



# Investing in Music

Industry Dynamics, Trends, &  
Investment Opportunities  
*(Short Extract Version)*



**OC&C**  
Strategy consultants


uncommon sense™

# Supportive tailwinds and innovation-driven disruption are translating into opportunities for investment – *music is roaring back* as an investment class

## Key Trends

### 1 Fundamental tailwinds are positive

People are listening to more music than ever, more music is being made than ever








**18 hours per week**


Streaming now accounts for c.70% of recorded music revenues<sup>1</sup>... growth is resilient and predictable




New licensing channels have emerged as major industry revenue contributors

Live music has bounced back, with prices continuing to rise well above inflation




### 2 Label & rights ecosystem evolving

Majors remain dominant in face of a shifting industry, although their share is in moderate decline










Balance of power shifting to artists / IP owners



Catalogue investments driving record buy-outs



Evolving role of Collections Societies








### 3 Democratization fuelling “non-professional creator economy”

Social media changing the way artists can reach and grow their fans





Tik Tok Instagram


DIY platforms and artist services offer choice for the “unsigned masses”

New creator tools making music making more accessible than ever



New tools for video creators (eg influencers) to source music legally



1. In developed markets

Source: Official Charts Company, BPI, Goldman Sachs, Expert Interviews, Desk Research, OC&C analysis





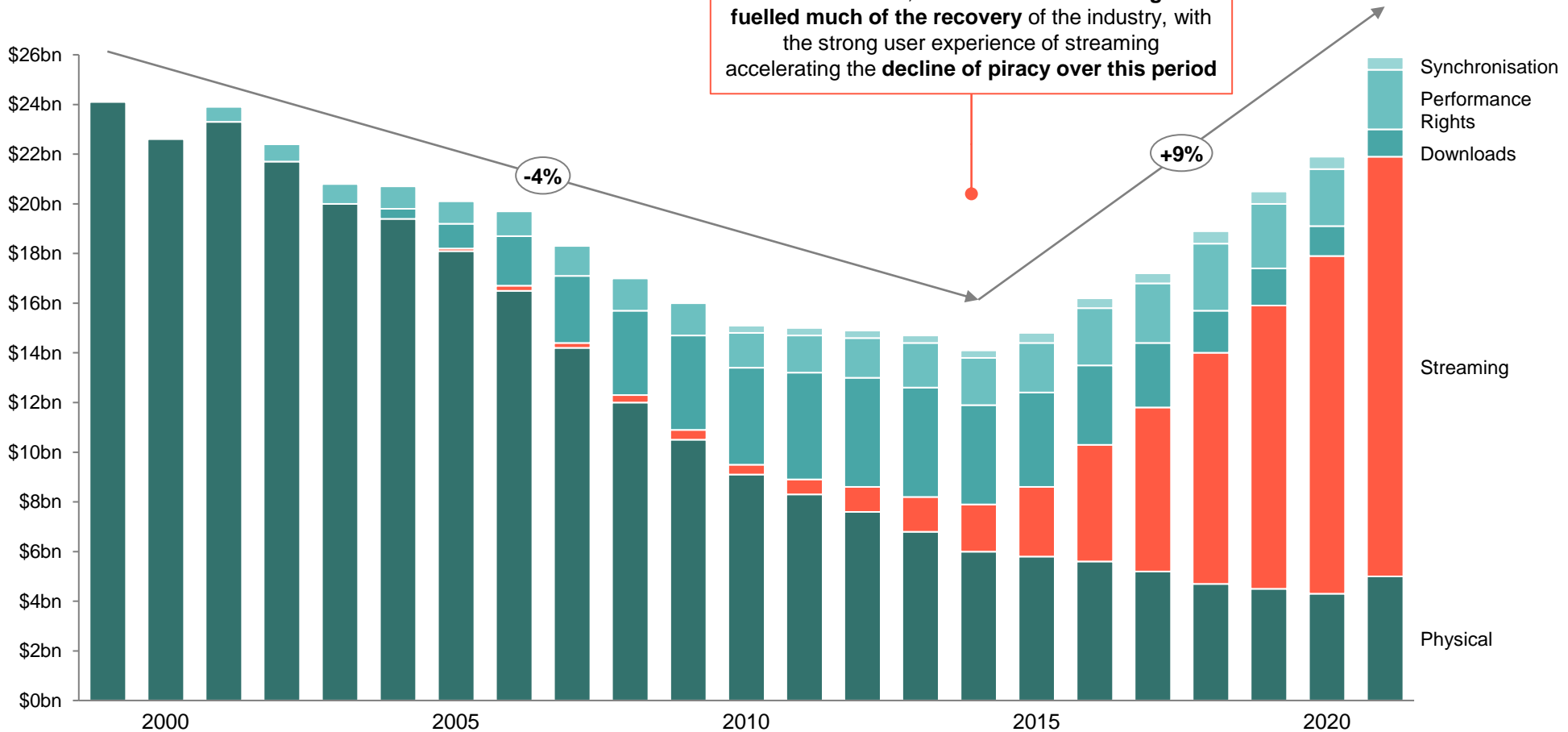
Streaming

# After a 15 year collapse, the recorded music market returned to growth in the mid 2010s – driven by Streaming

Net Global Recorded Music Industry Revenues, 1999-2021 (US\$bn)

Recorded Music Only  
(Indicative of Total Market)

From 2015 - 2021, revenue from streaming has fuelled much of the recovery of the industry, with the strong user experience of streaming accelerating the decline of piracy over this period



1. Adjusted for Inflation – Inflation adjustment using the ONS CPI Index 22 June 2022, where 2015=100

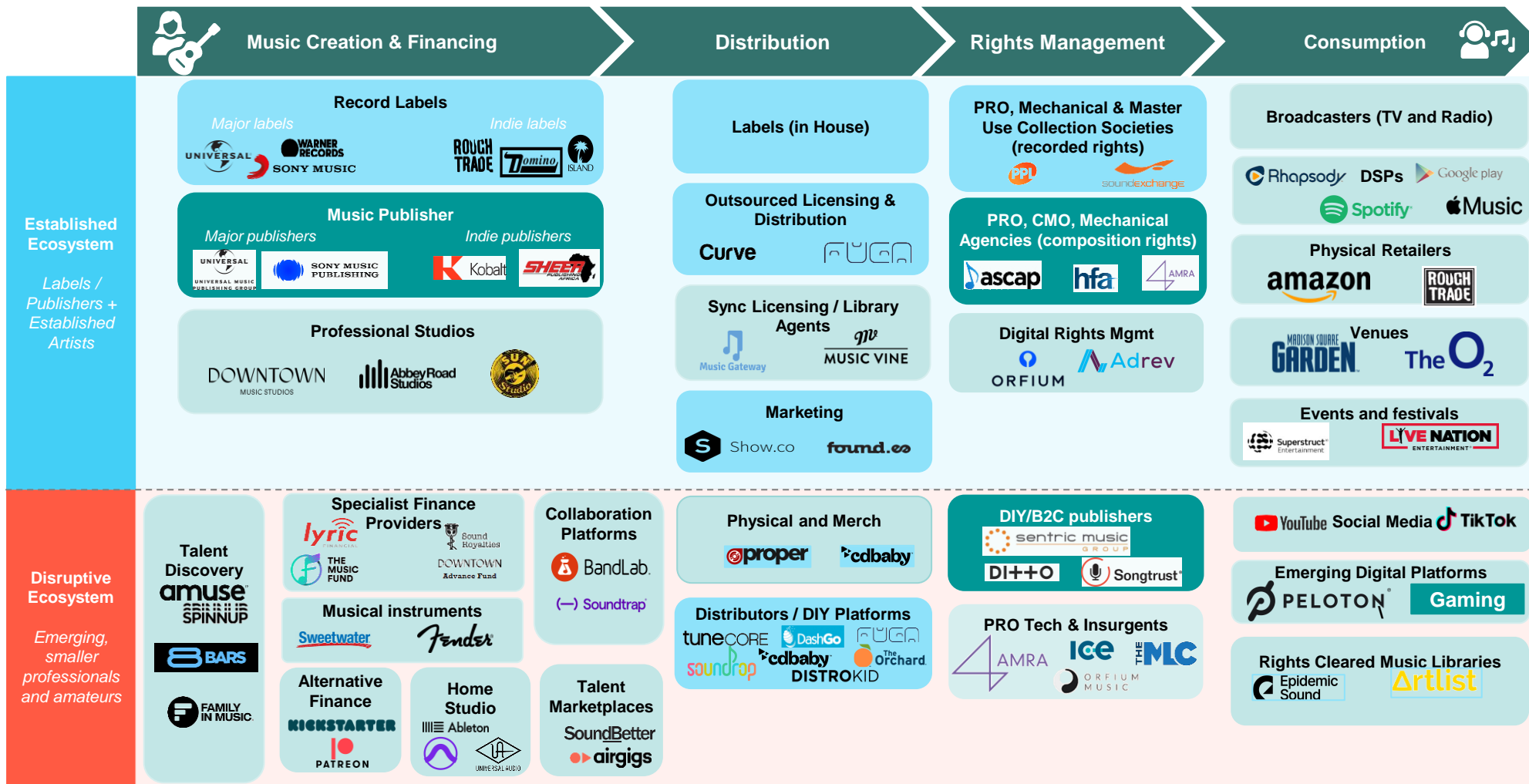
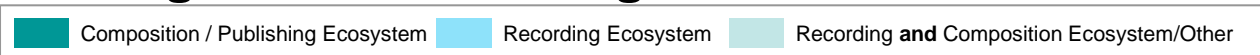
Source: CPA, OC&C analysis



Ecosystem Overview

Simplistically, there is an *established* ecosystem and a more *disruptive* ecosystem which caters for unsigned as well as signed artists / writers

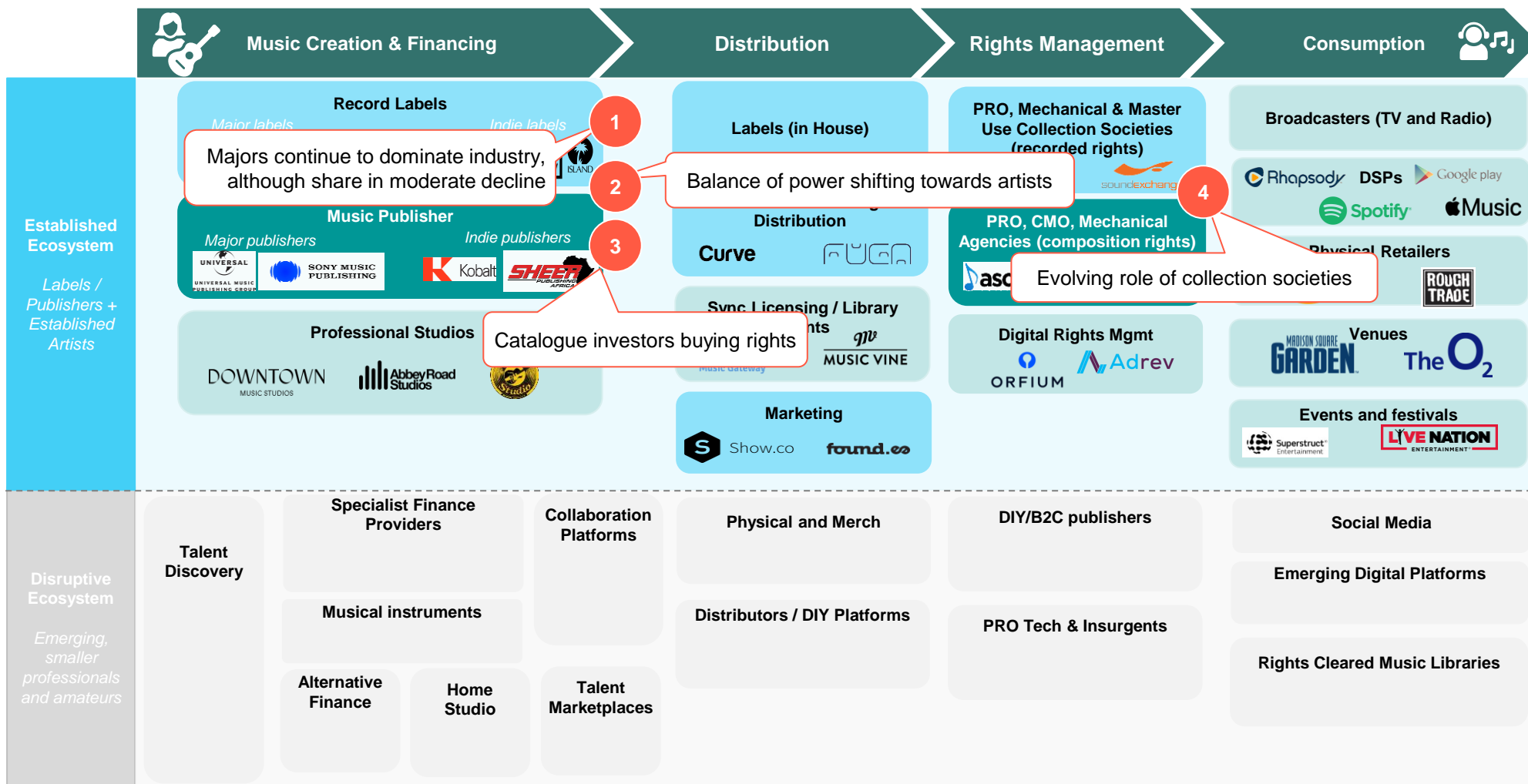
Market Ecosystem



Ecosystem Overview

# The established eco-system is evolving, although not radically transforming

Market Ecosystem

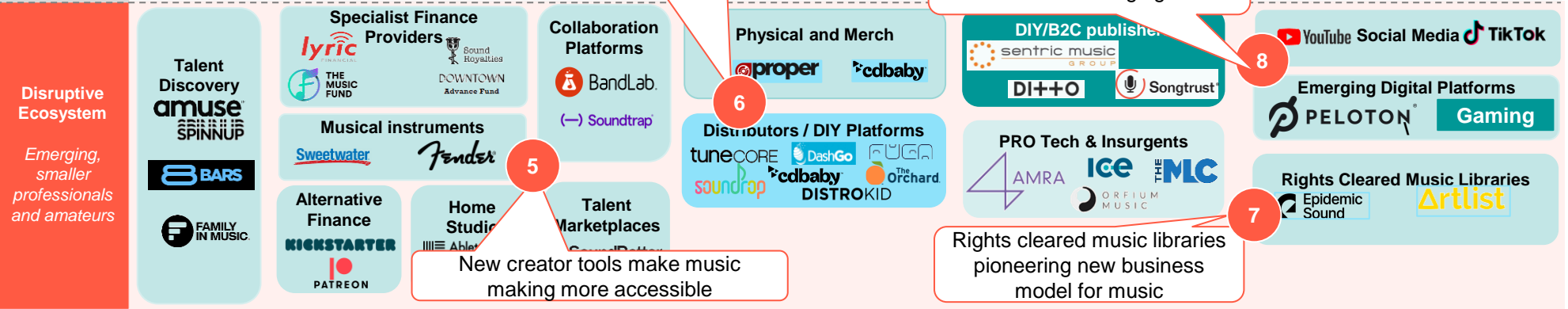
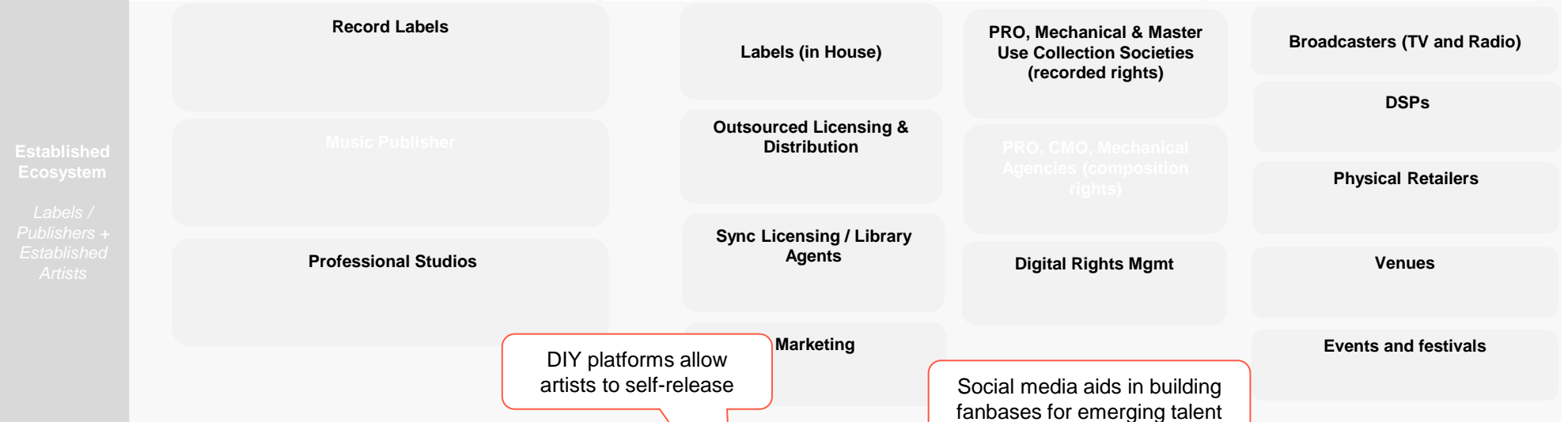


Ecosystem Overview

A disruptive eco-system has emerged around developing non-pro creators, and monetises primarily as a B2C model rather than through royalty share

Market Ecosystem

Composition / Publishing Ecosystem
Recording Ecosystem
Recording and Composition Ecosystem/Other



DIY platforms allow artists to self-release

Social media aids in building fanbases for emerging talent

New creator tools make music making more accessible

Rights cleared music libraries pioneering new business model for music









# Disruption has been across multiple parts of the music ecosystem: creation platforms, DIY distribution, publishing admin and rights cleared libraries

## Market Disruption Archetypes

### Description

### Example Investments

Market Disruption Archetypes	Description	Example Investments
<b>A</b> <b>Tech Supporting Long Tail of Creators</b>	<ul style="list-style-type: none"> <li>Hardware and software for musicians to create high quality music at home, as well as collaboration tools</li> <li>DIY distribution tools allow musicians to release music to DSPs without the need for record or publishing deals</li> </ul>	 <ul style="list-style-type: none"> <li>Insight Partners invested in Distrokid a 'DIY distribution platform' at a \$1.3bn valuation (amount not disclosed)</li> </ul>  <ul style="list-style-type: none"> <li>Goldman Sachs invested \$50m in sound library tool for music creators, Splice</li> </ul>
<b>B</b> <b>Music, Discovery and Fan Engagement</b>	<ul style="list-style-type: none"> <li>Tools and tech have emerged to help artists connect with fans, virtually and physically</li> <li>Recently tools involving NFTs have emerged</li> <li>Live event discovery and booking platforms are also popular</li> </ul>	 <ul style="list-style-type: none"> <li>Live entertainment discovery platform raised \$220m in latest funding round</li> </ul>  <ul style="list-style-type: none"> <li>Artist fan NFT platform raised \$6.5m in seed funding</li> </ul>
<b>C</b> <b>Venue Technology and Live Music</b>	<ul style="list-style-type: none"> <li>An eco-system of business exist to support the live events industry</li> <li>As live music increased in popularity over the past decade, large companies have emerged running multiple festivals</li> </ul>	 <ul style="list-style-type: none"> <li>Providence equity invested into provider of advanced creative and engineering solutions for live events</li> </ul>  <ul style="list-style-type: none"> <li>Frontier Growth invested \$30m into atVenu, a merchandise management tool for live events</li> </ul>
<b>D</b> <b>New Rights Management Models And Technology</b>	<ul style="list-style-type: none"> <li>Some publishers and labels are challenging traditional deal terms and offering artists alternative contract structures</li> <li>There is also an emerging music-tech eco-system to aid the efficiency and effectiveness of royalty collection</li> </ul>	 <ul style="list-style-type: none"> <li>Francisco partners acquire Kobalt for \$750m – Kobalt is a music publisher known for pioneering admin only deals</li> </ul>  <ul style="list-style-type: none"> <li>Utopia acquires tech enabled music publisher Sentric, who focus on a low service model for low-mid tier artists</li> </ul>
<b>E</b> <b>Rights Cleared Music Libraries</b>	<ul style="list-style-type: none"> <li>Traditional users of music who would indirectly pay royalties (e.g. advertisers, podcasters, venues) now more options</li> <li>This has opened up the use of quality music to creators who may not have typically had resources/skills to deal with PROs</li> </ul>	 <ul style="list-style-type: none"> <li>Blackstone Music Group invest \$450m in Epidemic Sounds, a subscription based royalty free music library</li> </ul>  <ul style="list-style-type: none"> <li>Premium beat, a library of 20,000 tracks, was acquired by Shutterstock to accompany the stock image business</li> </ul>
<b>F</b> <b>Catalogue Investment</b>	<ul style="list-style-type: none"> <li>There has been a significant increase in the purchase of composition and recorded rights; total spend on music catalogue and rights was c.\$5bn in 2021</li> </ul>	 <ul style="list-style-type: none"> <li>Hipgnosis acquired Justin Timberlake's catalogue for &lt;\$100m</li> </ul>  <ul style="list-style-type: none"> <li>Sony Music Group acquired Bruce Springsteen's catalogue for \$550m</li> </ul>

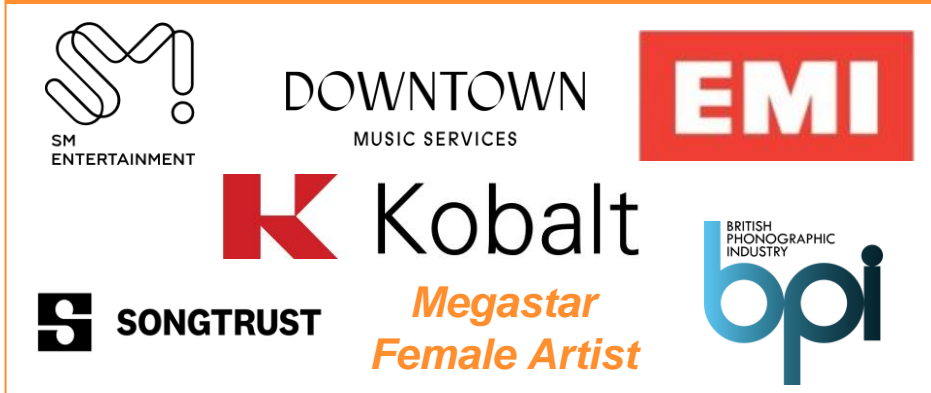


# OC&C has broad experience across the music value chain

OC&C Relevant Credentials – Music

Not Exhaustive

## Labels, Publishers & Artist Management



## Music Rights Administration



## Music Consumption Platforms



## Music Distribution, Tech & Adjacent Services





**Thank you!**



**OC&C**  
Strategy consultants

uncommon sense™