



The Future of Audio

AUDIO MARKET UPDATE

1H 2022



HOULIHAN LOKEY

Executive Summary

- » **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.**
- » **Macro trends are propelling growth and opportunity across the audio marketplace.**
 - **The number of audio streaming subscribers is forecasted to double.** According to Goldman Sachs' latest "Music in the Air" industry report, global streaming subscribers are anticipated to grow from 523 million (2021) to 1.3 billion (2030E).
 - **Audio-tech-led advancements in creation, production, royalty management, and other services are attracting investors to build platforms.**
 - **Podcasting's long-term value (and TAM) are coming into better focus every quarter.** Audio streaming platforms have made numerous podcast-related acquisitions (both tech and IP) to draw new subscribers to their platforms and drive deeper engagement and value.
 - **Digital audio has surpassed radio in terms of average listening time; however, radio remains an important and healthy component of audio.** The average listening times for digital surpassed radio for the first time in 2019 and has continued to expand the overall average listening time. However, radio's TAM is projected to hold for years to come as advertisers continue to support the format.
 - Following a precipitous drop in Netflix's stock (and Spotify's), **investors are scrutinizing the DSP model.** Many have equated audio streaming to video streaming. However, we posit there are significant differences between the sectors that make direct comparison challenging.
 - **Live music and touring have rebounded** following COVID-19, with industry revenues for 2022 projected to exceed pre-pandemic levels.
- » **IP continues to be a hotly pursued investment strategy.**
 - **Institutional investors are committed to the asset class,** as evidenced by the more than \$5 billion deployed by music funds on catalog acquisitions and music rights in 2021. KKR has been particularly active in recent months, with a fresh investment in Kobalt and a music-backed bond issuance in February 2022.
 - Artists have cashed in on the boom through the sale of their catalogs, with some **recent NPS multiples rumored to exceed 30x.**
 - **IP holders stand to benefit as DSPs battle for subscribers.** Shares of labels and publishers haven't declined to the extent of their DSP counterparts.
- » Finally, we've analyzed a handful of **recent transactions that are potentially leading indicators for broader industry disruption**, including Epic's acquisition of Bandcamp (online music community), Soundcloud's acquisition of Musiio (artist discovery), Chapel's (web3 company) acquisition of Amplify (artist payment), and Deezer's recent public listing following its SPAC merger with I2PO.

Houlihan Lokey's Global Audio Coverage Team



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HOULIHAN LOKEY

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

Key Facts and Figures



35

LOCATIONS
WORLDWIDE

2,200

TOTAL FINANCIAL
PROFESSIONALS

300+

MANAGING
DIRECTORS⁽¹⁾

2,000+

CLIENTS SERVED ANNUALLY

\$5.3B

MARKET
CAPITALIZATION⁽²⁾

\$2.3B

REVENUE

Our Services



Corporate Finance



Financial
Restructuring



Financial and
Valuation Advisory

Our Coverage Areas



Technology



Business Services



Consumer, Food,
and Retail



Energy



Financial Services



Healthcare



Industrials



Real Estate, Lodging,
and Leisure



Financial Sponsors
Coverage



Equity Capital
Markets



Debt Advisory

⁽¹⁾ As of March 31, 2022; excludes corporate MDs.

⁽²⁾ As of July 2022.

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



Corporate Finance

- No. 1 Global M&A Advisor
- Leading Capital Markets Advisor Raising More Than \$100 Billion in Past Five Years

2021 Investment Banking Rankings All Global Transactions

| Rank | Advisor | Deals |
|------|----------------|-------|
| 1 | Houlihan Lokey | 549 |
| 2 | Goldman Sachs | 511 |
| 3 | JP Morgan | 508 |

Source: Refinitiv.
Excludes accounting firms and brokers.



Financial Restructuring

- No. 1 Global Restructuring Advisor
- \$3.0 Trillion of Aggregate Transaction Value Completed

2021 Global Distressed Debt & Bankruptcy Restructuring Rankings

| Rank | Advisor | Deals |
|------|----------------|-------|
| 1 | Houlihan Lokey | 63 |
| 2 | Rothschild | 38 |
| 3 | Moelis | 34 |

Source: Refinitiv.



Financial and Valuation Advisory

- No. 1 Global M&A Fairness Opinion Advisor
- 1,000+ Annual Valuation Engagements

2002 to 2021 Global M&A Fairness Opinion Advisory Rankings

| Rank | Advisor | Deals |
|------|---------------------------------|-------|
| 1 | Houlihan Lokey | 952 |
| 2 | JP Morgan | 890 |
| 3 | Duff & Phelps, A Kroll Business | 882 |

Source: Refinitiv.
Announced or completed transactions.



Financial Sponsors Coverage

- No. 1 Global Advisor to Private Equity Firms
- 1,000+ Sponsors Covered Globally

2021 Most Active Global Investment Banks to Private Equity Firms

| Rank | Advisor | Deals |
|------|----------------|-------|
| 1 | Houlihan Lokey | 323 |
| 2 | Deloitte | 218 |
| 3 | William Blair | 183 |

Source: PitchBook.

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
 Ho Chi Minh City
 Hong Kong SAR
Mumbai
 Nagoya

New Delhi
 Osaka
 Shanghai
 Singapore
 Sydney
Tokyo

2021 Investment Banking Rankings – All Global Technology Transactions

| Rank | Advisor | Deals |
|------|-----------------------|------------|
| 1 | Houlihan Lokey | 124 |
| 2 | Goldman Sachs | 114 |
| 3 | JP Morgan | 91 |
| 4 | Morgan Stanley | 87 |
| 5 | William Blair | 67 |

Source: Refinitiv. Excludes accounting firms and brokers.

13
 LOCATIONS
 WORLDWIDE

200
 TECHNOLOGY
 BANKERS

40+
 MANAGING
 DIRECTORS

250+
 TECHNOLOGY
 DEALS IN CY21

Local Technology team

Houlihan Lokey Global Tech Group Positioning

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 capital, 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

| | | | | | | | | |
|---|---|--|--|---|---|---|---|--|
|  <p>has been merged into</p>  <p>Merger Advisor</p> |  <p>completed an \$80M share/warrant repurchase, representing 100% of the outstanding securities of</p>  <p>Financial Advisor</p> |  <p>has sold a majority stake in</p>  <p>to</p>  <p>Sellside Advisor*</p> |  <p>has acquired</p>  <p>Buyside Advisor</p> |  <p>has successfully placed a senior secured credit facility in support of an acquisition</p> <p>Placement Agent</p> | <p><i>Motion Array</i></p> <p>has been acquired by</p>  <p>a portfolio company of</p>  <p>Sellside Advisor</p> |  <p>has made an investment in</p>  <p>Financial Advisor*</p> | <p>DOWNTOWN</p> <p>has acquired</p>  <p>Buyside Advisor*</p> |  <p>has been acquired by</p>  <p>Sellside Advisor</p> |
| <p>Cadence3</p> <p>has been acquired by</p>  <p>Sellside Advisor</p> |  <p>has been acquired by</p>  <p>Sellside Advisor</p> | <p><i>Slacker</i> RADIO</p> <p>has been acquired by</p>  <p>Sellside Advisor</p> |  <p>has completed a financing transaction in connection with its acquisition of</p>  <p>Fairness Opinion</p> | <p>WEBSTER HALL NEW YORK CITY</p> <p>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</p>  <p>AEG PRESENTS</p> <p>Sellside Advisor</p> |  <p>parent company of</p>  <p>has received financing from</p> <p>Coran Capshaw Founder of</p>  <p>Sellside Advisor</p> |  <p>has been acquired by</p>  <p>A portfolio company of</p>  <p>Sellside Advisor</p> |  <p>has confirmed a Chapter 11 Plan of Reorganization, restructuring approximately \$450 million of debt</p> <p>Second Lien Noteholder Advisor</p> |  <p>has received a strategic investment from</p>  <p>Sellside Advisor*</p> |
| <p>WOOD CREEK CAPITAL MANAGEMENT</p> <p>has acquired</p>  <p>Financial Advisor*</p> |  <p>a portfolio investment of</p>  <p>Valuation Opinion</p> | <p>SpiritMusic</p> <p>\$50,000,000 Financing</p>  <p>Financial Advisor*</p> | <p>Songza</p> <p>has been acquired by</p>  <p>Financial Advisor*</p> |  <p>investment from</p>  <p>Financial Advisor*</p> |  <p>has exchanged stations with</p>  <p>Financial Opinion</p> |  <p>has been acquired by</p>  <p>Financial Advisor*</p> | <p>VIACOM</p> <p>has divested its equity stake in</p>  <p>to</p> <p>ColumbusNova</p> <p>Financial Advisor*</p> |  <p>Secured Financing</p> <p>Financial Advisor*</p> |
|  <p>has raised equity from Wood Creek Capital to acquire</p>  <p>Financial Advisor*</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>has been acquired by</p>  <p>Financial Advisor*</p> | <p>MOG</p> <p>has been acquired by</p>  <p>Financial Advisor*</p> |  <p>has been acquired by</p>  <p>Sellside Advisor</p> |  <p>has been acquired by</p>  <p>Sellside Advisor*</p> | <p>TouchTunes</p> <p>Preferred Stock Offering</p>  <p>Financial Advisor*</p> | <p>BMG</p> <p>has acquired</p>  <p>Buyside Advisor*</p> | <p>MOG</p> <p>\$9,500,000 Series E Preferred Stock</p>  <p>balderston capital</p> <p>Financial Advisor*</p> |

*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. Tombstones included herein represent transactions closed from 2010 forward.

Houlihan Lokey Global Tech Conference 2022



Technology Connecting the World
 Houlihan Lokey Global Tech Conference 2022

October 12-13, 2022
 New York, New York

Conference Overview:

Houlihan Lokey is pleased to host its inaugural Global Tech Conference on October 12-13, 2022, at the Lotte New York Palace. The event will feature company presentations, panels, and targeted one-on-one meetings.

The conference is an excellent stage to showcase your company to an audience of prospective strategic, financial, and institutional investors as well as other capital providers. Participants and attendees will gain insights into the market dynamics and strategies employed within a variety of technology sectors and participate in insightful discussion on the state of the market, growth opportunities, and current challenges.

Conference Format:

- Evening VIP reception before the conference
- Presentations from attractive, highly successful companies
- Panel discussions from tech industry leaders
- High-profile featured speakers from the tech community
- Intimate industry dinners with peers and capital providers
- Targeted one-on-one meetings

Agenda & Locations:

| | | | |
|------------|---------|---|-----------------------|
| October 11 | Evening | Pre-conference VIP Reception | Location TBD |
| October 12 | Daytime | Conference Day 1 Company Presentations & 1x1s | Lotte New York Palace |
| | Evening | Exclusive Sector-Focused Dinners | Locations TBD |
| October 13 | Daytime | Conference Day 2 Company Presentations & 1x1s | Lotte New York Palace |

Technology Sectors Represented:



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
- ✓ Further runway—users, penetration, usage—within established markets
- ✓ Technology 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

- ✓ 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
- ✓ Rapidly expanding high-speed broadband internet, smart phone usage, connected vehicles, and smart speakers broadens reach and listening time



Receptiveness of Investors

- ✓ Public markets have been open and receptive to growth in every segment of the market, including IP, publishing, DSPs, and creator tools (liquidity and investment opportunity)
- ✓ Private markets have been even more active participants in the digital replatforming of the industry—with some of the world's savviest investors leading the way



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

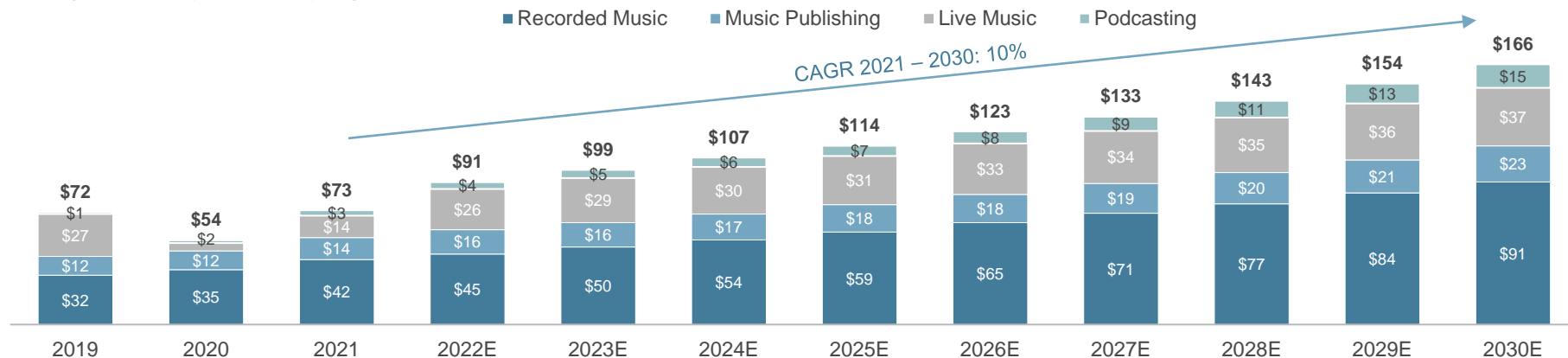
- ✓ New technologies are helping to better monitor IP usage and enforce payment
- ✓ Use of data to better understand consumer behaviors; emergence of AI across the value chain from creation to distribution
- ✓ New forms of content beyond music (e.g., podcast, audiobooks) driving engagement and improved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

An Industry on the Move

The audio industry demonstrated resilience during COVID-19 (e.g., live music) and is poised for considerable growth over the next 10 years.

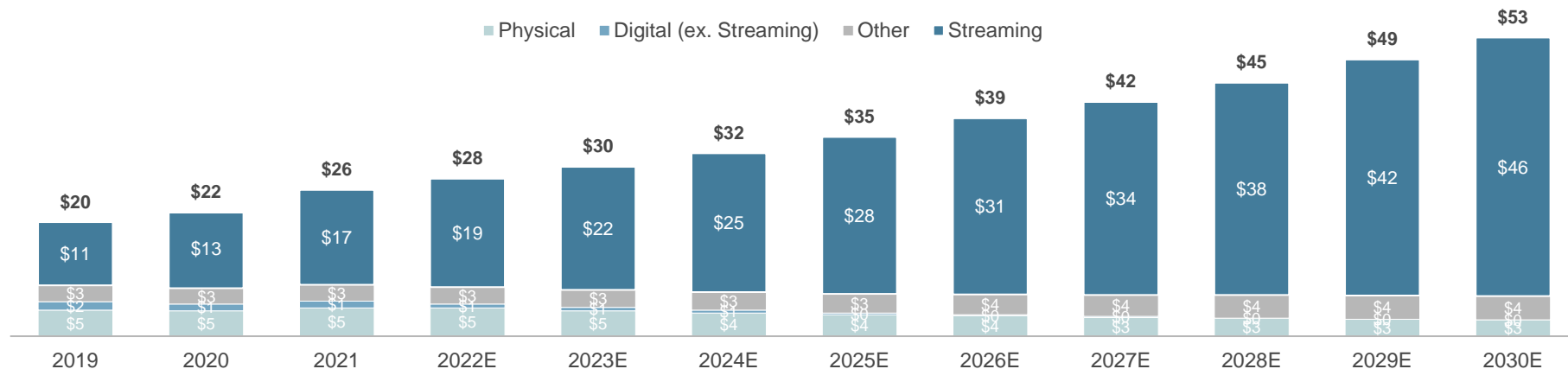
Audio Industry Expected to Double by 2030...

(Total global industry revenues by segment; \$ in billions)⁽¹⁾



...Driven 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 artist/creator); \$ in billions)⁽¹⁾

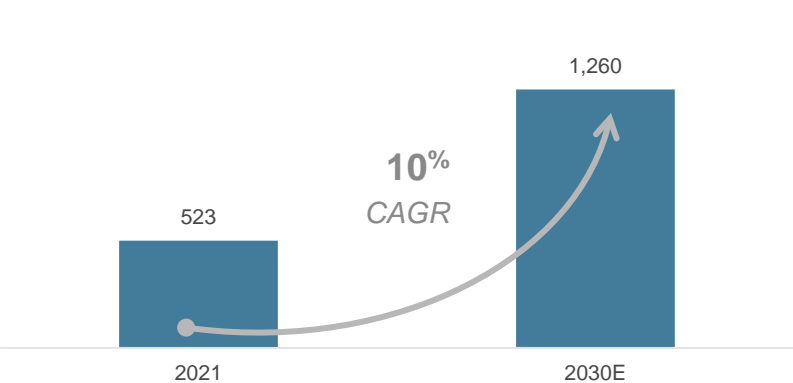


(1) Goldman Sachs, "Music Is in the Air"; Morgan Stanley, "Mic'd Up: Is Podcasting the Next Big Thing?" July 2021; other publicly available information.

Robust Dynamics Driving 10-Year Growth Cycle

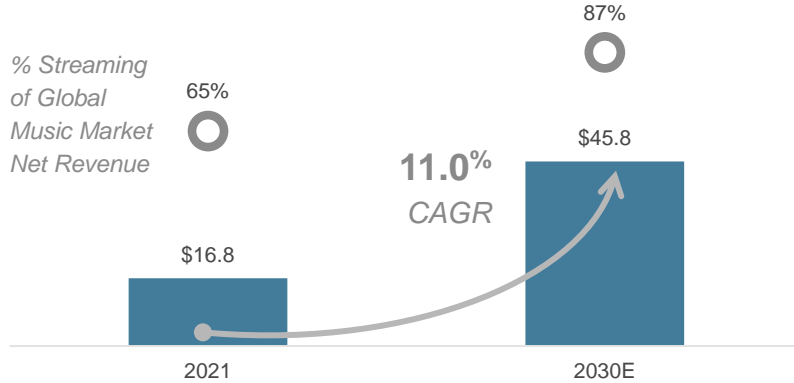
Paid Streaming Subs to Reach 1.3B by 2030

(Paid streaming subscribers; figures in millions)



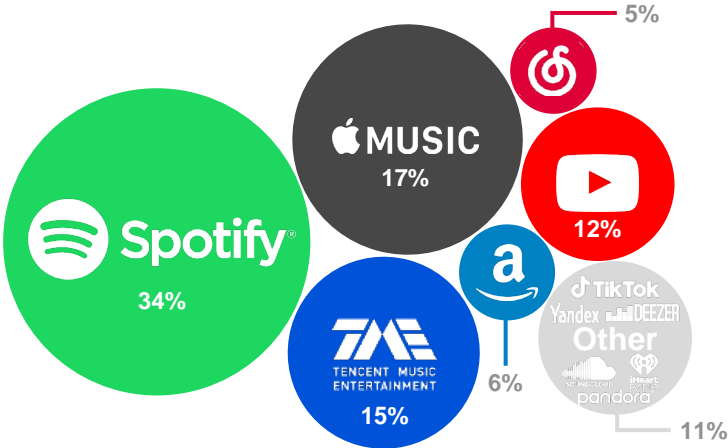
Streaming/Digital the Core Growth Driver

(Streaming music net revenue; \$ in billions)



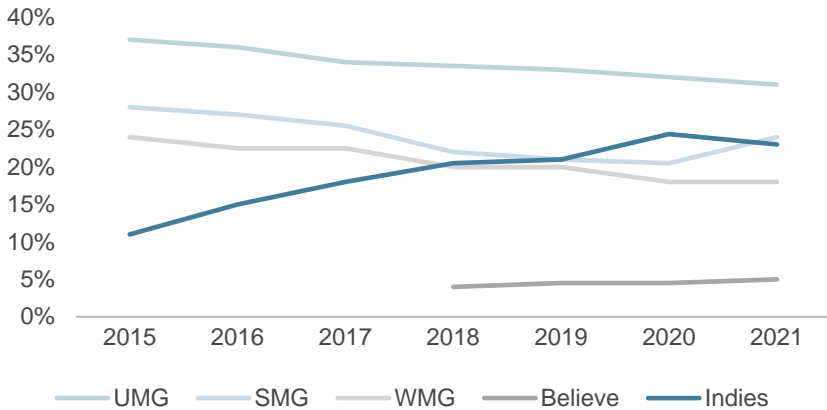
Multiple Digital Distribution Outlets

(Streaming subscriber market share by platform)



Indie Music Share of Streaming Revenue Has Doubled Since 2015

(Global streaming market share, based on revenue)



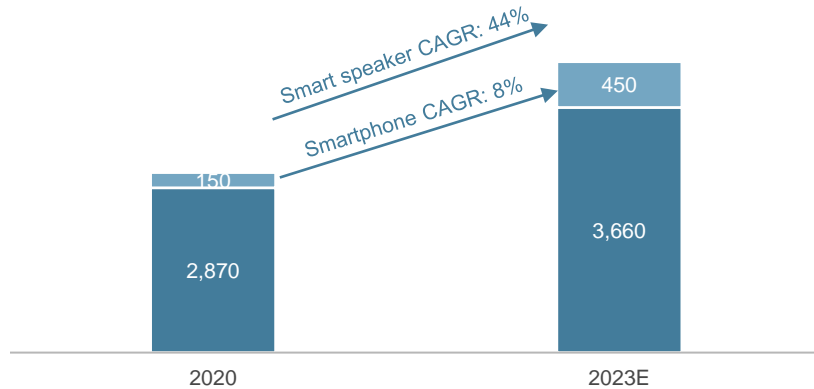
Sources: Goldman Sachs, "Music Is in the Air," MIDiA Research, Music Business Worldwide, MusicWatch, WallStreet Research.

Additional Tailwinds From New Platforms and Tech

Smart Devices Broadening Listener Base

(Global smartphone and smart speaker users; in millions)⁽¹⁾

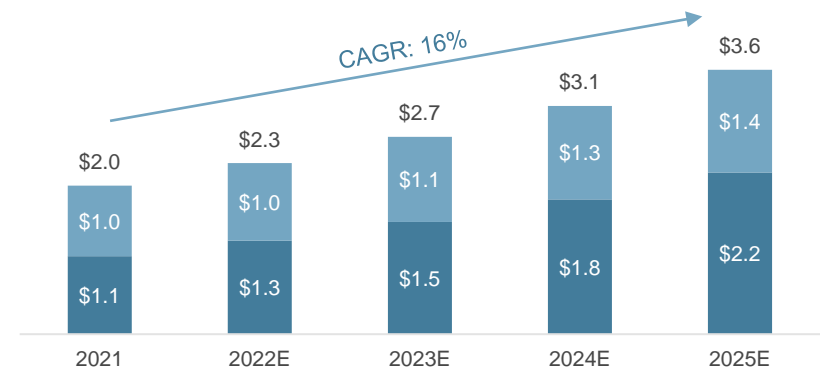
■ Smartphones ■ Smart Speakers



Social and Gaming Increasingly Integrate Audio

(Recorded music revenue from social media and video games; \$ in billions)⁽²⁾

■ Social ■ Gaming

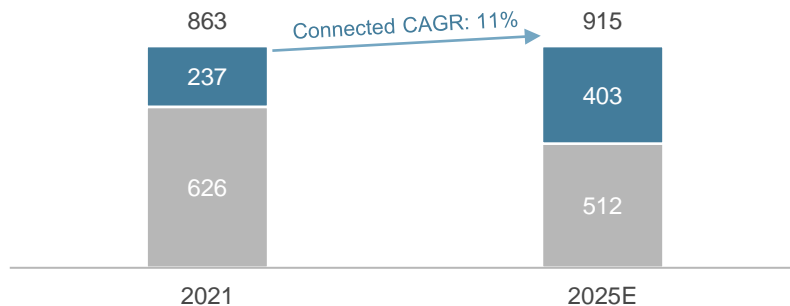


Connected Vehicles Support Audio Consumption

(Total licensed vehicles and connected car share, in million units)⁽³⁾

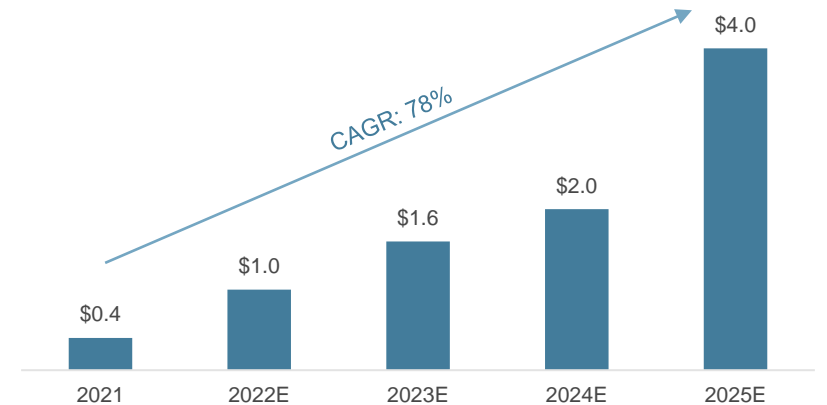
Connected cars have access to internet and streaming services

■ Non-Connected Vehicles ■ Connected Vehicles



Metaverse Presents Emerging Opportunity

(Recorded music revenue in the metaverse; \$ in billions)⁽⁴⁾



(1) eMarketer, Statista, equity research analyst estimates.

(2) Jefferies equity research, Universal Music Group. Figures estimated based on assumption of music costs for social media and video game industries.

(3) PwC 2021 Digital Auto Report. Figures include total vehicles within the EU, the U.S., China, and Japan.

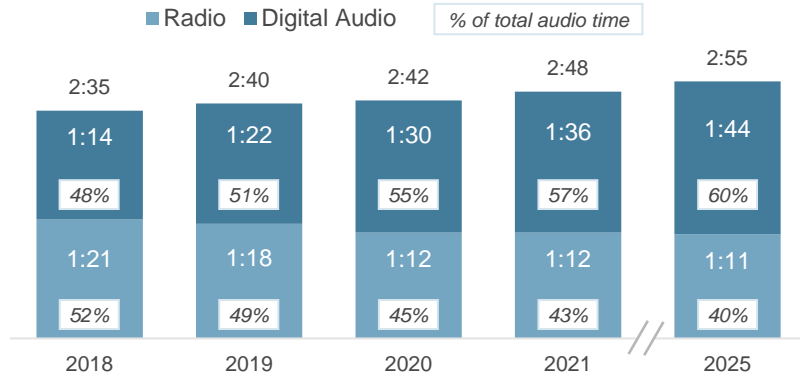
(4) Jefferies equity research, Universal Music Group.

Radio Sector Update

Digital audio has surpassed radio in terms of average listening time; however, radio remains an important component of audio.

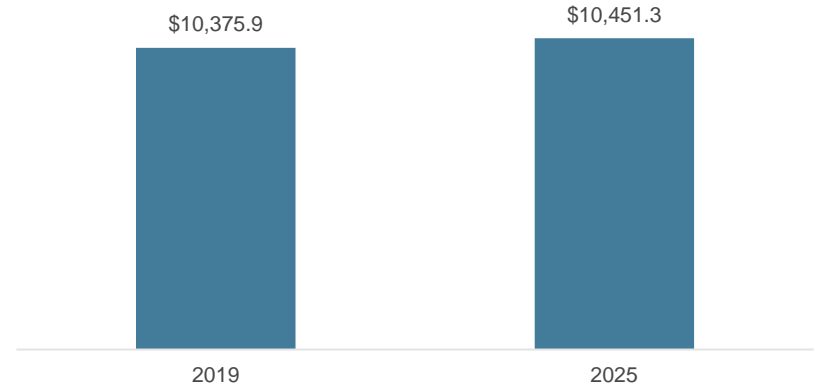
Terrestrial Radio Has Lost Share to Streaming

(Average daily audio time per adult aged 18+ by type)⁽¹⁾



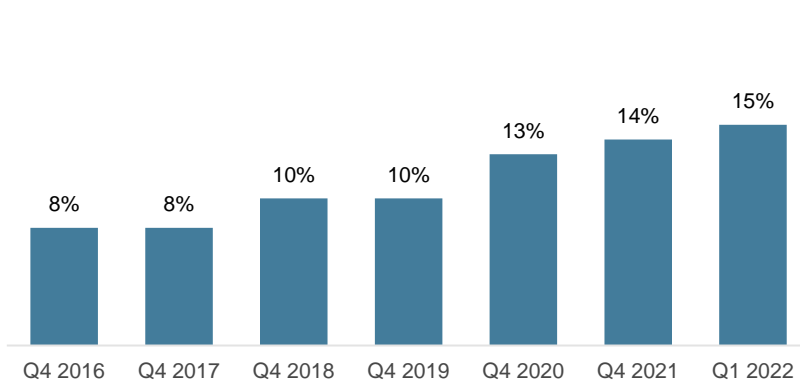
Near-Term Outlook Is Stable

(Radio advertising revenue; U.S.; \$ in millions)⁽²⁾



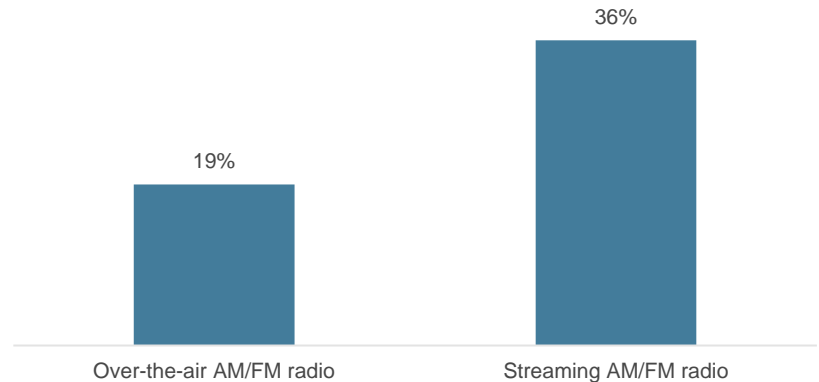
Radio Listeners Tune in Via Digital

(Share of AM/FM listening via digital (i.e., phone, computer), persons 25–54)⁽³⁾



Spoken Audio Supports Digital Radio Engagement

(Portion of audience listening for spoken audio content, among persons 12+)⁽³⁾



(1) Activate Consulting, Activate Technology & Media Outlook 2022. "Digital audio" includes audio streamed via mobile and desktop/laptop; "radio" excludes digital radio.

(2) SNL Kagan, 2021.

(3) Audio Active Group, The State of AM/FM Radio Streaming, 2022.

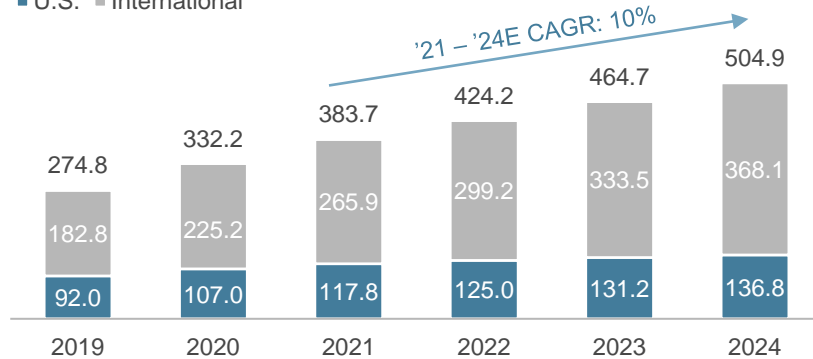
Audiences and Streamers Focus on Podcasts

Although in earlier stages, podcasting is an important part of the audio landscape.

The Number of Podcast Listeners Is Expanding

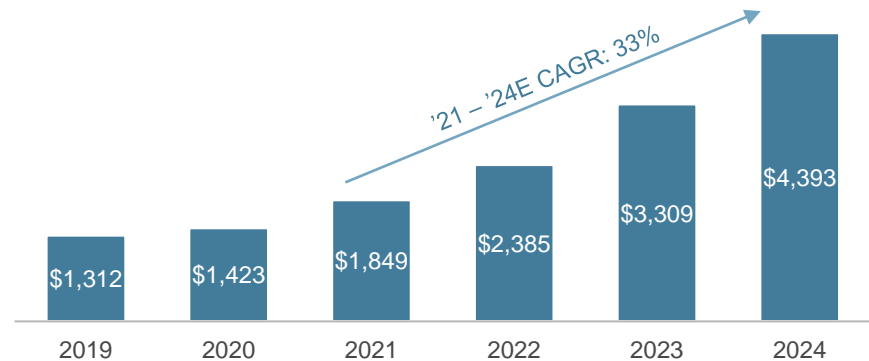
(Number of monthly podcast listeners; figures in millions)⁽¹⁾

■ U.S. ■ International



Ad Revenue Outpacing Listener Growth

(Global revenue from podcast advertising; \$ in millions)⁽¹⁾



Ad-Tech Acquisitions Have Bolstered Monetization Capabilities⁽²⁾

Selected Acquisitions 2018–2022

amazon music

Audacy

iHeart MEDIA

(SiriusXM)

Spotify

ART19

podcorn
An Audacy Company

TRITON
VOXNEST

Simplecast
adswizz

Chartable podsights
Megaphone

“Advertisers are coming to increasingly expect that their podcast ad buys will allow for accountability and attribution. While it didn’t get that much media attention, Spotify’s recent acquisition of Chartable and Podsights—two important podcast analytics firms—are indicative of this arms race for user data.”

March 2022 THE CONVERSATION

(1) eMarketer, August 2021.

(2) PwC, Magna, Barclays Research, eMarketer.

Hollywood Looks to Podcasts for New IP

“As Hollywood fully buys into podcasting, multimillion-dollar deals are the norm for the crème de la crème of shows...The major talent agencies have jumped on the train and are building out their audio divisions, with agents increasingly working on podcast deals with clients.”

February 2022 *Hollywood*
REPORTER

Recent Podcast Adaptations



Gaslit

Based on the podcast *Slow Burn*, which examines the Watergate scandal

Premier: Apr. 2022

STARZ

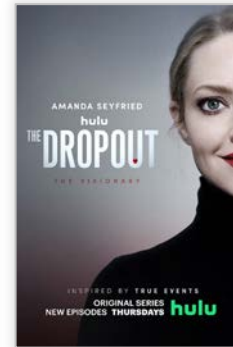


WeCrashed

Wondery podcast adapted into limited series, based on WeWork and starring Jared Leto and Anne Hathaway

Premier: Mar. 2022

Apple TV+



The Dropout

Covers the story of Theranos and was produced by ABC News and later turned into a mini series starring Amanda Seyfried

Premier: Mar. 2022

hulu



The Thing About Pam

Based on a hit podcast that explored the case of Pam Hupp; series was co-produced by NBC and Blumhouse

Premier: Mar. 2022

peacock



The Shrink Next Door

Wondery podcast adapted into dark comedy starring Will Ferrell and Paul Rudd

Premier: Nov. 2021

Apple TV+



Dr. Death

Wondery podcast covering the story of Dr. Christopher Duntsch

Premier: July 2021

peacock

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).

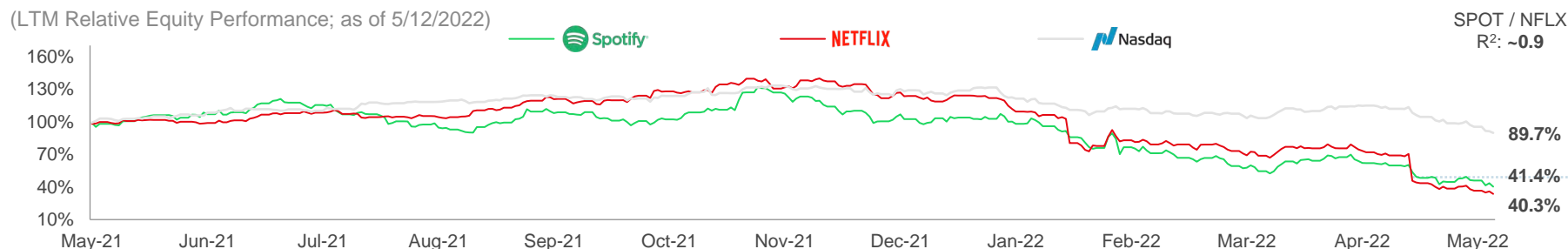


Sources: Company filings, other publicly available information.

Investors Assess Headwinds Facing Streamers

Despite Spotify leadership urging otherwise, investors have equated the platform to Netflix.

Shares of Netflix and Spotify Have Moved in Lockstep



“A lot of people are grouping us and Netflix together....Besides both being media companies and being primarily subscription revenue companies, that’s kind of where the similarities end for me....We are a platform. Netflix is not....When I look at the video landscape, it seems like competition is heating up.”⁽¹⁾

Daniel Ek, CEO (Spotify)



Considerations for Investor Concerns

1

Competition

Spotify, Apple, Amazon, and Tencent have collectively accounted for ~70%+ of the total paid streaming market for a number of years.



2

Content Model

It operates as a platform that licenses content, with limited ownership of IP. All audio streamers offer nearly identical content.

3

Subscribers

Users tend to subscribe to a very limited number of platforms, facing high switching costs (playlists, podcasts, familiarity) and lower monthly churn rate.

NETFLIX

Since 2019, Apple, Disney, Warner, and Paramount have launched streaming platforms, adding to an already crowded market.

With video streamers taking a “walled garden” approach to content, Netflix has been compelled to further ramp up original content creation spend.

Users subscribe to multiple platforms (often driven by hit programming), but switching costs are much lower.

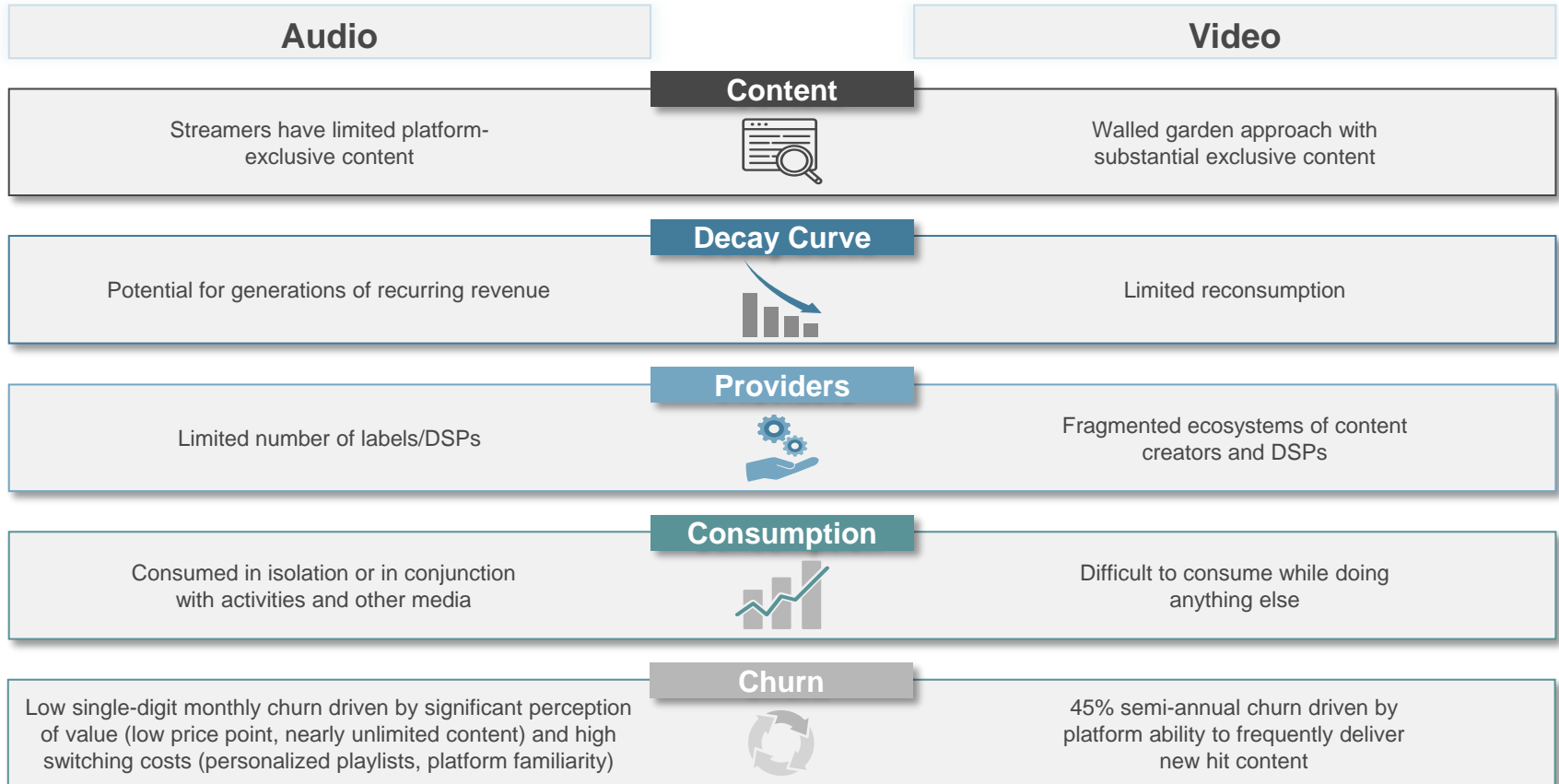
Why Audio Is Not Video

“It’s really important not to make too many similarities between SVOD and music subscription. The analysis has shown that SVOD trends mostly related to the variable programming of those services. SVOD platforms focus on originals and exclusive content, and content that most viewers will watch only once has led to a significant churn.” ⁽¹⁾

Michael Nash, EVP,
Digital Strategy (UMG)



Summary Differences



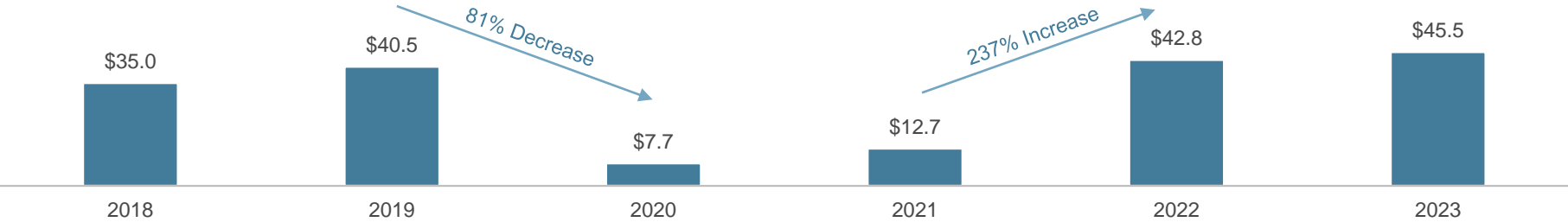
(1) Universal Music Group earnings call on May 3, 2022.

Live Music Is Staging a Rapid Recovery


Live music has started to recover and is expected to outpace pre-pandemic levels in both 2022 and 2023.

Music Tour Revenue

(\$ in billions) ⁽¹⁾



“Tickets seem to be flying out of the door, both from the front seat to the back. So **we’re looking still for a record 2022 across the globe.**”

Michael Rapino, CEO Live Nation, April 2022 

Pent-Up Supply and Demand Driving Organic Growth



90% of Lollapalooza’s 400,000 attendees showed up fully vaccinated⁽²⁾



90%+ of artists’ income is made on tour



~83% of ticket holders declined refunds



~95% of fans plan to return to live events

“Fans flooding back to see their favorite artists are finding yet another commodity whose price has gone up: concert tickets. But while many companies have been pointing to inflation as they raise their prices, **the concert industry is amid a years-long effort to price tickets more aggressively, capitalizing on consumer demand and cutting down on money lost to the secondary market.**”

April 2022 **WSJ**

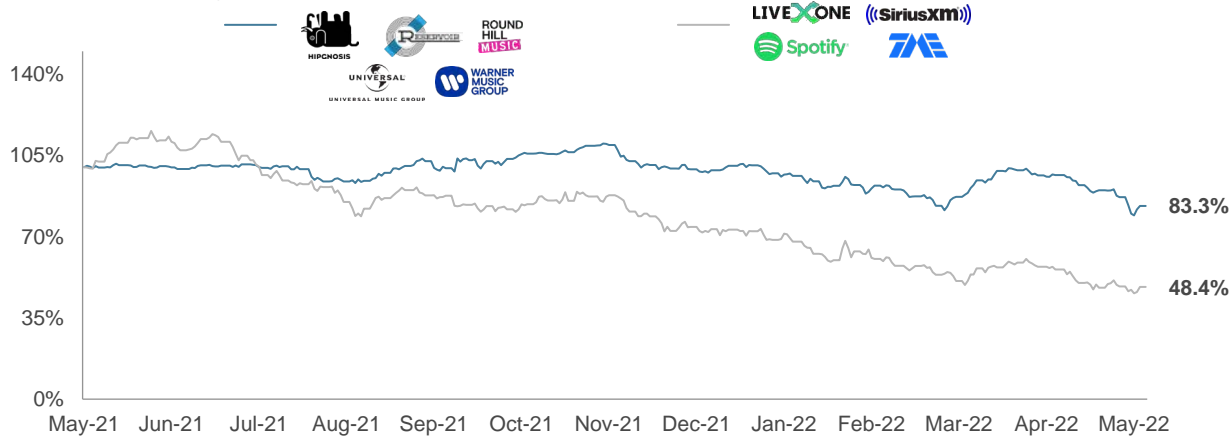
(1) *Jefferies Equity research analyst estimates as of May 2021.*
 (2) *WSJ, “Concert Plans Change as Covid-19 Concerns Persist,” August 2021.*

Investors Remain Optimistic on IP

IP holders exert their influence over DSPs, though that balance of power may be shifting.

Label/Publisher Declines Less Severe Relative to DSPs

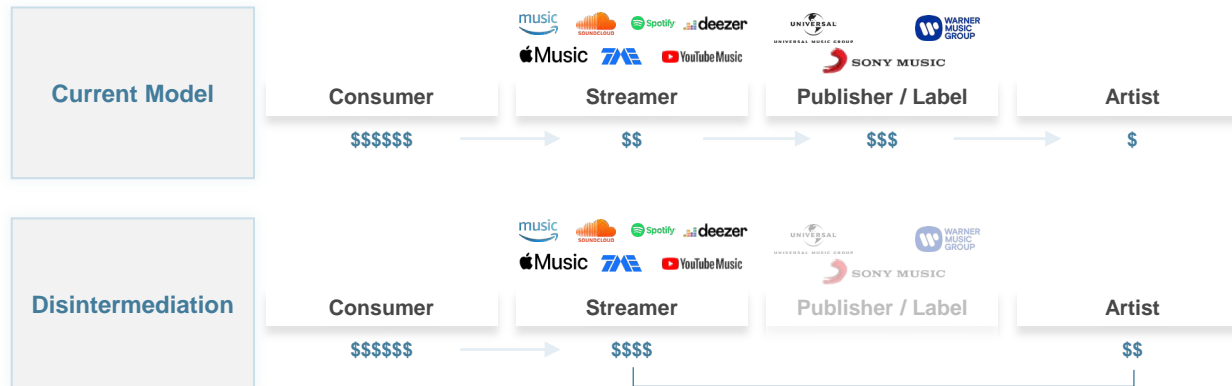
(LTM Relative Equity Performance; as of 5/12/2022)



“Apple Music, Spotify, Amazon Music, YouTube Music, Tidal, Bandcamp, Tencent Music, Deezer, and others are **battling it out for subscribers**. They bear the cost of acquiring customers. It’s a tough business... **A good chunk of revenues goes to royalty and distribution costs; that is the music labels**. That’s the oligopoly line...”

Brian Langis
Dec. 2021
Seeking Alpha^α

The Risk of Disintermediation



“In September 2018, Spotify opened up its platform to artists to release their music directly on the platform. The labels of course saw this as a massive threat of disintermediation, shook their fists in fury, and compelled Spotify to swiftly backtrack, dissipating the service in July 2019. The irony is that Spotify was trying to achieve the same objectives with direct artists as it is with podcasts: more control and higher margins.”

Mark Mulligan
Feb. 2022
MIDI.A

Music Presents a Steady Source of Income

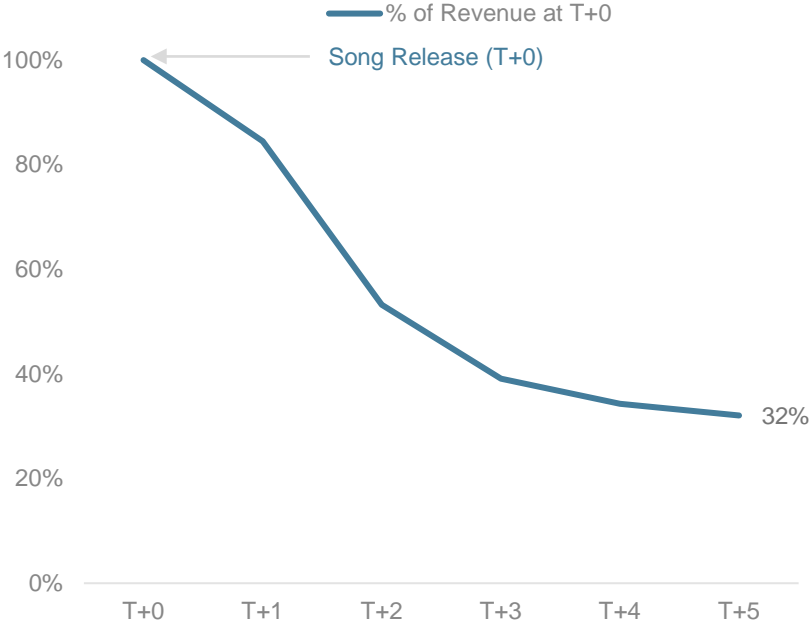
“Owning music is unique as it gives you a lifetime recurring revenue stream. Because of streaming, the music industry is less of a hit-driven, one-time transaction business and has transformed into something like a monthly annuity-like, revenue-stream business.”⁽¹⁾

Bill Ackman, Pershing Square



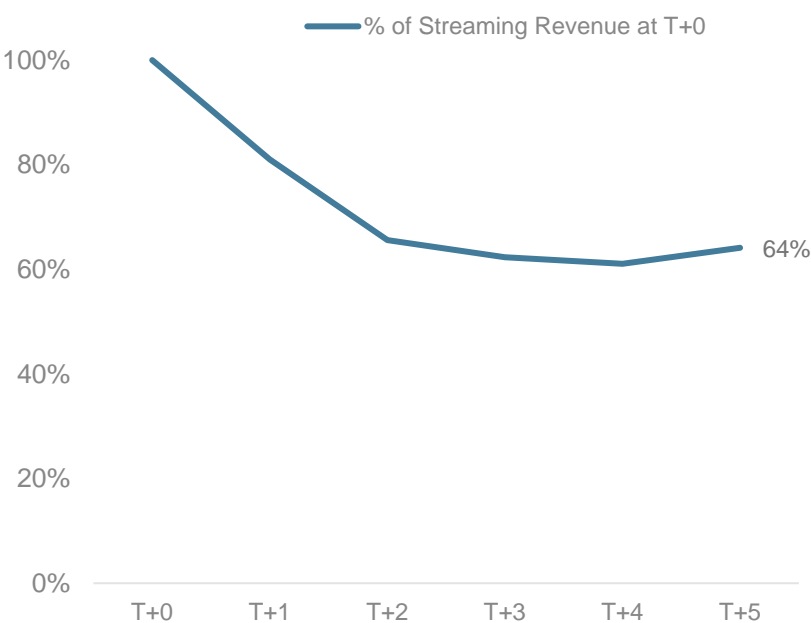
Illustrative Song Decay Over Time

(Illustrative growth/(decay) for a new hit song)⁽¹⁾
 (Each point on the X-axis represents a subsequent year)



Streaming Decay Is Considerably Less

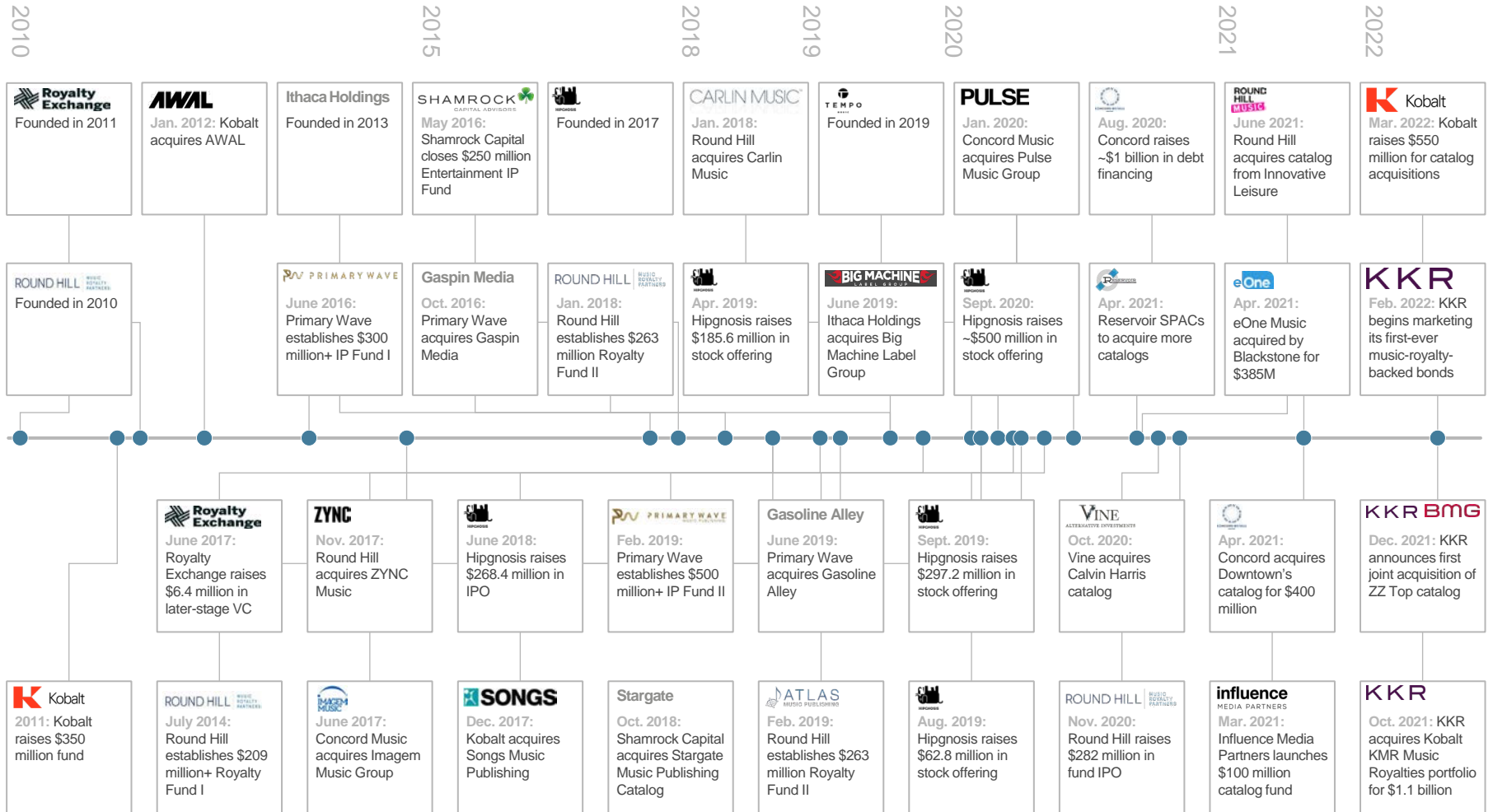
(Illustrative growth/(decay) of streaming for a new hit song)⁽¹⁾



(1) Decay rates are based on 2021 public Hipgnosis model disclosures for valuing catalogs for the primary catalog revenue streams. Distribution of revenue per industry averages (Mechanical 5%, Performance 45%, Downloads 5%, Streaming 25%, Synchronization 15%, and Other 5%).

The Song as an Asset Class

Song funds spent more than \$5 billion on catalogs and music rights acquisitions in 2021.⁽¹⁾



(1) Music Business Worldwide, January 2022.

Recent Music Catalog Acquisitions

VAI Acquires Calvin Harris Catalog

Oct. 2020
Value: \$100M



CMP Acquires Imagine Dragons Catalog

Aug. 2020
Value: \$120M



Primary Wave Acquires 80% Stevie Nicks Catalog

Nov. 2020
Value: \$100M



KKR Acquires Ryan Tedder Catalog

Jan. 2021
Value: \$200M

KKR



Sony Music Acquires Paul Simon Catalog

Apr. 2021
Value: NA



BMG Acquires Tina Turner Catalog

Oct. 2021
Value: \$300M



BMG Acquires Motley Crue Catalog

Nov. 2021
Value: \$150M



Sony Music Acquires Bob Dylan Catalog

Jan. 2022
Value: \$175M



WMG Acquires David Bowie Catalog

Jan. 2022
Value: \$250M



UMG Acquires Sting Catalog

Feb. 2022
Value: \$300M



UMG Acquires Neil Diamond Catalog

Feb. 2022
Value: \$145M



Q3 2020

Q4 2020

Q1 2021

Q2 2021

Q4 2021

Q1 2022

Q2 2022

Spirit Music Group Acquires Tim McGraw Catalog

Sept. 2020
Value: NA



UMG Acquires Bob Dylan Catalog

Dec. 2020
Value: \$350M



Hipgnosis Acquires 50% Neil Young Catalog

Jan. 2021
Value: \$150M



Hipgnosis Acquires Red Hot Chili Peppers Catalog

May 2021
Value: \$140M



Sony Music Acquires Bruce Springsteen Catalog

Dec. 2021
Value: \$500M



BMG and KKR Acquire ZZ Top Catalog

Dec. 2021
Value: \$50M



Primary Wave Acquires America Catalog

Jan. 2022
Value: \$40M



Primary Wave Acquires Paul Rodgers Catalog

Jan. 2022
Value: \$20M



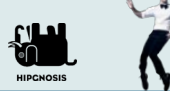
Pink Floyd Catalog Rumored Acquisition

May 2022
Value: \$500M+



Hipgnosis Acquires Justin Timberlake Catalog

Value: \$100M



Notable Sector Transactions



Deezer Goes Public Through I2PO SPAC

Investors believe in Deezer's ability to contend with incumbent DSPs

Company Overview

Headquarters: Paris, France

Founded: 2007

Description: Music streaming platform with more than 90 million songs, podcasts, and radio channels. Holds ~2% of global streaming subscribers. In France and Brazil, the company holds 29% and 17% of the market, respectively.⁽²⁾

Transaction Highlights

- Began trading on the Paris Euronext on July 5, 2022
- **€1.1 billion valuation; €400 million of revenue in 2021⁽¹⁾**
- **9.6 million subscribers**
- Merger with French-based SPAC, **I2PO**
- Tried to IPO in 2015 but opted to pause the process and raise additional rounds of private capital
- SPAC is **backed by billionaire François Pinault**, the president of Groupe Artémis

Selected Commentary

“This is a perfect match and a transformational deal that will deliver long-term value creation for our shareholders. **We are confident that the company is well positioned to disrupt and consolidate** while providing a high-quality music streaming service to millions of users around the world.”⁽²⁾

Iris Knobloch, Chairwoman of the Board and CEO of I2PO



Epic Games Acquires Bandcamp

Transaction signifies music's importance in the metaverse

Company Overview

Headquarters: Oakland, California

Founded: 2007

Description: Online record store and music community where fans discover, connect with, and directly support artists. Artists on Bandcamp receive an 82% share of revenues.

Transaction Highlights

- Announced: **March 2022**
- Financials not disclosed
- The transaction **positions Epic well to build out its metaverse presence**
- Acquired by Sony-backed Epic Games, the maker of Fortnite and Unreal Engine
- In April 2022, Epic Games announced an additional \$2 billion of capital (\$1 billion from Sony and \$1 billion from KIRKBI, the investment company behind LEGO), to support Epic's metaverse goals

Selected Commentary

“The world of independent music got a jolt on Wednesday when Bandcamp, the platform that has been a haven for musicians during the pandemic, announced that it had been acquired by Epic Games. In a statement, **Epic said that Bandcamp “will play an important role in Epic’s vision to build out a creator marketplace ecosystem for content, technology, games, art, music, and more.”**⁽³⁾

The New York Times

(1) WSJ, “Spotify Rival Deezer Strikes SPAC Deal Valuing It at About \$1.1 Billion,” April 2022.

(2) TechCrunch, “Music Streamer Deezer Is Going Public via SPAC at a \$1.1 Billion Valuation,” April 2022.

(3) New York Times, “Gaming Giant Behind Fortnite Buys Bandcamp, an Indie Music Haven,” March 2022.

Notable Sector Transactions (cont.)



SoundCloud Acquires Musiio

Exemplifies the growing importance of technology in A&R (Artists and Repertoire) capabilities

Company Overview

| | |
|---------------|--|
| Headquarters: | Singapore |
| Founded: | 2018 |
| Description: | Musiio develops an artificial intelligence platform that is used to help discover music by identifying characteristics/patterns of a song. |

Transaction Highlights

- Announced: **May 2022**
- Prior funding rounds in '19 and '21 valued the company at \$3.5 million and \$10 million, respectively⁽¹⁾
- Musiio will help SoundCloud sift through the 300 million tracks on its platform and identify and establish relationships with talent
- In 2021, Musiio established a relationship with Hipgnosis; Musiio allows Hipgnosis to rapidly sort its catalog and find the most relevant tracks/compositions

Selected Commentary

“As DIY music distribution platforms like SoundCloud lower the barrier to entry for amateur artists and flood platforms with new music, identifying and promoting the good stuff has become even more challenging. SoundCloud claims that Musiio’s tools can quickly sift through countless hours of (mostly bad) music and pick out the songs that have patterns and characteristics that correlate with chart-toppers.”⁽²⁾

THEVERGE



Chapel Acquires Amplify.link

Web3 will alter the way artists create content and receive compensation

Company Overview

| | |
|---------------|--|
| Headquarters: | Bristol, England |
| Founded: | 2018 |
| Description: | Amplify is a startup that is working to change the way artists are compensated through the use of blockchain technology. |

Transaction Highlights

- Announced: **March 2022**
- Chapel is a web3 led by English rock band Kasabian drummer Ian Matthews
- The combined entity will be called Amplify and will have backing from Europe’s largest web3 fund outlier ventures

Selected Commentary

“Web3 will have a huge role to play in the future with the music industry. It will open up a whole new realm of possibilities in the way artists are rewarded for performing both live shows and within virtual events. I’m excited to head up a project that aims to make it far more financially viable to work and survive in the industry.”⁽³⁾










DIGITAL MUSIC NEWS

(1) Music Business Worldwide, “Musiio Secures Funding at \$10M Valuation”, July 2021.
(2) The Verge, “SoundCloud Buys AI That Claims to Predict Hit Songs,” May 2022.
(3) Digital Music News, “Web3 Business Chapel Has Acquired Startup Amplify.link,” March 2022.

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

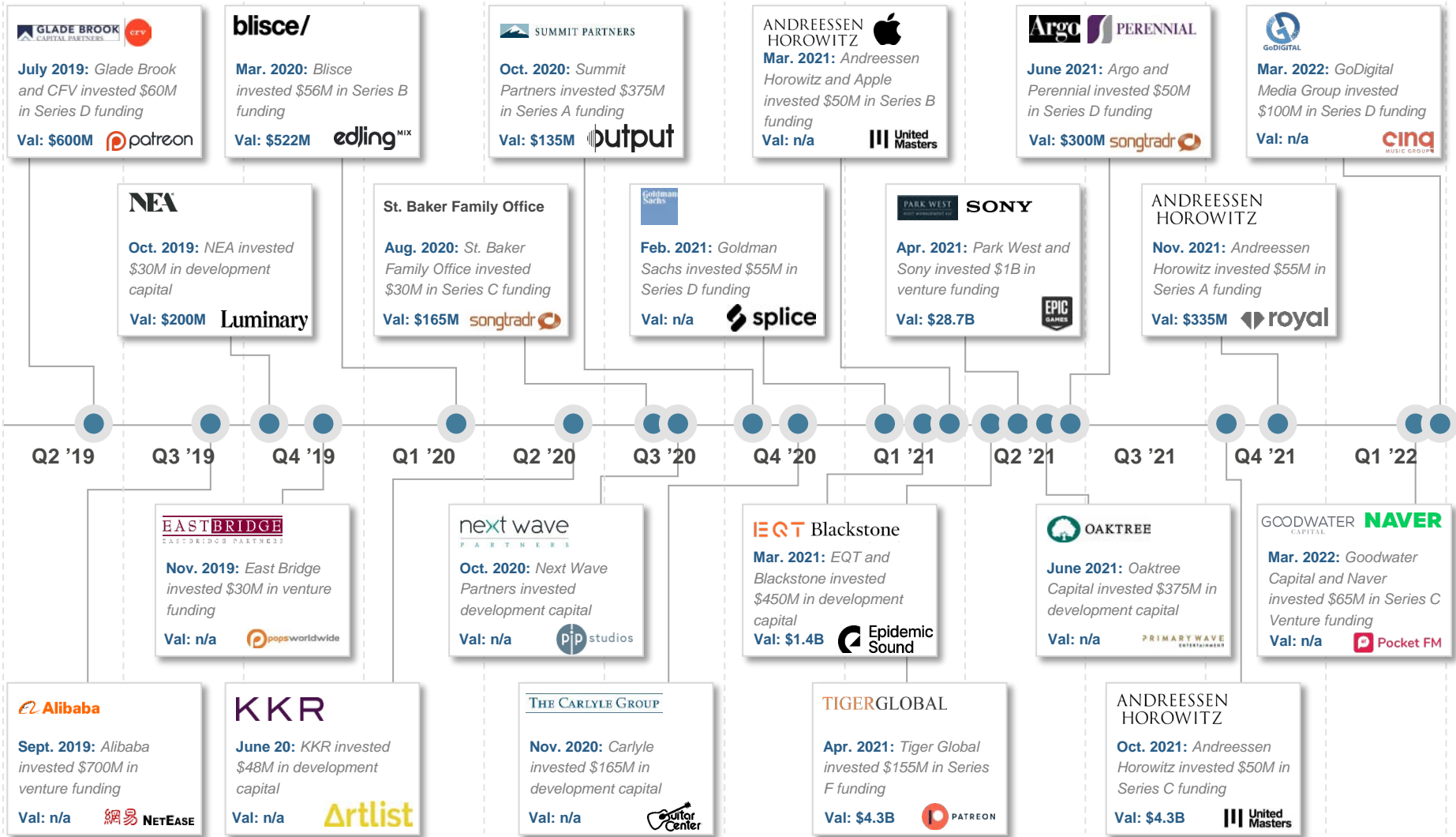
- Private equity investors have been highly acquisitive.
- More than \$6 billion have been invested across the music industry since 2019, creating multiple strategic options and an expanded set of potential buyers.
- Platform consolidation is anticipated across a highly fragmented market.

Leading Global PE Funds Investing Across Sector


































































































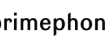



































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|  ASSOCIATES / TouchTunes In-Venue | PROVIDENCE EQUITY / Sweetwater Audio Retail | INSIGHT PARTNERS /  DISTROKID Distribution |
|  /  Distribution | FP FRANCISCO PARTNERS /  NATIVE INSTRUMENTS Audio Hardware and Software | FP FRANCISCO PARTNERS /  IZOTOPE Audio Software |
| SERVCO /  Instruments | PROVIDENCE EQUITY / TEMPO Publishing | MID OCEAN PARTNERS /  MUSIC REPORTS Rights Administration |
| CARLYLE / Ithaca Holdings Talent / Publishing |  / SESAC Rights and Collection | TCV / believe Distribution |
| | TEMASEK /  SOUNDCLOUD DSP | |

Sources: S&P Global Capital IQ, PitchBook, 451 Research, Mergermarket, Music Business Worldwide, WallStreet Research.

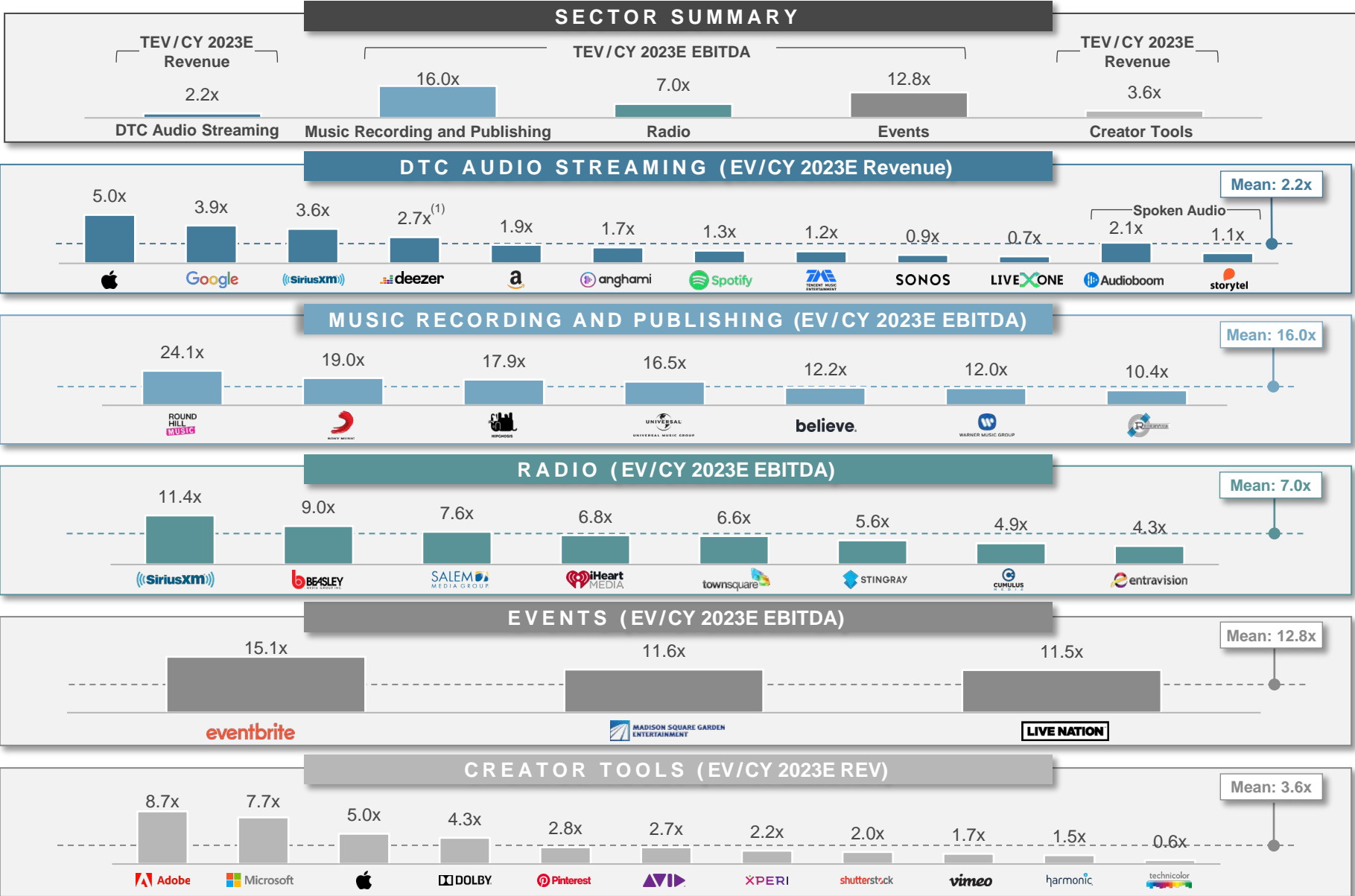
...With Notable Growth Investing Activity in Past Three Years



Strategic Buyer M&A Remains Steady and Active

| Company | Headquarters | Number of Deals | Investments and M&A |
|--|-------------------|-----------------|---|
|  SONY MUSIC | New York, NY | 31 |                        |
|  WARNER MUSIC GROUP | New York, NY | 22 |                      |
|  UNIVERSAL MUSIC GROUP | Santa Monica, CA | 18 |                                 |
|  | Shenzhen, China | 15 |             |
|  | Cupertino, CA | 7 |        |
|  | Beijing, China | 6 |       |
| DOWNTOWN | New York, NY | 6 |        |
|  | Seattle, WA | 6 |       |
|  | New York, NY | 5 |      |
|  | Beverly Hills, CA | 5 |      |

Public Market Performance



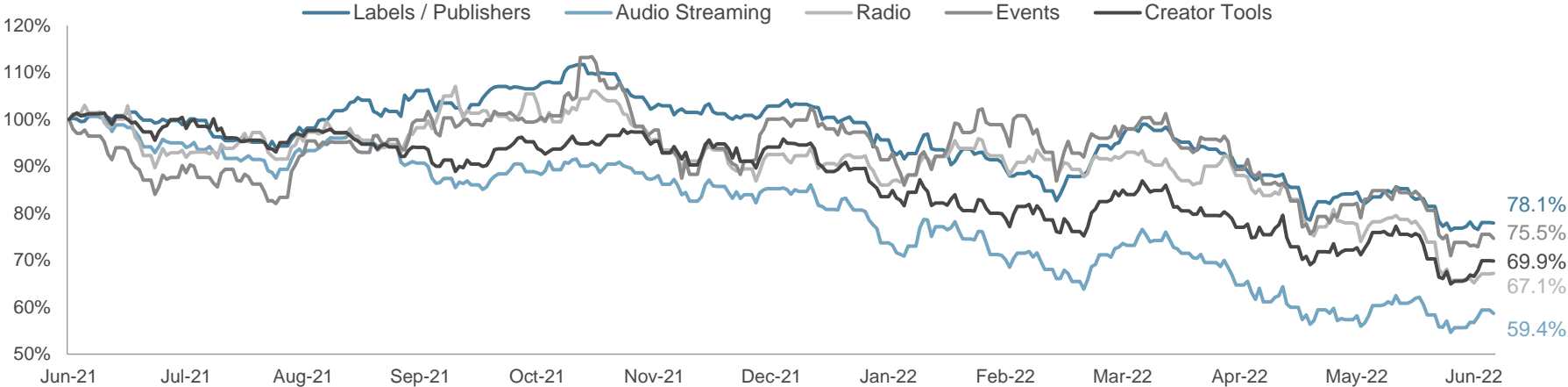
Source: S&P Capital IQ as of June 15, 2022.

(1) Based on announced valuation in April 2022 at time of merger with I2PO SPAC.

Public Market Performance (cont.)

LTM Share Price Performance

(as of 6/27/2022)



Audio Streaming

Music Recording and Publishing

Radio

Events

Creator Tools

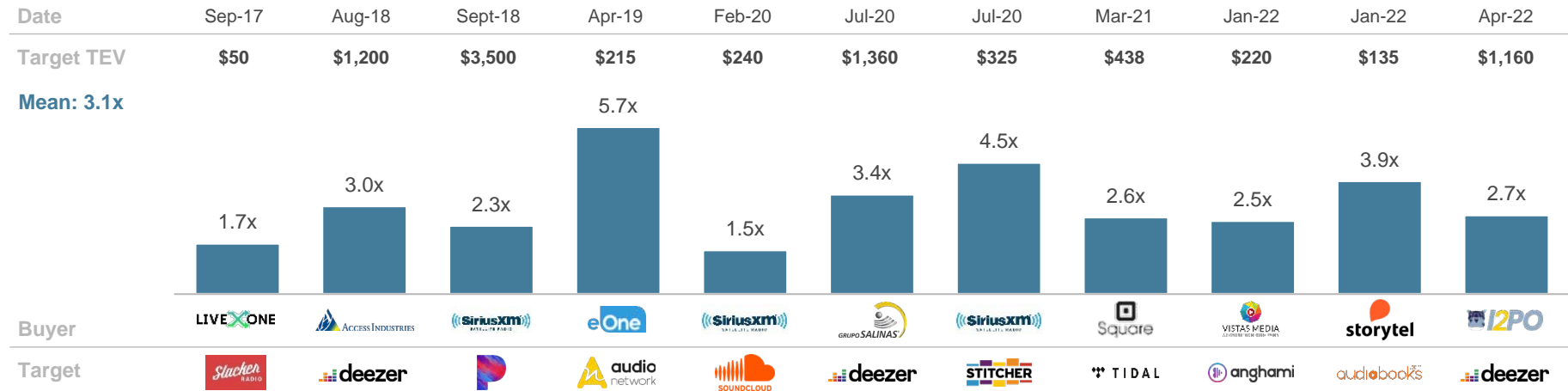
Source: S&P Capital IQ.

Sector M&A Activity

Music Streaming and Record Labels/Music IP

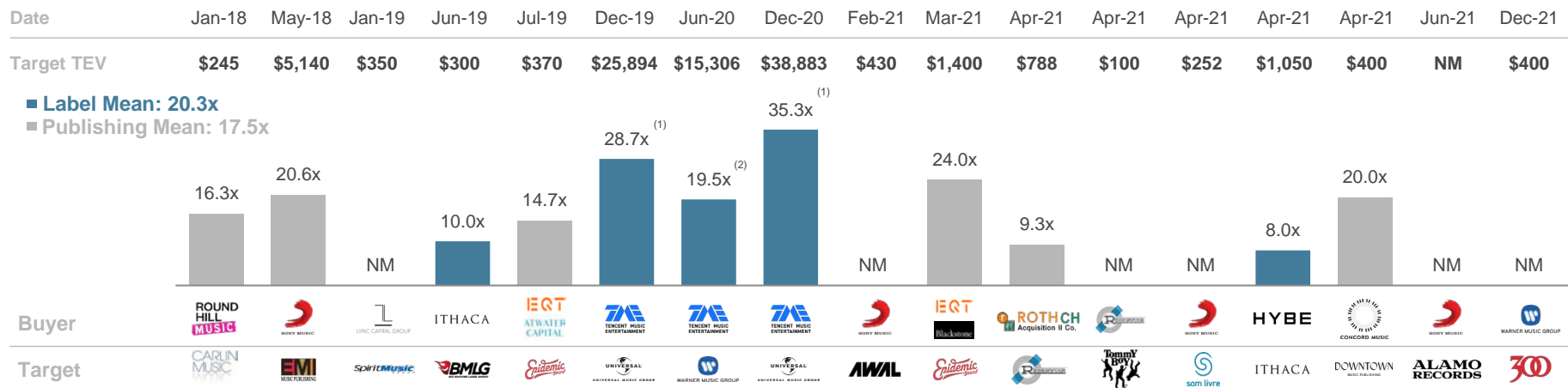
Streaming Audio (TEV/LTM Revenue)

(\$ in millions)



Record Labels/Music IP (TEV/LTM EBITDA)

(\$ in millions)



Sources: S&P Capital IQ, PitchBook, company disclosures, other publicly available information.

(1) Minority sales. TEV and multiple based on Wall Street analyst estimates for Universal Music Group recorded music business.

(2) Minority sale. TEV based on IPO valuation at \$25.0 per share and LTM adjusted EBITDA on June 30, 2020.

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- Special Situations
- Distressed M&A
- Liability Management
- Creditor Advisory

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- Transaction Opinions
- Corporate Valuation Advisory Services
- Transaction Advisory Services
- Real Estate Valuation and Advisory
- Dispute Resolution Consulting

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