M

**UMG Acquires Neil Diamond Catalog**  
Feb. 2022  
Value: \$145M

**UMG Acquires Sting Catalog**  
Feb. 2022  
Value: \$300M

**BMG Acquires Peter Frampton Catalog**  
Dec. 2022  
Value: N/A

**BMG Acquires Haddaway Catalog**  
Nov. 2022  
Value: N/A

**Primary Wave Acquires Huey Lewis Catalog**  
Nov. 2022

**BMG Acquires Chris Rea Catalog**  
Dec. 2022  
Value: N/A

**BMG Acquires Motley Crue Catalog**  
Nov. 2021  
Value: \$150M

**Sony Music Acquires Bruce Springsteen Catalog**  
Dec. 2021  
Value: \$500M

**Pink Floyd Catalog Rumored Acquisition**  
May 2022  
Value: \$500M+

**Hipgnosis Acquires Justin Timberlake Catalog**  
May 2022  
Value: \$100M

**Domain Capital Acquires Iggy Azalea Catalog**  
Nov. 2022  
Value: N/A

**Primary Wave Acquires Whitney Houston Catalog**  
Nov. 2022  
Value: ~\$50M-\$100M

**Litmus Acquires Keith Urban Catalog**  
Dec. 2022  
Value: N/A

## Q2 2022

## Q4 2022

**Primary Wave Acquires America Catalog**  
Jan. 2022  
Value: \$40M

**Sony Music Acquires Bob Dylan Catalog**  
Jan. 2022  
Value: \$175M

**BMG Acquires Jean-Michel Jarre Catalog**  
July 2022  
Value: N/A

**Concord Acquires Phil Collins Catalog**  
Sept. 2022  
Value: \$300M

**Influence Media Partners Acquires Future Catalog**  
Sept. 2022  
Value: ~\$75M

**Shamrock/Universal Acquires Dr. Dre Catalog**  
Jan. 2023  
Value: ~\$200M+

**Hipgnosis Acquires Justin Bieber Catalog**  
Jan. 2023  
Value: \$200M+

**Primary Wave Acquires Paul Rodgers Catalog**  
Jan. 2022  
Value: \$20M

**WMG Acquires David Bowie Catalog**  
Jan. 2022  
Value: \$250M

**Reach Music Acquires Chuck D Catalog**  
Sept. 2022  
Value: N/A

**Harbourview Acquires Stake in Brad Paisley Catalog**  
July 2022  
Value: N/A

**Harbourview Acquires Stake in Lady A Catalog**  
July 2022  
Value: N/A

**Primary Wave Acquires Manzanera/Krieger rights in The Doors Catalog**  
Jan. 2023

**WMG Acquires Yes Catalog**  
Jan. 2023  
Value: N/A

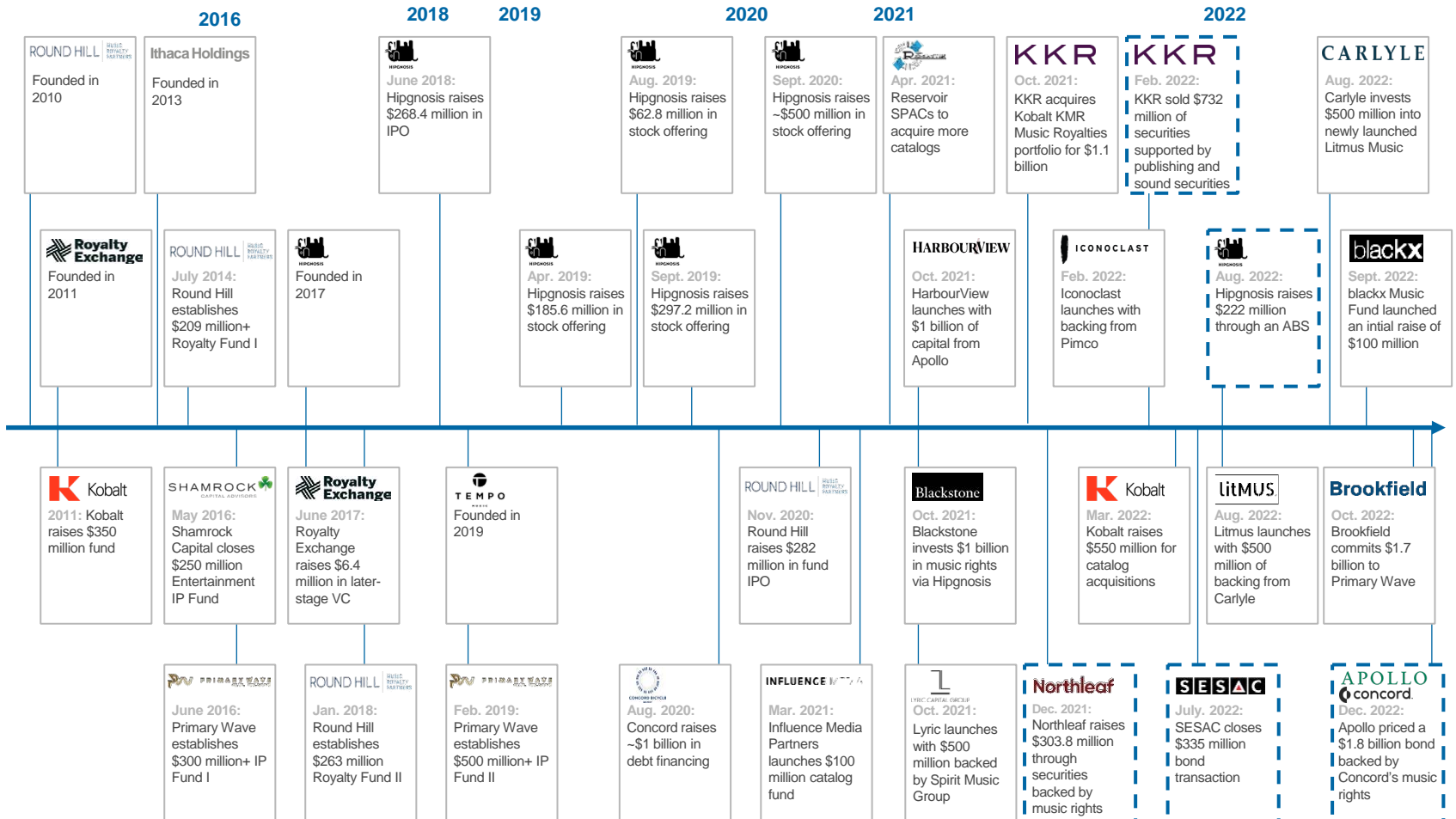
## Q1 2022

## Q3 2022

## Q1 2023

# The Song as an Asset Class

Following a sustained period of equity-focused capital raises, 2022 marked the resurgence of music-royalty-backed securities.



Reflects Music ABS Transaction

Source: Company announcements, MusicBusinessWorldwide.com, DigitalMusicNews.com, Bloomberg.com, Billboard.com, Variety.com, Pitchbook, S&P Global Capital IQ, other publicly available information.

# Generative AI and the Music Industry

Generative AI could be a spark for radical changes in the way music is created and consumed.



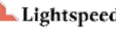













- Until recently, artificial intelligence has primarily been used in repetitive, rules-based tasks. **Rapid advancements in computing and data storage has allowed for the development of generative AI models** that, in response to human prompts, can produce novel content, including articles, blog/social media posts, poetry, artwork, imagery, program code, and audio/music.
- Text is currently the most advanced application of generative AI. **Large language models (LLM) ingest massive data sets and, through a process of trial and error, learn how to synthesize clear, human-like responses to questions and produce longer-form written content.**
- **Not far behind in its development is generative AI for music.** Music AI functions in a similar way to LLM—software is programmed to parse through immense amounts of data and create tracks. At present, the technology is adept at producing instrumental songs and has **recently shown progress with AI-generated vocals that mimic the human voice.**
  - In 2022, Tencent Music Entertainment announced that it created and released more than 1,000 **AI-created tracks containing vocals and that one of those tracks had more than 100 million streams.**
  - **Thousands of new AI tracks are being created daily.** In November '22, Boomy, an AI music company, announced that 10 million+ original songs had been created on its platform. Some have speculated that as this technology advances, capabilities will emerge that will allow for the real-time creation of bespoke tracks for specific settings.
- Presently, generative AI in music doesn't seem to be negatively impacting musicians; however, there are **concerns the industry is grappling with: (i) the potential for artist displacement, (ii) copyright infringement/derivative works, and (iii) oversaturated/homogenized content.**
- Regardless of the potential concerns, several bootstrapped AI music companies have attracted strategic and financial investor interest in recent months.

“Other applications for generative AI include creating “entirely new formats for listening,” said Endel co-founder/CEO Oleg Stavitsky. “This includes personalized music for gaming, wellness, and soundtracks...The music business, which is already grappling with oversaturation, will need to recalibrate. Instead of focusing on consumption and owning intellectual property, more companies may shift to artist services and the development of tools that aid song creation...Major music companies are also investing in and establishing relationships with AI startups...The advancement of AI-generated music has understandably sparked a debate over its ethical and legal use. Currently, the U.S. Copyright Office will not register a work created solely by AI, but it will register works created with human input. However, what constitutes that input has yet to be clearly defined.”

December 2022 **billboard**



# Select Recent Transactions in Generative AI

Ann. Date	Type	Company	Investor / Acquirer	\$M Invested / Purchased	Company Description
October 2022	Acquisition	 <b>supertone</b>	<b>HYBE</b>	\$32M	Supertone offers voice synthesis and cloning for singing and speaking, enabling users to create artificial voices that sound like real humans.
October 2022	Financing	<b>stability.ai</b>	  	\$101M	Stability AI is a community-drive, open-source AI company for imagery, language, audio, video, etc.
June 2022	Financing	 <b>AUTHENTIC ARTISTS</b>	 	N/A	Authentic Artists makes interactive virtual artists using deep learning technologies.
June 2022	Financing	 <b>boomy</b>		~\$3.1M	Boomy is a generative AI company that enables anyone with a smartphone to produce and monetize original songs.
April 2022	Financing	 <b>soundful</b>	Individuals	\$3.8M	Soundful's platform gives creators the ability to generate royalty-free tracks using AI.
April 2022	Financing	 <b>Endel</b>	<b>WAVERLEY CAPITAL</b> <i>true Ventures</i>	\$15M	Endel's app creates individually tailored soundscapes that are designed to help people relax, focus, and sleep.
March 2022	Financing	 <b>LifeScore</b>	 	\$14.5M	Using AI and building blocks supplied by real-world musicians, LifeScore delivers an ever-evolving composition.
February 2022	Acquisition	 <b>AI.MUSIC</b>		N/A	AI Music uses artificial intelligence to generate tailor-made music and adapt existing tracks into new forms.



# The Music Landscape Is Evolving With Digital Replatforming

## MUSIC VALUE CHAIN:



Labels and Publishing



Distribution



Artist Services and Rights Management



Production and Engagement Tools

### Major Labels



### Large-Scale Publishers



### Indie Labels



### Live Concert Streaming



### DSPs



### DIY and Distribution



### Distributors



### Rights Management



### Artist and Label Services



### Artist Platforms



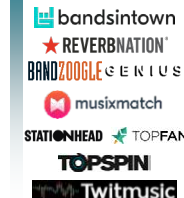
### AI Tools and Analytics



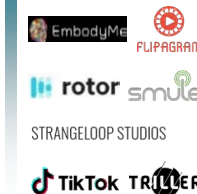
### DAWs, Creator Platforms, and Services



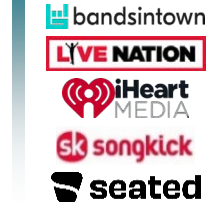
### Fan Engagement



### Video and Creative



### Live Event Mgmt.



### Generative AI



# Notable Sector Transactions



## Brookfield CAA Primary Wave Partners With Brookfield & CAA

*Transaction highlights financial institution's continued interest in music IP*

### Company Overview

Headquarters: New York, New York

Founded: 2006

Description: Primary Wave is an independent music publisher with a portfolio that includes songs by Stevie Nicks, Whitney Houston, Bob Marley, etc.; it also raises, creates, and manages funds that are used to acquire music rights

### Transaction Highlights

- Announced: **October 2022**
- Brookfield will buy a significant minority interest and provide an additional \$1.7 billion<sup>(1)</sup>
- The deal is valued in excess of \$2 billion
- CAA will become a strategic partner and minority shareholder
- \$700 million from the company's funds 1 and 2 will go into a new permanent vehicle with more than \$300 million worth of deals, previously finalized year-to-date, and \$600 million of pending transactions expected to be completed by year-end

### Selected Commentary

"We are thrilled to deliver a comprehensive capital solution to Larry and the team at Primary Wave to support their continued acquisition of the world's most iconic music IP...**Strong secular growth trends, scarcity value of assets, and the continued penetration of music in new forms of content delivery underpin this significant commitment to the asset class.**"<sup>(1)</sup>

Angelo Rufino, Managing Partner at Brookfield



## Francisco Acquires a Majority Stake In Kobalt

*Improving the content creator experience remains a key focus for music companies*

### Company Overview

Headquarters: New York, New York

Founded: 2000

Description: Kobalt's creator-focus music services offer music publishing, label services, and innovative technology to foster a more transparent environment for artists

### Transaction Highlights

- Announced: **September 2022**
- Francisco Partners purchased a 90% stake in the company for ~\$750 million<sup>(2)</sup>
- MUSIC and Dundee Partners also acquired a minority stake
- In February 2021, Kobalt sold AWAL and Kobalt Neighboring Rights to Sony Music for \$430 million

### Selected Commentary

"Our investment should help bring more resources, experience, and alignment to continue to build Kobalt as a **premier destination for creators**, further grow AMRA as the only global digital licensing platform, and support and invest in technology innovation across the entire Kobalt ecosystem to address the needs of creators and publisher."<sup>(2)</sup>

Matt Spetzler, Partner at Francisco Partners

(1) Primary Wave Press Release, October 2022.

(2) Music Business Worldwide, "Kobalt Music Group Sold to U.S.-Based Private Equity Firm Francisco Partners," September 2022.

# Notable Sector Transactions (cont.)



SONANTIC

## Spotify Acquires Sonantic

*Bringing flexibility and a steady income to actors*

### Company Overview

Headquarters:	London, U.K.
Founded:	2018
Description:	Sonantic uses AI to create believable human voices from text and partners with actors to create models that emulate their voice to be used in various projects

### Transaction Highlights

- Announced: **June 2022**
- Financials not disclosed
- News of the acquisition broke a week after Spotify's investor day, where CEO Daniel Ek announced the company's ambition to move into the audiobook space. With Sonantic's technology, Spotify is well positioned to dominate the space<sup>(1)</sup>
- Prior funding round in March 2020 was led by EQT Ventures

### Selected Commentary

"We believe in the power voice has and its ability to foster a **deeper connection with listeners** around the world, and we know we can be better than ever on the world's largest audio platform."<sup>(1)</sup>

Zeena Qureshi and John Flynn, Co-Founders of Sonantic

HYBE  
supertone

## HYBE Acquires Supertone

*Offering artists the opportunity to monetize their voices effortlessly*

### Company Overview

Headquarters:	Seoul, South Korea
Founded:	2020
Description:	Supertone's AI technology offers voice synthesis and cloning for singing and speaking, enabling users to create artificial voices that sound like real humans

### Transaction Highlights

- Announced: **October 2022**
- \$31.75 million valuation<sup>(2)</sup>
- HYBE previously invested \$3.6 million of developmental capital into Supertone in February 2021, valuing the company at \$17.5 million<sup>(3)</sup>

### Selected Commentary

"HYBE, the publicly traded music giant behind superstars BTS, is in 'diversification mode' to become less financially reliant on its flagship act...Founded in 2020, Supertone claims to be able to create 'a hyper-realistic and expressive voice that [is not] distinguishable from real humans'...Could a **major push into artificial intelligence** be next on the agenda?"<sup>(2)</sup>

MUSICBUSINESS  
WORLDWIDE

(1) Music Business Worldwide, "Spotify to Acquire AI Voice Platform Sonantic," June 2022.

(2) Music Business Worldwide, "Hybe Acquires Fake Voice AI Company Supertone in \$32M Deal," October 2022.

(3) Pulse News, "K-Pop Powerhouse Hybe Buys AI Sound Startup Supertone," September 2022.

# Notable Sector Transactions (cont.)

## Curve

DOWNTOWN  
MUSIC PUBLISHING

### Downtown Music Acquires Curve

*Exemplifies the increasing  
importance of data in  
monetization capabilities*

#### Company Overview

Headquarters:	London, U.K.
Founded:	2019
Description:	Curve develops a music royalty software that is able to distill massive volumes of data into standard statements in minutes

#### Transaction Highlights

- Announced: **January 2022**
- Financials not disclosed
- Downtown also invested in networking platform Vampr in November of 2022<sup>(1)</sup>
- Downtown has been highly acquisitive in recent years, purchasing B2B music tech company FUGA in 2020 and indie distributor CD Baby in 2019<sup>(2)</sup>

#### Selected Commentary

"In Downtown Music, we've combined **innovative technology** and industry-leading services to create an offering that **empowers music businesses and their creators**. Curve perfectly complements our mission to be the leading music industry platform, and their past work speaks to their high standards and pioneering technology."<sup>(3)</sup>

Pieter van Rijn, President of Downtown Music



### Songtradr Acquires Musicube

*Improving the user experience  
for music platforms*

#### Company Overview

Headquarters:	Hamburg, Germany
Founded:	2019
Description:	Musicube develops music search technology that uses AI to tag songs into categories and builds personalized playlists according to mood, genre, and artist preferences

#### Transaction Highlights

- Announced: **June 2022**
- Financials not disclosed
- Songtradr also recently acquired Massive Music (June 2021), Big Sync Music (February 2019), and Song Zu (March 2021)<sup>(4)</sup>

#### Selected Commentary

"In order to have the world's best B2B music search and recommendation technology, we need **premier metadata enrichment technology**, which is a key component of the B2B music supply chain. Adding the Musicube technologies, data, and extraordinary team to Songtradr will help accelerate our enterprise customer user experience."<sup>(4)</sup>

Paul Wiltshire, CEO of Songtradr

(1) Music Business Worldwide, "Downtown Makes Strategic Investment in 'LinkedIn for Creatives' Vampr," November 2022.

(2) Music Business Worldwide, "Downtown Buys Independent Services Company FUGA," January 2020.

(3) Music Business Worldwide, "Downtown Music Holdings Acquires Curve Royalty Systems," January 2023.

(4) PR Newswire, "Songtradr Expands Its B2B Music Technology Solutions – Acquires Leading Advanced AI Search Company Musicube," June 2022.

# Notable Sector Transactions (cont.)





**Stem Receives Funding From QED and Block**

*Bringing in technology to improve the artist experience*

## Company Overview

Headquarters:	New York, New York
Founded:	2015
Description:	Stem is the developer of a platform that provides distribution and payment solutions for artists, labels, and managers that works to improve efficiency and transparency

## Transaction Highlights

- Announced **April 2022**
- The \$20 million investment was led by QED Investors and Block, with previous investors Slow Ventures and Quality Control also participating<sup>(1)</sup>
- QED Partner Frank Rotman will join the Stem board as part of the transaction
- This investment will help fund Stem's next growth phase, enabling it to offer a wider range of financial tools to artists and labels

## Selected Commentary

"QED invests in companies driving the future of finance, and Stem is leading that charge in the music industry. [Stem co-founder and CEO] Milana's vision for the future of payments in the music business **promises to disrupt the status quo and empower artists, labels, and creators of all sizes.**"<sup>(2)</sup>

**Frank Rotman**, Founding Partner at QED




**Orfium Receives Funding From Big Pi Ventures**

*Improving the user experience for music platforms*

## Company Overview

Headquarters:	Malibu, California
Founded:	2015
Description:	Orfium is a music management platform that identifies online copyright violations and monetizes content for producers, publishers, record companies, and other IP owners

## Transaction Highlights

- Announced: **November 2022**
- The \$27 million investment was led by Big Pi Ventures, with participation from other undisclosed investors
- In January 2023, Orfium acquired Soundmouse, a music cue sheet reporting platform, that will allow it to scale its product offering in the music rights management space<sup>(3)</sup>

## Selected Commentary

"We're committed to **solving the entertainment industry's most complex problems.** We continue to develop technology solutions built on the latest in machine learning and AI, empowering rights owners, creators, and key stakeholders to realize more value as new platforms for media consumption emerge and scale."<sup>(3)</sup>

**Orfium Press Release**

Stem Press Release, April 2022.  
 Music Business Worldwide, "Music Distribution and Payments Platform Stem Raises \$20 Million in Fresh Funding Round," April 2022.  
 Orfium Press Release, January 2023.

# PE Increasingly Acquiring At-Scale Assets Across the Music Landscape...

## Leading Global PE Funds Investing Across the Sector

**TA ASSOCIATES** / **TouchTunes**  
In-Venue

**PROVIDENCE EQUITY** / **Sweetwater**  
Audio Retail

**INSIGHT PARTNERS** / **DISTROKID**  
Distribution

**VECTOR CAPITAL** / **MOOD:MEDIA**  
In-Venue

**Blackstone** / **eOne**  
Distribution

**FP FRANCISCO PARTNERS** / **NATIVE INSTRUMENTS**  
Audio Hardware and Software

**FP FRANCISCO PARTNERS** / **IZOTOPE**  
Audio Software

**LIVINGBRIDGE** / **imagesound**  
In-Venue

**SERVCO** / **Fender**  
Instruments

**PROVIDENCE EQUITY** / **TEMPO**  
Publishing

**MID OCEAN PARTNERS** / **MUSIC REPORTS**  
Rights Administration

**FP FRANCISCO PARTNERS** / **Kobalt**  
Publishing

**CARLYLE** / **Ithaca Holdings**  
Talent/Publishing

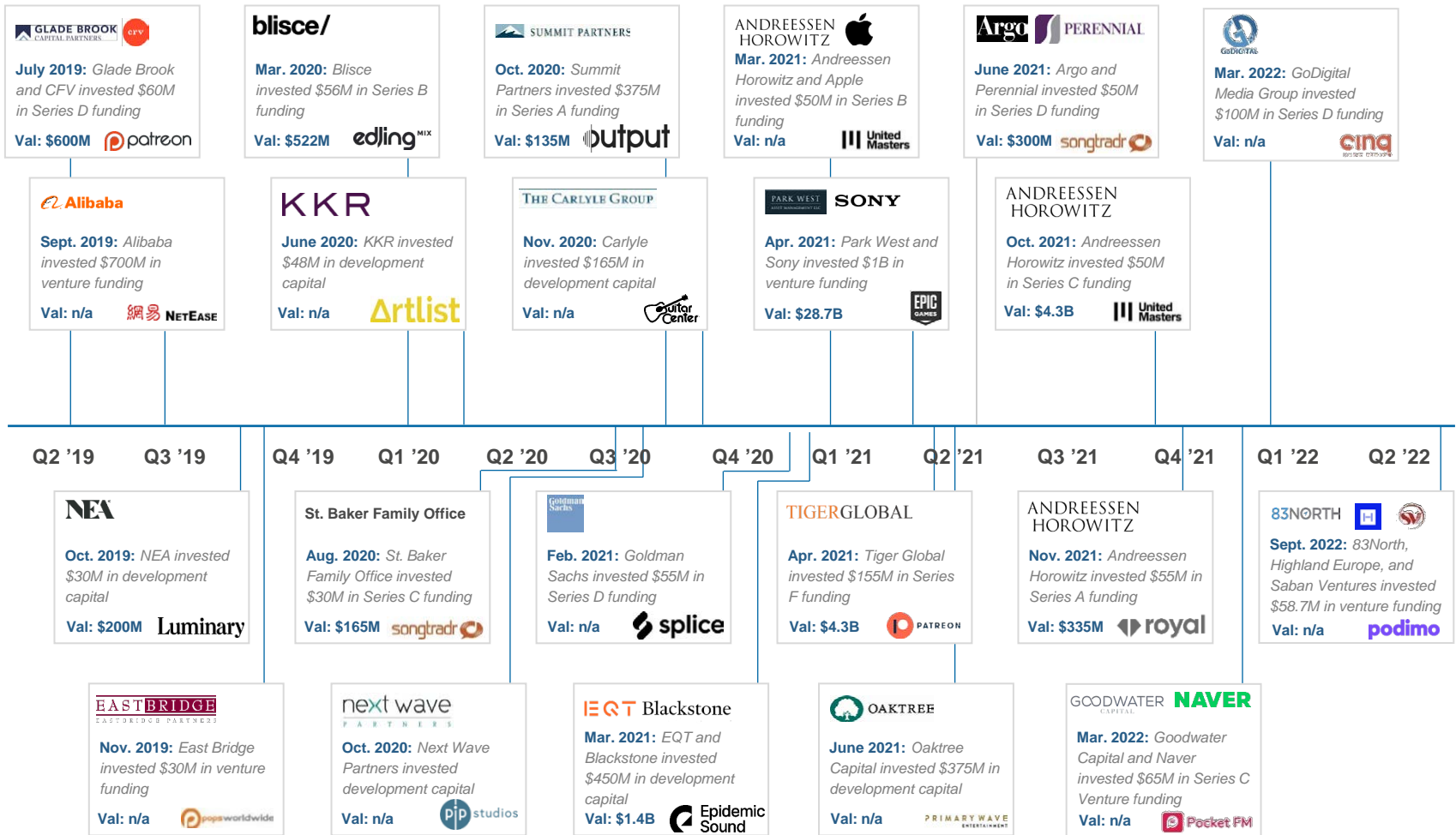
**Blackstone** / **SESAC**  
Rights and Collection

**TCV** / **believe**  
Distribution

**Coral Tree Partners** / **ami**  
In-Venue










**TEMASEK** / **SOUNDCLOUD**  
DSP

# ...With Notable Growth Investing Activity in Past Three Years



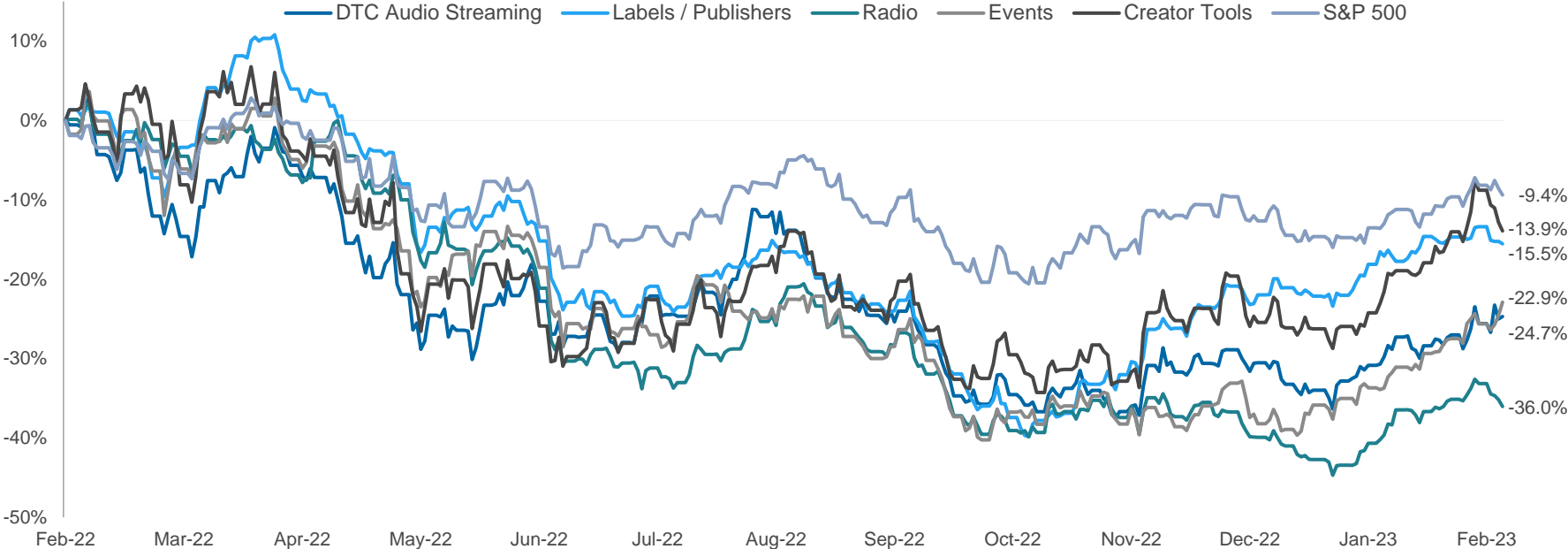


# Representative Strategic Buyer M&A and Investments

Company	Headquarters	Number of Deals	Investments and M&A
 <b>SONY MUSIC</b>	New York, NY	34	akazoo, ALAMO RECORDS, AWAL, bitbit, EMI, GENIUS BRANDS, gracenote, KOBALT, LIBERTY, lirica, NEON HUM, NOW, probity, RAPCHAT, ROLI, SHAZAM, someplace else, som livre, Spotify, THECOI, TRACKLIB, TULLY, ULTRAMUSIC, WOLFA
 <b>WARNER MUSIC GROUP</b>	New York, NY	28	300, ARTIPHON, AUTHENTIC ARTISTS, Chrysalis, deezer, HIPHOP.DJ, IMGN, Instrumental, LICKD, LISTEN, MASCOM, music choice, NEXTVR, PEX, SHAZAM, Spotify, TEMPO, UPROXX, wave, WAVE, Z44
 <b>UNIVERSAL MUSIC GROUP</b>	Santa Monica, CA	23	BUZZNET, deezer, DOMINO, INGROOVES, LISTEN, mass appeal, MERCHBAR, MOG, mtheory, Parlophone, PETROL, PEX, PIAS, pollen, ROCKBOT, ROLI, SHAZAM, Spotify, TME
	Stockholm, Sweden	16	Anchor, Charitable, DISTROKID, Gimlet, FINDAWAY, Kinzen, LOCKER ROOM, LOUDR, Megaphone, PARCAST, podz, RINGER, SONANTIC, SoundBetter, whooshkaa
	Shenzhen, China	16	BYTON, gaana, Instrumental, MXPLAYER, PEX, VIDEO, RADIO, smile, SoundHound, Spotify, UNIVERSAL MUSIC GROUP, WAVE, Ximalaya, ENTERTAINMENT
	Cupertino, CA	8	ALMUSIC, backlist, NEXTVR, scoutfm, PLATOON, primephonic, SHAZAM, United Masters
<b>DOWNTOWN</b>	New York, NY	8	AVL Digital Group, cdbaby, Curve, eagle-i music, found.00, FUGA, GOOD SOLDIER, SHEET
	Seattle, WA	8	ART19, audible, Endel, novel effect, Songza, yousician, WONDERY
	Beverly Hills, CA	8	ae, MMLIVE, musictoday, ROCK WORLD, TERO ENTERTAINMENT, goodlive, veeps., WE FEST
	New York, NY	7	CLEARCHANNEL, Jelli, RADIOJAR, STUFF, TRITON, VOXNEST
	Beijing, China	6	3, Jukedeck, musical.ly, TikTok, VIGO Videc, THE HUB

# Public Market Performance

## Recent Share Price Performance



### DTC Audio Streaming

### Labels and Publishers

### Radio

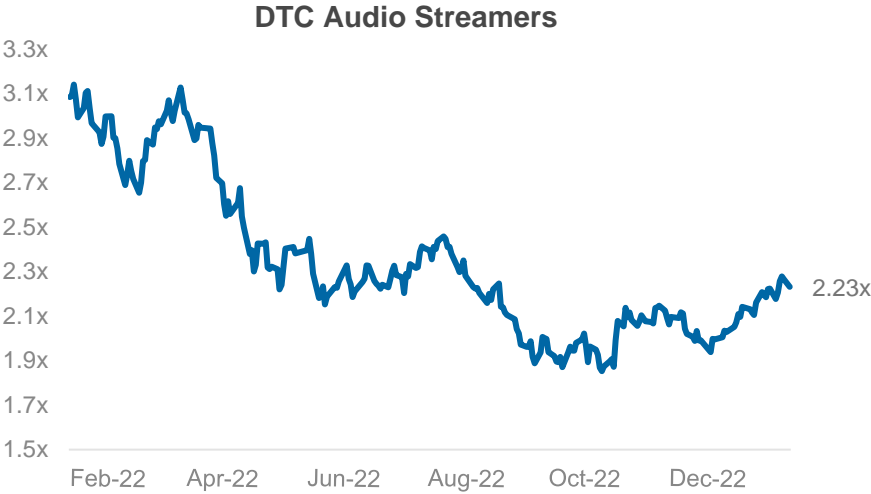
### Events

### Creator Tools

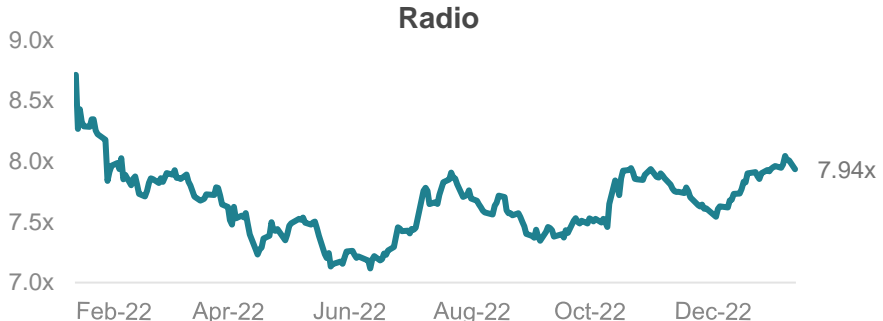
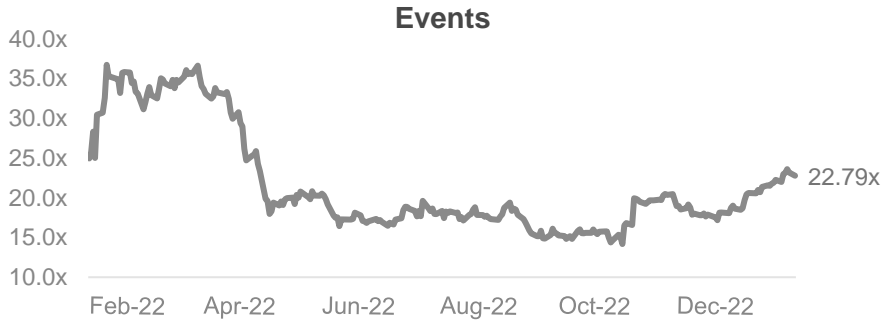
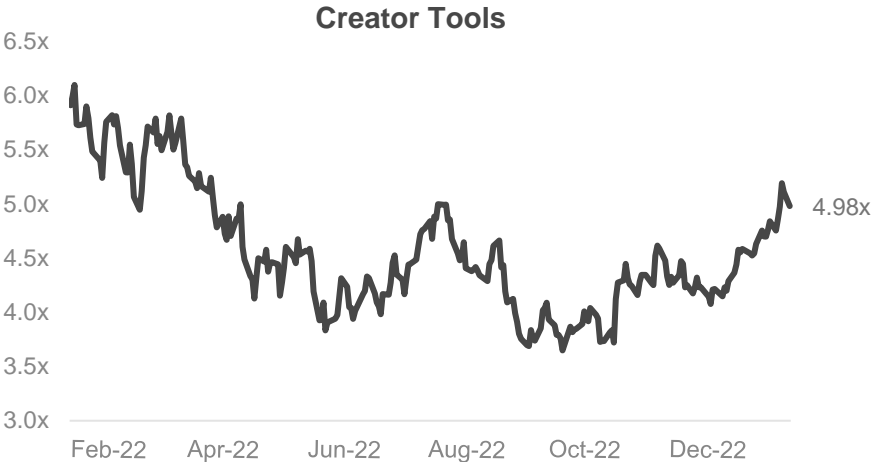
Source: S&P Capital IQ as of February 10, 2023.

# Public Market Performance (Cont.)

## TEV / NTM Revenue Multiples

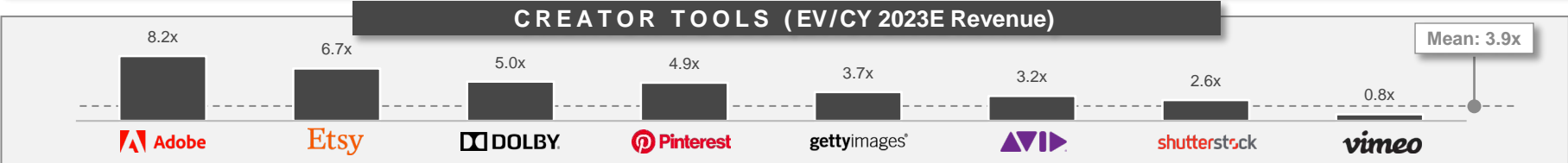
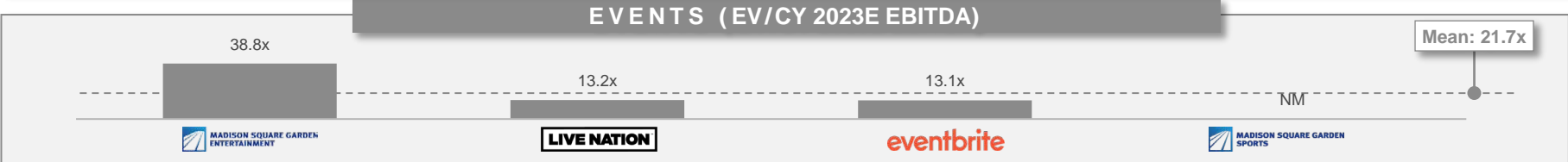
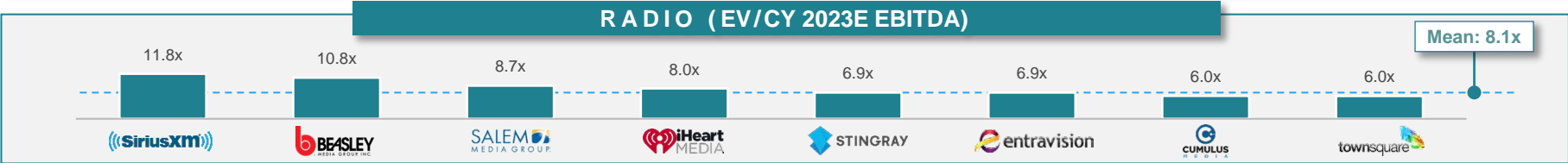
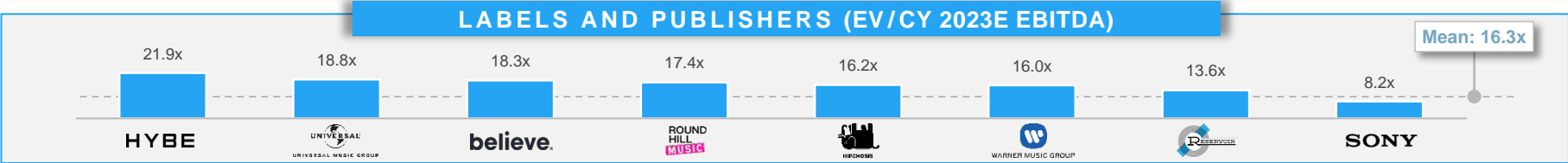
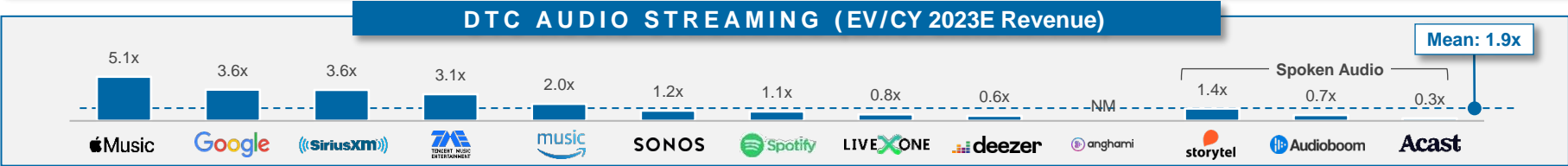
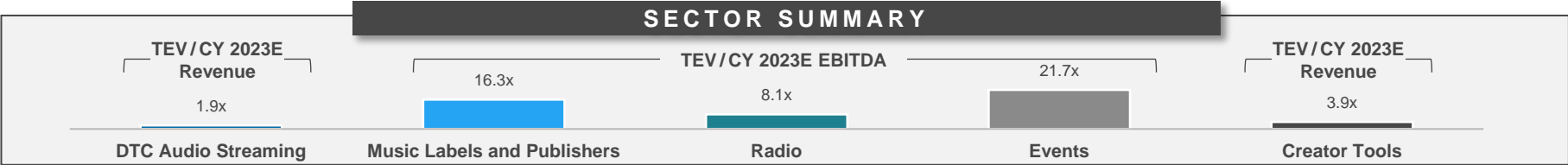


## TEV / NTM EBITDA Multiples



Source: S&P Capital IQ as of January 29, 2023.  
 Note: Please refer to previous slide for comp set. Please note that audio streamers excludes Apple, Amazon and Alphabet.

# Public Market Performance (Cont.)



Source: S&P Capital IQ as of January 13, 2023.

# Recent Sector M&A Detail

(\$ in millions) Announced	Target	Acquirer	Target Description	Target TEV
Jan-23	Soundmouse	Orfium	Soundmouse provides music cue sheet reporting and monitoring for the broadcast and entertainment production spaces	--
Dec-22	AMI Entertainment	Coral Tree Partners	Provides music and music video entertainment, as well as advanced digital advertising capabilities, to bars and restaurants through its digital jukebox offering	\$175.0
Nov-22	[PIAS]	Universal Music Group	[PIAS] operates as a music label and distributor. Its label segment oversees the company's various label interests, while the distribution segment provides support to its own in-house labels and 100 independent partners	--
Oct-22	SoundHouse Acquisitions, LLC	HarbourView Equity	SoundHouse acquires music royalty income streams primarily from distressed music labels	\$325.0
Oct-22	Supertone	Hybe	Supertone's AI technology offers voice synthesis and cloning for singing and speaking, enabling users to create artificial voices that sound like real humans	\$32.0
Oct-22	Kinzen	Spotify	Content moderation tech company that uses machine learning to protect online communities from disinformation campaigns and other harmful content	--
Sep-22	Audioteka	Grupa Wirtualna Polska	Developer of a mobile application designed to offer audiobooks from various publishers. The company's application offers unlimited free online storage for audiobooks, online bookmarks synchronization, and cross-platform access, enabling users to get entertainment on the go	\$20.0
Sep-22	Kobalt Music Group	Francisco Partners	Kobalt Music Group is a tech-enabled music rights manager and services over 700k songs for 30k songwriters	\$750.0
Aug-22	HitCo	Concord	HitCo represents close to 900,000 songs and trades in recorded music, music publishing, theatrical and original productions	--
Aug-22	Native Tongue	Concord	Native Tongue is an Australian music publisher and is home to writers including Courtney Barnett, Stuart Crichton (Backstreet Boys, Kesha, Kygo), Sophie Curtis (Cosmos Midnight, Jessica Mauboy, aespa), etc.	--
Aug-22	Telamo	BMG	German music label known for its schlager music (upbeat, electronic music). The 29-employee company has a 15% market share in Germany	--
Jul-22	Podchaser	Acast	Operator of a podcast database platform designed to facilitate browsing and coverage of podcasts	\$27.2
Jul-22	Transmitter Media	Pushkin Industries	Transmitter Media is a Peabody nominated creative podcast company specializing in highly edited and beautifully sound designed work that has reached millions of listeners worldwide	--
Jul-22	PodcastOne	LiveOne	PodcastOne is an advertiser-supported podcast network	\$60.0
Jul-22	Sonantic	Spotify	Sonantic utilizes machine learning to create believable human voices on-demand in an easy and accessible photoshop for a voice platform, enabling creative experts to edit, sculpt, and direct performances in real-time for efficient workflows	\$93.0
Jun-22	Alliance Entertainment	Adara Acquisition Corp	Distributor and wholesaler of home entertainment products and consumer electronics across Florida	\$480.0
Jun-22	Findaway	Spotify	Developer of audiobooks committed to expanding the audiobook marketplace for content creators globally	\$143.0

# Recent Sector M&A Detail (cont.)

(\$ in millions) Announced	Target	Acquirer	Target Description	Target TEV
Jun-22	Musicube	Songtradr	Musicube develops music search technology that uses AI to tag songs into categories and builds personalized playlists according to mood, genre and artist preferences	--
May-22	Imagesound	LivingBridge EP	Provider of in store audio / visual solutions to large customers in retail environments	--
Apr-22	Deezer	I2PO SA	Developer and operator of an online music streaming platform headquartered in France	\$1,130.0
Mar-22	TouchTunes Music	TA Associates	Provides entertainment media experiences for brands via its digital jukebox offering	--
Mar-22	Dag en Nacht Media	Podimo	Operator of a podcast platform based out of Amsterdam, Netherlands	--
Mar-22	Music World Entertainment	APX Capital Group	Operator of a media management company and record label home located in Houston, Texas	--
Mar-22	Amplify	Chapel (UK)	Amplify uses web3 innovation to connect artists and creators, and give them the ability to create long lasting income from live gigs- after the gigs are over, using DeFi	--
Mar-22	Bandcamp	Epic Games	Artists/listener centric music publishing platform for the discovery and purchase of music	--
Feb-22	Latina Podcasters Network	Pod Digital Media	Operator of a global podcast network based out of Houston, Texas focused on Latina and Latinx women	--
Feb-22	Absolute Label Services	Utopia Music	Provider of music label services intended to help artists take their music to market	--
Feb-22	Podsights	Spotify	Developer of cross-platform analytics and attribution tool designed to help advertisers better track the impact of their podcasts	--
Feb-22	Chartable	Spotify	Developer of podcast analytics and marketing tools designed to assist creators to understand, grow and monetize their audiences	--
Feb-22	Death Row Records	Calvin Broadus (Snoop Dogg)	Manufacturer and wholesaler of music records intended to offer music albums and videos	--
Feb-22	AI Music	Apple	AI Music uses artificial intelligence to generate tailor-made music, and adapts existing tracks in to new forms	--
Jan-22	Ultra Records	Sony Music Entertainment	Operator of a global music label company with a focus on electronic music	--
Jan-22	Vistas Media Acquisition	Anghami	A digital music entertainment technology platform in the Middle East and North Africa featuring licensed content from leading Arabic labels, independent artists, and distributors	\$220.0

# Recent Sector Financing Detail

(\$ in millions) Announced	Target	Investor	Target Description	Investment Amount
Feb-23	Fever	Goldman Sachs	Live entertainment tech company that runs exclusive events and directs its users to restaurants, concerts, nightclub, sports events fashion shows, pop-ups and more.	\$110.0
Dec-22	Audio Up	Ben Lurie, others	Podcast content creator focused on the development and ownership of premium audio IP	\$10.0
Nov-22	Vampr	Downtown Music	Vampr, launched in 2016, is dubbed as the 'LinkedIn for Creatives'	--
Nov-22	Orfium	Big Pi Ventures	Orfium is a music management platform that identifies online copyright violations and monetizes content for producers, publishers, record companies and other IP owners	\$27.0
Nov-22	Wonder Inventions	IVP	The company's platform automatically composes tracks that synchronize precisely with their source video, allowing creators to forego stock music	\$30.0
Oct-22	Stability AI	Coatue, Lightspeed, O'Shaughnessy Ventures	Developer of an open AI tool that allows users to create images and audio based on text inputs	\$101.0
Oct-22	Primary Wave	Brookfield Asset Management & CAA	An independent music publisher with a portfolio that includes songs by Stevie Nicks, Whitney Houston, etc. Primary Wave also raises and manages funds that are used to acquire music rights	\$1,700.0
Sep-22	Kuku FM	Fundamentum, Paramark, existing investors	Kuku FM is India's leading audio content platform that creates, produces, markets and distributes exclusive premium audio contents in the form of audiobooks, stories, summaries, courses and more categories via its mobile app and website available on android and iOS	\$21.8
Sep-22	Podimo	83North, Headline, Heartcore, Highland Europe, Saban, others	Podimo is a podcast and short-form audio platform that offers personalized recommendations for users and supports the podcast creators through a revenue share model, driven by their subscription-based service	\$57.0
Aug-22	Proof	Andriessen Horowitz, BR Capital, Flamingo DAO, others	Operator of a media, podcast and in-person event company intended for NFT members	\$50.0
Aug-22	Songfinch	Valor Equity Partners	Developer of an online music platform intended to let users buy personalized songs from musicians	\$17.0
Jul-22	Stationhead	Buttonwood Group Advisors	Stationhead is a social music platform for artists and fans to connect, livestream, and create & share curated playlists. The platform has 5 million users with 30k stations across 200 countries	\$12.0
Jul-22	AssemblyAI	Insight Partners, Accel, Y Combinator, others	Developer of a speech recognition system that uses AI to automate audio transcriptions	\$30.0
Jul-22	Blue Wire	Pirate Entrepreneurship Fund, Dot Capital, East Carolina Angels	Blue Wire is a sports podcasting network, with 150+ podcasts that create high-quality, original audio content, and has partnered with world-class athletes that are looking to grow their audio platform and expand their influence	\$2.5
Jun-22	Nextory	Acacia Asset Management, Industrifonden, LK Finans	Sweden-based subscription model audiobook platform allowing users to download and listen to a library of books and comics	\$10.0
Jun-22	Soundstripe	Craft Ventures, Escalate Capital Partners, Overline, others	Developer of music licensing and streaming platform that offers unlimited royalty-free music and sound effects for creating video content by a subscription model	\$8.7
May-22	Vibonomics	Panoramic Ventures	Vibonomics offers licensed background music playlists for businesses, as well as professional voice announcements and so-called targeted "audio out-of-home" advertisements	\$12.3



# Recent Sector Financing Detail (cont.)

(\$ in millions) Announced	Target	Investor	Target Description	Investment Amount
May-22	Colorcast	Capital Factory, Connetic Ventures, eonCapital, others	The company's platform connects streaming commentators to audiences of sports fanatics and event consumers, enabling users to add a take on the latest sports games, political episodes, live awards shows, or any other engaging events	\$6.8
May-22	MUSIC	Liontree, Matt Pincus, JS Capital Management, others	MUSIC is a new holding company focused on long-term investments in music technology, music publishers, and record labels	\$200.0
Apr-22	Riverside	Oren Zeev, Lachy Groomand Seven Seven Six	Developer of a recording software offering audio, live stream, video downloading, remote podcast recording, and other related services	\$35.0
Apr-22	Soundful	Individuals	Soundful's platform gives creators the ability to generate royalty free tracks made using AI	\$3.8
Apr-22	Cinq Music Group	GoDigital Media Group	Developer of a global music distribution and rights management platform designed to reach music fans via hundreds of digital, physical and mobile retailers	\$100.0
Apr-22	Stem Disintermedia	QED Investors, Block, Slow Ventures, Quality Control	Stem is the developer of a platform that provides distribution and payment solutions for Artists, Labels and Managers that works to improve efficiency and transparency.	\$20.0
Apr-22	Endel	True Ventures, Waverley Capital	Developer of a personalized soundscape platform intended to generate adaptive sound environments	\$15.0
Mar-22	Trebel	MNC Media Investment	Developer of a music application designed to download music at no cost and listen to that music on-demand and offline	\$25.0
Mar-22	Kuku FM	Krafton, India Quotient, 3one4 Capital, Vertex Ventures, others	Kuku FM is India's leading audio content platform that creates, produces, markets and distributes exclusive premium audio contents in the form of audiobooks, stories, summaries, courses and more categories via its mobile app and website available on android and iOS	\$19.5
Mar-22	LifeScore	Octopus Ventures, Warner Music Group	Using AI and building blocks supplied by real-world musicians, LifeScore delivers an ever-evolving score	\$14.5
Mar-22	Pocket FM	Goodwater Capital, Naver, Tanglin Venture Partners	The company's open Audiobook platform offering a selection of audiobooks in English as well as 7 local Indian languages	\$65.0
Mar-22	Luminary	Dave Chappelle (through Pilot Boy Productions), NEA	Podcast app offering a premium subscription tier to access exclusive content from popular / established podcasters	--
Feb-22	Encore	Battery Ventures	Developer of live music application designed to help more artists make a living from their music and to provide new experiences for them and their fans	\$9.0
Feb-22	Vurbl	GFR Fund	Audio platform that allows users to create, upload and share content (including podcasts, audiobooks, sleep sounds, ASMR, speeches, binaural beats, etc.)	\$6.0
Jan-22	SoundOn	Taiwan Mobile	SoundOn is a Taiwan-based podcast company	--
Jan-22	Lemonada Media	Bertelsmann, Greycroft, Intuition Capital, MWM	Lemonada Media is a podcast network that shares the unfiltered version of the human experience	\$8.0
Jan-22	AmazeVR	Murex Partners, Partners Investment	Developer of VR concert platform intended to bring artists closer to fans through VR concerts	\$15.0

# How Houlihan Lokey Can Help

Our firm is extremely well equipped to help our clients navigate uncertain times. We respond quickly to challenging situations and are constantly helping clients analyze, structure, negotiate, and execute the best possible solutions from both strategic and financial perspectives.

## What We Offer

<b>1</b>  <b>Corporate Finance</b>	Mergers and Acquisitions
	Capital Markets
	Private Funds Advisory
	Board Advisory Services
<b>2</b>  <b>Financial Restructuring</b>	Company Advisory
	Special Situations
	Distressed M&A
	Liability Management
	Creditor Advisory
<b>3</b>  <b>Financial and Valuation Advisory</b>	Portfolio Valuation and Fund Advisory
	Transaction Opinions
	Corporate Valuation Advisory Services
	Transaction Advisory Services
	Real Estate Valuation and Advisory
	Dispute Resolution Consulting

We are widely recognized as a leading M&A advisor to the mid-cap and have long-standing relationships with capital providers, including commercial banks and other senior credit providers, insurance funds, asset managers, and mezzanine fund investors. Few other investment banks maintain the breadth of relationships and capital markets intelligence that we do.

We have the largest restructuring practice of any global investment bank. Since 1988, we have advised on more than 1,500 restructuring transactions (with aggregate debt claims in excess of \$3.0 trillion). We served as an advisor in 12 of the largest 15 bankruptcies from 2000 to 2022.

Over nearly five decades, we have established ourselves as one of the largest financial and valuation advisory firms. Our transaction expertise and leadership in the field of valuation help inspire confidence in the financial executives, boards of directors, special committees, investors, and business owners we serve.

## Why We're Different



No. 1 for Global Under \$1 Billion and Tech M&A\*



Significant Experience With Financing Markets



Senior-Level Commitment and Dedication



Deep, Industry-Specific Expertise



Superior Work Product/ Technical Abilities



Creativity, Imagination, Tenacity, and Positivity

\*Source: Refinitiv. Excludes accounting firms and brokers. .

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