

Annual **Music Industry** Report:

Trends & Investment Opportunities

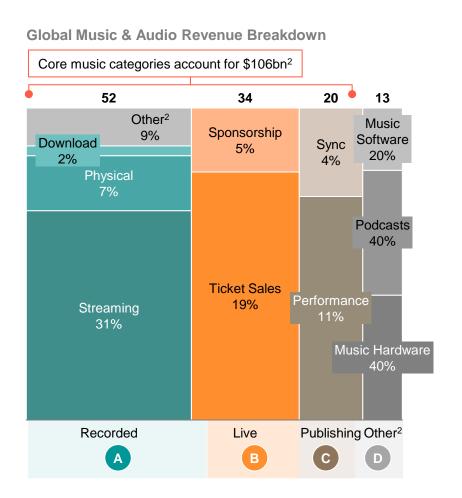
2025 Edition - Key Highlights



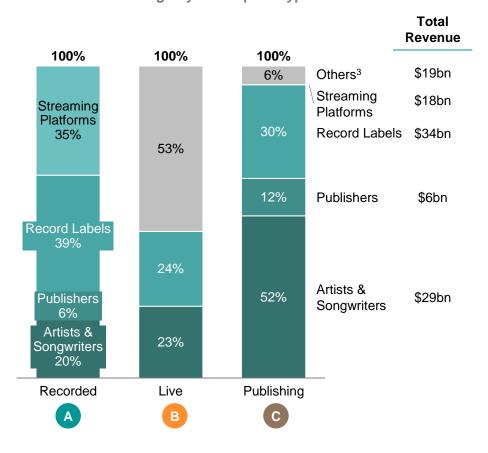


# The Music & Audio industry is worth >\$100bn today, with Recording revenue accounting for c.45% of total revenue

Global Music Revenue, 2024E (%, US\$bn)



**Est. Share of Earnings by Participant Type** 



<sup>1.</sup> Gross revenue 2. Other includes music hardware, software and podcast 3. Others includes synchronisation, performance rights, other digital Source: Midia State of the Music Creator Industry 2023, Goldman Sachs - Music in the Air Report, OC&C analysis

### The volume of music consumption and creation continue to increase rapidly

#### **Amount of Music Consumed and Made**

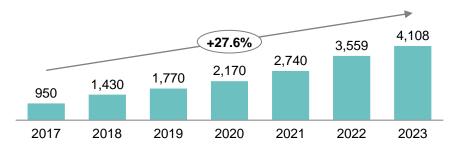
#### Consumers are listening to more music

 There is a global trend of more music being listened to, with an increasingly large number of people signed up to music streaming services



 The amount of time spent listening to music each day has increased, from 17.8hr in 2018 to 20.7hr in 2023 – (global average) and consumption of streams has quadrupled since 2017

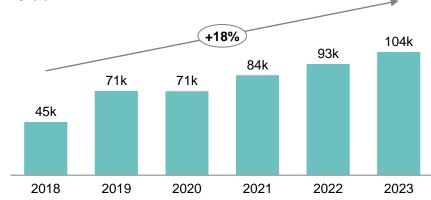
#### Global Audio Song Streams (bn)



#### Musicians are creating more music

- The number of tracks added to Spotify each day has rapidly increased.
  - While not all of the tracks are truly new music (e.g. remasters), this is still a substantial indication that many more musicians and artists are releasing music online
  - More music added to Spotify does not in itself drive more artists royalties (it means the pot is divided more), it is indicative of a dynamics and thriving music landscape
- The number of artists earning over \$10k a year from Spotify has also increased, from 23.4k in 2017 to 66.6k in 2023

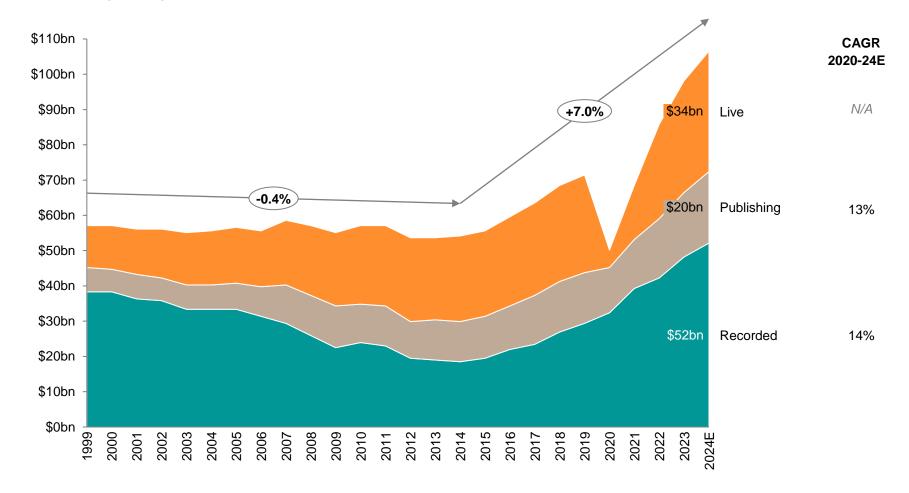
Numbers of Tracks Added to Music Streaming Services Each Day (#)



Source: Luminate, Statista, IFPI report on listening hours, Spotify published numbers on tracks added, Billboard, OC&C analysis

### Core music industry sectors have seen 7%p.a. growth in the last decade...

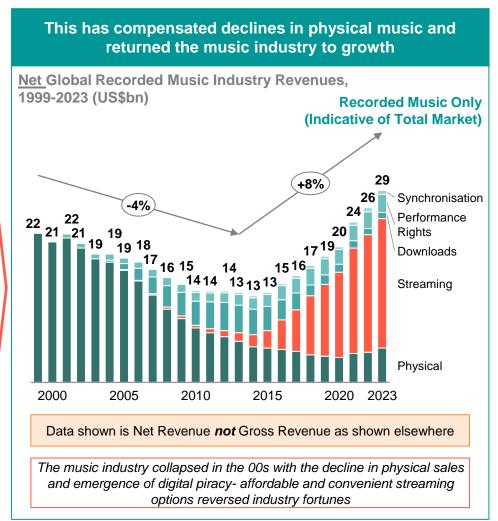
**Gross Global Music Market (Recorded, Publishing, Live) Breakdown** 1999-2024F (US\$bn)



### ... unpinned by continued growth of streaming with global revenues reaching \$19bn in 2023, driving recorded and publishing growth

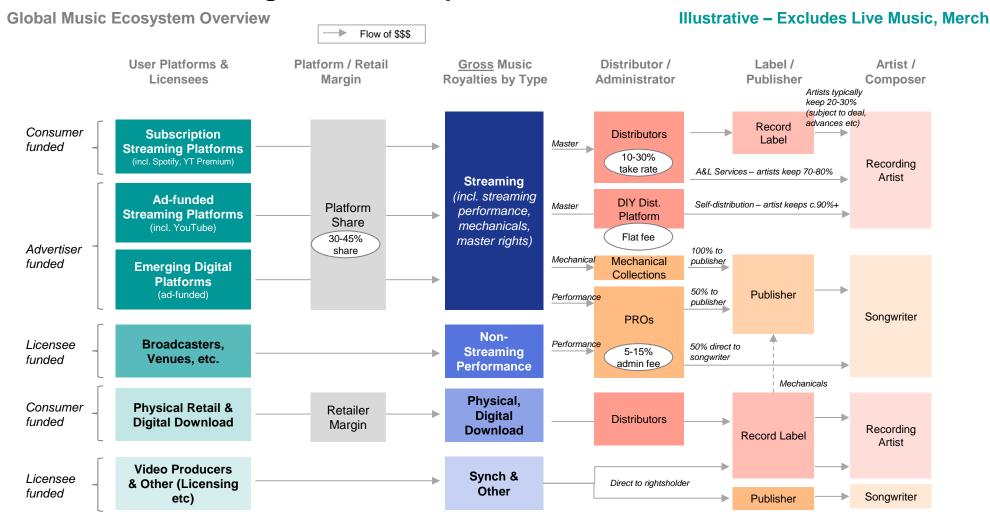
**Streaming Growth Overview** 



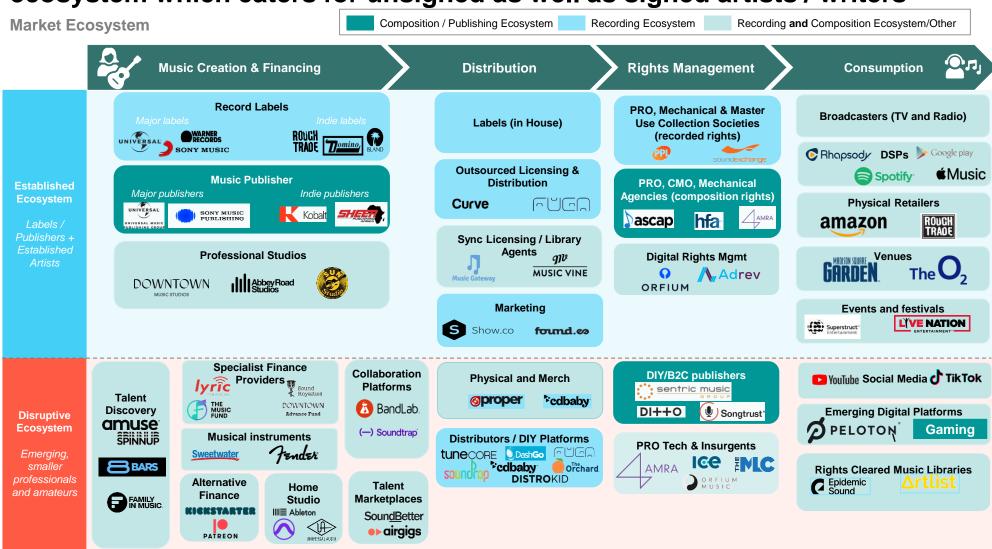


Source: Goldman Sachs, IFPI Global Music Report, OC&C analysis

### The global music ecosystem is underpinned by a complex value chain that enables artists / songwriters to be paid



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



Source: OC&C analysis

### Various GenAI use cases are emerging across the music creation process, and disruption looks set to continue at speed

**Generative AI Disruption – Examples of Music Industry Use Cases** 

# Generative AI can be employed across all stages of music creation, for a wide spectrum of end-users Spectrum of Generative AI Music Use Cases Real-time AI Royalty- Music generation Professional tools Consumer Prosumer Professional

- Generative AI is democratising music creation; anyone can produce music, without advanced technical skills or access to expensive equipment
- Music professionals can also benefit from the integration of gen AI, which can
  provide inspiration by quickly generating unique musical patterns, harmonies
  and rhythms though models are typically limited to recycling older sounds
  - Gen Al also enables simple creation of unique royalty-free music
- Streaming platforms such as Spotify have also made use of generative AI by creating personalised playlists for users in real-time

60%
of musicians already use AI in
music production;
31% for mastering
38% for album artwork

#### **Example Investments**

udio

Founded: 2024 (beta)

**Target User**: Amateur music creators **Funding**: \$10m (Seed round, 2024)

Converts text prompts into full music tracks, including generating

vocals and instrumentation

Founded: 2019

Target User: Content creators

Funding: \$4.5m (Seed round, 2022)

Generates **royalty-free music** tailored to **specific platforms** (e.g. videos, podcasts), genre and mood

Founded: 2017

AMADEUS

Mubert®

**Target User**: Artists and producers **Funding**: \$1.3m (Series A, 2019)

'Songwriting assistant' generates melodies against specific inputs

Founded: 2015

Target User: App developers and

other professionals

**Funding**: \$2.2m (3 rounds, 2017-20) Generates royalty-free music **in real**-

time with easy API integration

Source: Crunchbase, Andreessen Horowitz, Desk Research, OC&C analysis

# Acquisitions have grown over the past 3 years with increasing consolidation and catalogue acquisitions across the industry

Largest Acquisitions<sup>1</sup>, 2021-24 Non-Exhaustive **Business Acquisition** Music Rights Investment Mar 21 Feb 22 UNIVERSAL Jan 23 Feb 24 June 24 Oct 21 BMG SMG acquire Paul Sonv subsidiary The Hipanosis purchases KKR Acquires Superstruct UMG acquire Sting's Sony acquire 50% stake BMG acquire Tina Superstruct Live Simon's publishing Orchard acquires AWAL in Michael Jackson's Turner's share of her song catalogue Justin Bieber's sona entertainment group portfolio ~\$1.2bn catalogue catalogue recordings Value: \$1.3bn Value: c.\$250m Value: \$430m Value: \$300m Value: \$200m Value: \$300m Value: \$600m Mar 21 June 21 March 22 UNIVERSAL Jan 23 Apr 24 Sep 24 **Global Music Rights** OAKTREE (GMR) acquired by **Block** acquire streaming Oaktree Capital invest **EQT & Blackstone** invest **GoDigital Media Group** Shamrock / Universal Blackstone takes over Hellman & Friedman service Tidal development capital in development capital in invest in Series D funding acquires Dr Dre **Hipgnosis Epidemic Sound Primary Wave** - Cing Music Group catalogue Value: \$3.3bn Value: >\$200m Value: \$1.6bn Investment: \$375m Value: \$297m Investment: \$1.4bn Investment: \$375m 2021 2022 2023 2024 Apr 21 **Jun 21** (III) Dec 21 May 22 Oct 22 Nov 23 Dec 24 HARBOUR DOWNTOWN Hipgnosis Songs Capital Blackstone group WMG acquire David SMG acquire Bruce **Sound House BMI** acquired by investor **Universal Music** Spingsteen's masters acquire Justin acquire Entertainment Guetta's recordings Acquisitions bought by aroup led by New acquires Downtown Music **One Music** and publishing rights Timberlake's catalogue catalogue Mountain capital **Harbour View Equity** Value: \$250m Value: >\$100m Value: est \$1.7bn Value: \$775m Value: \$385m Value: \$325m Jan 22 **Jul 21 Sep 23** Apr 21 Sept 22 May 24 resso LitMUS Sonv Music purchase Hipgnosis acquire Red WMG acquire David PE Firm Francisco Litmus Music acquire Asian streaming platform TikTok acquires Som Livre **Hot Chilli Peppers** Katy Perry's song JOOX bought by Tencent Bowie's song catalogue Partners purchases streaming service Resso

Value: \$750m

catalogue

Value: \$225m

Music

Kobalt

Value: \$250m

Value: \$255m

publishing rights

Value: c.\$140m

Sound Investing 2025 Key Highlights | © OC&C Strategy Consultants 2022

Value: \$150m

Value: \$250m

<sup>1.</sup> Deals where price disclosed and >\$100mns

Market Trends & Outlook

### We see continued democratization and evolving monetization strategies at the center of the evolving music industry ....

Trends Overview (1/2)

Continued growth in the established streaming ecosystem

**Price increases with limited churn:** Major DSPs have implemented price hikes, yet subscriber growth and churn rates remain stable. This demonstrates the enduring value proposition of streaming services and signals room for further monetization through pricing strategies.

Subscriber and ad-supported streaming growth in emerging markets: Markets such as India, Brazil, and Southeast Asia are contributing significantly to streaming growth. While ARPU remains lower than in developed markets, increasing incomes and premium adoption rates suggest a long-term revenue opportunity.

Creator economy coming of age

**Indie artists' growing market share:** Independent artists and non-major labels are gaining a larger share of streaming revenues. Indie market share of streams increased from 15% in 2017 to 26% in 2023, reflecting the shifting dynamics of music production and consumption.

Power shift from labels to artists: Artists/IP Owners now have options beyond traditional label deals including service deals, distribution only agreements as well as improved bargaining power due to a range of more songwriter friendly regulation in the US & EU

**DIY platforms for distribution**: Tools like CD Baby, TuneCore, and DistroKid empower artists to distribute their music independently, aligning with the broader creator economy's evolution. However, the momentum around creator economy tools has waned recently, with growing skepticism about their scalability and sustained impact

New (and resurgent) revenue models

Superfan targeted monetisation models: Superfans account for 20% of streaming subscribers but spend 68% more on music-related products than the average listener. Platforms and labels are increasingly focusing on superfans through premium tiers, apps, and exclusive experiences. Examples include, WMG's superfan apps, and HYBE's Weverse platform

Disruption of streaming revenue distribution: Major Labels & DSPs (eg Spotify & Deezer) are reviewing how income from streaming is distributed, both de-monetizing streams generated from ambient sounds and valuing search over playlists

Resurgence in physical sales: Vinyl and CD sales have experienced a resurgence, driven by superfans who spend significantly more than the average listener. This trend represents a significant channel for monetizing dedicated fanbases.

Market Trends & Outlook

### ... as well as continued disruption from new investment and recently, Al driven uncertainty

Trends Overview (2/2)

Private equity capital reshaping the industry

**Investment in catalogue assets**: Private equity funds, institutional investors, and major labels have maintained significant investments in music catalogues due to their reliable returns. However, higher interest rates have tempered this trend for some.

**Catalogue+ investors emerging:** A new wave of "catalogue+ players" like Pophouse and Iconic Artists Group are emerging, extending beyond passive revenue to exploit intellectual property creatively, such as Abba Voyage through initiatives such as immersive fan experiences and monetization of legacy artists' likeness rights, enhancing revenue streams and re-engaging audiences.

**Music service investment**: There is growing interest in music service providers, as evidenced by EQT's acquisition of Believe and Create Music Group. Similarly, PROs have attracted attention, with notable deals such as GMR's acquisition by H&F and New Mountain Capital's BMI purchase

Al-driven uncertainty

**IP Monetisation:** Deals in discussion between tech companies and major labels (eg Google & Universal) are pioneering ways to monetize intellectual property through AI, (for example licence artist voices for AI generated songs).

Music creation: Al tools can assist in composing and producing music, lowering the barriers to entry is likely to continue the trend of more music being produced and published while also raising concerns about the dilution of artistic value going forwards

**Copyright implications:** Al-generated music poses new questions around copyright ownership. Identifying infringements, and determining rights will be complex, impacting both creators and labels

Licencing & rights management tech: Automated systems could in time streamline the licensing process, making it more efficient but also disrupting traditional revenue streams for rights organisations and PROs

#### Potential Investment Themes

#### There are multiple distinct investment themes in the industry today

#### **Market Investment Themes**

#### **Description**

significant increase in the purchase of composition and recorded rights; total spend

PE investors have made substantial investments into PROs – including SESAC, BMI

PROs have benefitted from positive tailwinds from the growth of streaming, and rising

on music catalogue and rights was c.\$5bn in 2021

CRB streaming rates for songwriters and publishers in the US

and GMR more recently

A	Tech Supporting Long Tail of Creators	<ul> <li>Hardware and software for musicians to create high quality music at home, as well a collaboration tools</li> <li>DIY distribution tools allow musicians to release music to DSPs without the need for record or publishing deals</li> </ul>	& colice '	Goldman Sachs invested \$50m in sound library tool for music creators, Splice
В	Generative Al Disruption	<ul> <li>Generative AI is being increasingly utilised within the music industry, with capabilitie including the production of instrumental songs and vocals that mimic the human voi</li> </ul>		Hybe acquired Supertone for \$32m, a Generative AI tool for voice synthesis
С	Music, Discovery and Fan Engagement	<ul> <li>Tools and tech have emerged to help artists connect with fans, virtually and physical</li> <li>Recently tools involving NFTs have emerged</li> <li>Live event discovery and booking platforms are also popular</li> </ul>	fever planity.	Live entertainment discovery platform raised \$220m in latest funding round Fan NFT platform raised \$6.5m in seed funding
D	Live Music & Venue Tech	<ul> <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>	ALL Superstruct Entertainment	KKR acquired Superstruct from Providence equity in 2024 Frontier Growth invested \$30m into atVenu, a merchandise management tool for live events
Е	Tech-enabled Labels & Publishers	<ul> <li>Some publishers and labels are challenging traditional deal terms and offering artist 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>	Kobalt,  C:CREATE MUSIC GROUP  DOWNTOWN MUSIC FUEL SIZERNO	Francisco partners acquired 'admin only' music publisher Kobalt for \$750m
F	Rights Cleared Music Libraries	<ul> <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>	Eidenic △rtlist	EQT and Blackstone Growth invested in Epidemic Sounds, a subscription-based royalty-free music library
			Premium •	Hipgnosis acquired Justin Timberlake's catalogue for

Beat

>\$100m

valuation

catalogue for \$550m

valuation in 2024

Organizations

Source: Desk Research, OC&C analysis

Catalogue

Investment

**Performing** 

**Rights** 



Sony Music Group acquired Bruce Springsteen's

Hellman & Friedman invested into GMR at \$3.3bn

New Mountain Capital invested into BMI at >\$1bn

**Example Investments** 

### **Agenda**

**OC&C** Experience



# OC&C has broad experience across the music value chain – and we have worked on many of the leading acquisitions in the space in recent years

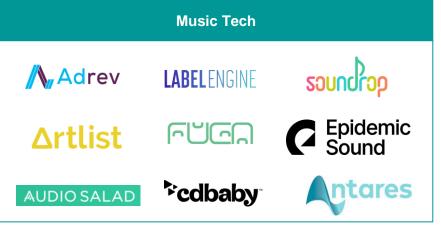
**OC&C** Relevant Credentials – Music

**Not Exhaustive** 









## If you'd like to discuss these topics further, or access our full report, we'd love to hear from you



Ye Chen

Partner

Ye.Chen@occstrategy.com



Toby Chapman

Partner
Toby.Chapman@occstrategy.com



Charlie Bain
Associate Partner
Charlie.Bain@occstrategy.com

# Thank you!

